

MASTER DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
MARINA HILLS PLANNED COMMUNITY
ORANGE COUNTY, CALIFORNIA

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR MARINA HILLS PLANNED COMMUNITY is made this 1st day of September, 1987, by TAYLOR WOODROW HOMES CALIFORNIA LIMITED, a California corporation ("TAYLOR WOODROW"), with regard, to the following facts:

P R E A M B L E

A. TAYLOR WOODROW (the "Declarant") is the owner of that certain real property located in the County of Orange, State of California, defined in Article I below as the First Subdivision and the Annexable Area.

B. Declarant proposes to develop the First Subdivision and other properties to be later annexed for residential and commercial use and in furtherance thereof desires to establish a general plan for their maintenance, care, use and management.

C. This Master Declaration is designed to create equitable servitudes and covenants applicable to and running with all property made subject hereto. Declarant may cause additional property to be annexed and thereby subject to this Master Declaration by causing to be recorded a Declaration of Annexation. Such Declaration of Annexation shall not conflict with the provisions of this Master Declaration, but may impose further conditions, covenants and restrictions for the operation, protection and maintenance of the property to be annexed, -taking into account the -unique aspects of-such property. Such Declaration of Annexation may provide for a Sub-Association of Owners (as hereinafter defined) with rights and powers reasonably necessary to control the operation and maintenance of the annexed property, including, without limitation, the right to assess the Owners within such annexed property for the cost of such operation and maintenance.

D. Declarant hereby declares that the First Subdivision and those portions of the Annexable Area hereafter becoming subject to this Master Declaration in accordance with the provisions of Article III, below, shall, from the date

declared to be subject to this Master Declaration in accordance with the provisions hereof, be owned, encumbered, used, occupied, maintained, altered, and improved subject to the covenants, conditions, restrictions, limitations, reservations, exceptions and terms hereinafter set forth for the duration hereof, all of which are declared to be part of, pursuant to, and in furtherance of a common and general plan of development, improvement, enhancement and perfection of the First Subdivision, and those portions of the Annexable Area which eventually become subject hereto in accordance with the provisions hereof. The provisions of this Master Declaration are expressly intended to and shall run with the land, and shall until their expiration in accordance with the terms hereof, bind, be a charge upon and inure to the benefit of all of the properties made subject hereto, Declarant and its successors or assigns, and all persons having or acquiring any right, title or interest in such properties, and their heirs, successors, executors, administrators and assigns.

E. Each Owner of any of the property made subject hereto will acknowledge, by acceptance of a deed or other conveyance, or by recordation of a notice of addition thereon, that the covenants, conditions, restrictions and reservations herein are reasonable and that Declarant has a substantial interest to be protected with regard to assuring compliance with, and the enforcement of the covenants, conditions, restrictions and reservations herein. •

F. Notwithstanding the foregoing, no provision of this Master Declaration shall be construed as to prevent or limit the right of Declarant to complete development of any property made subject hereto or the construction of any improvements thereon, nor the right of Declarant to maintain model homes, construction, sales or leasing offices or similar facilities on any portion of the property owned by Declarant or the Master Association (as defined herein), nor the right of Declarant to post signs incidental to construction, sales or leasing.

ARTICLE I DEFINITIONS

Unless otherwise expressly provided, the following words and phrases when used in this Master Declaration shall have the meanings hereinafter specified:

Section 1.1. Annexable Area: "Annexable Area" shall mean the real property described in Exhibit "A", which is attached hereto and incorporated herein by this reference.

Section 1.2. Annexed Land: "Annexed Land" shall mean that portion of the Annexable Area which has been annexed into the property which is subject to this Master Declaration pursuant to Article III hereof.

Section 1.3. Architectural Committee: "Architectural Committee" shall mean the architectural and landscaping committee created pursuant to Article IX hereof.

Section 1.4. Architectural Committee Rules: "Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee pursuant to Article IX hereof.

Section 1.5. Articles: "Articles" shall mean the Articles of Incorporation of the Master Association as filed in the Office of the Secretary of the State of California.

Section 1.6. Association Property: "Association Property" shall mean all Master Association Maintenance Areas and all real and personal property now or hereafter owned in fee by the Master Association.

Section 1.7. Beneficiary: "Beneficiary" shall mean a mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be, and the assignees of such mortgagee or beneficiary.

Section 1.8. Board; "Board" shall mean the Board of Directors of the Master Association, elected in accordance with the Bylaws and the Master Declaration.

Section 1.9. Bylaws: "Bylaws" shall mean the Bylaws of the Master Association, as adopted by the Board and approved by the Members of the Master Association.

Section 1.10. Capital Improvement Assessment: "Capital Improvement Assessment" shall mean a charge against each Owner and his Lot or Condominium, representing a portion of the costs of the Master Association for installation or construction of any improvements on any portion of the Master Association Maintenance Areas which the Master Association may from time to time authorize, pursuant to the provisions of this Master Declaration.

Section 1.11. Close of Escrow: "Close of Escrow" shall mean the date on which a deed or long-term ground lease conveying any portion of the Properties is recorded in the Office of the County Recorder.

Section 1.12. Commercial Area: "Commercial Area" shall mean all of the real property which may be classified from time to time as commercial under a Declaration of Annexation

covering such property. Owners in any such Commercial Area shall be subject to those provisions of this Master Declaration as specifically referred to in such Declaration of Annexation, and such other provisions as may be included in such Declaration of Annexation covering such Commercial Area.

Section 1.13. Common Area: "Common Area" shall mean any portion of the Properties designated as a Common Area for the primary benefit of the Owners of Lots within a particular Planned Development, or the Owners of Condominiums within a Condominium Project, to be owned (a) in common by such Owners (within a Condominium Project) or (b) by a Sub-Association in which all such Owners shall be entitled to membership.

Section 1.14. Common Assessment: "Common Assessment" shall mean the annual charge against each Owner and his Lot or Condominium, representing a portion of the total, ordinary costs of maintaining, improving, repairing, replacing, managing and operating the Association Property and for other Common Expenses, which charge is to be paid by each Owner to the Master Association, as provided herein.

Section 1.15. Common Expenses; "Common Expenses" shall mean and refer to the actual and estimated costs of maintenance, management, operation, repair, replacement and improvement of the Association Property (including unpaid Special Assessments, Common Assessments, Reconstruction Assessments, and Capital Improvement Assessments); costs of any gardening, utilities and other services benefiting the Association Property and any recreational facilities which may be constructed thereon; costs of management and administration of the Master Association, including, without limitation, compensation paid by the Master Association to managers, recreational directors, accountants, attorneys and other employees; costs of bonding Members of the Board; taxes paid by the Master Association; amounts paid by the Master Association for discharge of any lien or encumbrance levied against the Association Property, or any portion thereof; and the costs of any other item designated by the Master Association for any reason whatsoever in connection with the Properties, for the benefit of all of the Owners.

Section 1.16. Condominium: "Condominium" shall mean a condominium located in the Properties as defined in Section 783 of the California Civil Code, or any similar California statute hereafter enacted.

Section 1.17. Condominium Project: "Condominium Project" shall mean a project located in the Properties as defined in Section 1351(f) of the California Civil Code, or any similar California statute hereafter enacted.

Section 1.18. Declarant: "Declarant" shall mean TAYLOR WOODROW HOMES CALIFORNIA LIMITED, a California corporation, its successors, and any other Person to which it shall have assigned any rights hereunder by an express written assignment.

Section 1.19. Declaration of Annexation: "Declaration of Annexation" shall mean any declaration of covenants, conditions and restrictions, or similar document, which may in the future be imposed by Declarant or a Participating Builder or which may have been imposed upon any of the real property included in the Annexable Area and which subjects such property to this Declaration and the jurisdiction of the Master Association.

Section 1.20. Deed of Trust: "Deed of Trust" shall mean a mortgage or a deed of trust, as the case may be.

Section 1.21. Delegate: "Delegate" shall mean, a person selected by the Owners within any Planned Development or Condominium Project to represent all of the Owners within such Planned Development or Condominium Project to vote on their behalf, as further provided in this Master Declaration and in the Bylaws.

Section 1.22. Delegate District: "Delegate District" shall mean a geographical area in the Properties in which all of the Members owning Lots or Condominiums shall elect a single Delegate to represent their collective voting power in the Master Association, all as provided herein.

Section 1.23. Family: "Family" shall mean (a) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or (b) a group of not more than five (5) persons not all so related, inclusive of their domestic servants, who maintain a common household in a Residence on a Lot or in a Condominium Unit.

Section 1.24. First Subdivision: "First Subdivision" shall mean the real property described in Section 2.1, below.

Section 1.25. Improvements: "Improvements" shall mean all structures and appurtenances thereto of every type and kind, including, but not limited to, buildings, outbuildings, walls, fences, walkways, bicycle trails, sprinkler pipes, garages, screening walls, retaining walls, stairs, decks, landscaping,, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water softener fixtures or equipment.

Section 1.26. Lot: "Lot" shall mean any lot or parcel of land shown upon any recorded subdivision map or recorded

parcel map of the Properties, including, without limitation, a residential lot or parcel of land and a lot or parcel of land developed as a rental apartment project containing one or more apartment buildings, but excepting any Common Areas, the Master Association Maintenance Areas, Sub-Association Maintenance Areas and any Condominiums.

Section 1.27. Manager: "Manager" shall mean the Person employed by the Master Association, pursuant to the provisions hereof, and delegated the duties, power or functions- of the Master Association as limited by the terms hereof.

Section 1.28. Master Association: "Master Association" shall mean the MARINA HILLS PLANNED COMMUNITY ASSOCIATION, a California non-profit mutual benefit corporation, its successors and assigns.

Section 1.29. Master Association Maintenance Area: "Master Association Maintenance Area" shall mean all of the real property, which may include, without limitation, vegetation, equestrian trails, sidewalks, bicycle pathways, the median strip within Marina Hills Drive, recreation buildings and other Improvements, which is located in the Properties to be (a) owned by the Master Association or (b) maintained by the Master Association and so classified in accordance with any Declaration of Annexation, if and after such Declaration of Annexation is recorded.

Section 1.30. Master Declaration: "Master Declaration" shall mean this Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for MARINA HILLS PLANNED COMMUNITY, as it may be amended from time to time.

Section 1.31. Member: "Member" shall mean every Person holding a membership in the Master Association.

Section 1.32. Mortgage: "Mortgage" shall mean any mortgage or deed of trust or other conveyance of a Lot, Condominium or other portion of the Properties to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used shall be synonymous with the term "Mortgage".

Section 1.33. Mortgagee: "Mortgagee" shall mean a person or entity to whom a Mortgage is made and shall include the beneficiary of a Deed of Trust. The term "Beneficiary" shall be synonymous with the term "Mortgagee".

Section 1.34. Mortgagor: "Mortgagor" shall mean a person or entity who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor

of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor".

Section 1.35. Notice and Hearing: "Notice and Hearing" shall mean written notice and a public hearing before the forum appointed by the Board, at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at the Owner's expense, in the manner further provided in the Bylaws.

Section 1.36. Owner: "Owner" shall mean the Person or Persons, including Declarant and any Participating Builder, holding a fee simple or long-term leasehold interest of record to a Lot or Condominium, including sellers under executory contracts of sale, but excluding those having such interest merely as security for the performance of any obligation. The fee owner of a Lot on which an apartment building or buildings are or may be constructed shall be deemed to be an "Owner" subject to the terms of this Master Declaration.

Section 1.37. Participating Builder: "Participating Builder" shall mean a Person which acquires a portion of the Properties for the purpose of improving such portion for resale to Owners.

Section 1.38. Person: "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

Section 1.39. Planned Development: "Planned Development" shall mean an area of the Properties, other than a Condominium Project or apartment project, which may or may not be defined as a planned development in Section 1351(c) of the California Civil Code.

Section 1.40. Properties: "Properties" shall mean all property which is or may hereafter become subject to this Master Declaration and to the jurisdiction of the Master Association as provided herein.

Section 1.41. Records, Recorded, Filed and Recordation: "Records", "recorded", "filed" and "recordation" shall mean, with respect to any document, the recordation or filing of such document in the Office of the County Recorder.

Section 1.42. Reconstruction Assessment: "Reconstruction Assessment" shall mean a charge against each Owner and his Lot or Condominium, representing a portion of the cost to the Master Association for reconstruction of any portion of the improvements on the Association Property pursuant to the provisions of this Master Declaration.

Section 1.43. Residential Area: "Residential Area" shall mean those portions of the Properties which may be so classified in accordance with Article III.

Section 1.44. Residential Lot: "Residential Lot" shall mean a Lot located within a Residential Area, together with the improvements, if any, thereon intended for use as a single-family residence.

