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MASTER DECLARATION OF COVENANTS,
CONDITIONS, RESTRICTIONS AND RESERVATION
OF EASEMENTS FOR
RANCHO SAN CLEMENTE

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McKITTRICK JACKSON
OR MARCO B PECKENPAUGH
A LAW CORPORATION

85-327173

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FOR
RANCHO SAN CLEMENTE

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DESCRIPTION

- EXHIBIT "A" - LEGAL DESCRIPTION OF ASSOCIATION PROPERTY IN
FIRST SUBDIVISION
- EXHIBIT "B" - LEGAL DESCRIPTION OF FIRST SUBDIVISION OWNED BY
INITIAL PARTICIPATING BUILDER
- EXHIBIT "C" - ARTICLES OF INCORPORATION OF MASTER ASSOCIATION
- EXHIBIT "D" - BYLAWS OF MASTER ASSOCIATION
- EXHIBIT "E" - LEGAL DESCRIPTION OF ANNEXABLE AREA

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MASTER DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR

RANCHO SAN CLEMENTE

THIS MASTER DECLARATION is made by WESTERN PROPERTIES SERVICE CORPORATION, an Arizona corporation ("Declarant"), and EPAC SAN CLEMENTE, INC., a California corporation ("Initial Participating Builder").

P R E A M B L E:

A. Declarant is the Owner of certain real property in the City of San Clemente, County of Orange, State of California, more particularly described in Exhibit "E" to this Master Declaration. Initial Participating Builder is the Owner of certain real property in the City of San Clemente, County of Orange more particularly described in Exhibit "B" attached hereto and incorporated herein which constitutes a portion of the "First Subdivision".

B. The Residential Areas (as hereinafter defined) may or may not be adjacent to each other and may or may not be developed with exactly the same objectives but it is expected that all will be developed with certain common objectives and Owners of Lots or Condominiums within these areas and the Owners of property in the Commercial Areas (as hereinafter defined) will have certain common interests. All of such Residential Areas will be developed with objectives designed to enhance the value of and to benefit all property within these Residential Areas and to enhance the value of and benefit other portions of the Properties (as hereinafter defined) even though such other real property may be of a different and nonresidential character.

C. Declarant and the Initial Participating Builder have deemed it desirable, for the efficient preservation of the values and amenities in the First Subdivision and in the additional property which may be annexed thereto pursuant to the provisions of the Master Declaration, to create a corporation under the Nonprofit Mutual Benefit Corporation Law of the State of California to which shall be delegated and assigned the powers of (1) owning, maintaining and administering the Association Property (as hereinafter defined) for the private use of its Members and authorized guests, and (2) administering and enforcing the Restrictions (as defined herein), and collecting and disbursing the assessments and charges hereinafter created.

D. Declarant and the Initial Participating Builder will cause or have caused such corporation, the Members of which shall be the respective Owners of Lots or Condominiums in the First Subdivision and the Owners of Lots or Condominiums in real property annexed to the First subdivision pursuant to the provisions of this Master Declaration, to be formed for the purpose of exercising such functions.

E. Declarant and the Initial Participating Builder intend to establish a balanced community and to develop and convey all of the Properties, pursuant to a general plan for the maintenance, care, use and management of the Properties, and subject to certain protective covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges, all running with the Properties as hereinafter set forth. The development of the Properties shall be consistent with the overall development plan submitted to the Veterans' Administration ("VA") and the Federal Housing Administration ("FHA").

F. This Master Declaration is designed to create equitable servitudes and covenants appurtenant to and running with all of the Properties. Declarant or any Participating Builder (as hereinafter defined) may execute, acknowledge and record an Additional Declaration affecting solely a Condominium Project or Planned Development (as such terms are hereinafter defined), so long as Declarant or such Participating Builder owns all of the real property to be affected by such Additional Declaration. Such Additional Declaration may impose further conditions, covenants and restrictions for the operation, protection and maintenance of the Planned Development or Condominium Project, taking into account the unique aspects of concern to Owners of Lots or Condominiums in such Planned Development or Condominium Project. Such Additional Declaration 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 Planned Development or Condominium Project, including, without limitation, the right to assess the Owners within such Planned Development or Condominium Project for the cost of such operation and maintenance.

G. Now, therefore, Declarant and the Initial Participating Builder hereby declare that all of the Properties shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following easements, restrictions, covenants, conditions and equitable servitudes, all of which are for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Properties, in furtherance of a general plan for the protection, maintenance, subdivision, improvement, sale and lease of the Properties, or any portion thereof. The covenants, conditions, restrictions, reservations, easements, and equitable servitudes set forth herein shall run with the Properties and shall be binding upon all persons having any right, title or interest in the Properties, or any part thereof, their heirs, successive Owners and assigns; shall inure to the benefit of every portion of the Properties and any interest therein; and shall inure to the benefit of and be binding upon Declarant and the Initial Participating Builder, their successive owners and each Owner and his or her respective successors-in-interest; and may be enforced by any Owner or by the Master Association.

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 1.01. "Additional Declaration" shall mean any declaration of covenants, conditions and restrictions, or similar document, which shall affect solely a Condominium Project or Planned Development or other portion of the Properties.

Section 1.02. "Annexable Area" shall mean the real property described in Exhibit "E", all or any portion of which property may from time to time be made subject to this Master Declaration pursuant to the provisions of Article II hereof.

Section 1.03. "Apartment Area" shall mean the real property which may be so classified from time to time in a Supplemental Declaration, as provided in Article II hereof, which is developed or being developed with Improvements suitable for multi-Family apartment use.

Section 1.04. "Architectural Committee" shall mean the architectural and landscaping committee created pursuant to Article IX hereto.

Section 1.05. "Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee pursuant to Article IX, Section 9.03 hereof.

Section 1.06. "Articles" shall mean the Articles of Incorporation of the Master Association as filed or to be filed in the Office of the Secretary of State of the State of California, a copy of which is attached hereto as Exhibit "C," as such Articles may be amended from time to time.

Section 1.07. "Assessment, Capital Improvement" shall mean a charge against each Owner and his Lot or Condominium, representing a portion of the costs to the Master Association for installation or construction of any Improvements on any portion of the Association Property which the Master Association may from time to time authorize, pursuant to the provisions of this Master Declaration.

Section 1.08. "Assessment, Common" 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, which are to be paid by each Owner to the Master Association, as provided herein.

Section 1.09. "Assessment, Reconstruction" 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 1.10. "Assessment, Special" shall mean a charge against a particular Owner and his Lot or Condominium, directly attributable to or reimbursable by the Owner, equal to the cost incurred by the Master Association for corrective action performed pursuant to the provisions of this Master Declaration, or levied by the Board as a reasonable fine or penalty for non-compliance with the Restrictions, plus interest and other charges on such Special Assessment as provided for in this

Master Declaration. Special Assessments shall not include any late payment penalties, interest charges, attorneys' fees or other costs incurred by the Master Association in its efforts to collect Common Assessments, Capital Improvement Assessments or Reconstruction Assessments.

Section 1.11. "Association Property" shall mean all the real and personal property and Improvements which are owned at any time by the Master Association, or over which the Master Association has an easement for the use, care or maintenance thereof, for the common benefit, use and enjoyment of all of the Owners, as further provided in Article III of this Master Declaration. The Association Property shall also include all median strips and linear parkway areas (exclusive of any bike-paths, sidewalks or other hardscape Improvements) in the public rights-of-way in or immediately adjacent to the Properties, the maintenance of which is not the responsibility of a state, local or municipal governmental agency or entity, or a Sub-Association pursuant to an Additional Declaration. The Association Property shall also include entry monumentation for the Properties, whether located on property owned by the Master Association in fee or located on individual Lots or Common Area. The Association Property in the First Subdivision is described in Exhibit "A" to this Master Declaration.

Section 1.12. "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 1.13. "Board" shall mean the Board of Directors of the Master Association, elected in accordance with the Bylaws of the Master Association and this Master Declaration.

Section 1.14. "Bylaws" shall mean the Bylaws of the Master Association which have or will be adopted by the Board initially in the form of Exhibit "D" attached hereto, as such Bylaws may be amended from time to time.

Section 1.15. "Close of Escrow" shall mean the date on which a deed or other such instrument conveying a Lot or Condominium in the Properties is Recorded with the exception of deeds between Declarant and Participating Builders or between Participating Builders.

Section 1.16. "Commercial Area" shall mean all of the real property which may be classified from time to time in a Supplemental Declaration as commercial and designated for commercial or industrial purposes. Except as otherwise provided in the Supplemental Declaration classifying such property as Commercial Area, any Commercial Area in the Properties shall be subject to the provisions of this Master Declaration only for purposes of right of entry, as set forth in Article V, General Restrictions, as set forth in Article VII, and Architectural Control, as set forth in Article IX, and, unless so provided in the Notice of Annexation or Supplemental Declaration for such Commercial Area Recorded pursuant to Article II, the Owners of Lots and Condominiums in the Commercial Area shall not be (i) members of the Master Association, (ii) subject to Common Assessments, Capital Improvement Assessments or Reconstruction Assessments, nor (iii) entitled to exercise any Master Association vote; provided, however, that such Owners of Lots and Condominiums in the Commercial Area shall be subject to levy and

enforcement of Special Assessments by the Master Association for violations of such Articles V, VII and IX hereof. If the Recorded Notice of Annexation or Supplemental Declaration for any Commercial Area specifies that the Owners of Lots and Condominiums in such Commercial Area shall be members of the Master Association, then such Commercial Area Lots and Condominiums shall be entitled to no more than one (1) vote for each assessment unit allocated to such Commercial Area Lots and Condominiums.

Section 1.17. "Commercial Lot" shall mean a Lot or Condominium located within a Commercial Area, together with the Improvements thereon.

Section 1.18. "Common Area" shall mean any portion of the Properties designated in an Additional Declaration for the primary benefit of or maintenance by the Owners of Lots within a particular Planned Development, or the Owners of Condominiums within a Condominium Project, to be owned (1) in common by such Owners (within a Condominium Project), (2) by a Sub-Association in which all such Owners shall be entitled to membership, or (3) separately by individual Owners (within a Planned Development) over which a Sub-Association may have an easement for maintenance purposes.

Section 1.19. "Common Expenses" shall mean the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Association Property (including unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments), including those costs not paid by the Owner responsible for payment; costs of management and administration of the Master Association including, but not limited to, compensation paid by the Master Association to managers, accountants, attorneys and other employees; the costs of all utilities, gardening, and other services benefiting the Association Property; the costs of fire, casualty and liability insurance, worker's compensation insurance, and other insurance covering the Association Property; the costs of bonding the members of the management body; 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 portions thereof, including, without limitation, real property taxes, if any, levied against the Association Property; all prudent reserves; and the costs of any other item or items designated by the Master Association for any reason whatsoever in connection with the Association Property, for the benefit of the Owners.

Section 1.20. "Condominium" shall mean a condominium as defined in Section 783 of the California Civil Code, or any similar California statute hereinafter enacted, and shall include a Condominium owned in fee simple, a long-term leasehold Condominium or a Condominium comprising a combination of fee simple and long-term leasehold characteristics. For purposes of this Master Declaration, a "long-term" leasehold shall mean a leasehold interest in a Lot or Condominium which has an original term of not less than ten (10) years. For purposes of this Master Declaration, the term "Condominium" shall include a Residence or other area of space which is appurtenant to one or more ownership interests in a community apartment or stock cooperative.

Section 1.21. "Condominium Project" shall mean a Project as defined in Section 1150 of the California Civil Code, or any similar California statute hereinafter enacted, and all property designated in the Additional Declaration for such Project as additional "Phases of Development" in the event such Project is developed in phased increments. For purposes of this Master Declaration, the term "Condominium Project" shall include community apartment and stock cooperative projects as respectively defined in Section 11004 and Section 11003.2 of the California Business and Professions Code or any similar California statute hereafter enacted.

Section 1.22. "Declarant" shall mean WSLA DEVELOPMENT CORPORATION, an Arizona corporation, its successors, and any Participating Builder or other Person to which it shall have assigned any rights hereunder by an express written Recorded assignment. Any such assignment may include only specific rights of the Declarant hereunder and may be subject to such conditions and limitations as WSLA DEVELOPMENT CORPORATION may impose in its sole and absolute discretion.

Section 1.23. "Delegate" shall mean a natural person selected by the Members owning the Lots or Condominiums in a Delegate District, pursuant to Section 4.03 hereof, to represent all of the Members within such Delegate District to vote on their behalf, as further provided in this Master Declaration and in the Bylaws. All provisions of this Master Declaration and the Bylaws pertaining to the election, removal, qualification or action of Delegates shall be equally applicable to all alternate Delegates elected pursuant to Section 4.04 hereof.

Section 1.24. "Delegate District" shall mean a geographical area in the Properties in which all of the Members owning Lots or Condominiums therein shall elect a single Delegate to represent their collective voting power. A Delegate District may be established in one of two ways, as follows:

(a) Where a Sub-Association is to be created in the Annexable Area, the portion of the Properties covered by the Supplemental Declaration providing for the creation of the Sub-Association shall be a Delegate District; and

(b) Delegate Districts for portions of the Annexable Area not covered by any Supplemental Declaration providing for a Sub-Association shall be established from time to time by Declarant upon recordation of an instrument creating such Delegate District; all as further provided herein.

Section 1.25. "DRE" shall mean the California Department of Real Estate, or such other governmental agency of the State of California, which administers the sale of subdivided lands pursuant to Sections 11000 et seq., of the California Business and Professions Code, or any similar California statute hereafter enacted.

Section 1.26. "Family" shall mean (1) a group of natural Persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of natural Persons not all so related who maintain a common household in a Residence on a Lot or in a Condominium Unit.