Section 1.45. Residence: "Residence" shall mean a dwelling on a Residential Lot intended for use and occupancy by a single Family.

Section 1.46. Rules and Regulations: "Rules and Regulations" shall mean such rules and regulations as adopted by the Board governing the use and occupancy of the Properties or any portion thereof.

Section 1.47. Special Assessment: "Special Assessment" shall mean a charge against a particular Owner and his Lot or Condominium, directly attributable to the Owner, equal to the cost incurred by the Master Association or those acting under its direction for corrective action, pursuant to the provisions of this Master Declaration.

Section 1.48. Sub-Association: "Sub-Association" shall mean a non-profit mutual benefit California corporation, or unincorporated association, or its successors in interest, organized and established or authorized pursuant to or in connection with a Declaration of Annexation and of which the Membership is composed of Owners of Lots or Condominiums within a portion of the Properties.

Section 1.49. Sub-Association Maintenance Areas: "Sub-Association Maintenance Areas" shall mean any portion of the Properties owned separately by individual Owners (within a Planned Development) over which a Sub-Association has an easement for maintenance purposes.

Section 1.50. Subdivision: "Subdivision" shall mean a parcel of real property which has been divided or separated into Lots, or a single Lot, as shown on a recorded Subdivision Map or recorded Parcel Map.

ARTICLE II
FIRST SUBDIVISION

Section 2.1. Property Description: Declarant hereby declares that the following described real property is hereby made subject to this Master Declaration (the "First Subdivision"), and is more particularly described as follows:

Tract 12675 as shown on Map recorded in Book 572, Pages 1, 2 and 3 of Miscellaneous Maps, Official Records of Orange County, California.

Section 2.2. Land Classification: All that real property described above as the First Subdivision shall be and is hereby designated as the Master Association Maintenance Area.

Section 2.3. Conveyance to Master Association: Declarant hereby covenants for itself, its successors and assigns that fee simple title to the First Subdivision shall be conveyed to the Master Association prior to the Close of Escrow for the sale of the first Lot or Condominium- of any Subdivision in the Annexable Area to an Owner. In the event that fee simple title to such property is conveyed to the Master Association, such title shall be conveyed free and clear of all encumbrances and liens, except current real property taxes, which taxes shall be prorated to the date of transfer, and except dedications, easements, conditions and reservations then of record including those set forth in this Master Declaration. For purposes of this section, easements for utilities and any easement in favor of the general public over sidewalks or bicycle pathways conveyed to the Master Association for ingress to and egress from any sales office or model home complex of Declarant, shall not constitute a lien or encumbrance, and shall not preclude the conveyance to the Master Association of such property. As each Subdivision in the Properties is developed by Declarant or by a Participating Builder, Declarant covenants for itself, its successors and assigns that it will similarly convey, or cause to be conveyed to the Master Association, an easement over, or title to, any Master Association Maintenance Areas within that Subdivision, prior to or concurrently with the Close of Escrow for the sale to an Owner of the first Lot or Condominium, as the case may be, in that Subdivision.

ARTICLE III
ANNEXATION

Section 3.1. By Declarant/Consents: Declarant may, but shall not be required to, from time to time, add to the real property which is covered by this Master Declaration all or any portion of the real property described above as the Annexable Area by recording a Declaration of Annexation with respect to the real property to be annexed ("Annexed Land"). If any proposed annexation under this Section 3.1 shall not be effected prior to the third (3rd) anniversary of the original issuance of the most recently issued Final Subdivision Public Report from the California Department of Real Estate for an increment in the Annexable Area ("Third Anniversary"), then such annexation shall further require the vote or written consent of Delegates representing at least two-thirds (2/3rds) of the total voting power of the Master Association plus two-thirds (2/3rds) of the votes of Members excluding Declarant and all Participating Builders; provided, however, that if any

delay beyond such Third Anniversary is the result of causes beyond the reasonable control of Declarant, then a proposed annexation may be made by Declarant without such vote or written consent of Delegates for the period of such delay but not extending beyond one year following the Third Anniversary without such consent.

Section 3.2. Effect of Annexation: Upon the recordation of a Declaration of Annexation, this Master Declaration shall apply to the Annexed Land in the same manner as if such Annexed Land had originally been subject to this Master Declaration and had originally constituted a portion of the Properties; and thereafter the rights, privileges, duties and liabilities of the parties to this Master Declaration with respect to the Annexed Land shall be the same as with respect to the First Subdivision, and the rights, obligations, privileges, duties and liabilities of the Owners, lessees and occupants of Lots or Condominiums on or in the Annexed Land shall be the same as though the Annexed Land had originally been subject to this Master Declaration; provided, however, that membership rights in the Master Association shall not accompany ownership of property in any Commercial Area.

Section 3.3. FEA/VA Approval: For so long as and provided the Federal Housing Administration ("FHA") or the Veterans Administration ("VA") is insuring or guaranteeing loans on any portion of the Properties, or has agreed to insure or guarantee such loans, then a condition precedent to such annexation shall be that the annexation be in accordance with and approved by the FHA or VA. Moreover, in the event that any Commercial Area is annexed to the Properties, the manner in which such areas shall participate shall be set forth with particularity in the applicable Declaration of Annexation and shall be subject to the prior approval of the FHA, VA and any other applicable agency.

Section 3.4. Declaration of Annexation: Each Declaration of Annexation shall contain at least the following provisions:

(a) A reference to this Master Declaration and any amendments hereof, which shall include the date of recordation and the book and page numbers where this Master Declaration and any amendments hereof are recorded.

(b) A statement that this Master Declaration shall apply to the Annexed Land as set forth herein.

(c) An exact description of the Annexed Land.

(d) The use classification of the Annexed Land.

The provisions of any Declaration of Annexation shall not conflict with the provisions hereof but may impose such further conditions, covenants, restrictions, land uses and limitations as Declarant may deem advisable, taking into account the particular requirements of each increment. This Master Declaration shall control in the event of any conflict between any Declaration of Annexation and the provisions of this Master Declaration, although the documents shall be construed to be consistent with one another to the extent possible.

Section 3.5. Execution of Declaration of Annexation:
For so long as Declarant has the right to annex real property without the approval of the Delegates as provided herein, each Declaration of Annexation relative to real property owned by Declarant must be signed only by Declarant. From and after the date on which any annexation shall require the approval of the Delegates as herein provided, each Declaration of Annexation must also be signed by at least two (2) officers of the Master Association, certifying that such approval has been given.

Section 3.6. Sub-Associations: A Declaration of Annexation may, but need not, provide for the establishment of a Sub-Association, to be composed of Owners of Lots or Condominiums within the real property subject to such Declaration of Annexation.

Section 3.7. Notice of Deletion: Declarant may delete all or any portion of the Annexed Land from the coverage of this Master Declaration and rescind any Declaration of Annexation, provided Declarant is the sole owner of all of the real property described in the Declaration of Annexation to be rescinded, and provided further that such deletion and rescission is in accordance with the provisions of Section 11018.7 of the California Business and Professions Code, or any similar California statute hereafter enacted. Such deletion shall be effective by the recordation of a Notice of Deletion of Territory, signed by Declarant, in the same manner as the Declaration of Annexation to be rescinded was recorded.

ARTICLE IV MASTER ASSOCIATION

Section 4.1. Organization: The Master Association is organized as a California non-profit mutual benefit corporation under the California Non-profit Corporation Law. The Master Association is charged with the duties and vested with the powers prescribed by law and as set forth in the Articles, Bylaws, and this Master Declaration. Neither the Articles nor Bylaws shall, for any reason, be amended or otherwise changed

so as to be inconsistent with this Master Declaration." In the event that there should exist any ambiguity in any provision of the Articles or Bylaws, then such provision shall be construed, to the extent possible, so that such provision shall be consistent with the provisions of this Master Declaration. Nothing in this Master Declaration shall prevent the creation, by provision therefor in Declarations of Annexation, of Sub-Associations to assess, regulate, maintain or manage the portions of the Properties subject "to such Declarations of Annexation, or to own or control portions thereof for the common use or benefit of the Owners of Lots or Condominiums in the portion of the Properties subject to such Declarations of Annexation.

Section 4.2. Membership: Each Owner of one or more Lots or Condominiums in a Residential Area of the Properties shall be a Member of the Master Association and subject to this Master Declaration, the Articles, the Bylaws, and the Rules and Regulations. An Owner may be a member of a Sub-Association, as well as a Member of the Master Association. Memberships in the Master Association shall not be assignable, except to the successor-in-interest of the Owner, and all memberships in the Master Association shall be appurtenant to the Lot or Condominium owned by such Owner. The memberships in the Master Association shall not be transferred, pledged or alienated in any way except upon the transfer of title to said Lot or Condominium, and then only to the transferee of title to said Lot or Condominium. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Master Association.

Section 4.3. Easement Over Association Property: An non-exclusive easement of use and enjoyment in and to all Association Property is hereby granted to all Members. Such easement shall be appurtenant to and shall pass with the title to such Lot or Condominium. A Member shall have the right to delegate his rights of use and enjoyment of the Association Property to a lessee or tenant of his Lot or Condominium.

Section 4.4. Delegate System: In order to provide a means by which the Members may vote on matters concerning the Master Association, including the election of Directors, there is hereby established a Delegate system of voting whereby a Member is elected to be a Delegate and thereby empowered to cast votes on behalf of certain Members, all in accordance with the following:

(a) Election of Delegates; Removal. The Properties shall be divided by the Declarant into Delegate Districts. Each Delegate District shall elect one (1) Delegate to the Master Association to exercise the voting power of all of the Members in such Delegate District.

Such Delegate shall serve for a period of one (1) year, or until his successor is elected, whichever is, - later, unless the Delegate is removed as herein provided- In the event a Delegate District fails to elect a Delegate, the Board may appoint a Delegate to serve until a Delegate is duly elected. The chairman of any meeting at which a Delegate is elected shall certify in writing to the Board the name and address of the Delegate elected, the time and place of the meeting at which the election occurred and the Delegate District which the Delegate represents. A Delegate may be removed without cause by the vote in person or by proxy at any duly constituted meeting of at least a majority of the Members in the Delegate District. Only Members of the Master Association shall be eligible for election as Delegates. Upon termination of any Delegate's membership in the Master Association, such Delegate's term of office shall immediately terminate and a new Delegate shall be elected in his place.

(b) Voting By Members. The election of a Delegate and other actions to be taken by the Members shall be so taken by Members holding a majority of the voting power in such Delegate District in accordance with the voting procedures set forth below:

(i) Voting Classes. Within any such Delegate District, there shall be two classes of voting memberships:

Class A. Initially, Class A Members shall be all Members except Declarant and any Participating Builder. Each Class A Member shall be entitled with respect to single-Family Residential Lots or Condominiums, to one (1) vote for each such Lot or Condominium which he owns within the Delegate District, and, with respect to multiple-Family Lots developed as rental apartments, one (1) vote for each three (3) apartment units included within each Lot owned by that Member in the Delegate District. In the event that there is a fraction remaining after dividing the number of apartment units located on any one Lot in such Delegate District subject to this Master Declaration by the integer three, then the Owner of such Lot shall be entitled to cash one (1) entire vote for such fraction. Declarant and any Participating Builder shall become Class A Members, with regard to Lots or Condominiums owned by Declarant or any Participating Builder upon the conversion of

Class B memberships to Class A memberships as provided below.

Class B. Declarant and the Participating Builders shall be the sole Class B Members. The Class B Members shall be entitled to three (3) times the number of votes to which the Class B Members would have been entitled as a Class A Member. The Class B Members shall cease as to that Delegate District and be converted to Class A Members on the happening of either of the following events, whichever occurs earlier:

(aa) When the total votes outstanding in the Class A memberships for that Delegate District equal the total votes outstanding in the Class B memberships for that Delegate District, or

(bb) Two (2) years from the date of the original issuance of the most recent Public Report by the California Department of Real Estate for any portion of that Delegate District, or

(cc) The tenth (10th) anniversary of the original issuance of the Final Public Report for the first phase of the Properties.

(ii) Record Owners. Those Members appearing, in the Official Records of the County Recorder at 8:00 a.m. on a date fifteen (15) business days prior to the date of any meeting of the Members required or permitted to be held under this subsection (b), as record Owners of Lots or Condominiums located in Delegate District shall be entitled to attend any such meeting, either in person or by proxy. If there is more than one record Owner of any Lot or Condominium, any and all of the Members owning such Lot or Condominium may attend any meeting of the Members, but the vote attributable to the Lot or Condominium so owned shall not be increased by reason thereof. The vote attributable to such Lot or Condominium, and to the Members owning such Lot or Condominium, shall be cast only by the Member holding a majority interest in such Lot or Condominium. No vote may be cast or counted for a Lot or Condominium without a majority Owner until notice has been-filed with the Board prior to such meeting indicating who shall be entitled to cast the

vote attributable to such Lot or Condominium. In the event that no such notice has been filed for any Lot or Condominium without a majority Owner, then no vote with respect to such Lot or Condominium shall be cast or counted. In all instances in which the Members owning a Lot or Condominium are husband and wife, unless written notice to the contrary signed by either spouse is given to the Board prior to the meeting, then either one spouse attending in person or by proxy shall be entitled to cast the entire vote attributable to both spouses, but if both spouses attend in person or by proxy and attempt to vote separately, then no vote shall be counted for such Lot or Condominium. In the event of any dispute as to entitlement of any Member to vote or the results thereof, the Board shall act as arbitrators and a decision of a disinterested majority of the Board shall, if rendered in writing, be final and binding as an arbitration award and shall be acted upon in accordance with the California Arbitration Act; provided, however, that the Board shall have no jurisdiction to determine any matters relating to the entitlement of Declarant to vote or the manner of its exercise thereof.

(iii) Proxies. Every Member entitled to attend, vote at or exercise consents with respect to any meeting of the Members in a Delegate District may do so either in person, or by a representative, known as a proxy, duly authorized by an instrument in writing, filed with the Board prior to the meeting to which it is applicable. Any designation of a representative to act for a Member may be revoked at any time by written notice to the Board or by attendance in person by said Member at the meeting for which such designation was given. Such powers of designation and revocation may be exercised by the guardian of any such Member's estate or by his conservator, or in the case of a minor having no guardian, by the parent entitled to his custody, or during the administration of any such Member's estate, by his executor or administrator where the latter's interest in said property is subject to administration in his estate.

(iv) Appurtenant to Lot. The right to vote in any such Delegate District may not be severed or separated from the ownership of the Lot or Condominium to which it is appurtenant, except that any Member may give a revocable proxy in the manner described above, or may assign his right to vote to a lessee or tenant actually occupying his Lot or

Condominium or to a Mortgagee of the Lot or Condominium concerned, for the term of the lease or mortgage, and any sale, transfer or conveyance of such Lot or Condominium to a new Owner shall operate automatically to transfer the appurtenant vote to the new Owner, subject to any assignment of the right to vote to a lessee or Mortgagee as provided herein.

(c) Meetings of Members.

(i) Annual Meeting. There shall be an annual meeting of the Members in any such Delegate District to elect a Delegate to serve for the succeeding year and to vote on such other matters as are properly before the Members, which meeting shall be held not less than ten (10) days nor more than sixty (60) days prior to every annual meeting of the Master Association. The first meeting of the Members in such Delegate District, whether annual or special, shall be held no later than forty-five (45) days after escrow shall have closed for the sale of a majority of the Lots or Condominiums authorized for sale under the first Public Report issued by the California Department of Real Estate for such Delegate District, and in no event shall the first meeting be held later than six (6) months after the Close of Escrow for the sale of the first Lot or Condominium in such Delegate District. Such meeting shall be held in the Delegate District or at such other convenient location on or near the Properties and within the County of Orange, California, as may be designated in the notice of the meeting. Written notice of the time, place and purpose of each annual meeting shall be sent by the Board by first-class mail no later than ten (10) days prior to the meeting to each Member of record within the Delegate District as shown upon the records of such Delegate District upon the date which is twenty (20) days prior to the meeting date.

(ii) Special Meeting. A special meeting of the Members in such Delegate District may be called at any reasonable time and place by written notice (aa) by the Participating Builder, for so long as it is a Class B Member, (bb) by Declarant, for so long as Declarant is the sole Class B Member, (cc) by the Delegate representing Members in such Delegate District, (dd) by the Members in the Delegate District having five percent (5) of the total votes within such Delegate District, or (ee) so long as Declarant or any Participating Builder owns any Lot

or Condominium in such Delegate District, by "Members in the Delegate District representing fifteen percent (15%) of the voting power residing in Members other than Declarant. Such notice must be sent by first-class mail to all Members not less than ten (10) days prior to the date fixed for such special meeting, specifying the date, time and place thereof and the nature of the business to be undertaken.

(iii) Quorum. The presence at any meeting, in person or by written proxy, of the Members entitled to vote at least twenty-five percent (25%) of the total votes within such Delegate District shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings.

(iv) Vote Required. Except as provided in Subsection 4.4(c)(v), below, any action authorized hereunder may only be taken at any meeting of such Members in which a quorum is present.

(v) Actions Without a Meeting. The Members may take actions authorized hereunder without a meeting if the Members consent in writing to the action to be taken in accordance with the procedures for actions without a meeting as set forth in the Bylaws.

(d) Voting By Delegates. Each Delegate will be entitled to cast the total number of votes entitled to be cast by the Members within the Delegate District represented by such Delegate, including Declarant and any Participating Builder, after giving effect to the provisions of Subsection 4.4(b)(i) regarding two-class voting and those provisions of the Bylaws regarding cumulative voting. Each Delegate shall cast all of the votes in his or her District in the same proportion, as nearly as possible without counting fractional votes, as the Members actually voting in such Delegate District have voted "for" and "against" such issue. Each Delegate shall be entitled to cast the votes representing each

Member in his Delegate District only during such periods as such Member may be entitled to cast votes for the election of a Delegate as provided herein.

(e) Representation of Owners. Whenever a matter is to be acted upon by the Members, written notice of the substance of the matter shall be given to the Delegates at least sixty (60) days prior to the date on which the matter shall be discussed at a meeting of the Delegates or the date on which the matter shall become effective if adopted without a meeting by written consent of the Delegates. During the 60-day period prior to the meeting of the Delegates called to consider a proposition or the effective date of any unanimous written consent without a meeting, the Delegates shall submit the proposition to a vote of the Members within their respective Delegate Districts.

(f) Presumption of Authority. It will be presumed for all purposes of Master Association business that any Delegate casting votes on behalf of the Members owning Lots or Condominiums in his Delegate District will have acted with the authority and consent of all such Members. All agreements and determinations lawfully made by the Master Association in accordance with the voting procedures established herein, and in the Bylaws, shall be deemed to be binding on all Members, Owners and their respective successors and assigns.

(g) Notice of Votes Cast By Delegate. Each Delegate shall deliver to the chairman of the meeting of the Delegates, or to the Secretary of the Master Association in the case of action to be taken by written consent, a written notice listing (i) the total number of votes belonging to his or her Delegate District, (ii) the total number of votes actually being cast in such Delegate District, (iii) the number of votes in such Delegate District not attributable to Lots or Condominiums owned by Declarant and any and all Participating Builders, and (iv) the total number of votes cast by such Delegate in favor of the matter being voted upon that are attributable to Members other than Declarant and all Participating Builders.

(h) Delegate Appointed by Declarant. Declarant shall have the right to appoint one (1) Delegate to the Master Association, which Delegate shall have only one (1) vote, until the earliest to occur of the following:

(i) At such time as the Close of Escrow to the public shall have occurred for the sale by Declarant and any Participating Builders of at least one

thousand four hundred ninety (1,490) Lots or Condominiums (for purposes of this subsection (i) each apartment unit located on any Lot in the Properties shall count as the sale of one (1) Lot upon the rental or lease of such apartment unit); or

(ii) At such time as neither Declarant nor any Participating Builder has any authority to annex real property in the Annexable Area to the Properties without the consent of the Delegates as provided in Article III; or

(iii) December 31, 2000.

(i) Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote in any meeting of the Members in any Delegate District, for any period during which the payment of any Common, Capital Improvement or Reconstruction Assessments against such Member and the real property owned by such member remains delinquent, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay Assessments provided for herein.

ARTICLE V

FUNCTIONS OF MASTER ASSOCIATION

Section 5.1. Powers and Duties: The Master Association shall have all of the powers of a California non-profit mutual benefit corporation, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws or this Master Declaration. It shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Master Association under and by virtue of this Master Declaration, the Articles, and the Bylaws, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Master Association. Without in any way limiting the generality of the foregoing provisions, the Master Association shall have the power and obligation at any time:

(a) Meetings; Appointment of Delegates. To take such actions as necessary to notice and conduct meetings of the Members and to appoint Delegates in accordance with Section 4.4, above.

(b) Assessments. To levy assessments on the Owners of Lots and Condominiums within the Properties and to enforce payment of such assessments in accordance with the provisions of Article VI hereof.

(c) Rights of Entry and Enforcement. After Notice and Hearing, without being liable to any Owner or Sub-Association, to enter upon any Common Area, Lot or Condominium, for the purpose of enforcing by peaceful means this Master Declaration, or for the purpose of maintaining or repairing any such area if for any reason whatsoever the Owner thereof fails to maintain or repair any such area as required by this Master Declaration. Unless there exists an emergency, there shall be no entry into a Condominium unit or into a dwelling unit on a Lot without the prior consent of the Owner thereof. The Master Association shall also have the power and authority from time to time in its own name, on its behalf or on behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Master Declaration and to enforce, by mandatory injunctions or otherwise, all of the provisions of this Master Declaration. In the event of any action brought by the Master Association, the prevailing party shall be entitled to reasonable attorneys' fees to be fixed by the court.

(d) Easements and Rights-of-Way. To grant and convey with the consent of Declarant (which consent shall not be unreasonably withheld) for so long as Declarant may appoint a Delegate to the Master Association, to any Person, easements, rights-of-way, parcels or strips of land, in, on, over or under any portion of the Master Association Maintenance Area or other Association Property for the purpose of constructing, erecting, operating or maintaining thereon, therein and thereunder: (i) roads, streets, walks, driveways, parkways and park areas; (ii) overhead or underground lines, cables, wires, conduits, or other devices for the transmission of electricity for lighting, heating, power, television, telephone and other similar purposes; (iii) sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; and (iv) any similar public or quasi-public Improvements or facilities.

(e) Repair and Maintenance of Association Property. To paint, plant, maintain and repair in a neat and attractive condition all Master Association Maintenance Area and any other Association Property and all Improvements thereon, and to pay for utilities, gardening

service and other necessary utility or other services for the said Master Association Maintenance Areas and any other Association Property; provided, however, that the Master Association shall have no responsibility to provide the services referred to in this paragraph with respect to any Improvement which is not classified as a portion of the Association Property in a Declaration of Annexation. Such responsibility shall be that of the Owner concerned, as provided in this Master Declaration, or as described in the Declaration of Annexation.

(f) Manager. To retain and pay for the services of a professional person or firm to manage the Master Association Maintenance Area and any other Association Property (the "Manager"), as well as such other personnel as the Board shall determine shall be necessary or proper for the operation of the Association Property or the conduct of the business of the Master Association, whether such personnel are employed directly by the Master Association or are furnished by the Manager. The Master Association and the Board may delegate any of their duties, powers or functions to the Manager, provided that any such delegation shall be revocable upon notice by the Master Association or Board.

(g) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association Property, enforcement of this Master Declaration, or in performing any of the other duties or rights of the Master Association.

(h) Insurance. To obtain and maintain in force the following policies of insurance:

(i) Fire and extended coverage insurance on all Improvements, if any, under the control or ownership of the Master Association, the amount of such insurance to be not less than one hundred percent (100%) of the aggregate full insurable value, meaning actual replacement value. Such insurance shall insure the Master Association and its Mortgagees, as their interests may appear. As to each such policy, which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss.

(ii) Bodily injury liability insurance"; with limits of not less than One Million Dollars (\$1,000,000.00) insuring against liability for bodily injury, death and property damage arising from the activities of the Master Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured.

(iii) Worker's Compensation insurance to the extent necessary to comply with any applicable laws.

(iv) Such other insurance, including malicious mischief, medical payments, liquor liability, directors and officers errors and omissions insurance, indemnity and other bonds, as the Board shall deem necessary or expedient to carry out the Master Association functions as set forth herein or in the Articles and Bylaws.

The liability insurance referred to above shall name as separately protected insureds, Declarant, the Master Association, the Board, and their representatives, members and employees, with respect to any liability arising out of the maintenance or use of any Association Property. Every policy of insurance obtained by the Master Association shall contain an express waiver, if available, of any and all rights of subrogation against Declarant, the Board, and their representatives, members, employees and successors in interest.