Section 1.27. "First Subdivision" shall mean the real property described in Exhibit "B" and the Association Property described in Exhibit "A" to this Master Declaration. The First Subdivision is hereby designated as a portion of Delegate District No. 1.

Section 1.28. "Improvement" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to buildings, outbuildings, walkways, hiking trails, tennis courts, waterways, sprinkler pipes, garages, swimming pools, jacuzzi spas, and other recreational facilities, carports, roads, driveways, parking areas, fences, 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 1.29. "Lot" shall mean any lot or parcel of land shown upon any Recorded subdivision map or Recorded parcel map of the Properties, together with the Improvements, if any, thereon, but excepting any Common Area, the Association Property and any Condominiums in a Condominium Project. The term "Lot" shall include, without limitation, (a) Residential Lots, (b) Commercial Lots, and (c) lots or parcels of land improved with one (1) or more residential rental apartment buildings.

Section 1.30. "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Master Association pursuant to Article VI hereof.

Section 1.31. "Manager" shall mean the Person, firm or agent, whether an employee or independent contractor, employed by the Master Association, pursuant to the Bylaws, and delegated the duties, power or functions of the Master Association as limited by the Restrictions.

Section 1.32. "Master Association" shall mean RANCHO SAN CLEMENTE COMMUNITY ASSOCIATION, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns.

Section 1.33. "Master Declaration" shall mean the within Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as it may be amended from time to time.

Section 1.34. "Member" shall mean every Person holding a membership in the Master Association, pursuant to Article IV, Section 4.02 hereof.

Section 1.35. "Mortgage" shall mean any mortgage or deed of trust or other conveyance of a Lot, Condominium or other portion of a Phase of Development 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 1.36. "Mortgagee" shall mean a person or entity to whom a Mortgage is made and shall include the beneficiary of a Deed of Trust; "Mortgagor" shall mean a Person 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," and the term "Beneficiary" shall be synonymous with the term "Mortgagee."

Section 1.37. "Notice and Hearing" shall mean written notice and a hearing before the Board or the Architectural Committee, as applicable, 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 1.38. "Owner" shall mean the Person or Persons, including Declarant and Participating Builders, holding a fee simple interest to a Lot or fee simple or long-term ground leasehold interest of record to a Condominium which is a part of the Properties, excluding those persons holding title as security for the performance of an obligation other than sellers under executory contracts of sale. For purposes of this Master Declaration, a "long-term ground leasehold interest" shall mean a leasehold interest having a term of ten (10) or more years.

Section 1.39. "Participating Builder" shall mean a Person who acquires a portion of the Properties for the purpose of developing such portion for resale to the general public or, in the case of a Commercial Area, for developing such Commercial Area for sale, lease, short or long-term investment or occupancy; provided, however, that the term "Participating Builder" shall not mean or refer to Declarant or its successors. The Initial Participating Builder is a Participating Builder.

Section 1.40. "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

Section 1.41. "Phase of Development" shall mean (i) the First Subdivision, or (ii) all the real property designated as a Phase of Development in a Notice of Annexation (including all amendments thereto) Recorded pursuant to Article II hereof.

Section 1.42. "Planned Development" shall mean an area of the Properties (other than a Condominium Project, a multi-Family apartment project in an Apartment Area, or a commercial project in a Commercial Area) developed as an integrated increment of this overall planned community), (whether or not the increment is developed in phases) and consisting of contiguous Lots (with the exception of intervening public streets, Common Area or Association Property) developed for sale to the public by Declarant or a single Participating Builder. For purposes of this Master Declaration, a Planned Development may or may not qualify as a "planned development" pursuant to Section 11003 of the California Business and Professions Code, or any similar California statute hereinafter enacted.

Section 1.43. "Properties" shall mean the First Subdivision, together with such portions of the Annexable Area which are annexed to the property subject to this Master Declaration and to the jurisdiction of the Master Association pursuant to Article II hereof.

Section 1.44. "Record," "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 of the County in which the Properties are located.

Section 1.45. "Residence" shall mean a dwelling on a Residential Lot or a Residential Condominium, intended for use and occupancy by a single family.

Section 1.46. "Residential Area" shall mean (1) all of the real property in the First Subdivision which is so classified in accordance with Article II, Section 2.02 hereof, or (2) all of the real property in the Annexable Area which may hereafter be so classified pursuant to Section 2.02.

Section 1.47. "Residential Lot" shall mean a Lot located within a Residential Area, together with the Improvements, if any, thereon.

Section 1.48. "Restrictions" shall mean this Master Declaration, the Articles, the Bylaws and the Rules and Regulations of the Master Association from time to time in effect.

Section 1.49. "Rules and Regulations" shall mean the Rules and Regulations adopted by the Board pursuant to Article V, Section 5.02 hereof, as they may be amended from time to time.

Section 1.50. "R.V. Storage Area" shall mean the portion of the Association Property, if any, which may be designated by the Board, pursuant to Article V hereof, for the storage of recreational vehicles, including, without limitation, the storing of boats, trailers, campers and other recreational vehicles.

Section 1.51. "Sub-Association" shall mean any California nonprofit corporation, or unincorporated association, or its successor in interest, organized and established or authorized pursuant to or in connection with an Additional or Supplemental Declaration and of which the membership is composed of Owners of Lots or Condominiums within a Condominium Project, Planned Development or other portion of the Properties.

Section 1.52. "Supplemental Declaration" shall mean any declaration of covenants, conditions and restrictions and reservation of easements or similar document supplementing this Master Declaration which may be Recorded pursuant to Article II of this Master Declaration.

ARTICLE II

DEVELOPMENT OF THE PROPERTIES;

LAND CLASSIFICATION; ANNEXATION

Section 2.01. The Annexable Area - Subdivision and Development by Declarant. Declarant intends that the Properties be developed for residential and commercial uses consistent with this Master Declaration. In addition, Declarant, at its option, may designate areas for maintenance, recreational or other purposes. As each Planned Development, Condominium Project, Apartment Area or Commercial Area is developed, Declarant or a Participating Builder may, with respect thereto, record one or more Supplemental Declarations which will incorporate this Master Declaration therein by reference, which shall designate the use classifications within the areas affected and which may

supplement the Master Declaration with such additional covenants, conditions, restrictions and land uses as Declarant may deem appropriate for the "Annexed Territory" (as hereinafter defined). The provisions of any Additional or Supplemental Declaration may impose such further or more restrictive conditions, covenants, restrictions, land uses and limitations as Declarant may deem advisable, taking into account the particular requirements of each Phase of Development. This Master Declaration shall control, in the event of any conflict between any Additional or Supplemental Declaration and the provisions of this Master Declaration, although such documents shall be construed to be consistent with one another to the extent possible. The inclusion in any Additional or Supplemental Declaration of conditions, covenants, land uses and limitations which are more restrictive or more inclusive than the restrictions contained in this Master Declaration shall not be deemed to constitute a conflict with the provisions of this Master Declaration. As each Phase of Development is annexed to the Properties, control over the completed Association Property, if any, therein, shall be transferred to the Master Association in accordance with the provisions of this Master Declaration. An Additional Declaration for such Phase of Development may, but need not, provide for the establishment of a Sub-Association, to be comprised of Owners of Lots or Condominiums within the Planned Development or Condominium Project subject thereto. The Supplemental Declaration for a Phase of Development may be incorporated within the Additional Declaration, if any, for such Phase of Development.

Section 2.02. Land Classification.

(a) Those portions of the First Subdivision comprising Lots 1, 3, 4 and A through E, inclusive, of Tract No. 12283, as shown on a Subdivision Map, recorded on May 17, 1985, in Book 540, Pages 6 to 13, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder, are hereby classified as Residential Area.

(b) That portion of the First Subdivision described on Exhibit "A" which is attached hereto and incorporated herein by this reference, is hereby classified as Association Property. Conveyance to the Master Association of fee title to or a nonexclusive easement for use, care and maintenance of this portion of the Association Property shall be made prior to the first Close of Escrow for the sale (requiring the issuance of a Final Subdivision Public Report by the DRE) of a Lot or Condominium in the First Subdivision to the public.

Section 2.03. Annexation of Annexable Area.

(a) Annexation. Declarant and Participating Builders (subject to subsection 2.03(b) below) may, but shall not be required to, at any time or from time to time, add to the Properties covered by this Master Declaration all or any portion of the Annexable Area then owned by Declarant or such Participating Builders by Recording a Notice of Annexation of Territory ("Notice of Annexation") with respect to the real

property to be annexed ("Annexed Territory"). If the Notice of Annexation for a proposed annexation under this Section 2.02 is not Recorded prior to the third (3rd) anniversary of the original issuance of the Final Subdivision Public Report most recently issued by the DRE for a Phase of Development of the Properties, then such annexation shall further require the vote or written consent of Delegates representing at least two-thirds (2/3rds) of the voting power of the Master Association.

Upon the Recording of a Notice of Annexation covering any portion of the Annexable Area and containing the provisions set forth herein (which Notice of Annexation may be contained within the Additional or Supplemental Declaration affecting any such Annexed Territory), the covenants, conditions and restrictions contained in this Master Declaration shall apply to the Annexed Territory in the same manner as if it were originally covered by this Master Declaration and 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 Territory 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 and Condominiums within the Annexed Territory shall be the same as in the case of the Lots or Condominiums originally affected by this Master Declaration.

(b) Notice of Annexation. The Notice of Annexation referred to in Section 2.03(a) above shall contain at least the following provisions:

- (i) A reference to this Master Declaration, which reference shall state the date of Recordation hereof and the Instrument number or other relevant Recording data of Official Records of the County Recorder's office where this Master Declaration is Recorded;
- (ii) A statement that the provisions of this Master Declaration shall apply to the Annexed Territory as set forth therein;
- (iii) An exact description of the Annexed Territory;
- (iv) A description of the Association Property, if any, located in the Annexed Territory; and
- (v) The Land Classifications of the Annexed Territory.

A Notice of Annexation may cover one or more Phases of Development, as designated in such Notice of Annexation. A Notice of Annexation may specify that the Annexed Territory shall comprise a single Phase of Development unless, prior to the commencement of Common

Assessments within the Annexed Territory, an amendment to such Notice of Annexation, executed by all parties required to sign the Notice of Annexation, is recorded which (i) specifies that the Annexed Territory shall comprise more than one Phase of Development and identifies each such Phase of Development within the Annexed Territory, and (ii) identifies which portions of the Association Property, if any, described in the previously recorded Notice of Annexation is to be included in each such designated Phase of Development. A Notice of Annexation may also specify that the Annexed Territory shall be allocated not less than a specified number of assessment units, notwithstanding the fact that the Annexed Territory would be charged with a fewer number of assessment units pursuant to the formula specified in Section 6.05 of this Master Declaration. For so long as Declarant and Participating Builders have the right to add the Annexable Area to the Properties without the approval of Delegates representing at least two-thirds (2/3rds) of the voting power of the Master Association, each Notice of Annexation relative to real property owned by Declarant shall be signed only by Declarant and each Notice of Annexation relative to real property owned by a Participating Builder shall be signed by both Declarant and such Participating Builder. From and after the date on which any annexation of Annexable Area requires the approval of the Delegates as herein provided, each Notice of Annexation must also be signed by at least two (2) officers of the Master Association, certifying that the vote of the requisite percentage of Delegates has been obtained.

As a condition precedent to any annexation of Annexable Area, the FHA and VA shall be advised of any such annexation and shall determine that the annexation (including the manner in which any commercial area proposed for such Annexed Territory is to participate in the development plan of the Properties) is in accordance with the development plan submitted to and approved by FHA or VA and shall so advise Declarant or Participating Builders.

(c) Deannexation. Declarant may delete all or a portion of a Phase of Development from coverage of this Master Declaration and the jurisdiction of the Master Association, so long as Declarant is the Owner of all of such Phase of Development, and provided that (i) a Notice of Deletion of Territory is Recorded in the same manner as the applicable Notice of Annexation was Recorded, (ii) no Master Association vote has been exercised with respect to any portion of the Phase of Development, (iii) assessments have not yet commenced with respect to any portion of such Phase of Development, (iv) there has been no Close of Escrow for the sale of any Lot or Condominium in such Phase of Development for which a Final Subdivision Public Report is required, and (v) the Master Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development.

Participating Builders may delete all or any portion of a Phase of Development from coverage of this Master Declaration and the jurisdiction of the Master Association (or amend the applicable Notice of Addition insofar as it affects such Phase of Development), so long as Participating Builders (and Declarant, if applicable) are the Owners of all of such Phase of Development and provided further, that (a) all requirements of items (i) through (v) set forth above in this paragraph have been satisfied, and (b) Declarant has consented in writing to such deletion or amendment by executing the Notice of Deletion of Territory or amendment to Notice of Addition for such Phase of Development.

Section 2.04. Other Additions. In addition to the provisions for annexation specified in Section 2.03 above, additional real property may be annexed to the Properties and brought within the general plan and scheme of this Master Declaration upon the approval by vote of Delegates entitled to exercise no less than two-thirds (2/3rds) of the total voting power of the Master Association.

ARTICLE III

ASSOCIATION PROPERTY

PERMITTED USE AND RESTRICTIONS

Section 3.01. Owners' Rights of Enjoyment. Every Owner and, to the extent permitted by such Owner, such Owner's Family, guests, invitees, lessees, and contract purchasers who reside on such Owner's Lot or Condominium, shall have a right of ingress and egress and of enjoyment in, to and over the Association Property which shall be appurtenant to and shall pass with title to every Lot and Condominium, subject to the following provisions:

(a) The right of Declarant or any Participating Builder to designate additional Association Property pursuant to the terms of Article II hereof.