Said fire and liability insurance policies may be blanket policies covering the Association Property and property of Declarant or Participating Builder, in which case the Master Association and Declarant or Participating Builder shall each pay their proportionate share of the premiums. With respect to insurance proceeds from the Association Property only, the Master Association shall be deemed trustee of the interests of all Members and Owners in any insurance proceeds paid to it under any such policies, and shall have full power to receive and to receipt for their interests in such proceeds and to deal therewith. In the event that the proceeds of such insurance policies are inadequate to pay for the entire cost of repair, replacement or reconstruction of the Master Association Maintenance Areas and any other Association Property, the Board may levy a Reconstruction Assessment on each Owner and his respective Lot or Condominium in accordance with Section 6.4, below. Notwithstanding any other provisions herein, the Master Association shall continuously maintain in effect

such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for planned unit development established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Federal Home Loan Mortgage Association ("FHLMC"), so long as any of which is a Mortgagee or Owner of a Lot or Condominium within the Properties, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

(i) Construction on Association Property. The Master Association (by action of the Board) may construct new Improvements or additions to the Association Property, or demolish existing Improvements, additions or demolition (other than maintenance or repairs to existing Improvements) in accordance with the provisions of this Master Declaration.

(j) Contracts. Neither Declarant, nor any Participating Builder nor any of their agents, shall enter any contract which would bind the Master Association or the Board for a period in excess of one (1) year and shall be terminable by either party thereto without cause or payment of a termination fee upon ninety (90) days written notice thereof, and shall be terminable for cause on thirty (30) days written notice, except as provided in the Bylaws. The Master Association, acting through the Board, may enter into contracts with Declarant, Sub-Associations, Lot or Condominium Owners or other Persons in the Developed Area or the Annexable Area to maintain and repair slope areas and other areas subject to the provisions of this Master Declaration. No Master Association contract or Sub-Association contract may be awarded to any firm or entity, other than Declarant, in which any Board member or relative of any member of the Board of either the Master Association or any Sub-Association has any financial or other interest. This restriction applies to all contracts for twelve (12) months after a member of the Board leaves his position on a Board.

(k) Audit. The Board shall provide for an annual independent audit of the accounts of the Manager and Master Association and for delivery of a copy of such audit to each Owner in the manner provided in the Bylaws. Any Owner, accompanied by an accountant, may at any time and at his own expense cause an audit or inspection to be made of the books and records of the Manager or the Master Association; provided that such audit or inspection is made during normal working hours and without unnecessary interference with the operations of the Manager or the Master Association.

(1) Maintenance of Flood Control Facilities and Other Areas. To maintain, inspect, repair and reconstruct flood control facilities on or servicing the Properties, including emergency services, and to repair slope easements, slopes, roads, roadways, roadway rights-of-way, parkways and decorative signs identifying the Properties not maintained by governmental entities to the extent deemed advisable by the Board; and in particular, to maintain medians and circles on those public roadways located on the Properties.

Section 5.2. Rules and Regulations: The Board may adopt such Rules and Regulations as it deems proper for the use and occupancy of the Association Property. A copy of the Rules and Regulations, as they may from time to time be adopted, amended or repealed, shall be posted in a conspicuous place in the Association Property and may be mailed or otherwise delivered to each Owner. Such Rules and Regulations may, but need not be, recorded; provided, however, that any decision to record the Rules and Regulations shall be first made by a majority vote of the Delegates. If the Rules and Regulations are recorded pursuant to this provision, and duly adopted amendments to the Rules and Regulations shall be recorded by the Board. Upon such mailing, delivery or recordation, or posting, the Rules and Regulations shall have the same force and effect as if they were set forth and were a part of this Master Declaration; provided, however; that the Rules and Regulations shall be enforceable only to the extent that they are consistent with this Master Declaration, the Articles and the Bylaws, and the Rules and Regulations may not be used to amend any of said documents. In addition, as to any Owner having actual knowledge of any given Rules and Regulations, such Rules and Regulations shall have the same force and effect and may be enforced against such Owner.

Section 5.3. Liability; Indemnification: No Member of the Board, Delegate, Declarant, Participating Builder nor the Manager shall have any liability to the Master Association or its Members based upon any alleged failure "to properly discharge their respective powers and duties under this Article V as long as such persons perform such powers and duties in a manner not expressly contrary to law and in a manner such persons believe to be in the best interests of the Master Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. Such persons shall be entitled to rely on information in any form prepared or presented by employees or agents of the Master Association whom such persons believe to be reliable and competent in the matters presented and to rely on the information and advice of other outside consultants which such persons believe to be within such outside consultants' professional or expert

competence. Such persons shall be indemnified to the full extent allowed by the California Corporations Code without limitation.

Section 5.4. Taxes: Each Owner shall execute such instruments and take such action as may reasonably be specified by the Master Association to obtain separate real estate tax assessments of each Lot or Condominium. If any taxes or assessments may, in the opinion of the Master Association, nevertheless be a lien on the Association Property, or any part thereof, they may be paid by the Master Association, and each Owner shall be obligated to pay or to reimburse the Master Association for, as the case may be, the taxes and assessments assessed by the County Assessor or other taxing authority against the Association Property and attributable to his own Lot or Condominium and interest in the Association Property.

Section 5.5. Limitation on Certain Actions; Notwithstanding any contrary provision in this Master Declaration or in the Articles or Bylaws of the Master Association, the amount of Common Assessments levied in any fiscal year of the Master Association upon each Owner shall not be less than the amount reflected in the Final Subdivision Public Report for the First Subdivision per Lot or Condominium prior to the date on which Declarant has lost the power to appoint a Delegate to the Master Association, unless the consent of Declarant has first been obtained (in addition to any other vote, consent or approval required).

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

ARTICLE VI

ASSESSMENTS

Section 6.1. Covenant To Pay: Declarant and any Participating Builder, for each Lot or Condominium owned by it, hereby agrees to pay, and each Owner of a Lot or Condominium by accepting a deed or other conveyance creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or

other conveyance, is deemed to agree to pay to the Master Association all Assessments as provided herein.

Section 6.2. Common Assessments: Sums sufficient to pay Common Expenses shall be assessed as Common Assessments against the Owners of Lots in the Subdivision for which the first Final Subdivision Public Report is issued by the California Department of Real Estate (hereinafter "DRE") in the amounts as set forth in the Master Association budget on file with the DRE. As Common Assessments commence with respect to additional Subdivisions annexed to the Properties pursuant to Article III hereof, the Common Assessments shall be revised, subject to the limitations of Section 6.2(c), below, in accordance with the combined budget of the Master Association filed with the DRE for the such additional Subdivisions annexed to the Properties.

(a) Equal Assessments. Those items of Common Expenses of the Master Association shall be assessed equally against all Owners, based upon the number of Lots or Condominiums owned by each Owner, or in the case of an Owner of a Lot developed as a multi-Family project for rental apartments, the number of apartment units located on such Lot.

(b) Basis of Maximum Common Assessment. Until the first day of the fiscal year immediately following conveyance of the first improved Lot or Condominium in the Properties to an Owner, the maximum Common Assessment under this Article shall be the amount set forth in the Final Subdivision Public Report issued for the First Subdivision of the Properties. Thereafter, the maximum Common Assessments shall be increased only in accordance with the following:

(i) The maximum Common Assessment may be increased by the Board without a vote of the Members in an amount no more than ten percent (10%) above the maximum Common Assessment for the previous year.

(ii) The maximum Common Assessment may be increased more than ten percent (10%) above the maximum Common Assessment for the previous year, only by the vote or written assent of both (1) Declarant, for so long as Declarant may appoint a Delegate to the Master Association and (2) a majority of the total voting power of the Members and a majority of the votes of Members other than the Declarant and any Participating Builders.

(iii) The Board shall not in any year levy a Common Assessment in excess of the maximum Common Assessment as such maximum may be annually increased pursuant to this section. The levy of a Common Assessment less than the maximum Common Assessment in one (1) year shall not affect the Board's right to levy a Common Assessment in the amount of the maximum Common Assessment in subsequent years. If the Board shall levy a Common Assessment in an amount of less than the maximum for any calendar year and thereafter, during such calendar year, determine that the important and essential functions of the Master Association cannot be funded by such lesser Common Assessment, the Board may, by majority vote, levy one or more supplemental Common Assessments. In no event shall the sum of the initial and supplemental Common Assessments for that year exceed the maximum Common Assessment.

(iv) The provisions of Subsections 6.2(b)(i), (ii) and (iii), above, shall not limit assessment increases for (aa) the maintenance or repair of the Association Properties, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining or repairing Improvements, and funding reserves, or (bb) addressing emergency situations; provided, the Board shall not increase the maximum Common Assessment in any year for any purpose more than twenty percent (20%) above the maximum Common Assessment for the previous year without the vote or written assent of a majority of the total voting power of the members other than the Declarant.

(c) Budget Estimate. The Board shall cause to be prepared an annual operating statement reflecting income and expenditures of the Master Association for each fiscal year, and shall cause to be distributed a copy of such statement to each Member as provided in the Bylaws. Not less than forty-five (45) nor more than sixty (60) days prior to the beginning of each fiscal year, and subject to the provisions of Section 6.2, above, the Board shall prepare and distribute to the Delegates of the Master Association, a written, itemized pro forma operating budget which shall include all of the following:

(i) The estimated revenue and expenses of the Master Association on an accrual basis.

(ii) The identification of the total cash reserves currently set aside.

(iii) The identification of the estimated remaining life of, and the methods of funding used to defray the future repair, replacement or addition

to, those major components which the Master Association is obligated to maintain.

(iv) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components that the Association is obligated to maintain.

In calculating the Common Assessments of the Master Association for each fiscal year, the Board shall allocate the estimated expenses of the Master Association equally against all Owners in the Properties.

(d) Commencement of Common Assessments. Common Assessments shall commence as to each Lot or Condominium in any phase of a Subdivision for which a Final Subdivision Public Report has been issued (which may constitute only a portion of a phased Subdivision), upon the first day of the first month following the month in which escrow closes for the sale of the first Lot or Condominium in the phase in which such Lot or Condominium is located. Each such Lot or Condominium in such phase shall thenceforth be subject to a pro rata share of the then established Common Assessment for that Subdivision.

(e) Payment of Common Assessments. All Common Assessments shall be due and payable to the Master Association by the assessed Owners (including Declarant and any Participating Builders) during the fiscal year in monthly, or quarterly, or semi-annual installments, on or before the first day of each month, or in such other manner as the Board may designate in its sole and absolute discretion.

(f) Excess Assessments. At the end of any fiscal year of the Master Association, the Delegates may determine that all excess funds over and above the amounts used for the operation of the Properties shall be retained by the Master Association and used to reduce the following years' Common Assessment. Notwithstanding anything in the Articles or Bylaws to the contrary, if prior to dissolution of the Master Association the Master Association has not obtained tax exempt status from both the federal and state government, then upon dissolution of the Master Association, any amounts remaining shall be distributed to or for the benefit of the Members proportionately.

Section 6.3. Capital Improvement Assessments: Subject to the provisions of Section 6.5, below, the Board may levy, in any fiscal year, a Capital Improvement 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

Association Property, including fixtures and personal property related thereto. All Capital Improvement Assessments must be fixed at a uniform rate for all Lots or Condominiums, and they may be collected on a monthly basis.

Section 6.4. Reconstruction Assessments: Subject to the provisions of Section 6.5, below, in the case of damage by fire or other casualty to the Master Association Maintenance Areas and any other Association Property, and provided the proceeds of any insurance payable by reason thereof shall be inadequate to pay for the entire cost of repair, replacement or reconstruction of such property, the Board may levy a Reconstruction Assessment to make good any deficiency on each Owner and his respective Lot or Condominium in a proportion equal to the proportion in which such Owner is assessed Common Assessments. The collection of such Reconstruction Assessment shall be enforceable in the same manner as the collection of Common Assessments.

Section 6.5. Limitation on Assessments: The aggregate Capital Improvement Assessments collected in accordance with Section 6.3, above, and the Reconstruction Assessments collected in accordance with Section 6.4, above, in any fiscal year may not exceed five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year, unless such excess shall have been approved by the vote or written assent of both (a) Declarant, for so long as Declarant may appoint a Delegate to the Master Association and (b) a majority of the total voting power of the Members and a majority of the votes of Members other than the Declarant and any Participating Builders.

Section S.6. Special Assessments: A Special Assessment may be levied against and collected from a particular Owner and his Lot or Condominium by a majority vote of the Board after Notice and Hearing, to reimburse the Master Association for certain costs or expenses that have been incurred by the Master Association or Declarant with respect to bringing the Owner and his Lot or Condominium into compliance with the terms of this Declaration or with respect to materials or services furnished to such Owner or his Lot or Condominium at his request or on his behalf as may be provided herein.