(b) The right of the Master Association to reasonably limit the number of guests of Owners using the Association Property and any facilities thereon.

(c) The right of the Master Association to establish uniform rules and regulations pertaining to the use of the Association Property and any recreational and other facilities (including any R.V. Storage Area) located thereon, including, but not limited to, the right and obligation of the Master Association to enforce all parking restrictions within the Association Property as set forth in Section 3.03 of this Article III.

(d) The right of the Master Association to charge uniform and reasonable admission and other fees for the use of any facilities (including any R.V. Storage Area) situated upon the Association Property.

(e) The right of the Master Association in accordance with the Articles, Bylaws and this Master Declaration, with the vote of Delegates representing at least sixty-seven percent (67%) of the voting power of the Master Association, to borrow money for the purpose of improving the Association Property and facilities and in aid thereof, and, subject to the provisions of Article XIII, Section 13.03 of this Master Declaration, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

(f) The right of the Master Association to suspend the voting rights and rights and easements of any Member, and the Persons deriving such rights and easements from any Member to use any recreational facilities located on the Association Property for any period during which any assessment against such Member's Lot or Condominium remains unpaid and delinquent; and for a period not to exceed thirty (30) days for any non-continuing infraction of the published Rules and Regulations of the Master Association as more fully provided in the Bylaws. Any suspension of voting rights or right to use any Association Property facilities shall be made only by the Board, after Notice and an opportunity for a Hearing as provided in the Bylaws.

(g) Subject to the provisions of Article XIII, Section 13.03 of this Master Declaration, the right of the Master Association to dedicate, release, alienate or transfer all or any portion of the Association Property to any public agency, authority, utility or other Person for such purposes and subject to such conditions as may be agreed to by the Members. Except for grants of easements, licenses, or rights-of-way in, on, or over the Association Property for purposes not inconsistent with the use of such property pursuant to this Master Declaration, no such dedication, release, alienation or transfer shall be effective, unless previously approved by Delegates representing at least sixty-seven percent (67%) of the voting power of the Master Association and a certificate signifying such approval is executed by two (2) officers of the Master Association and Recorded. Recordation of such certificate shall constitute prima facie evidence that such approval has been given.

(h) The right of Declarant and any Participating Builders (and their sales agents, customers and representatives) to the nonexclusive use of the Association Property and the facilities thereof, without charge, for sales, display, access, ingress, egress and exhibit purposes, which right Declarant hereby reserves; provided, however, that such use shall extend until the earlier of (1) the expiration of twelve (12) years after the first Close of Escrow for the sale of a Lot or Condominium in the Properties or (2) the date on which neither Declarant nor any Participating Builder owns a Lot or Condominium in the Properties. Such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein.

(i) The right of the Master Association (by action of the Board) to reconstruct, replace or refinish any Improvement or portion thereof upon the Association Property, in accordance with the original design, finish or standard of construction of such Improvement, or of the general improvements within any Phase of Development, as the case may be; and subject to Section 13.03, if not in accordance with such original design, finish or standard of construction, only with the vote of Delegates representing at least sixty-seven percent (67%) of the voting power of the Master Association.

(j) The right of the Master Association to replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Association Property.

(k) The right of the Master Association, acting through the Board, to reasonably restrict access to the Association Property.

Section 3.02. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment to the Association Property and facilities to the members of his Family, his tenants, or contract purchasers who reside in his Lot or Condominium, subject to reasonable regulation by the Board.

Section 3.03. Easements for Parking. Temporary guest or recreational parking shall be permitted within the Association Property only within spaces and areas clearly marked for such purpose. The Master Association, through its officers, committees and agents is hereby empowered to establish "parking" and "no parking" areas within the Association Property in accordance with Section 22658 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement on public streets, including the removal of any violating vehicle by those so empowered.

Section 3.04. Easements for Vehicular Traffic. In addition to the general easements for use of the Association Property reserved herein, there shall be, and the Initial Participating Builder and Declarant hereby reserve and covenant for themselves and all future Owners within the Properties, that Declarant and the Initial Participating Builder and each and every Owner and their respective agents, employees, guests, invitees and successors shall have nonexclusive appurtenant easements for vehicular and pedestrian traffic over all private streets and walkways within the Association Property, subject to the parking provisions set forth in Section 3.03 above. Declarant, on behalf of itself and any Participating Builders, reserves the right to grant similar easements to Owners of property in the Annexable Area.

Section 3.05. Waiver of Use. No Owner may exempt himself from personal liability for assessments duly levied by the Master Association, nor release the Lot, Condominium or other property owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the Association Property and any facilities thereon or by abandonment of his Lot, Condominium or any other property in the Properties.

Section 3.06. Title to the Association Property. Declarant and the Initial Participating Builder, as applicable, hereby covenant for themselves, their successive owners and assigns, that it will convey or cause to be conveyed to the Master Association fee simple title to, or a nonexclusive easement for maintenance over, the Association Property (excluding public property) described in Article II, Section 2.02 of this Master Declaration, free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, and conditions then of record, including those set forth in this Master Declaration. Such conveyance shall be made prior to the first Close of Escrow for the sale of a Lot in the First Subdivision to the public. As each Phase of Development in the Properties is developed by Declarant or by a Participating Builder, Declarant, or such Participating Builder, as applicable, will similarly convey or cause to be conveyed, in fee simple or by easement, any Association Property (excluding public property) designated as such in any Notice of Annexation for such Phase of Development. Notwithstanding any such conveyance, the Master Association's responsibility to maintain the Association Property located in any Phase of Development shall not begin until the commencement of Common Assessments in such Phase of Development. Subject to Article IX hereof, no Owner or Sub-Association shall interfere with the exercise by the Master Association of its rights under the easement for maintenance over Association Property which is owned in fee such Owner or Sub-Association. If the Improvements planned to be constructed on the Association Property in any Phase of Development of the Properties have not been completed at the time that the first Close of Escrow occurs for the sale of a Lot or Condominium therein to the public, then the completion of such Improvements shall be assured in accordance with Section 11018.5 of the California Business and Professions Code, or any similar statute hereafter enacted.

Section 3.07. 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 assessment of his Lot or Condominium. If any taxes or assessments may, in the opinion of the Master Association, constitute 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.

ARTICLE IV

RANCHO SAN CLEMENTE COMMUNITY ASSOCIATION

Section 4.01. Organization. The Master Association is organized as a California corporation under the California Non-profit Mutual Benefit Corporation Law. The Master Association is charged with the duties and vested with the powers prescribed by law and 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. If 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 Additional Declarations, of Sub-Associations to assess, regulate, maintain or manage the portions of the Properties subject to such Additional Declarations, 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 Additional Declarations.

Section 4.02. Membership. Members of the Master Association shall be (i) Declarant (irrespective of whether Declarant is the Owner of a Lot or Condominium), for so long as Declarant is entitled to cast a Class C vote pursuant to Section 4.04, and (ii) each Owner (including Declarant and any Participating Builder) of one (1) or more Lots or Condominiums in any Phase of Development. Membership in the Master Association shall be subject to this Master Declaration, the Articles, the Bylaws, and the Rules and Regulations. All memberships in the Master Association held by Owners shall be appurtenant to the Lot or Condominium owned by each Owner and memberships in the Master Association held by Owners shall not be assignable, except to the Person to whom title to the Lot or Condominium has been transferred. Ownership of a Lot or Condominium shall be the sole qualification for an Owner's membership in the Master Association. An Owner's membership in the Master Association shall not be transferred, pledged or alienated in any way, except upon the transfer of title to the Owner's Lot or Condominium, and then only to the purchaser or Mortgagee of such Lot or Condominium. Declarant's Class C membership may not be partially assigned or held by more than one (1) Person, and may not be transferred except to a successor to Declarant's rights to all or a portion of the Properties or the Annexable Area. Transfer of Declarant's Class C membership shall be evidenced by an assignment of Declarant's rights recorded pursuant to Section 1.22. Any attempt to make a prohibited membership transfer shall be void and will not be reflected on the books of the Master Association. Membership in the Master Association shall be in addition to membership in any Sub-Association responsible for operating the Planned Development or Condominium Project in which a Member's Lot or Condominium is located; provided, however, that Declarant's Class C membership in the Master Association shall not be deemed to create any Class C or comparable membership rights in any Sub-Association. A Member shall have the right to delegate, in accordance with the Bylaws, his rights of use and enjoyment of the Association Property to a lessee or tenant of his Lot or Condominium; provided, however, that such Member shall not be entitled to the use and enjoyment of the recreational facilities, if any, located on the Association Property during the term of such delegation. A Member who has sold his Lot or Condominium to a contract purchaser under an installment land sale contract shall be entitled to delegate to such contract purchaser his membership rights in the Master Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Lot or Condominium until fee title to the Lot or Condominium sold is transferred. If the Owner of any Lot or Condominium fails or refuses to transfer the membership registered in his name to the purchaser of such Lot or Condominium upon transfer of fee title thereto, the Board of

Directors shall have the right to record the transfer upon the books of the Master Association. The Master Association may levy a reasonable transfer fee against new Owners and their Lots and Condominiums (which fee shall be added to the Common Assessment chargeable to such new Owner) to reimburse the Master Association for the administrative costs of transferring the memberships to the new Owners on the records of the Master Association.

Section 4.03. Delegate Districts and Selection of Delegates.
The Properties shall be divided into Delegate Districts as follows:

(a) Portions of the Properties with Sub-Associations. If a Sub-Association is created for the administration of any Planned Development or Condominium Project within the Properties, then the real property comprising such Planned Development or Condominium Project shall constitute a Delegate District. The election of a Delegate to the Master Association for such Delegate District shall be accomplished in the manner specified in the Additional Declaration or other constituent documents providing for such Sub-Association; or if no such manner is specified, then the Delegate shall be elected in the manner provided in the Additional Declaration for the election of a member of the Board of Directors of the Sub-Association.

(b) Portions of the Properties Without a Sub-Association. If a Sub-Association is not created for any portion of the Properties, then the Delegate District(s) for such portion of the Properties shall be established by Declarant from time to time by the Recordation of a written instrument signed by Declarant containing a legal description of the portion of the Properties without a Sub-Association which shall constitute the Delegate District and a statement that such real property described therein shall be a Delegate District for purposes of this Master Declaration. Within each Phase of Development of each Delegate District there shall be two (2) classes of voting memberships, Class A and Class B, which shall cast votes in accordance with the provisions of Section 4.04(b)(i) and (ii) hereof. The Delegate to represent any Delegate District established as set forth in this subsection (b) shall be elected, removed and instructed by Members in such Delegate District in accordance with the voting procedures set forth below:

(i) Voting. Those Members appearing, in the official records of the Master Association on the date forty-five (45) days prior to the scheduled date of any meeting of the Members required or permitted to be held under this subsection 4.03(b), as record Owners of Lots located in the Delegate District shall be entitled to notice of any such meeting. If there is more than one (1) record Owner of any Lot, any and all of the

Members owning such Lot may attend any meeting of the Members, but the vote attributable to the Lot so owned shall not be increased by reason thereof. Co-Owners owning the majority interest in a Lot shall from time to time designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-Owner is designated, or if the designation has been revoked, the vote for the Lot shall be exercised as the co-Owners owning the majority interests in the Lot mutually agreed. However, no vote shall be cast for any Lot if the co-Owners present in person or by proxy cannot agree to said vote or other action. Unless the Board receives a written objection in advance from a co-Owner, it shall be conclusively presumed that the voting co-Owner is acting with the consent of all other co-Owners.

(ii) 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 of the Master Association prior to the meeting to which it is applicable. Any proxy may be revoked at any time by written notice to the Board or by attendance in person by such Member at the meeting for which such proxy was given. In any event, no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. 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 such property is subject to administration in his estate. Any form of proxy or written ballot shall afford an opportunity therein to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot or proxy is distributed, to be acted upon at the meeting for which the proxy or written ballot is solicited, and shall provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance with such specification.

(iii) Vote Appurtenant to Lot. The right to vote in any such Delegate District may not be severed or separated from the ownership of the Lot 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 Mortgagee of the Lot concerned, for the term of the lease or Mortgage, and any sale, transfer or conveyance of such Lot to a new Owner or Owners 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.

(iv) Annual Meetings; Selection and Removal of Delegate. There shall be an annual meeting of the Members in any such Delegate District 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 the Close of Escrow for the sale of a majority of the Lots in such Delegate District, and in no event shall the first meeting be held later than six (6) months after Common Assessments have commenced on Lots in such Delegate District. At the first meeting of the Members and at each subsequent annual meeting, the Members shall elect a Delegate to represent them. The Delegate shall be elected by a majority of a quorum of the Members in such Delegate District. Such Delegate shall continue in office for one (1) year or until his successor is elected, whichever is later, unless such Delegate is removed, with or without cause, pursuant to Section 4.04(a) below.

(v) Notice of Meetings. Meetings of Members shall be held in the Delegate District or at such other convenient location on or near the Properties and within the County in which the Properties are located, as may be designated in the notice of the meeting. Written notice of meetings shall state the place, date and time of the meeting and those matters which the Board, at the time the notice is given, intends to present for action by the Members. Notice of any meeting at which Delegates are to be elected shall include the names of all those who are nominees at the time the notice is given to Members. The Secretary of the Master Association shall cause notice of meetings in such Delegate District to be sent to each

Member within the Delegate District, no later than ten (10) days prior to the meeting. A special meeting of the Members in such Delegate District may be called at any reasonable time and place by written request (1) by a Participating Builder, for so long as the Participating Builder (if any) is a Class B Member, (2) by Declarant, for so long as Declarant is a Class B Member, (3) by the Delegate representing Members in such Delegate District, (4) by the Members in the Delegate District having five percent (5%) of the total voting power within such Delegate District, or, (5) so long as Declarant or any Participating Builder owns a Lot in such Delegate District, by Members in the Delegate District representing fifteen percent (15%) of the voting power residing in Members other than Declarant or such Participating Builder. To be effective, such written request shall be delivered to either the President, Vice President, or Secretary of the Master Association. Such officers shall then cause notice to be given to Members entitled to vote that a meeting will be held at a time and place fixed from time to time by the Board of Directors not less than ten (10) days, nor more than thirty (30) days after receipt of the written request. Notice of special meetings shall specify the general nature of the business to be undertaken and that no other business may be transacted.