-Notwithstanding the foregoing, a fine imposed by the Board pursuant to the provisions of Section 8.21 below, as a disciplinary measure for failure of an Owner to comply with the terms of this Master Declaration, or as a means of reimbursing the Master Association for costs incurred by the Master Association for which the Owner was allegedly responsible or in bringing the Owner and his Lot into compliance with the Master Declaration, shall not be levied or enforced as a Community Assessment nor shall the same become a lien against such Owner's Lot or Condominium enforceable by sale as provided in Section 6.9 below.

Section 6.7. Late Charges and Interest: If any installment of an Assessment, whether Common, Special, Reconstruction or Capital Improvement, assessed to any Owner is not paid within fifteen (15) days after it is due, the Owner may be required by the Board to pay a late charge of Ten Dollars (\$10.00) or ten percent (10%) of the full Assessment, whichever is greater. Any installment of a Common Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment, together with the reasonable costs of collection and late charges, not paid within thirty (30) days after the due date of such installment shall accrue interest at the annual percentage rate of twelve percent (12%).

Section 6.8. Waiver of Enjoyment: No Member may exempt himself from personal liability for Assessments duly levied by the Master Association, nor release the Lot or Condominium owned by him from the liens and charges hereof, by any attempted waiver of enjoyment of the Master Association Maintenance Areas or any other Association Property and the facilities thereon or by abandonment of his Lot or Condominium.

Section 6.9. Unpaid Assessments as Liens: No action shall be brought to enforce any lien of any Assessment, whether Common, Special, Reconstruction or Capital Improvement, assessed to any Owner, until a Notice of Delinquent Assessment (hereinafter "Notice") has been recorded stating the amount of the Assessment or installment, as the case may be, the interest, late charges and costs which have accrued thereon, the legal description and street address of the Lot or Condominium against which it has been assessed, the name of the record Owner thereof and the name and address of any trustee authorized by the Board to enforce the lien by non-judicial sale. Such Notice shall be signed and acknowledged by an officer of the Master Association. Such assessment lien shall be prior to any declaration of homestead recorded after the recording of this Master Declaration. The lien shall continue until fully paid or otherwise satisfied. When all amounts stated in the Notice and all other assessments and costs which may have then accrued have been fully paid or satisfied, a further notice releasing the lien shall be recorded, upon payment by the defaulting Owner of a reasonable fee, determined by the Board, to cover the costs of preparing and recording such release. Such lien may be foreclosed in the same manner as is provided in the laws of the State of California applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner provided by law. No action shall be brought by the Board or by its agent to foreclose the assessment lien or to proceed under any power of sale thereunder, until thirty (30) days have elapsed after the date that the Notice is deposited in the United States Mail, certified or registered, postage prepaid, to the Owner of such Lot or Condominium. A certificate executed and acknowledged by an officer or duly authorized agent of the Master Association stating the indebtedness secured by the liens upon any Lot or Condominium

created hereunder shall be conclusive upon the Master Association and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith, and such certificate shall be furnished to any Owner upon request at a reasonable fee, as determined by the Board, to cover the cost of furnishing such certificate. Liens established pursuant hereto shall be junior to any assessment liens levied by any Sub-Association in the Properties under a Declaration of Annexation. Each assessment shall be payable in the amount specified in the Notice, and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Master Association, the Board, the Delegates, or Declarant is not properly exercising its duties and powers as provided in this Master Declaration.

Section 6.10. Mortgage Protection: Notwithstanding all other provisions hereof, no lien created under this Article VI nor any breach of this Master Declaration, nor the enforcement of any provision hereof or of any Declaration of Annexation hereto shall defeat or render invalid the rights of the Beneficiary under any recorded first deed of Trust upon a Lot made in good faith and for value; provided that after such Beneficiary or some other third party obtains title to such Lot by judicial foreclosure or by means of the powers set forth in such Deed of Trust, such Lot or Condominium shall remain subject to this Master Declaration and the payment of all Assessments accruing subsequent to the date such Beneficiary or other Persons obtain title.

Section 6.11. Marina Hills Maintenance Funds: The Board shall establish no fewer than two (2) separate accounts (the "Marina Hills Maintenance Funds") into which shall be deposited all monies paid to the Master Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Master Association under this Master Declaration. Each of the Marina Hills Maintenance Funds shall be established as separate trust savings or trust checking accounts at a banking institution. The Marina Hills Maintenance Funds shall include: (a) a Operating Fund for current expenses of the Master Association, and (b) a Common Area Reserve Fund for replacements, painting and repairs of the landscaping, Improvements and all other Association Property, to the extent necessary under the provisions of this Master Declaration. The Board shall not commingle any amounts deposited into any of the Marina Hills Maintenance Funds with amounts deposited into any other Marina Hills Maintenance Fund.

All amounts deposited into the Operating Fund and the Common Area Reserve Fund must be used solely for the common benefit of all of the Members for purposes authorized by this Master Declaration, as may be amended from time to time. Disbursements from the Operating Fund shall be made by the Board for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all the

Members, other than those purposes for which disbursements from the Common Area Reserve Fund are to be used. Nothing in this Master Declaration shall be construed in such a way as to permit the Master Association to use any Assessments to abate any annoyance or nuisance emanating from outside the physical boundaries of the Properties. Nothing contained herein shall limit, preclude or impair the establishment of other funds by any Sub-Association pursuant to any additional conditions, covenants or restrictions or other provisions contained in any Declaration of Annexation which makes other properties subject to this Master Declaration, or the establishment of additional Marina Hills Maintenance Funds by the Master Association earmarked for specified purposes authorized by this Master Declaration. The Common Area Reserve Fund shall be funded by regularly scheduled monthly, quarterly, semi-annual or annual payments rather than by large Special Assessments.

~~Section 6.12. Amendments to Article VI:~~ Amendments to this Article VI (but not this Section 6.12 which is covered by Section 11.2(b) of this Master Declaration and amendments to sections of other Articles which are referred to in this Article or which relate to this Article) shall only be effective upon the vote or written consent of both (a) Declarant, for so long as Declarant may appoint a Delegate to the Master Association, and (b) the majority of all Delegates to the Master Association and the majority of the votes of Master Association not attributable to property owned by the Declarant and any Participating Builders.

Section 6.13. Exemption From Assessments. Owners shall be exempt from the payment of that portion of any Common Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of a residential structure which is not complete at the time the Common Assessment commences. Such exemption may include: (a) roof replacement; (b) exterior maintenance; (c) walkway and carport lighting; (d) refuse disposal, if any; (e) cable television; (f) domestic water supplied to living units, if any; and (g) insurance on uncompleted structures. Any such exemption from the payment of Common Assessments shall terminate upon the earlier of the recordation of the notice of completion of the residential structure, occupation or use of a structural improvement which is a dwelling unit, or completion of all elements of the residential structure which the Association is obligated to maintain.

Owner shall be exempt from the payment of that portion of any Common Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of a common facility which at the time of the commencement of such Common Assessment is not complete. Any such exemption from the payment of Common Assessments shall terminate upon the earlier of the recordation of a notice of completion of the common facility or at such time as the common facility is placed into use.

ARTICLE VII

DAMAGE TO OR CONDEMNATION OF ASSOCIATION PROPERTIES

Section 7.1. Damages By Members; Each Member shall be liable to the Master Association for any damage to Association Property not fully covered by insurance which may be sustained by reason of the negligence or willful misconduct of said Member, or the persons deriving their right and easement of use and enjoyment of the Association Property from said Member, or of his respective Family and guests, both minor and adult. Notwithstanding the foregoing, the Master Association reserves the right, after Notice and Hearing, to charge a Special Assessment equal to the amount of such damage not covered by insurance together with the increase, if any, in the insurance premium directly attributable to the damage caused by such member or the Persons for whom such Member may be liable as described above, and to impose a fine upon such Member in accordance with Section 8.21, below. In the case of joint ownership of a Lot or Condominium, the liability of such Owners shall be joint and several, except to the extent that the Master Association has previously contracted in writing with such joint Owners to the contrary.

Section 7.2. Repair of Damage: In the case of damage by fire or other casualty to the Association Property, any insurance proceeds payable by reason thereof shall be paid to the Master Association, which thereupon shall contract to repair or replace all the Association Property so damaged. The Master Association shall levy a Reconstruction Assessment on all Members to make good any deficiency in accordance with Section 6.4, above.

If at any time all or any portion of the Association Property, or any interest therein, be taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the holder or holders of fee title to such area, and their Mortgagees, as their interests may appear. Any such award shall be deposited in the operating fund. No Member shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation. The Master Association shall have the exclusive right to participate in such proceeding and shall, in its name alone, represent the interests of all Members.

Section 7.3. Sale by Unanimous Consent: If an action for condemnation of all or a portion of the Association Property is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the Owners and after written notice to at

least sixty-seven percent (67%) of all first Mortgagees, the Association Property, or a portion of it, may be sold..

Section 7.4. Distribution of Proceeds of Sale or Condemnation Award: On a sale occurring under Section 7.3, above, or upon a taking through judgment of condemnation, the proceeds shall be retained in the general fund of the Association.

ARTICLE VIII

GENERAL RESTRICTIONS

All real property within the Properties shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Declarant set forth herein.

Section 8.1. Residential Areas: All property within a residential Area (including any Common Areas for the primary benefit of the Owners of Lots or Condominiums on such Residential Area) shall be improved and used solely for single-Family Residential use; provided, however, that this provision shall not preclude any Owner in the Properties from renting or leasing all of his Lot or Condominium by means of a written lease or rental agreement subject to this Master Declaration. The Declaration of Annexation recorded for a Residential Area shall designate such residential use for that area to be single-Family Residences, a Planned Development, Condominium Project, an apartment project, or a combination thereof.

Section 8.2. No Further Subdivision; No Lot, Common Area or Master Association Maintenance Area may be further subdivided without the prior written approval of the Board; provided, however, that nothing in this section shall be deemed to prevent an Owner from, or require the approval of the Board for: (a) selling a Lot or Condominium, or (b) transferring or selling any Lot or Condominium to more than one person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property.

Section 8.3. Improvement, Landscaping and Alterations. Except as set forth in Article X, hereof, without the prior approval of the Architectural Committee as provided in Article IX hereof, there shall be no excavation, construction, alteration or landscaping on any part of the Properties, other than minor repairs or rebuilding pursuant to Section 8.4 or Section 9.9. There shall be no violation of the setback or sideyard requirements of the local governmental authority.

Section 8.4. Exterior Maintenance and Repair; Owner's Obligations: Each Improvement shall at all times be kept in good condition and repair. All landscaping, including, but not limited to, lawns, hedges, shrubs and trees shall be periodically trimmed and pruned so as to be maintained in a neat, clean, safe and attractive manner and so as not to unreasonably obstruct the view of adjacent Owners; provided, the reasonableness or unreasonableness of any such obstruction shall be determined solely by the Architectural Committee, in the event that any Owner or Sub-Association shall permit any Improvement, which is the responsibility of such Owner or Sub-Association to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition affecting a neighboring Planned Development or Condominium, the Board, after consulting with the Architectural Committee, and after affording the Owner of such property Notice and Hearing, shall have the right but not the obligation to correct such condition, and to enter upon such owner's Lot, Condominium or such Common Area for the purpose of doing so, and such Owner or Sub-Association, as the case may be, shall promptly reimburse the Master Association for the cost thereof. Such cost shall be a Special Assessment and shall create a lien enforceable in the same manner as other assessments as set forth in the Master Declaration. The Owner of the offending property shall be personally liable, and his property may be subject to a mechanic's lien, for all costs and expenses incurred by the Master Association in taking such corrective acts, plus all costs incurred in collecting the amounts due. Each Owner shall pay all amounts due for such work within ten days (10) days after receipt of written demand therefor, or the amounts may, at the option of the Board, be added to the amounts payable by such Owner as Common Assessments.

Section 8.5. Antennae; No exterior radio antenna, television antenna, "C.B." antenna, "satellite dish" or other antenna of any type shall be erected or maintained on any of the Properties, except by Declarant or the Master Association.

Section 8.6. Signs: No sign, poster, billboard, advertising device or other display of any kind shall be displayed so as to be visible from outside the Properties, except (a) such signs as may be used by Declarant - or Participating Builders in connection with the development of the Properties and sale of Lots or Condominiums, or (b) one sign of reasonable and customary dimensions as may be displayed on or from any Improvement on any Lot or Condominium in a Residential Area advertising the sale or lease of such Lot or Condominium, provided such sign shall not be attached to the exterior of any Improvements on any Lot or any Condominium in a manner which requires fasteners to be embedded in any manner in such exterior.

Section 8.7. Window Coverings: No window in any Residence or Condominium shall be covered with aluminum foil or other reflective material and, unless approved by the Architectural Committee in accordance with Section 9.2, below, no exterior surface of any window covering shall bear any design or any color other than white or beige.

Section 8.8. Unsightly Articles: No unsightly articles shall be permitted to remain on any Lot or Condominium so as to be visible from any public street or from any part of the Properties. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in such covered, sanitary containers or other areas as may be provided by either the Master Association or by an Sub-Association.

Section 8.9. Utility Areas: All utility and storage areas and all laundry rooms, including all areas in which clothing or other laundry is hung to dry, must be completely covered and enclosed from view from the neighboring parts of the Properties.

Section 8.10. Nuisances: No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere within the Properties, and no odor shall be permitted to arise therefrom so as to render the Properties or any portion thereof unsanitary, unsightly, offensive or detrimental from any public street or to any other part of the properties in the vicinity thereof or to their occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of the Properties so as to be offensive or detrimental to any other part of the Properties in the vicinity thereof or to their occupants. Without limiting the generality of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoke-emitting vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or other items which may unreasonably disturb Owners in neighboring parts of the Properties shall be located, used or placed on any portion of the Properties.

Section 8.11. Animals: No insects, reptiles, birds or animals of any kind shall be raised, bred or kept, on the Properties except that a total combination of three (3) dogs, cats or birds may be kept, provided all three of such animals are not of the same type and provided that they are not kept, bred or maintained for any commercial purpose, nor in violation of any other provision of this Master Declaration and such limitations as may be set forth in the Rules and Regulations. The Master Association, acting through the Board, shall have the right to prohibit maintenance of any

animal which constitutes, in the opinion of the Board, a nuisance to other Owners. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure, an enclosed yard or on a leash being held by a person capable of controlling the animal. Furthermore, any Owner shall be absolutely liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by an Owner or by members of his Family, his tenants or his guests; and it shall be the absolute duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Master Association Maintenance Areas or other Association Properties, if any.

Section 8.12. No Hazardous Activities; No activities shall be conducted, nor shall any Improvements be constructed, on any part of the Properties which are or might be unsafe or hazardous to any Person, Lot or Condominium in any other part of the Properties.

Section 8.13. No Temporary Structures: No tent or shack or other temporary building, Improvement or structure shall be placed upon any portion of the Properties.

Section 8.14. No Mining and Drilling; No portion of the Properties shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, minerals, rocks, stones, gravel or earth.

Section 8.15. Insurance Rates; Nothing shall be done or kept in the Properties which will increase the rate of insurance on any Association Property without the approval of the Board, nor shall anything be done or kept in the Properties which would result in the cancellation of insurance on any Association Property or which would be in violation of any law.

Section 8.16. Drainage; There shall be no interference with the established drainage pattern over any part of the Properties so as to affect any real property inside or outside of the Properties. For the purpose hereof, "established" drainage is defined as the drainage which exists at the time the overall grading of any part of the Properties is completed by Declarant, which may include drainage from the Association Properties over any Lot or Common Areas or Master Association Maintenance Areas in the Properties.

Section 8.17. Water and Sewer Systems: No individual water supply system, water softener system or sewage disposal

system shall be permitted on any Lot or Condominium unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water district and any applicable governmental health authority having jurisdiction.

Section 8.13. Parking; Garages: Except as provided in the applicable Declaration of Annexation covering any Commercial Area, no trailer, motor home, truck in excess of 3/4 ton, camper, boat or van of eighteen (18) feet or more in length, or any vehicle with advertising on it other than an automobile shall be kept or maintained anywhere on the Properties in such a manner as to be visible from other parts of the Properties. No vehicle or boat shall be constructed or repaired upon any property or street (public or private) in such a manner as to be visible from any other parts of the Properties. All other vehicles must be parked within the Owner's garage; provided, in the event the number of vehicles owned by any Owner exceeds the number of vehicles for which such Owner's garage was designed to accommodate, the excess vehicles may be parked in such Owner's driveway. No Owner shall be permitted at any time to park or otherwise maintain a vehicle of any kind on the streets within the Properties. Garage doors must remain closed at all times except when vehicles are entering or leaving the garage. For purposes of this Section, "parking" shall be defined as leaving a vehicle unattended for a period in excess of one (1) hour.

Section 8.19. Maintenance and Control of Master Association Maintenance Areas; The Master Association Maintenance Areas shall be maintained for recreational facilities, slope maintenance, erosion control and landscaping purposes primarily, and no Improvements other than recreational facilities, landscaping, fences, sprinklers, other similar amenities incidental to such purposes as constructed by Declarant, and public or private utility lines or facilities which do not interfere with slope maintenance use, shall be erected or maintained thereon.

Section 8.20. Violation of Law: Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any portion of the Property is hereby declared to be a violation of this Declaration and subject to any and all of the enforcement procedures herein set forth.

Section 8.21. Violation of Restrictions: There shall be no violation of this Master Declaration, including, without limitation, the Rules and Regulations, once adopted by the Board after Notice and Hearing. If any Member, his family, guest, or any licensee, lessee or invitee violates this Master Declaration, the Board may impose upon such Owner, in addition

to any Special Assessment as provided in Section 6.6, above, a fine ("Fine") in an amount not to exceed One Hundred Dollars (\$100.00) for each violation. The maximum amount of the Fine may be increased by action of the Board, in the Board's sole discretion, in an amount no more than ten percent (10%) above the maximum Fine for the previous fiscal year. No Fine may be imposed by the Board until Notice and Hearing are afforded to the affected Member.

ARTICLE IX

ARCHITECTURAL COMMITTEE

Section 9.1. Members of Committee: The Architectural Committee shall consist of five (5) members, the initial members of which shall be chosen by the Declarant, and who shall hold office until the election of the first Board of Directors by the Members. Thereafter, the Architectural Committee members shall be chosen as follows:

(a) By Declarant. Declarant shall have the right to appoint a majority of the members of the Architectural Committee until the earliest to occur of the following:

(i) At such time as the Close of Escrow to the public shall have occurred for the sale by Declarant and any Participating Builders of at least one thousand four hundred ninety (1,490) Lots or Condominiums in the real property constituting the Annexable Area as of the date of Recordation of this Master Declaration (for purposes of this subsection (i) each apartment unit located on any Lot in the Properties shall count as the sale of one (1) Lot upon the rental or lease of such apartment unit); or

(ii) At such time as neither Declarant or any Participating Builder has any authority to annex real property in the Annexable Area to the Properties without the consent of the Delegates as provided in Article III; or

(iii) December 31, 2000.

Declarant's appointees to the Committee need not be Members.

(b) By the Board. The Board shall have the right to appoint such members of the Architectural Committee which Declarant is not authorized to appoint until such time as Declarant's rights of appointment shall have expired, and thereafter the Board shall have the right to appoint and remove all members of the Architectural

Committee. Architectural Committee members appointed by the Board shall be Members and serve for a term of one (1) year or until their respective successors are appointed.

(c) Removal. Members of the Architectural Committee may be removed at any time without cause by the Person appointing such member as provided herein.

(d) Notice of Appointment; Whenever an Architectural Committee member is appointed or removed while both Declarant and the Board have rights of appointment, written notice of such appointment or removal shall be given by the appointing party to the other party.

Section 9.2. Review of Plans and Specifications: The Architectural Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Master Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Architectural Committee as follows:

(a) Criteria For Approval. The Architectural Committee shall approve plans and specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, will not unreasonably restrict or impair an Owner's view, as determined solely by the Architectural Committee, or will not unreasonably interfere with an Owner's privacy, as determined solely by the Architectural Committee, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness or attractiveness of the Master Association Maintenance Areas or the enjoyment thereof by the Members, and that the upkeep and maintenance therefor will not become a burden on the Master Association.

(b) Conditions of Approval. The Architectural Committee may condition its approval of proposals or plans and specifications for any Improvement (i) on such changes therein as it deems appropriate, (ii) upon the agreement by the Person (referred to in this Section 9.2 as "applicant") submitting the same to grant appropriate easements to the Master Association for the maintenance of the Improvement, or (iii) upon the agreement of the applicant to reimburse the Master Association for the cost of such maintenance, or all three, and may require submission of additional plans and specifications or

other information prior to approving or disapproving material submitted.

(c) Rules and Guidelines. The Architectural Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval which may require a fee to accompany each application for approval, or include additional factors which it will take into consideration in reviewing submissions. The Architectural Committee may provide that the amount of such fee shall be uniform, or that it may be determined in any other reasonable manner, such as based upon the reasonable cost of the construction, alterations, or additions contemplated. The Architectural Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Architectural Committee of any required plans and specifications, the Architectural Committee may postpone review of any plan submitted for approval.

(d) Notice of Decision. Decisions of the Architectural Committee and the reasons therefor shall be transmitted by the Architectural Committee to the applicant at the address set forth in the application for approval, within forty-five (45) days after receipt by the Architectural Committee of all materials required by the Architectural Committee. Any application submitted pursuant to this Section 9.2 shall be deemed approved, unless written disapproval or a request for additional information or materials by the Architectural Committee shall have been transmitted to the applicant within forty-five (45) days after the date of receipt by the Architectural Committee of all required materials.

(e) Submission By Declarant and Participating Builder. Declarant need not seek approval of the Architectural Committee with respect to its activities until Close of Escrow for the sale of the last Lot or Condominium in the Properties from Declarant (i) to a Participating Builder or (ii) to a member of the public pursuant to a Final Subdivision Public Report issued by the California Department of Real Estate. All Participating Builders must seek such approval in the manner herein provided until Declarant has lost the power to appoint a majority of the members of the Architectural Committee. After Declarant has lost the power to appoint a majority of the members of the Architectural Committee, the Participating Builders need not seek approval of the Architectural Committee with respect to its new construction activities until Close of Escrow for the sale of the

last Lot or Condominium owned by such Participating Builder to a member of the public.

Section 9.3. Meetings of the Architectural Committee:

The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. The Architectural Committee may from time to time by resolution unanimously adopted in writing designate an Architectural Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties on behalf of the Architectural Committee, except the granting of variances pursuant to Section 9.8. In the absence of such designation, the vote of a majority of the members of the Architectural Committee, or the written consent of a majority of the members of the Architectural Committee taken without a meeting, shall constitute an act of the Architectural Committee.

Section 9.4. No Waiver of Future Approvals:

The approval of the Architectural Committee to any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Architectural Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

Section 9.5. Compensation of Members:

The members of the Architectural Committee shall receive no compensation for services rendered, other than reimbursement by the Master Association for expenses incurred by them in the performance of their duties hereunder.

Section 9.6. Corrections of Defects:

Inspection of work and correction of defects therein shall proceed as follows:

(a) Inspection. The Architectural Committee or its duly authorized representative may at any time inspect any Improvement for which approval of plans is required under this Article IX; provided, however, that the Architectural Committee's right of inspection of Improvements for which plans have been submitted and approved shall terminate sixty (60) days after such work or Improvement shall have been completed and the respective Owner shall have given written notice to the Committee of such completion. The Architectural Committee's rights of inspection shall not terminate pursuant to this subsection in the event that plans for the work of Improvement have not previously been submitted to and approved by the Architectural Committee. If, as a result of such inspection, the Architectural Committee finds that such Improvement was done without obtaining approval of the plans therefor or was not done

in substantial compliance with the plans approved by the Architectural Committee, it shall notify the Owner in writing of failure to comply with this Article IX within sixty (60) days from the inspection, specifying the particulars of noncompliance. The Owner shall remedy such noncompliance or remove the same within a period of not more than forty-five (45) days from the date that notice of the Architectural Committee ruling is given to the Owner. The Architectural Committee shall have the authority to require the Owner to take such action as it deems necessary to remedy the noncompliance.

(b) Failure to Remedy or Remove. If the Owner does not comply with the Architectural Committee ruling within such 45-day period, the Architectural Committee, at its option, may peacefully remove the noncomplying Improvement or otherwise peacefully remedy the noncompliance, and the Owner shall reimburse the Architectural Committee, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Architectural Committee, the Board shall levy a Special Assessment against such Owner for reimbursement as provided in this Master Declaration. Upon failure to pay such Special Assessment when due the Board may record a Notice of Delinquent Assessment in the Office of the County Recorder of Orange County. The right of the Architectural Committee to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Architectural Committee and the Master Association may have at law, in equity or in this Master Declaration.

(c) Failure to Notify Deemed Approval. If for any reason the Architectural Committee fails to notify the Owner of any noncompliance with previously submitted and approved plans within sixty (60) days after receipt of said written notice of completion from the Owner, the Improvement shall be deemed to be in accordance with said approved plans.