(vi) 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, at which meeting the quorum requirement shall be the presence, in person or by written proxy, of the Members entitled to vote at least five percent (5%) of the total votes within such Delegate District. 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 annual or special meetings, as applicable. The Members present at each meeting shall select a chairman to preside over the meeting and a secretary to transcribe minutes of the meeting. Unless

otherwise expressly provided, any action authorized hereunder may be taken at any meeting of such Members owning Lots in a Delegate District for which a Sub-Association has not been created, upon the affirmative vote of the Members having a majority of a quorum of the voting power present at such meeting in person or by proxy.

(c) Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote at any meeting of the Members at any Delegate District which does not have a Sub-association, for any period during which the payment of any Common, Capital Improvement or Reconstruction Assessment 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 the Assessments provided for herein.

Section 4.04. Voting by Delegates.

(a) Qualification. Each Delegate District shall elect one (1) Delegate (and one (1) alternate Delegate) to the Master Association to exercise the voting power of all of the Class A and Class B Members in such Delegate District. Any Class C vote shall be cast by Declarant. Each Delegate shall be entitled to cast the votes representing Lots or Condominiums in his Delegate District with respect to each such Lot or Condominium only during such periods as the Owner of such Lot or Condominium may be entitled to cast votes for the election of a Delegate as provided hereinafter or in any Additional Declaration, whichever is applicable. The Chairman of any meeting at which a Delegate or alternate Delegate is elected shall certify in writing to the Board the name and address of the Delegate or alternate 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 a quorum of the Members in the Delegate District; provided, that in no event shall a Delegate be removed unless the votes cast in favor of such removal equal the lesser of (i) the number of votes which elected such Delegate to his current term, or (ii) a majority of the total voting power of the Members in such Delegate District. Only Members of the Master Association shall be eligible for election as Delegates. If the Member is a corporation, partnership, or other such entity, the authorized agent of such corporation, partnership or other entity shall be eligible for election as a Delegate. 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. Delegates may only act personally at a meeting of the Delegates of the Master Association or by written ballot, and may not act by proxy. If a Delegate is not

present at a duly called meeting of the Delegates, then the alternate for such absent Delegate may attend the meeting and exercise all rights, powers and votes to which the absent Delegate would be entitled. If the previously absent Delegate should arrive prior to the adjournment of any such meeting, the alternate shall no longer be entitled to act in the place of such Delegate; provided that such relinquishment of authority by the alternate shall not invalidate any matter previously voted or acted upon by the alternate in his temporary capacity as Delegate.

(b) Classes of Voting Membership/Delegate Vote Entitlement. The Master Association shall have three (3) classes of voting membership as follows:

(1) Class A. Class A Members shall originally be all Owners of Lots or Condominiums in each Phase of Development with the exception of Declarant and Participating Builders, for so long as there exists a Class B membership in such Phase of Development. Each Delegate will be entitled to cast, with respect to each Lot or Condominium subject to assessment and owned by Class A Members, in such Delegate District, one (1) vote for each entire assessment unit allocated to such Lot or Condominium pursuant to Section 6.05 of this Master Declaration. Fractional assessment units attributable to any Lot or Condominium shall be disregarded for purposes of determining the number of votes to which that Lot or Condominium shall be entitled.

(ii) Class B. The Class B Members shall be the Declarant and Participating Builders. The Delegates shall be entitled to cast three (3) votes for each entire assessment unit allocated to a Lot or Condominium owned by Declarant or a Participating Builder in a Phase of Development for which assessments have commenced. Fractional assessment units shall be disregarded for purposes of determining the number of Class B votes hereunder. The Class B Membership shall cease with respect to each particular Phase of Development and be converted to Class A Membership on the happening of any of the following events, whichever occurs earliest:

(aa) When the total votes outstanding in the Class A Membership in such Phase of Development equal the total votes outstanding in the Class B Membership in such Phase of Development; or

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(bb) The second anniversary of the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of Development of the Properties; or

(cc) January 1, 1996.

(iii) Class C. The Class C Member shall be Declarant. The Class C Membership shall not be considered a part of the voting power of the Master Association and Declarant shall not be entitled to exercise any Class C vote except for the purpose of electing those Directors which the Class C Membership is entitled to elect hereunder. Until the last to occur of the following events, the Class C Member shall be entitled to solely elect a majority of the members of the Board of Directors:

(aa) The fourth anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the DRE; or

(bb) The date on which the termination of the Class C membership is approved by the vote of Delegates casting a majority of the total voting power of the Master Association residing in Owners other than Declarant and all Participating Builders pursuant to Sections 4.04(c)(1) and 4.04(c)(1)(aa).

(c) Allocation of Delegate Votes. All voting rights shall be subject to the Restrictions. Whenever a matter which the Restrictions requires to be approved by the vote of Delegates representing a majority or other specified percentage of the total voting power of the Master Association (i.e., excluding matters requiring approval of the Class C Member or a mere majority of a quorum of Delegates as defined in the Bylaws) ("Specified Action") is presented to the Delegates for approval, written notice of the substance of the Specified Action shall be given to the Delegates at least sixty (60) days prior to the date on which the Specified Action shall be discussed at a meeting of the Delegates. During the sixty (60) day period prior to the meeting, the Delegates shall submit the Specified Action to a vote of the Members within their respective Delegate Districts. Except as provided in Section 13.12 of this Master Declaration and Section 4.08 of the Bylaws, as long as there exists a Class B Membership in any Phase of Development, all Specified

Actions shall require the approval of Delegates casting the specified percentage of the voting power of both the Class A and the Class B Membership. Except as provided in Section 13.12 of this Master Declaration and Section 4.08 of the Bylaws, upon termination of the Class B Membership in all Phases of Development, all Specified Actions shall require the approval of (1) the specified percentage of the voting power of the Delegates, and (2) such specified percentage of the voting power of the Delegates attributable to Members other than Declarant and all Participating Builders. When voting on a Specified Action, each Delegate shall cast all of the votes which he represents as follows:

(i) The Delegate shall cast votes attributable to Owners actually voting (whether in person, by proxy or written ballot) in such Delegate District "for" or "against" such Specified Action in the same manner as such votes were cast by the voting Owners;

(ii) The Delegate shall cast votes attributable to Members within the Delegate District who have not voted on such Specified Action ("Absentee Votes") as follows:

(aa) If fifty-one percent (51%) or more of the votes in the Delegate District attributable to Owners other than Declarant and the Participating Builders have been cast pursuant to Section 4.04(c)(1) above, then any Absentee Votes attributable to Declarant and the Participating Builders, on the one hand, and the Owners other than Declarant and Participating Builders, on the other, shall each be cast "for" and "against" the Specified Action in the same proportions as the votes cast by the Owners other than Declarant and Participating Builders pursuant to Section 4.04(c)(1) above.

(bb) If less than fifty-one percent (51%) of the votes in the Delegate District attributable to Owners other than Declarant and Participating Builders have been cast pursuant to Section 4.04(c)(1) above, then the Absentee Votes shall be voted "for" or "against" the Specified Action in such proportions as the Delegate shall, in his or her discretion, determine appropriate.

(d) Voting Reports. In order to verify compliance with the foregoing voting requirements, each ballot cast by a Delegate shall contain such Delegate's certification of the following information: (1) the total number of votes in the Delegate District; (2) the total number of votes cast "for" and "against" the Specified Action on behalf of Declarant and Participating Builders in response to instructions given pursuant to Section 4.04(c)(1); (3) the total number of votes cast "for" and "against" the Specified Action on behalf of Members other than Declarant and Participating Builders in response to instructions given pursuant to Section 4.04(c)(1); (4) the total number of Absentee Votes in such Delegate District attributable to Declarant and Participating Builders and the total number of Absentee Votes attributable to Members other than Declarant and Participating Builders; and (5) the total number of votes cast by such Delegate "for" and "against" the Specified Action. The inspector of election shall tabulate the total number of votes cast by all Delegates in each of the foregoing categories in order to determine whether the necessary approvals have been obtained. It will be conclusively assumed for all purposes of Master Association business that each Delegate casting votes on behalf of the Owners of Lots or Condominiums in his Delegate District will have acted with the authority and consent of all such Owners. 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 upon all Members, Owners and their respective successors and assigns.

ARTICLE V

FUNCTIONS OF MASTER ASSOCIATION

Section 5.01. Powers and Duties. The Master Association shall have all of the powers of a California nonprofit mutual benefit corporation, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Restrictions. The Master Association shall have the power to perform any and all lawful 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, acting through the Board, shall have:

(a) Assessments. The power and duty to levy assessments on the Owners of Lots or Condominiums in Phases of Development in which assessments have commenced and to enforce payment of such assessments in accordance with the provisions of Article VI hereof.

(b) Repair and Maintenance of Association Property. The power and duty to paint, plant, maintain and repair in a neat and attractive condition, in accordance with standards adopted by the Architectural Committee, all Association Property and all improvements thereon, in a safe, sanitary and attractive condition and in good order and repair, and to pay for

utilities, gardening and other necessary services for the Association Property. All of the foregoing obligations of the Master Association shall be discharged when and in such manner as the Board shall determine in its judgment to be appropriate. Notwithstanding the foregoing, the Master Association shall have no responsibility to provide the services referred to in this paragraph with respect to any improvement which is accepted for maintenance by any state, local or municipal governmental agency or entity or, subject to the provisions of Section 5.01(j) below, which is the maintenance responsibility of any Sub-Association pursuant to an Additional Declaration. Such responsibility shall be that of the applicable agency, entity or Sub-Association. No Owner or Sub-Association shall place or install any sign or other improvement or alter or remove the improvements on the Association Property unless such placement, installation or alteration is first approved in writing by the Board.

(c) Utility Services. The power and duty to obtain, for the benefit of the Association Property, all commonly metered water, gas and electric services, and may (within the discretion of the Board) provide for all refuse collection and cable or master television service (if any), as deemed necessary.

(d) Easements and Rights-of-Way. The power but not the duty to grant and convey, to any Person easements and rights-of-way in, on, over or under the Association Property and, with the consent of Delegates representing seventy-five percent (75%) of the voting power of the Master Association, parcels or strips of land which comprise a portion of the Association Property, for the purpose of constructing, erecting, operating or maintaining thereon, therein and thereunder: (1) roads, streets, walks, driveways, parkways, park areas and slope areas; (2) 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; (3) sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; and (4) any similar public or quasi-public improvements or facilities.

(e) Manager. The power but not the duty to employ or contract with a professional Manager to perform all or any part of the duties and responsibilities of the Master Association, and shall have the power to delegate its powers to committees, officers and employees. Except as approved by the DRE, any such management agreement, or any agreement providing for services by Declarant to the Master Association, shall be for a term not in excess of one (1) year, renewable by agreement of the parties for successive 1-year periods, and any such agreement shall be terminable by the Master Association, acting through the Board, at any time (a) for cause upon thirty (30) days' written notice thereof, and (b) without cause or the payment of a penalty or termination fee upon ninety (90) days' written notice.

(f) Rights of Entry and Enforcement. The power but not the duty to, after Notice and Hearing and upon reasonable notice, enter upon any Lot or Condominium without being liable to any Owner, except for damage caused by such entry, for the purpose of enforcing by peaceful means the provisions of this Master Declaration, or for the purpose of maintaining or repairing any such Lot or Condominium if for any reason whatsoever the Owner thereof fails to maintain and repair any such area as required by the Restrictions. The cost of any such maintenance and repair which is the responsibility of the Owner shall be assessed against such Owner as a Special Assessment. The responsible Owner shall pay promptly all amounts due for such work, and the costs and expenses of collection. Unless there exists an emergency, there shall be no entry into a Residence without the prior consent of the Owner thereof. Any damage caused by an entry upon any Lot or Condominium shall be repaired by the entering party. The Master Association may also commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Restrictions and to enforce, by mandatory injunctions or otherwise, all of the provisions of the Restrictions. If an action is brought by the Master Association, the prevailing party shall be entitled to reasonable attorneys' fees to be fixed by the Court.

(g) Other Services. The power and duty to maintain the integrity of the Association Property and provide such other services (such as fuel modification services) as may be necessary or proper to carry out the Master Association's obligations and business under the terms of this Master Declaration in order to enhance the enjoyment of the Members of the Association Property or to facilitate the use of the Association Property by the Members.

(h) Legal and Accounting Services. The power but not the duty, if deemed appropriate by the Board, to retain and pay for legal and accounting services necessary or proper in the operation of the Association Property, enforcement of the Restrictions, or in performing any of the other duties or rights of the Master Association.

(i) Construction on Association Property. The power but not the duty, by action of the Board, to construct new Improvements or additions to the Association Property, or demolish existing Improvements (other than maintenance or repairs to existing Improvements), in accordance with the provisions of Article VI, Section 6.08 of this Master Declaration.

(j) Contracts. Except as approved by the DRE and as provided in the Bylaws, 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, as further provided in the Bylaws. The

Master Association, acting through the Board, may enter into contracts with Lot or Condominium Owners and Sub-Associations to provide services or to maintain and repair improvements within Phases of Development which the Master Association is not otherwise required to maintain pursuant to this Master Declaration; provided, that any such contract or service agreement shall provide for payment to the Master Association of the cost of providing such services or maintenance.

(k) Audit. Any Owner, who may be 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 Master Association; provided that such audit or inspection is made during normal business hours and without unnecessary interference with the operations of the Manager or the Master Association.

(l) Maintenance of Other Areas. The power but not the duty to maintain and repair slopes, parkways, entry structures and community identification signs identifying the Properties not maintained by governmental entities, Declarant or a Participating Builder, to the extent deemed advisable by the Board.

(m) R. V. Storage Area. The power, but not the duty, to designate a portion of the Association Property as R.V. Storage Area, and to charge reasonable fees to cover the cost to the Master Association attributable to the renting or leasing of spaces in the R.V. Storage Area for recreational vehicle parking and storage; provided that (1) Members of the Master Association shall have first priority to rent or lease such spaces, (2) there shall be no unreasonable discrimination among Members in connection with the renting and leasing of such spaces, and (3) such use of Association Property is permitted under applicable ordinances of the City or other governmental agencies or entities having jurisdiction over the Properties.

Section 5.02. 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, may be posted in a conspicuous place in the Association Property or may be mailed or otherwise delivered to each Owner. Upon such mailing, delivery or posting, the Rules and Regulations shall have the same force and effect as if they were set forth herein; 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 such documents. In addition, if any Owner has actual knowledge of any given Rules and Regulations, such Rules and Regulations shall be enforceable against such Owner as though notice of such Rules and Regulations had been given pursuant to this Section 5.02.

ARTICLE VI

FUNDS AND ASSESSMENTS

Section 6.01. Personal Obligation of Assessments. Declarant and any Participating Builder for each Lot or Condominium owned by Declarant or such Participating Builder and subject to assessment hereby covenants and agrees, and each Owner of any Lot or Condominium, by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in such deed or such other instrument, is deemed to covenant and agree to pay to the Master Association (1) annual Common Assessments for Common Expenses, (2) Capital Improvement Assessments, (3) Special Assessments, and (4) Reconstruction Assessments; such assessments to be established and collected as hereinafter provided. All Assessments other than Special Assessments, together with interest, costs, and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot or Condominium against which such assessment is made. The personal obligation of assessments shall not pass to the successors-in-title to any Owner, unless expressly assumed by them.

Section 6.02. Maintenance Funds. The Board shall establish and maintain at least the following separate accounts (the "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 the Restrictions: (1) an Operating Fund for current expenses of the Master Association, (2) a Reserve Fund for replacements, painting and repairs of the landscaping and other improvements within the Association Property, and (3) any other funds which the Board of Directors may establish, to the extent necessary under the provisions of the Restrictions. To qualify for higher returns on accounts held at banking or savings institutions, the Board may commingle any amounts deposited into any of the Maintenance Funds with amounts deposited into any other Maintenance Fund, provided that the integrity of each individual Maintenance Fund shall be preserved on the books of the Master Association by accounting for disbursements from, and deposits to, each Maintenance Fund separately. Each of the Maintenance Funds shall be established as separate trust savings or trust checking accounts. The Maintenance Funds may be established as trust accounts at federally insured banking or lending institutions.

Section 6.03. Purpose of Assessments. All amounts deposited into the Operating Fund and the Reserve Fund must be used solely for the common benefit of all of the Owners for purposes authorized by the Restrictions, as they may be amended from time to time. Disbursements from the Reserve Fund shall be made by the Board only for the respective purposes specified in this Article VI. 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 of the Owners, other than those purposes for which disbursements from the 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 those portions of the Properties designated as Phases of Development. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Master Association earmarked for specified purposes authorized by the Restrictions.

Section 6.04. Damage to Association Property by Owners. Maintenance, repairs or replacements within the Association Property arising out of or caused by the willful or negligent act of an Owner, his family, guests, or invitees shall be done at such Owner's expense, after Notice and Hearing, and a Special Assessment therefor shall be levied against such Owner; provided, however, that the liability of an individual Owner for such damage to the Association Property shall not be absolute, but shall only be that for which the Owner is legally responsible under State law.

Section 6.05. Common Assessments. Each annual Common Assessment shall constitute an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Reserve Fund, the Operating Fund and any other Maintenance Fund established by the Master Association. Sums sufficient to pay Common Expenses shall be assessed as Common Assessments against the Owners of Lots in the First Subdivision in the amounts as set forth in the Master Association budget on file with the DRE. As Common Assessments commence with respect to additional Phases of Development annexed to the Properties pursuant to Article II hereof, the Common Assessments shall be adjusted, subject to the limitations of Section 6.07 below, in accordance with the combined budget of the Master Association filed with the DRE for such additional Phase of Development. Common Assessments shall be assessed against each Owner and his respective Lot or Condominium based upon the number of assessment units charged to the Owner's Lot or Condominium. A Notice of Annexation or Supplemental Declaration for any Phase of Development may provide that the number of assessment units which shall be allocated among all Lots and Condominiums within that Phase of Development shall be not less than a specified number (the "Designated Minimum"). The Designated Minimum for the First Subdivision is forty-nine (49) assessment units. Unless otherwise provided in the Notice of Annexation or Supplemental Declaration for a Phase of Development, the number of assessment units charged to each Lot and Condominium in such Phase of Development shall be the greater of the following:

(a) One (1) assessment unit for each Residential Area Lot or Condominium, and one (1) assessment unit for every three (3) apartment units or fractions of such number developed on each Apartment Area Lot, or

(b) The proportionate share of the Designated Minimum allocated to such Lot or Condominium. Until the date on which all of the applicable Phase of Development has been divided into single-Family Lots or Condominiums or developed with multi-Family apartments, as applicable ("Build-Out Date"), assessment units for single-Family Lots or Condominiums and Apartment Area Lots developed with multi-Family apartments shall be determined in accordance with Subparagraph 6.05(a) above, and the balance of the Designated

Minimum shall be allocated to the remainder of the Lots in such Phase of Development. Commencing on the first day of the calendar month following the month in which the Build-Out Date occurs for such Phase of Development, the proportionate share of the Designated Minimum allocated to each Lot or Condominium in such Phase of Development shall be the amount determined as follows:

1. For Residential Area Phases of Development, the quotient obtained by dividing the Designated Minimum by the total number of Lots or Condominiums in such Phase of Development on the Build-Out Date.

2. For Apartment Area Phases of Development, the product obtained by multiplying the Designated Minimum by a fraction, the numerator of which is the number of apartment units included on such multi-Family Lot and the denominator of which is the total number of apartment units included in such Apartment Area Phase of Development.

Each Owner's proportionate share of the Common Assessments shall be a fraction, the numerator of which shall be the number of assessment units charged to such Owner's Lot or Condominium and the denominator of which shall be the total number of assessment units charged to all Lots and Condominiums in the Properties which are subject to assessment.

Section 6.06. Date of Commencement of Common Assessments.
Common Assessments shall commence as to each Lot or Condominium in any Phase of Development on the first day of the first month following the month in which the first Close of Escrow occurs for the sale (requiring the issuance of a Final Subdivision Public Report by the DRE) of a Lot or Condominium in such Phase of Development. Common Assessments shall commence as to each Lot or Condominium in a Phase of Development for which no Final Subdivision Public Report is required on the first day of the first month following the month in which a certificate of occupancy is issued for any Improvement in such Phase of Development. Each such Lot or Condominium shall thereafter be subject to its share of the then established annual Common Assessment as set forth herein. The first annual Common Assessment shall be adjusted according to the number of months remaining in the fiscal year as set forth in the Bylaws. The Board shall fix the amount of the annual Common Assessment to be levied against each Lot or Condominium at least thirty (30) days in advance of each Common Assessment period. Written notice of any change in the amount of the annual Common Assessment shall be sent to every Owner subject thereto, at least thirty (30) days prior to the effective date of such change. All installments of Common Assessments shall be collected in advance on a regular basis by the Board, at such frequency and on such due dates as the Board shall determine from time to time in its sole and absolute discretion. The Master Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer or agent of the Master Association, setting forth whether the assessments on a specified Lot or Condominium have been paid.

A properly executed certificate of the Master Association as to the status of assessments against a Lot or Condominium shall be binding upon the Master Association as of the date of its issuance. Each installment of a Common Assessment may be paid by the Owner to the Master Association in one check or in separate checks, as payments attributable to deposits into specified Maintenance Funds. If any payment of a Common Assessment installment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the payment received by the Master Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Common Assessment has been satisfied, and second to the Reserve Fund.

From time to time the Board of Directors may determine that all excess funds remaining in the Operating Fund, over and above the amounts used for the operation of the Properties may be retained by the Master Association and used to reduce the following year's Common Assessment. Upon dissolution of the Master Association incident to the abandonment or termination of the maintenance of the Properties, any amounts remaining in any of the Maintenance Funds shall be distributed proportionately to or for the benefit of the Members.

Section 6.07. Limitations on Common Assessment Increases. The Board shall not levy, for any fiscal year, an annual Common Assessment which exceeds the "Maximum Authorized Common Assessment" as determined pursuant to Sections 6.07(a) and 6.07(b) below, unless first approved by the vote of Delegates representing at least a majority of the total voting power of the Master Association.

(a) **Maximum Authorized Common Assessment for Initial Year of Operations.** Until the first day of the fiscal year immediately following the fiscal year in which Common Assessments commence, the Maximum Authorized Common Assessment per Lot or Condominium shall be that set forth in the Final Subdivision Public Report for the First Subdivision.

(b) **Maximum Authorized Assessment for Subsequent Fiscal Years.** Beginning with the Fiscal Year immediately following the Fiscal Year in which Common Assessments commence, the Maximum Authorized Common Assessment in any Fiscal Year shall equal one hundred fifteen percent (115%) of that portion of the Common Assessment levied in the last month (or other billing cycle) of the immediately preceding Fiscal Year, annualized over an entire year.

(c) **Supplemental Common Assessments.** If the Board, by majority vote, determines that the important and essential functions of the Master Association may be properly funded by an annual Common Assessment less than the Maximum Authorized Common Assessment, it may levy such lesser Common Assessment. If the Board levies a Common Assessment in an amount less than the Maximum Authorized Common Assessment for any fiscal year and thereafter, during such fiscal year, determines 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 (1) or more supplemental Common Assessments up to the Maximum Authorized Common Assessment.

(d) Automatic Assessment Increases. Notwithstanding any other provisions of this Section 6.07, upon the annexation of additional Phases of Development pursuant to Article II hereof, the Common Assessments shall be automatically increased by the amount, if any, necessary to maintain the Association Property located within such additional Phases of Development in accordance with the standards prescribed by the then current DRE Operating Cost Manual or, if the Operating Cost Manual is no longer maintained by the DRE, pursuant to standards prescribed by comparable maintenance cost guidelines prepared in accordance with prudent property management practices. However, such increase shall occur only if (i) the annexation of such additional Phases of Development is permitted by the DRE and VA or FHA, if applicable, and (ii) the amount of such increase does not result in the levy of a Common Assessment which is greater than the maximum potential Common Assessment increase disclosed in all Final Subdivision Public Reports for the Properties previously issued by the DRE. If annexation of Association Property results in an increase in the Common Assessments which is permissible under the requirements of the preceding sentence, then the Master Association shall be obligated to accept title to and assume the maintenance responsibility for such Association Property.

Section 6.08. Capital Improvement Assessments. The Board, with the vote of Delegates representing at least fifty-one percent (51%) of the voting power of the Master Association, 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 for all Lots and Condominiums in the same proportion as Common Assessments are levied, and they may be collected in the manner and frequency as determined by the Board from time to time.

Section 6.09. Exempt Property. The following property subject to this Master Declaration shall be exempt from the Assessments herein:

- (a) Those portions of the Properties dedicated to and accepted by a local authority;
- (b) The Association Property owned in fee by the Master Association; and
- (c) All Common Areas owned in fee by any Sub-Association.

Section 6.10. Capital Contributions to the Master Association. Upon acquisition of Record title to a Lot or Condominium in the First Subdivision from the Initial Participating Builder, Declarant shall contribute to the capital of the

Master Association an amount equal to one-sixth (1/6th) of the amount of the Common Assessment for all Lots or Condominiums in the First Subdivision, unless VA waives in writing this requirement for capital contribution.

Section 6.11. Remedies of the Master Association. Any installment of a Common Assessment, Capital Improvement Assessment, Special Assessment, or Reconstruction Assessment not paid within thirty (30) days after the due date shall bear interest from the due date of such installment at a rate of up to ten percent (10%) per annum, but in no event more than the then maximum rate permitted by law. The Board may require a delinquent Owner to pay a late charge in accordance with California Civil Code Section 1725 or any successive law or ordinance in addition to the interest charged as described above to compensate the Master Association for increased bookkeeping, billing and other administrative costs. No such late charge on any delinquent installment of an assessment shall exceed the maximum amount allowable by law. If any installment of an assessment is not paid within thirty (30) days after it is due, the Master Association may bring an action at law against the Owner personally obligated to pay the same, or, with respect to Common Assessments, Capital Improvement Assessments and Reconstruction Assessments, foreclose the lien against his Lot or Condominium. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Association Property or abandonment of his Lot or Condominium. If any installment of an Assessment is not paid within thirty (30) days after its due date, the Board may mail an acceleration notice to the Owner and to each first Mortgagee of the Owner's Lot or Condominium which has requested a copy of the notice. The notice shall specify (1) the fact that the installment is delinquent, (2) the action required to cure the default, (3) the date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default may be cured, and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of the Assessment for the then current fiscal year in the case of Common, Capital Improvement or Reconstruction Assessments, and sale of the Lot or Condominium. The notice shall further inform the Owner of his right to cure after acceleration. If the delinquent installment of Assessments and any charges thereon are not paid in full on or before the date specified in the notice, the Board, at its option, may declare all of the unpaid balance of the Assessment levied against such Owner and such Owner's Lot or Condominium to be immediately due and payable without further demand, and may enforce the collection of the full Assessment and all charges thereon in any manner authorized by law and this Master Declaration.