Section 9.7. Nonliability of Architectural Committee

Member: Neither the Architectural Committee, nor any member of the Architectural Committee, nor the Architectural Committee's duly authorized representative shall be liable to the Master Association or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the Architectural Committee's duties hereunder, unless due to the willful misconduct or bad faith of the Architectural Committee. The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate

vicinity and the Properties generally. The Architectural Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings-, landscaping, color schemes, exterior finishes and materials and similar features. The Architectural Committee's approval or disapproval shall be based solely on the considerations set forth in this Article IX and the Architectural Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

Section 9.8. Variances: The Architectural Committee may authorize variances from compliance with any of the architectural provisions of this Master Declaration or any Declaration of Annexation, including restrictions upon height, size, floor area, or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by at least a majority of all of the members of the Architectural Committee, and shall become effective upon Recordation in the Office of the County Recorder of Orange County. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Master Declaration or in any Declaration of Annexation shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Master Declaration or of any Declaration of Annexation for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting his use of the premises, including, but not limited to, zoning ordinances and Lot set-back lines or requirements imposed by any governmental authority.

Section 9.9. Solar Heating Equipment: Notwithstanding any other provisions of this Master Declaration concerning approval of plans and specifications by the Architectural Committee, the installation of any solar heating equipment which meets all applicable zoning regulations, the Uniform Building Code, all associated ordinances and regulations and any reasonable requirements of the Architectural Committee is hereby deemed to have been approved by the Architectural Committee.

Section 9.10. Amendment to Article IX: So long as Declarant owns any portion of the Properties, this Declaration cannot be amended or modified to change or eliminate the provision of this Article IX without the prior written approval of Declarant, and any attempt to do so shall be null and void.

ARTICLE X

RIGHTS OF DECLARANT

• It is acknowledged that the First Subdivision is a portion of a larger parcel of land which Declarant is causing to be developed into a planned community known as MARINA RILLS PLANNED COMMUNITY. Declarant, in cooperation with the County of Orange, has created a master plan for its development whereby modern town masterplanning objectives may be realized for the common good and enhancement of property values within the community. In furtherance thereof, Declarant, for itself and its successors and assigns, reserves the following rights and easements:

(a) Easements over the Properties for the installation and maintenance of electric, telephone, cable television, water, gas, and sanitary sewer lines and drainage facilities.

(b) Easements over any Master Association Maintenance Area and Common Area for construction, display, maintenance, sales, and exhibit purposes in connection with the construction, development and sale or lease of the Properties or any portion thereof until the sale by Declarant of all portions of the Properties owned by Declarant, provided, however, that the exercise of such easements by Declarant shall not unreasonably interfere with the reasonable use and enjoyment of the Properties by the Owners. Until the sale of all portions of the Properties owned by Declarant, Declarant may use any of the Lots or Condominiums owned by it as model home sites and any Common Area or Master Association Maintenance Area as incidental parking.

(c) The right of Declarant (and its agents, employees and representatives) to enter on any portion of the Properties to construct improvements on the Properties or upon any adjacent land which may be annexed to the Properties and which is annexed into the Properties and to make repairs and remedy construction defects if such entry shall not unreasonably interfere with the use of any occupied Lot or Condominium; provided, however, that the Declarant shall be responsible for the timely repair of any damage caused to any Master Association Maintenance Area, Common Area, Lot or Condominium by the Declarant (and its agents, employees and representatives) in exercising this right.

(d) For itself and for the benefit of the Master Association, easements of access, use and repair over any areas of the Properties through which irrigation water lines and other equipment have been or will be placed.

(e) The right of free access by Declarant, the Master Association, Sub-Association and Owners of adjacent Lots or Condominiums to slopes or drainage ways located on any Owner's property when such access is required for the maintenance or permanent stabilization of said slopes, or maintenance of such drainage facility or for the protection and use of property other than the Lot or Condominium on which the slope or drainage way is located.

(f) The right of Declarant to subdivide or resubdivide any portion of the Properties, or to complete excavation and grading and construction of Improvements to and on any portion of the Properties owned by Declarant, or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Properties so long as any Lot or Condominium in the Properties remains unsold.

(g) Each Owner by accepting a deed to a Lot or Condominium hereby acknowledges that any construction by Declarant, Master Association or any Participating Builder may impair the view of such Owner and hereby consents to such impairment.

(h) This Master Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Lot or Condominium by a purchaser from Declarant to establish on that Lot or Condominium, as the case may be, additional licenses, easements, reservations and rights of way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Properties, subject to the rights of the Veterans Administration and the Federal Housing Administration to approve such grants as provided herein in the event that they are insuring or guaranteeing a loan on any Lot or Condominium on the Properties.

(i) The rights, or any portion of the rights of Declarant hereunder and elsewhere in this Master Declaration may be assigned by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Properties, by an express written assignment recorded in the Office of the County Recorder.

(j) So long as Declarant owns any portion of the Properties, this Declaration cannot be amended or modified to change or eliminate the easements and other rights reserved herein to Declarant without the prior written approval of Declarant, and any attempt to do so shall be null and void.

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~~ARTICLE XI~~

~~MISCELLANEOUS~~

Section 11.1. Term: The covenants, conditions and restrictions of this Master Declaration as they may be amended from time to time, shall run until December 31, 2035, unless a written instrument executed by the Delegates holding at least seventy-five percent (75%) of the voting power of the Master Association has been recorded within one (1) year prior to such date agreeing to terminate such restrictions in whole or in part, and such written instrument is recorded with the Orange County Recorder. After December 31, 2035, such covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years each, unless extinguished by a written instrument executed by the Delegates holding at least seventy-five percent (75%) of the voting power of the Master Association, and such written instrument is recorded with the Orange County Recorder.

~~Section 11.2. Amendment.~~

(a) By Declarant and Participating Builders. Until the Close of Escrow for the sale of any portion of the Properties to a Participating Builder, the provisions of this Master Declaration may be amended or terminated by recordation of a written instrument signed only by Declarant setting forth such amendment or termination. Following Close of Escrow for the sale of any portion of the Properties to a Participating Builder but prior to the sale of a Lot or Condominium to a member of the public in accordance with a Final Subdivision Public Report issued by the California Department of Real Estate, the provisions of this Master Declaration may be amended or terminated by recordation of a written instrument signed by Declarant and each Participating Builder setting forth such amendment or termination.

(b) By Owners. Except Paragraph D of the Preamble hereto, Sections 3.1, 5.5 and 8.6, and Articles IX and X (which provisions may not be amended without the written consent of Declarant only so long as Declarant owns a Lot or Condominium in the Properties), the provisions of this Master Declaration, other than Article VI and this Section 11.2, may be amended by an instrument in writing signed and acknowledged by the president and secretary of the Master Association certifying that such amendment has been approved by the vote or written assent of the Delegates holding at least fifty-one percent (51%) of the total voting power of the Master Association and at least fifty-one percent (51%) of the voting power of the Master Association excluding votes attributable to property

owned by Declarant and any Participating Builders, and such an amendment shall be effective upon its recordation with the County Recorder. Any amendment to Section 6.12 or to this Section 11.2 shall require the vote or written assent of the Delegates holding at least sixty-seven percent (67%) of the voting power of the Master Association and a majority of the voting power of the Master Association, excluding the votes attributable to property owned by Declarant or any Participating Builders, and Declarant, for so long as Declarant may appoint a Delegate to the Master Association.

(c) Veto By County. Notwithstanding anything contained herein to the contrary, so long as any property subject to this Master Declaration lies outside the boundaries of an incorporated city, the County of Orange shall have the power to veto any purported amendment or termination of this Master Declaration, based upon whether the Properties, after such termination or amendment, will continue to enjoy adequate provisions for preservation and maintenance of the Master Association Maintenance Areas and the Association Property. No amendment or written agreement purporting to terminate or modify the maintenance provisions of this Master Declaration shall be effective without the mailing of written notice thereof, return receipt requested, to the Assistant Director, EMA - Regulation and the County Counsel of Orange County. If no veto has been exercised by the Assistant Director or the County Counsel within fifteen (15) days of the receipt of such notice, such amendment or termination shall thereafter become effective.

Section 11.3. Mortgage Protection; Notwithstanding any other provision of this Master Declaration, no amendment of this Master Declaration shall operate to defeat and render invalid the rights of the Beneficiary under any Deed of Trust upon a Lot or Condominium made in good faith and for value, and recorded prior to the recordation of such amendment, provided that after the foreclosure of any such Deed of Trust such Lot or Condominium shall remain subject to this Master Declaration, as amended. Notwithstanding any and all provisions of this Master Declaration to the contrary, in order to induce the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA") to participate in the financing of the sale of Lots or Condominiums within the Properties, the following provisions are added hereto (and to the extent these added provisions, pertaining to the rights of Mortgagees, FHLMC, FNMA, GNMA, VA and FHA, conflict with any other provisions of

this Master Declaration or any other of this --Master Declaration, these added restrictions shall control:

(a) Notice of Default. Each first Mortgagee of a Mortgage encumbering any Lot or Condominium, upon filing a written request for notification with the Board, is entitled to written notification from the Master Association of any default by the Mortgagor of such Lot or Condominium, in the performance of such Mortgagor's obligations under this Master Declaration, the Articles or the Bylaws (collectively referred to as the "Project Documents"), which default is not cured within sixty (60) days after the Master Association learns of such default.

(b) Right of First Refusal. Every Owner, including every first Mortgagee of a Mortgage encumbering any Lot or Condominium, which obtains title to such Lot or Condominium, pursuant to the remedies provided in such Mortgage, or pursuant to foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal."

(c) Foreclosure. Each first Mortgagee of a Mortgage encumbering any Lot or Condominium, which obtains title to such Lot or Condominium, pursuant to judicial foreclosure or the powers provided in such Mortgage, shall take title to such Lot or Condominium free and clear of any claims for unpaid assessments or charges against such Lot or Condominium which accrued prior to the time such holder acquires title to such Lot or Condominium.

(d) Mortgagee Approval. Except as provided by statute in case of condemnation or substantial loss, unless at least sixty-seven percent (67%) of the first Mortgagees (based upon one vote for each Mortgage owned) or sixty-seven percent (67%) of the Members other than Declarant and any Participating Builders have given their prior written approval, neither the Master Association or the Owners shall:

(i) Subject to the provision of the California General Non-profit Corporation Law to the contrary, by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Association Property or the Improvements thereon which are owned, directly or indirectly, by the Master Association (the granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the Master Association shall not be deemed a transfer within the meaning of this clause);

(ii) Change the method of determining obligations, assessments, dues or other charges which may be levied against any Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

(iii) By act or omission, dissolve this Master Association, terminate the Project, or change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the dwelling units on the Lots, the exterior maintenance of the dwelling units on the Lots or Condominiums, the maintenance of the Association Property and any Improvements thereon, including, but not limited to, walks, fences and driveways, or the upkeep of lawns and plantings on the Properties;

(iv) Fail to maintain Fire and Extended Coverage on insurable Association Property on a current replacement cost basis in an amount at least one hundred percent (100%) of the insurable value (based on current replacement cost);

(v) Use hazard insurance proceeds for losses to any Association Property for other than the repair, replacement or reconstruction of such Association Property;

(vi) Change the pro rata interest or obligations of any individual Lot or Condominium for the purpose of: (aa) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (bb) determining the pro rata share of ownership of each Lot or Condominium in the Common Area, if any;

(vii) Terminate professional management and assume self-management of the Master Association;

(viii) Amend a material provision of this Master Declaration, the Bylaws or the Articles; for purposes herein, the term "material provision" shall mean and refer to those provisions affecting the following:

(aa) The percentage interest of the Owners in the Common Area;

(bb) The fundamental purpose for which the project was created (such as a change from residential use to a different use);

(cc) Voting;

(dd) Assessments, assessment liens, and subordination thereof;

(ee) The reserve for maintenance, repair and replacement of Association Property, Master Association Maintenance Area, Common Area and Common Area facilities;

(ff) Property maintenance obligations;

(gg) Casualty and liability insurance;

(hh) Reconstruction in the event of damage or destruction;

(ii) Rights to use the Common Area, Association Property or Master Association Maintenance Areas;

(jj) Rights to annex additional property; and

(kk) Any provision, which by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

(e) Books, Records and Notice of Meetings. First Mortgagees, upon written request, shall have the right to (i) examine the books and records of the Master Association during normal business hours, (ii) require from the Master Association the submission of audited annual financial reports and other financial data, (iii) receive written notice of all meetings of the Owners, (iv) designate in writing a representative to attend all such meetings.

(f) Notice to Mortgagees. All first Mortgagees shall be given (i) thirty (30) days written notice prior to the effective date of any proposed material amendment to this Master Declaration or the Articles or Bylaws, and prior to the effective date of any termination of an agreement for professional management of the properties following a decision of the Owners to assume self-management of the Properties; and (ii) immediate written notice as soon as the Board receives notice or otherwise learns of any damage to other Association Property whenever the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000.00), and as soon as the Board receives notice or otherwise learns of any condemnation or eminent

domain proceedings or other proposed acquisition, with respect to any portion of the Properties.

(g) Defaults. First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Association Property and may pay any overdue premiums on hazard insurance policies or secure new hazard insurance coverage for such property in case of lapse of a policy, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association.

(h) Professional Management. The Board shall contract for professional management of the Properties with a professional Manager. The agreement between the Master Association and its agent for such professional management shall provide that the management contract may be terminated by either party thereto, without cause, and without payment of a termination fee, upon ninety (90) days written notice, and the term of such contract shall not exceed three (3) years.

(i) Fidelity Bond.- The Board shall secure and cause to be maintained in force at all times a fidelity bond for any person or entity handling funds of the Master Association, including, but not limited to, employees of the professional Manager.

(j) Leases. Any agreement for the leasing or rental of a Lot or Condominium shall provide that the terms of such agreement shall be subject in all respects to the provisions of this Master Declaration, the Articles and the Bylaws. All such agreements shall be in writing and shall provide that any failure by the lessee to comply with the terms of this Master Declaration, the Articles and the Bylaws shall be a default under the agreement.

(k) Agreements for Financing. In addition to the foregoing, the Board may enter into such contracts or agreements on behalf of the Master Association as are required in order to satisfy the guidelines of the VA, the FHA, the FHLMC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first Mortgages encumbering Condominiums or Lots with dwelling units thereon. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Lot or Condominium.

Section 11.4. Notices: Any notice permitted, or required to be delivered as provided herein shall be in "writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Master Association for the purpose of service of such notice, or to the residence of such Person if no address has been given to the Master Association. Such address" may be changed from time to time by notice in writing to the Master Association.

Section 11.5. Enforcement and Non-Waiver:

(a) Right of Enforcement. Except as otherwise expressly provided herein, Declarant, the Board, any Owner of any Lot or Condominium within the Properties, and the County Flood Control District (but only for purposes of enforcing maintenance of flood control facilities as set forth in Section 5.1(k) herein), shall have the right to enforce any or all of the provisions of this Master Declaration against any property within the Properties and the Owners thereof. Such right shall include an action for damages, as well as an action to enjoin any violation of the Master Declaration.

(b) Violations and Nuisance. Every act or omission whereby any provision of this Master Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action by Declarant or the Master Association or any Owner or Owners of Lots or Condominiums within the Properties. However, any other provision to the contrary notwithstanding, only Declarant, the Master Association, the Board or a duly authorized agent of any of them, may enforce by self-help any of the provisions of this Master Declaration, and only if such self-help is preceded by reasonable Notice and Hearing.

(c) Violation of Law. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation or use of any property within the Properties is hereby declared to be a violation of this Master Declaration and subject to all of the enforcement procedures set forth in this Master Declaration.

(d) Remedies Cumulative. Each remedy provided by this Master Declaration is cumulative and not exclusive. The Master Association may, at its option, without

waiving the right to enforce its lien against the Condominium or Lot, bring a suit at law to enforce each assessment obligation.

(e) Non-Waiver. The failure to enforce any of the provisions of this Master Declaration at any time shall not constitute a waiver of the right thereafter to enforce any such provision or any other provisions of this Master Declaration.

(f) Attorneys' Fees. Any judgment rendering in any action or proceeding hereunder shall include a sura for attorneys fees in such amount as the Court may deem reasonable in favor of the prevailing party, as well as the amount of delinquent payment (if applicable), interest thereon, late charges (if any) and court costs.

Section 11.6. FHA/VA Approval: As long as Declarant or a Participating Builder has effective voting control of the Master Association, and provided they are insuring or guaranteeing loans, as the case may be, on a portion of the Properties, the following actions will require the prior approval of the Federal Housing Administration or the Veterans Administration: annexation or deannexation of additional real property to the Properties pursuant to Article III of this Master Declaration; dedication of the Master Association Maintenance Area to any public agency; grants of additional easements, rights-of-way, or licenses' by Declarant in the Properties; establishment of additional reservations by Declarant in the Properties; amendment of this Master Declaration; and mergers or consolidations of the Master Association.

Section 11.7. Interpretation:

(a) Restrictions Construed Together. All of the provisions of this Master Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the Properties as set forth in the preamble to this Master Declaration. This Master Declaration shall be construed and governed by the laws of the State of California.

(b) Restrictions Severable. Notwithstanding the provisions of the foregoing subparagraph (a), each of the provisions of this Master Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

(c) Singular Includes Plural. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine or neuter shall each include the masculine, feminine and neuter.

(d) Captions. All captions and titles used in this Master Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the provisions hereof.

Section 11.8. Reservation of Easements: Declarant expressly reserves for the benefit of all Properties reciprocal easements for access, ingress and egress for all Owners to and from their respective Lots and Condominiums, for installation and repair of utility services; for encroachments of Improvements constructed by Declarant for drainage of water over, across and upon adjacent Lots and Condominiums, and Association Property resulting from the normal use of adjoining Lots, Condominiums or Association Property, and for necessary maintenance and repair of any Improvement. Such easements may be used by Declarant, its successors, purchasers, the Master Association, and all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Properties, for pedestrian walkways, vehicular access and such other purposes reasonably necessary for the use and enjoyment of a Lot, Condominium or the Association Property.

Section 11.9. No Representations or Warranties; No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents or employees in connection with the Properties or any portion of the Properties, or any Improvement thereon, its physical conditions, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a Planned Development, except as specifically and expressly set forth in this Master Declaration and except as may be filed by Declarant from time to time with the California Department of Real Estate, the County, the VA, the FHA, the FHLMC, the FNMA, the GNMA or any other government agency.

Section 11.10. Special Provision for Enforcement of Certain Bonded Obligations: In the event that (a) any Improvements on any Master Association Maintenance Area located on any phase of development of the Properties are not completed, prior to the issuance of a Final Subdivision Public Report for that phase by the California Department of Real Estate ("DRE"), and (b) the Master Association is obliged under a bond or other arrangement ("Bond") required by the DRS to secure performance of the commitment of Declarant to

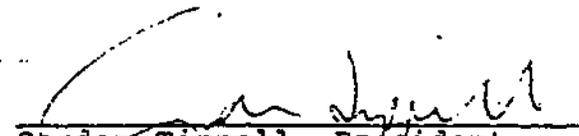
complete the Improvements, the following provisions of this section will be applicable:

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

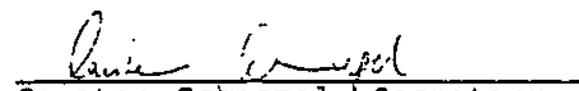
(b) A special meeting of Delegates, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held no fewer than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Delegates representing five percent (5%) or more of the total voting power of the Master Association. A vote of a majority of the voting power of the Master Association residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Master Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Master Association.

IN WITNESS WHEREOF, Declarant has executed this Declarant of Covenants, Conditions, Restrictions and Reservation of Easements as of the date first above written.

TAYLOR WOODROW HOMES CALIFORNIA
LIMITED, a California corporation

By: 

Gordon Tippell, President

By: 

Carsten Schnepel, Secretary

87-502874

EXHIBIT "A"

A parcel of land in the unincorporated territory of the County of Orange, State of California, being a portion of Parcel 1 of Parcel Map No. 83-117 as per map filed in Book 201, pages 11 through 14, inclusive, of Parcel Maps in the Office of the County Recorder of said County described as follows:

Beginning at a point on that certain curve in the Northeasterly boundary of said Parcel 1, said curve shown on said map as being concave Southerly, having a radius of 1850.00 feet, a central angle of $24^{\circ}06'13''$ and a length of 778.27 feet, said point being distant thereon Easterly along said certain curve through a central angle of $15^{\circ}25'54''$, a length of 498.27 feet from the Westerly terminus thereof; thence, along the boundary of said Parcel 1 through the following courses: Westerly along said certain curve through a central angle of $15^{\circ}25'54''$, a length of 498.27 feet, N. $17^{\circ}15'54''$ W. 100.00 feet, N. $32^{\circ}47'00''$ W. 779.73 feet, S. $54^{\circ}49'00''$ W. 740.59 feet, S. $68^{\circ}28'00''$ W. 1790.00 feet, South 200.00 feet, West 345.00 feet and S. $45^{\circ}5r00''$ W. 1256.06 feet to the most northerly corner of Tract No. 12675 as per map filed in Book 572, pages 1 through 3, inclusive, of Miscellaneous Maps in the Office of the County Recorder of said county; thence along the boundary of said Tract No. 12675, through the following courses: S. $11^{\circ}00'00''$ E. 251.11 feet, N. $77^{\circ}05'00''$ E. 301.64 feet, S. $77^{\circ}57'00''$ E.

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S.79°18'54"W. 109.71 feet, Westerly along a tangent 6746.00 foot radius curve, concave Southerly, through a central angle of 3°56'53" a length of 464.84 feet, S.18°38'00"W. 271.48 feet, S.84°28'00"W. 105.76 feet, Southwesterly along a 1100.00 foot radius curve, concave Northwesterly, through a central angle of 42°01'45" a length of 806.90 feet, S.40°34'11"W., 655.95 feet, Southerly along a tangent 2000.00 foot radius curve, concave Easterly, through a central angle of 53°35'16" a length of 1870.57 feet, S.13°01'05"E. 571.47 feet, Southerly along a tangent 1800.00 foot radius curve, concave Westerly, through a central angle of 20°02'24", a length of 629.58 feet, S.7°01'19"W. 408.71 feet, N.86°21'15"E. 47.83 feet, N.7°01'19"E. 399.86 feet, Northerly along a 1847.00 foot radius curve, concave Westerly, through a central angle of 13°53'27" a length of 447.79 feet, N.71°32'33"E. 279.64 feet, N.58°53'00"E, 460.11 feet, N.42°42'19"E. 758.09 feet, N.60°31'53"E. 776.79 feet, N.53°55'01"E. 756.86 feet, S.89°12'34"E. 624.73 feet, N.85°18'50"E. 1006.30 feet, S.89°59'06"E. 245.00 feet, N.46°11'28"E, 1205.87 feet, N.8°13'39"W. 1081.17 feet and N.21°02'42"E. 1439.00 feet to the Southwesterly terminus of that certain course in the Easterly boundary of Parcel A of Lot Line Adjustment No. LL 85-19 as per Instrument No. 85-350781, Official Records of said county; thence along said boundary N.50°34'00"E. 359.72 feet and N.17°03'00"E. 827.95 feet to the Point of Beginning.

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148.00 feet, N.12°03'00"E., 100.00 feet, S.77°57'00"E. 40.46 feet,
Southeasterly along a tangent 17.00 foot radius curve, concave
Southwesterly, through a central angle of 88°33'07" a length of 26.27
feet, Southerly along a tangent reverse 578.00 foot radius curve, con-
cave Easterly, through a central angle of 8°55'33" a length of 90.04
feet, S.88°19'26"E., 56.00 feet, Northerly along a 522.00 foot radius
curve, concave Easterly through a central angle of 13°23'02"^H a length
of 121.93 feet, Easterly along a 386.00 foot radius curve, concave
Northerly, through a central angle of 39°15'35" a length of 264.49
feet, N.75°59'47"E. 191.03 feet, S.87°55'00"E., 142.30 feet,
Northeasterly along a 250.00 foot radius curve, concave Northwesterly
through a central angle of 62°10'00", a length of 271.25 feet,
N.5°25'00"E. 78.61 feet, S.84°06'36"E. 116.41 feet, S.53°55'00"E.
46.71 feet, S.66°48'00"E. 58.15 feet, S.78°20'00"E. 54.15 feet,
S.88°40'00"¹E. 48.67 feet, N.41°25'00"E. 9.95 feet, S.12°50'00"E. 97.70
feet, S.17°21'45"E. 57.00 feet, Westerly along a 1807.00 foot radius
curve, concave Northerly, through a central angle of 8°48'25" a length
of 277.75 feet, S.81°26'40"W. 709.71 feet, S.8°23'20"E. 43.00 feet,
S.81°26'40"W. 200.00 feet, S.36°26'40"W. 24.04 feet, S.81°26'40"W.
56.00 feet, S.8°33'20"E. 33.00 feet, S.81°26'40"W. 530.14 feet and
N.9°30'39"W. 46.87 feet to the Northeasterly terminus of that certain
course in the Northerly boundary of said Parcel 1 shown on said Parcel
Map No. 83-117 as "N.79°18'54"E., 109.71 feet"; thence, along the
boundary of said Parcel 1 through the following courses:

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