Section 6.12. Notice of Lien. No action shall be brought to enforce any assessment lien herein, unless at least thirty (30) days have expired following the date a Notice of Lien is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot or Condominium, and a copy thereof has been Recorded by the Master Association. Such Notice of Lien must recite a good and sufficient legal description of such Lot or Condominium, the record Owner or reputed Owner thereof, the amount claimed (which may, at the Master Association's option, include interest on the unpaid assessment,

at a rate not in excess of ten percent (10%) per annum, but in no event more than at the then maximum rate permitted by law, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by such lien), and the name and address of the Master Association. The Notice of Lien shall be signed and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Master Association, and such lien shall be prior to any declaration of homestead Recorded after the date on which this Master Declaration is Recorded. The lien shall continue until fully paid or otherwise satisfied.

Section 6.13. Foreclosure Sale. Any such sale provided for above may be conducted by the Board, its attorneys or other persons authorized by the Board in accordance with the provisions of Section 2924, 2924a, 2924b, 2924c, and 2924f of the Civil Code of the State of California, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in Mortgages and Deeds of Trust, or in any other manner permitted by law. The Master Association, through duly authorized agents, shall have the power to bid on the Lot or Condominium, at foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same.

Section 6.14. Curing of Default. Upon the timely curing of any default for which a Notice of Lien was filed by the Master Association, the Master Association shall Record an appropriate Release of Lien, upon payment by the defaulting Owner of a reasonable fee to be determined by the Board, to cover the cost of preparing and Recording such release. A certificate, executed and acknowledged by any two (2) members of the Board or the Manager 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. Such certificate shall be furnished to any Owner upon request at a reasonable fee, to be determined by the Board.

Section 6.15. Cumulative Remedies. The assessment liens and the rights of foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Master Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

Section 6.16. 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 Supplemental Declaration hereto shall defeat or render invalid the rights of the Beneficiary under any Recorded Deed of Trust upon a Lot or Condominium, made in good faith and for value; provided that (i) such Deed of Trust is Recorded prior to any notice of lien or notice of noncompliance Recorded pursuant to this Master Declaration, and (ii) after such Beneficiary or some other Person obtains title to such Lot or Condominium by judicial foreclosure or by means of the powers set forth in such Deed of Trust, such lot or Condominium shall remain subject to the Restrictions and the payment of all installments of Assessments, accruing subsequent to the date such Beneficiary or other Person obtains title.

Section 6.17. Priority of Assessment Lien. The lien of the assessments, including interest and costs (including attorneys' fees) as provided for herein, shall be subordinate to the lien of any first Mortgage upon any Lot or Condominium. The sale or transfer of any Lot or Condominium shall not affect the assessment lien. However, the sale or transfer of any Lot or Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessment as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot or Condominium from lien rights for any assessments thereafter becoming due. Where the beneficiary of a first Mortgage of Record or other purchaser of a Lot or Condominium obtains title, the Person who acquires title and his successors and assigns shall not be liable for the share of the Common Expenses or assessments by the Master Association chargeable to such Lot or Condominium which became due prior to the acquisition of title to such Lot or Condominium by such Person. Such unpaid share of Common Expenses and assessments shall be deemed to become expenses collectible from all of the Lots and Condominiums, including the Lot or Condominium belonging to such Person and his successors and assigns.

ARTICLE VII

GENERAL RESTRICTIONS

Subject to the exemptions of Declarant and Participating Builders as set forth herein, all real property within the Properties shall be held, used and enjoyed subject to the following limitations and restrictions:

Section 7.01. Antennae. No exterior radio antenna, television antenna, "C.B." antenna or other antenna of any type shall be erected or maintained on any Lot or Condominium which is visible from any public or private street or from anywhere outside of the Residential Area, Apartment Area or Commercial Area in which each Lot or Condominium is located. However, a master antenna or cable television antenna may, but need not, be provided by Declarant, a Participating Builder or the Master Association for use of Owners within any Planned Development or Condominium Project. Declarant and Participating Builders may grant easements for maintenance of any such master or cable television service.

Section 7.02. Insurance Rates. Nothing shall be done or kept in the Properties which will increase the rate of insurance on any Lot, Condominium or other portion of the Properties 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 Lot, Condominium or other portion of the Properties or which would be in violation of any law.

Section 7.03. No Further Subdivision. Except as expressly authorized in a Supplemental Declaration, no Lot, Condominium, Common Area or Association Property 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: (1) selling a Lot in a Planned Development or selling a Condominium in any Condominium Project; or (2) transferring or

selling any Lot or Condominium to more than one (1) person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property; or (3) the leasing or renting by any Owner of all of his Residential Lot or Residential Condominium, provided that any such lease or rental shall be subject to the Restrictions; or (4) the leasing of space within Commercial Area Lots or Condominiums; or (5) converting all or any portion of an Apartment Area into a Planned Development or Condominium Project pursuant to Section 8.05 hereof.

Section 7.04. Signs. No sign, poster, billboard, advertising device or other display of any kind shall be displayed so as to be visible from outside any Apartment Area, Condominium Project or Planned Development without the approval of the Architectural Committee, except one (1) sign which may be displayed on each Lot or from each Condominium advertising the Lot or Condominium for sale or lease; provided that such signs (i) shall not be larger than eighteen inches (18") by thirty inches (30") in size; (ii) shall not be attached to the ground by means other than a conventional single stake which shall not exceed two inches (2") by three inches (3") in diameter (i.e. excluding posts, pillars, frames or similar arrangements); and (iii) shall not exceed three feet (3') in height above the ground level.

Section 7.05. Animals. No animals, fowls, reptiles, poultry, fish or insects of any kind ("animals") shall be raised, bred or kept, on any Lot or Condominium within the Residential Area, except that a reasonable number of dogs, cats or other household pets may be kept; provided that they are not kept, bred or maintained for any commercial purpose, nor in unreasonable quantities nor in violation of any applicable local ordinance or any other provision of the Restrictions, and such limitations as may be set forth in the Rules and Regulations. As used in this Master Declaration "unreasonable quantities" shall ordinarily mean more than two (2) pets per household; provided, however, that the Board of Directors may determine that a reasonable number in any instance may be more or less. Animals may be maintained within retail pet stores, veterinary offices and similar facilities located within the Commercial Areas, provided that such Animals are maintained in conformance with all applicable zoning and other governmental ordinances, regulations and requirements. The Master Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal maintained in any Lot or Condominium which constitutes, in the opinion of the Board, a nuisance to other Owners of Lots or Condominiums in the Properties. 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 or other restraint being held by a person capable of controlling the animal. Furthermore, to the extent permitted by law, any Owner shall be 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 Association Property or other Common Areas, if any.

Section 7.06. 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, or offensive from any public or private street or from any other Lot or Condominium in an Apartment Area, Residential Area or Commercial Area in the vicinity thereof or to its occupants. No noise or other nuisance shall be permitted to exist or operate upon any portion of a Lot or Condominium in an Apartment Area, Residential Area or Commercial Area so as to be offensive or detrimental to any other Lot or Condominium in the Properties or to its occupants. Without limiting the generality of any 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 smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or other items which may unreasonably disturb other Owners or their tenants shall be located, used or placed on any portion of the Properties without the prior written approval of the Architectural Committee. No motorcycles, dirt bikes or other mechanized vehicles may be operated upon any portion of the Association Property not improved as a street without the prior written approval of the Architectural Committee, which approval may be withheld for any reason whatsoever. Alarm devices used exclusively to protect the security of a Lot or Condominium and its contents, shall be permitted, provided that such devices do not produce annoying sounds or conditions as a result of frequently occurring false alarms. No rifle, shotgun, pistol, revolver or firearm of any kind shall be shot, fired or discharged anywhere within the Properties. No explosive of any kind shall be detonated anywhere in the Properties, except in connection with construction approved by the Architectural Committee pursuant to a permit issued by the City or such other governmental agency having jurisdiction.

Section 7.07. Exterior Maintenance and Repair; Owner's Obligations. No Improvement anywhere within the Properties shall be permitted to fall into disrepair, and each Improvement shall at all times be kept in good condition and repair. If 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, 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 enforceable in the manner set forth in this Master Declaration, and the Sub-Association or other Owner of the offending Common Area, Lot or Condominium shall be personally liable 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 (10) days after receipt of written demand therefor.

Section 7.08. Drainage. There shall be no interference with the established drainage pattern over any Lot or Condominium in an Apartment Area, Residential Area or Commercial Area, so as to affect any other Lot or Condominium, unless an adequate alternative provision, previously approved in writing by the Architectural Committee, is made for proper drainage. For the purpose hereof, "established" drainage is defined as the drainage which exists at the time the Lot, Condominium or Common Area, as the case may be, is conveyed to an Owner or Sub-Association by Declarant or a Participating Builder or later grading changes which are shown on plans approved by the Architectural Committee, which may include drainage from the Association Property over any Lot, Condominium or Common Area in the Properties.

Section 7.09. 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 the applicable water or sewer district and any applicable governmental health authority having jurisdiction.

Section 7.10. No Hazardous Activities. No activities shall be conducted, nor shall any improvements be constructed, anywhere in the Properties which are or might be unsafe or hazardous to any Person, Lot or Condominium in the Properties.

Section 7.11. Unsightly Articles. No unsightly articles, including clotheslines, shall be permitted to remain on any Lot or Condominium so as to be visible from any public or private street or from any other Lot or Condominium. Without limiting the generality of the foregoing, refuse, garbage and trash shall be kept at all times in covered, sanitary containers or enclosed areas designed for such purpose. Such containers shall be exposed to the view of neighboring Lots or Condominiums only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). There shall be no exterior fires whatsoever, except barbecue fires contained within receptacles commercially designed therefor, such that they do not create a fire hazard, and except as specifically authorized in writing by the Master Association (and subject to applicable ordinances and fire regulations).

Section 7.12. No Temporary Structures. Unless approved in writing by the Board in connection with the construction of authorized improvements, no tent or shack or other temporary building, improvement or structure shall be placed upon any portion of the Properties.

Section 7.13. No Mining and Drilling. The Properties shall not be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing water, oil, gas or other hydrocarbons, geothermal heat, minerals, rocks, stones, gravel or earth, nor shall oil, water or other wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of any portion of the Properties or within five hundred fifty (550) feet below the surface of the Properties.

Section 7.14. Improvements and Alterations. There shall be no excavation, construction, alteration or erection of any projection which in any way alters the exterior appearance of any improvement from any public or private street, or from any other Apartment Area, Residential Area or Commercial Area (other than minor repairs or rebuilding pursuant to Section 7.07) without the prior approval of the Architectural Committee pursuant to Article IX hereof. There shall be no violation of the set-back, sideyard or other requirements of the local governmental authority, notwithstanding any approval of the Architectural Committee.

Section 7.15. Solar Heating Systems. Solar heating systems may be installed on individual Lots or Condominiums in the Properties, provided that such heating systems comply with applicable zoning district regulations, the Uniform Building Code and associated ordinances and have been approved by the Architectural Committee based on reasonable architectural review standards.

Section 7.16. Aircraft. No helipad or other facilities for landing helicopters or other aircraft shall be constructed or placed upon any portion of the Properties, nor shall there be launched or landed on or from any portion of the Properties any helicopters or any other type of aircraft.

Section 7.17. View Obstructions. Subject to the provisions of Article IX hereof, no vegetation, improvement, or other obstruction shall be planted, constructed, or maintained on any Lot or Condominium in such location or of such height as to unreasonably obstruct the view from any other Lot or Condominium. Each Owner of a Lot or Condominium and each Sub-Association responsible for maintenance of any Common Area shall be responsible for periodic trimming, pruning and thinning of all hedges, shrubs and trees located on his Lot or on that portion of his Condominium or Common Area which is subject to his control or maintenance, so as to not unreasonably obstruct the view of adjacent Owners. If an Owner or Sub-Association fails to perform necessary trimming, pruning or thinning, the Master Association shall have the right, after Notice and Hearing, to enter upon such Lot, Condominium, or Common Area, as the case may be, for purposes of performing such work. Each Owner, by accepting a deed to a Lot or Condominium, hereby acknowledges that any construction or installation by Declarant or a Participating Builder may impair the view of such Owner, and hereby consents to such impairment.

ARTICLE VIII

PERMITTED USES AND RESTRICTIONS - RESIDENTIAL AREAS

Subject to the exemption of Declarant and Participating Builders as set forth herein, all real property located in Residential Areas within the Properties shall be held, used and enjoyed subject to the following additional limitations and restrictions:

Section 8.01. Residential Areas. All Lots and Condominiums within a 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 apartments thereon if the Lot

is improved with one or more multi-Family apartment buildings) or Condominium by means of a written lease or rental agreement subject to the Restrictions. No such lease or rental of a Condominium or Lot shall be for a term of less than thirty (30) days. No Lot or Condominium shall ever be used or caused to be used or allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storage, vending, or other such nonresidential purposes; except Declarant and Participating Builders, their successors and assigns, may use any portion of the Properties owned by them for a model home site and display and sales office during the construction and sales period, in accordance with Article XI hereof. The provisions of this Section 8.01 shall not preclude professional administrative occupations without external evidence thereof, for so long as such occupations are conducted in conformance with all applicable governmental ordinances, and are merely incidental to the use of the Lot or Condominium as a Residence.

Section 8.02. Improvements.

(a) No Lot in a Residential Area shall be improved except with one (1) Residence designed to accommodate no more than a single Family and its servants and occasional guests, plus a garage, fencing and such other Improvements as are necessary or customarily incident to a single-Family Residence. No part of the construction on any Lot in a Residential Area shall exceed two (2) stories in height above the pad. Chimneys, railings, mechanical appurtenances, cupolas, provided such are, in the sole opinion of the Architectural Committee, of normal size, height and distribution and in keeping with the maintenance of views, may rise above the two (2) story construction limit. No projections of any type shall be placed or permitted to remain above the roof of any building within the Properties, except one or more chimneys or vent stacks. No basketball backboard or other sports apparatus shall be constructed or maintained on the Properties without the prior written approval of the Architectural Committee. No patio cover, wiring or air conditioning fixture, water softeners or other devices shall be installed on the exterior of a Residence or be allowed to protrude through the walls or roof of the Residence (with the exception of those items installed during the original construction of the Residence), unless the prior written approval of the Architectural Committee is obtained.

(b) 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 concealed from view from other areas of the Properties.

(c) No fence or wall shall be erected, altered or maintained along the boundary line of any Lot or Common Area which borders a public street, any of the Association Property, any other Condominium Project or any other Planned Development, unless such fence or wall is first approved in writing by the Architectural Committee. All alterations or modifications of the fences or walls of any type shall require the prior written approval of the Architectural Committee.

Section 8.03. Landscaping. Within one hundred and eighty (180) days after the later to occur of (i) Close of Escrow for the sale of a Lot in the Residential Area of a Phase of Development to an Owner (other than Participating Builders), or (ii) issuance of a Certificate of Occupancy for a Residence constructed on such Lot, the Owner shall install and shall thereafter maintain (except for that landscaping to be maintained by the Master Association or a Sub-Association) the landscaping on his Lot in a neat and attractive condition, including all necessary landscaping and gardening, and properly maintain and periodically replace when necessary any trees, plants, grass and other vegetation, if any, originally placed on such Lot by Declarant or any Participating Builder. No plants or seeds, infested with insects or plant diseases, shall be brought upon, grown or maintained upon any part of the Properties. The Board may adopt Rules and Regulations proposed by the Architectural Committee to regulate landscaping permitted and required in the Residential Areas. If an Owner fails to install and maintain landscaping in conformance with such Rules and Regulations, or shall allow his landscaping to deteriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board, upon thirty (30) days' prior written notice to such Owner, shall have the right either to seek any remedies at law or in equity which it may have or to correct such condition and, after Notice and Hearing, to enter upon such Owner's property for the purpose of doing so, and such Owner shall promptly reimburse the Master Association for the cost thereof. Such cost shall be a Special Assessment enforceable in the manner as set forth in this Master Declaration.

Section 8.04. Parking and Vehicular Restrictions. No Owner shall park, store or keep on any street (public or private) within the Properties any large commercial type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck); any recreational vehicle (including, but not limited to, any camper unit, house/car or motor home); any bus, trailer, trailer coach, camp trailer, boat, aircraft or mobile home; or any inoperable vehicle or any other similar vehicle. The above excludes camper trucks and similar vehicles up to and designated by the Board including three-quarter (3/4) ton when used for everyday-type transportation and subject to approval by the Board. The foregoing shall not preclude the parking of recreational vehicles in any R.V. Storage Area, in accordance with the provisions of this Master Declaration. In addition, no Owner shall park, store, or keep anywhere within the Properties any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. All trailers, campers, motor homes and similar recreational vehicles shall be parked in enclosed garages or, otherwise adequately screened from view by way of a structure approved by the Architectural Committee, or in the R.V. Storage Area, if any. Garages shall be kept closed at all times, except as reasonably required for ingress to and egress from the interiors of the garages. No Owner of a Lot or Condominium shall conduct repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of any Lot or Condominium or elsewhere within the Properties, except wholly within the Owner's garage; provided, however, that such activity shall at no time be permitted if it is determined by the Board to be a nuisance. Notwithstanding the foregoing, these restrictions

shall not be interpreted in such a manner so as to permit any activity which would be contrary to any ordinance of the City of San Clemente.

Section 8.05. Apartment Area Use. Each Apartment Area Owner shall pay Common, Reconstruction, Capital Improvement and Special Assessments in accordance with Article VI hereof. The Apartment Area Owner may delegate its right of enjoyment in and to the Association Property to tenants of its apartment units and such tenants may further delegate such rights of enjoyment to the members of the tenant's family and the tenant's bona fide guests (subject to the Restrictions). Declarant or a Participating Builder, in its sole discretion, may elect to convert its portion of the Apartment Area to a Planned Development or Condominium Project or Projects, as applicable, pursuant to then applicable laws. In such event, the Owners of Lots or Condominiums in such converted apartment buildings shall all be "Owners" as defined in this Master Declaration and shall be assessed in the same manner as other Owners, shall have the same voting rights as other Owners of the same Class of Members and shall be subject to all of the provisions of this Master Declaration in the same manner as the other Owners.

ARTICLE IX

ARCHITECTURAL AND LANDSCAPING CONTROL

Section 9.01. Members of Architectural Committee. The Architectural and Landscaping Committee, sometimes referred to in this Master Declaration as the "Architectural Committee", shall consist of five (5) members; provided, however, that such number may be increased or decreased by resolution of the Board of Directors. The Architectural Committee shall be initially staffed by three (3) persons, each of whom shall be a representative of Declarant. Members of the Architectural Committee may be removed at any time without cause by the Person appointing such member as provided herein. The Board shall have the right to appoint and remove the two (2) other members of the Architectural Committee, at the organization meeting of the Board following the first meeting of the Delegates of the Master Association. At least one (1) Architectural Committee member appointed by the Board shall be an Owner of a Lot or Condominium (other than a representative of Declarant). Unless changed by resolution of the Board, the address of the Architectural Committee for all purposes, including the submission of plans for approval, shall be at the principal office of the Master Association as designated by the Board pursuant to the Bylaws.

Section 9.02. Rights of Appointment.

(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:

- (1) At such time as the Close of Escrow shall have occurred for the sale by Declarant and any Participating Builders to the public of at least Two Thousand Six Hundred Thirty-eight (2,638) Lots, Condominiums or any combination thereof in the Properties and the Annexable Area; 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 Members as provided in Article II, Section 2.03; or

(iii) The date which is twelve (12) years after the first Close of Escrow for the sale of a Lot or Condominium in the First Subdivision pursuant to a Final Subdivision Public Report issued by the DRE.

(b) By the Board. The Board shall have the right to appoint and remove those 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 serve for a term of one (1) year or until their respective successors are appointed.

(c) 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 9.03. Review of Plans and Specifications. Subject to Article XI of this Master Declaration, no construction, alteration, grading, addition, excavation, modification, decoration, redecoration or reconstruction of an Improvement in the Properties or other activity within the jurisdiction of the Architectural Committee pursuant to this Master Declaration (collectively "Construction Activities") shall be commenced or maintained by any Owner, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Architectural Committee and approved in writing by the Architectural Committee as follows:

(a) Declarant. Declarant need not seek approval of the Architectural Committee with respect to any of its activities until the Close of Escrow for the sale of the last Declarant-owned Lot or Condominium in the Properties from Declarant to (i) a Participating Builder, or (ii) a member of the public pursuant to a Final Subdivision Public Report issued by the DRE.

(b) Participating Builders and Commercial and Apartment Area Owners. All Participating Builders and Owners of Commercial and Apartment Areas must seek Architectural Committee approval in the manner herein provided for all Construction Activities for so long as a majority of the members of the Architectural Committee are appointees of Declarant; provided that Participating Builders should not be required to furnish

any bonds or other security pursuant to this Section 9.03. At any time that a majority of the Architectural Committee members are not appointees of Declarant, then the Participating Builders and Owners of Commercial and Apartment Areas need not seek approval of the Architectural Committee with respect to any matter subject to Architectural Committee jurisdiction pursuant to this Master Declaration.

(c) Sub-Associations and Other Owners. Each Sub-Association and all Owners (other than as specified in Subsections 9.03(a) and (b) above) must obtain Architectural Committee approval in the manner provided herein for any Construction Activity which visually impacts upon any portion of the Properties located outside the boundaries of the Condominium Project or Planned Development in which the Lot, Condominium or Common Area of such Owner or Sub-Association is located. If the Architectural Committee determines that any proposed Construction Activity will not visually impact upon any portion of the Properties located outside the boundaries of the applicable Condominium Project or Planned Development, and upon the request of the Owner or Sub-Association proposing such Construction Activity, the Architectural Committee (or its representative designated pursuant to Section 9.04) shall furnish the Owner or Sub-Association with a certificate stating that such Construction Activity does not require Architectural Committee approval. Such certificate shall be conclusive upon the Master Association and the Owners and Sub-Associations as to the necessity of Architectural Committee approval for the Construction Activity described in such certificate.

Persons submitting plans and specifications to the Architectural Committee must obtain a dated, written receipt for such plans and specifications and furnish the Architectural Committee with the address to which communications from the Architectural Committee are to be directed.

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 are specified in this Master Declaration or are from time to time assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Architectural Committee. The Architectural Committee shall approve plans and specifications submitted for its approval only if it deems that (a) the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area or the Properties as a whole, (b) the appearance of any structure affected thereby will be in harmony with the surrounding structures, (c) the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Association Property or the enjoyment thereof by the Members, and (d) the upkeep and maintenance thereof will not become a burden on the Master Association.

The Architectural Committee may condition its approval of proposals or plans and specifications for any Improvement (1) upon the agreement by the person (referred to in this Section as "Applicant") submitting the same to furnish to the Architectural Committee a bond or other security acceptable to the Architectural Committee in an amount reasonably sufficient to (i) assure the completion of such Improvement or the availability of funds adequate to remedy any nuisance or unsightly conditions occurring as a result of the partial completion of such Improvement, and (ii) to protect the Master Association and the other Owners against mechanic's liens or other encumbrances which may be recorded against their respective interests in the Properties or damage to the Association Property as a result of such work, (2) on such changes therein as it deems appropriate, (3) upon the agreement by the Applicant to grant appropriate easements to the Master Association for the maintenance of the Improvement, (4) upon the agreement of the Applicant to reimburse the Master Association for the cost of maintenance, or all four, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Architectural Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee to accompany each application for approval (or request for a certificate stating that Architectural Committee approval is not required), or stating 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 or the cost of architectural or other professional fees incurred by the Master Association in reviewing plans.

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, landscaping plans, elevation drawings and description or samples of exterior material and colors. The Architectural Committee may further require that all plans and specifications first be approved by any Sub-Association having jurisdiction. Until receipt by the Architectural Committee of any required plans and specifications and any Sub-Association approval, the Architectural Committee may postpone review of any plan submitted for approval (or determination of exemption). Decisions of the Architectural Committee and the reasons therefor shall be transmitted by the Architectural Committee to the Applicant at the address furnished by the Applicant, within thirty (30) days after the date of receipt issued by the Architectural Committee for the final materials required by the Architectural Committee. Any application or request for certificate of exemption submitted pursuant to this Section 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 thirty (30) days after the date of receipt by the Architectural Committee of all required materials.

Section 9.04. 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 for and on behalf of the Architectural Committee, except the granting of variances pursuant to Section 9.09 of this Article. 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 9.05. No Waiver of Future Approvals. The approval of the Architectural Committee of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Architectural Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

Section 9.06. 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 9.07. Correction of Defects. Inspection of work and correction of defects therein shall proceed as follows:

(a) The Architectural Committee or its duly appointed representative may at any time inspect any Improvement for which approval of plans is required under this Article. However the Architectural Committee's right of inspection of Improvements for which plans have been submitted and approved shall terminate sixty (60) days after the work of Improvement has been completed and the respective Owner has given written notice to the Architectural Committee of such completion. The Architectural Committee's rights of inspection shall not terminate pursuant to this paragraph if plans for the work of Improvement have not previously been submitted to and approved (or determined exempt) 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 Architectural Committee shall have the authority to require the Owner to take such action as may be necessary to remedy the noncompliance.

(b) If, upon the expiration of sixty (60) days from the date of such notification, the Owner has failed to remedy such noncompliance, the Architectural Committee shall notify the Board in writing of such failure. Upon Notice and Hearing as provided in the

Bylaws, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board, at its option, may Record a notice of noncompliance and may peacefully remedy the noncompliance, and the Owner shall reimburse the Master Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Master Association, the Board shall levy a Special Assessment against such Owner for reimbursement as provided in this Declaration. The right of the Master Association to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Master Association may have at law, in equity, or in this Master Declaration.

(c) 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 such written notice of completion from the Owner, the Improvement shall be deemed to be in accordance with such approved plans.

(d) All construction, alteration or other work shall be performed promptly and diligently as possible and shall be completed within one (1) year after the date on which the work commenced.

Section 9.08. Scope of Review. 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 the considerations set forth in Section 9.03 hereof. 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 9.09. Variances. The Architectural Committee may authorize variances from compliance with any of the architectural provisions of this Master Declaration or any Supplemental Declaration, including, without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental considerations may require. Such variances must be evidenced in writing, must be signed by at least a majority of the members of the Architectural Committee, and shall become effective upon Recordation. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Master Declaration or any Supplemental Declaration 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 Supplemental Declaration 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 the City, County or other governmental authority.

Section 9.10. Certain Exceptions. The provisions of this Master Declaration may be made less stringent as to any Commercial Lot if, and to the extent that, the Supplemental Declaration covering such Commercial Lot so provides. The Architectural Committee may also exempt certain types or classes of Improvements from the provisions of this Article IX under written guidelines or rules promulgated from time to time by the Architectural Committee if, in the exercise of the Architectural Committee's sole judgment, approval of such types or classes of Improvements is not required to carry out the purposes of this Master Declaration.

ARTICLE X

DAMAGE, DESTRUCTION, OR CONDEMNATION

OF ASSOCIATION PROPERTY

Damage to, destruction of or condemnation of all or any portion of the Association Property shall be handled in the following manner:

Section 10.01. Damages by Member. To the extent permitted by law, each Owner shall be liable to the Master Association for any damage to the Association Property not fully reimbursed to the Master Association by insurance if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any improvement by the Owner, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Association Property from the Owner, or his or their respective family and guests, both minor and adult. However, the Master Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Master Association, and the Master Association further reserves the right, after Notice and Hearing as provided in the Bylaws, to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Owner or the Person for whom the Owner may be liable as described above. In the case of joint ownership of a Lot or Condominium, the liability of the Owners shall be joint and several, except to the extent that the Master Association shall have previously contracted in writing with the joint Owners to the contrary. After Notice and Hearing as provided in the Bylaws, the cost of correcting the damage to the extent not reimbursed to the Master Association by insurance shall be a Special Assessment and may be enforced as provided herein.

Section 10.02. Repair of Damages. 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 for the repair or replacement of all the Association Property so damaged.

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The Master Association shall levy a Reconstruction Assessment on Owners to satisfy any deficiency in the same manner and proportion that Common Assessments are levied against and collected from Owners. Notwithstanding the foregoing, any restoration or repair of the Association Property after damage due to an insurable hazard shall be performed substantially in accordance with the original plans and specifications unless other action is approved by holders of fifty-one percent (51%) of the first Mortgages on Lots and Condominiums.

Section 10.03. Condemnation. If at any time all or any portion of the Association Property, or any interest therein, is 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 Master Association. Any such award payable to the Master Association shall be deposited in the Operating Fund. No Member (other than a Member on whose Lot such Association Property may be located) 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 proceedings and shall, in its name alone, represent the interests of all Members. The Board of Directors immediately upon having knowledge of any taking by eminent domain of the Association Property, or any portion thereof, or any threat thereof, shall promptly notify all Owners and all insurers and holders of first Mortgages on Lots or Condominiums.

Section 10.04. Notice to Owners and Listed Mortgagees. The Board, immediately upon having knowledge of any damage or destruction affecting a material portion of the Association Property shall promptly notify all Owners, holders, insurers, and guarantors of first Mortgages on Lots or Condominiums who have filed a written request for such notice. The Board, immediately upon having knowledge of any damage or destruction affecting a Lot or Condominium, shall promptly notify the holder and insurer or guarantor of the first Mortgage on such Lot or Condominium.

ARTICLE XI

INTEREST AND EXEMPTION OF DECLARANT

Section 11.01. Interest 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 master planned community. Declarant, in cooperation with the City, has created a master Specific Plan for the development of the Properties which includes modern masterplanning objectives which have been formulated for the common good and enhancement of property values within the community. Each Owner of a Lot or Condominium which is part of the Properties acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant has a substantial interest to be protected with regard to assuring compliance with and enforcement of, the covenants, conditions, restrictions and reservations contained in this Master Declaration and any amendments thereto and any Supplemental Declarations Recorded pursuant to this Master Declaration. Notwithstanding any other provisions of the Restrictions, until such time as (i) Declarant and Participating

Builders are no longer entitled to add Annexable Area to the Properties without the consent of the Delegates pursuant to Section 2.03, or (ii) Declarant and all Participating Builders no longer own any Lots or Condominiums in the Properties, whichever occurs later, the following actions, before being undertaken by the Delegates or the Master Association, shall first be approved in writing by Declarant:

(a) Any amendment or action requiring the approval of first Mortgagees pursuant to this Master Declaration, including without limitation all amendments and actions specified in Sections 13.02(c) and 13.03, or specifically requiring the approval of Declarant pursuant to Section 13.02(a);

(b) The annexation to the Properties of real property other than the Annexable Area pursuant to Section 2.04;

(c) The levy of a Capital Improvement Assessment for the construction of new facilities not originally included in the Association Property; or

(d) Subject to Section 6.07(b) regarding limitations on yearly Common Assessment increases, any significant reduction of Master Association maintenance or other services.

Section 11.02. Exemption of Declarant and Participating Builders. Nothing in the Restrictions shall limit and no Owner, Sub-Association or the Master Association shall do anything to interfere with the right of Declarant and Participating Builders to subdivide or resubdivide any portion of the Properties, or the right of Declarant or a Participating Builder to complete excavation and grading and construction of Improvements to and on any portion of the Properties owned by Declarant or a Participating Builder, or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Declarant or a Participating Builder deems advisable in the course of development of the Properties so long as any Lot or Condominium in the Properties owned by Declarant or a Participating Builder remains unsold. Any material alteration in the construction plans of a project in the Properties owned by Declarant or a Participating Builder shall require the approval of FHA and/or VA where the approval of the project by either agency is to be obtained by Declarant or the Participating Builder. Such right shall include, but shall not be limited to, carrying on by Declarant or a Participating Builder of such grading work as may be approved by the City or other agency having jurisdiction, and erecting, constructing and maintaining on the Properties such structures, signs and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. This Master Declaration shall not limit the right of Declarant or a Participating Builder, at any time prior to acquisition of title to a Lot or Condominium by a purchaser from Declarant or a Participating Builder, 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; provided, however, if any project in the Properties owned by Declarant or a Participating Builder is subject to any of the actions set forth herein and FHA or VA approval is sought by Declarant or the Participating Builder which owns the project, then FHA and/or VA shall have the right to approve any such grants as provided herein. Prospective purchasers, Declarant and Participating Builders shall have the right to use all and any portion of the Association Property for access to the sales facilities of Declarant and Participating Builders. Declarant and Participating Builders may use any structures owned by Declarant or Participating Builders in the Properties as model home complexes or real estate sales or leasing offices, until the fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Properties, at which time Declarant or Participating Builders shall restore such structures to their previous appearance. Any exemption of Participating Builders pursuant to this Section 11.02 shall be subject to any Architectural Committee approval which may be required under the Restrictions, as made applicable to Participating Builders pursuant to Sub-section 9.03(b) of this Master Declaration. All or any portion of the rights of Declarant or a Participating Builder hereunder and elsewhere in these Restrictions may be assigned by Declarant or such Participating Builder to any successor in interest to any portion of Declarant's interest in any portion of the Properties (including, without limitation, any Participating Builder) or to any successor in interest to any portion of such Participating Builder's interest in any portion of the Properties by an express Recorded written assignment which specifies the rights of Declarant or such Participating Builder so assigned. Notwithstanding any other provision of this Master Declaration, the prior written approval of Declarant (which approval shall not be unreasonably withheld), as developer of the Properties, will be required before any amendment to this Article XI shall be effective.

ARTICLE XII

INSURANCE

Section 12.01. Duty to Obtain Insurance; Types. The Board shall cause to be obtained and maintained adequate blanket public liability insurance (including medical payments), with such limits as may be considered acceptable to the Federal National Mortgage Association (not less than one million dollars covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Master Association and its Members, with respect to the Association Property and any other property under its jurisdiction. The Board shall also cause to be obtained and maintained fire and casualty insurance with extended coverage, without deduction for depreciation, in an amount as near as possible to the full replacement value of the Association Property improvements. Such insurance shall be maintained for the benefit of the Master Association, the Owners, and the Mortgagees, as their interests may appear as named insured, subject, however, to loss payment requirements as set forth herein. The Board of Directors shall purchase such other insurance, as

necessary, including, but not limited to, errors and omissions, directors, officers and agents' liability insurance, plate glass insurance, medical payments, malicious mischief, liquor liability and vandalism insurance, fidelity bonds and workers' compensation, and such other risks as shall customarily be covered with respect to projects similar in construction, location, and use. Fidelity bond coverage, as set forth below, must be obtained by or on behalf of the Master Association for any person or entity handling funds of the Master Association, including, but not limited to, officers, directors, trustees, and employees of the Master Association, whether or not such persons are compensated for their services, and employees of the Manager, whether such Manager is an employee or an independent contractor. The aggregate amount of such fidelity bonds shall not be less than a sum equal to three (3) months' aggregate Common Assessments on all Lots and Condominiums in the Properties, plus the amount of the Reserve Fund. Notwithstanding any other provision 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 established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA"), The Mortgage Corporation ("TMC"), and FHA, so long as any of which is an Owner of a Lot or Condominium or holder or insurer of a Mortgage on a Lot or Condominium in the Properties, except to the extent such coverage is not available or has been waived in writing by the FNMA, the GNMA, TMC and FHA, as applicable. Certificates of insurance shall be issued to each Owner and Mortgagee upon written request.

Section 12.02. Waiver of Claims Against Master Association. As to all policies of insurance maintained by or for the benefit of the Master Association and the Owners, the Master Association and the Owners hereby waive and release all claims against one another, the Board of Directors, and Declarant to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of such persons.

Section 12.03. Notice of Expiration Requirements. If available, all of the policies of insurance maintained by the Master Association shall contain a provision that such policy or policies shall not expire nor be cancelled, terminated, or materially modified without at least ten (10) days' prior written notice to the Board, Declarant, and Owners and those holders or insurers of first Mortgages and Owners who have filed a written request with the carrier for such notice, and every other person in interest who requires such notice of the insurer. Fidelity bond coverage shall not be cancelled or substantially decreased unless each FNMA servicer servicing first Mortgages held by FNMA on Lots or Condominiums and the insurance trustee, if any, appointed pursuant to Section 12.05 have received ten (10) days written notice of such cancellation or decrease in fidelity bond coverage.

Section 12.04. Insurance Premiums. Insurance premiums for any insurance coverage obtained by the Master Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Common Assessments levied by the Master Association and collected from

the Owners. That portion of the Common Assessments necessary for the required insurance premiums shall be separately accounted for by the Master Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

Section 12.05. Trustee for Policies. The Master Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Master Association. All insurance proceeds under any such policies as provided for in Section 12.01 of this Article shall be paid to the Board of Directors as Trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Master Association for the repair or replacement of the property for which the insurance was carried. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation to the extent they desire, of first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction. Any two (2) Directors of the Master Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds. Notwithstanding the foregoing, there may be named as an insured a representative chosen by the Board, including a trustee with whom the Master Association may enter into an insurance trust agreement or any successor to such trustee, who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions as are necessary to accomplish this purpose.

Section 12.06. Actions as Trustee. Except as otherwise specifically provided in this Master Declaration, the Board, acting on behalf of the Master Association and all Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Master Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance, in a manner satisfactory to the first Mortgagees holding seventy-five percent (75%) of the first Mortgages who have filed requests under Section 12.03. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Master Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Master Association to all Mortgagees who have requested the same in writing.

Section 12.07. Annual Insurance Review. The Board shall review the insurance carried by or on behalf of the Master Association, at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 12.01 above. If economically feasible, the Board shall obtain a current appraisal of the full replacement value of the Improvements on the Association Property, except for foundations and footings, without deduction for depreciation, from a qualified independent insurance appraiser, prior to each such annual review.

Section 12.08. Required Waiver. All policies of physical damage insurance shall provide, if reasonably possible, for waiver of the following rights to the extent that the respective insurers would have the rights without such waivers:

- (a) subrogation of claims against the Owners and tenants of the Owners;
- (b) any defense based upon co-insurance;
- (c) any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Master Association;
- (d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Master Association, any Owner or any tenant of any Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured;
- (e) any right of the insurer to repair, rebuild, or replace, and, if the Improvement is not repaired, rebuilt, or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured;
- (f) notice of the assignment of any Owner of his interest in the insurance by virtue of a conveyance of any Lot or Condominium; and
- (g) any right to require any assignment of any mortgage to the insurer.

ARTICLE XIII

MISCELLANEOUS

Section 13.01. Term. The covenants and restrictions of this Master Declaration shall run with and bind the Properties, and shall inure to the benefit of and be enforceable by the Master Association or the Owner of any land subject to this Master Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Master Declaration is Recorded, after which time such covenants, conditions, reservation of easements, equitable servitudes and restrictions shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination meeting the requirements of an amendment to this Master Declaration as set forth in Section 13.02 of this Article has been Recorded.

Section 13.02. Amendments.

(a) By Declarant. 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 DRE, the provisions of this Master Declaration may be amended or terminated by Recordation of a written instrument signed by Declarant setting forth such amendment or termination.

(b) By Members. The provisions of this Master Declaration, other than Articles II, IV, IX and XI and Section 13.02 of this Article XIII, (which may not be amended without the written consent of Declarant until Close of Escrow for the sale of the last Lot or Condominium in the Properties from Declarant to a purchaser or a Participating Builder), may be amended by Recordation of a Certificate, signed and acknowledged by the president and secretary of the Master Association, setting forth the amendment and certifying that such amendment has been approved by Delegates representing sixty-seven percent (67%) of the voting power of the Master Association and the requisite percentage of holders and insurers of first Mortgages, in the case of those amendments which this Master Declaration requires to be approved by first Mortgagees, and such an amendment shall be effective upon Recordation.

(c) Approval of First Mortgagees. Notwithstanding the foregoing, any of the following amendments, to be effective, must be approved by the record holders and insurers of seventy-five percent (75%) of the first Mortgages at the time of such amendment, based upon one (1) vote for each Mortgage owned or insured:

(1) Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protections granted to holders, insurers and guarantors of first Mortgages as provided in Articles VI, X, XI, XII, and XIII hereof.

(2) Any amendment which would necessitate an encumbrancer after it has acquired a Lot or Condominium through foreclosure to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(3) Any amendment which would or could result in an encumbrance being cancelled by forfeiture, or in the individual Lot or Condominium not being separately assessed for tax purposes.

(4) Any amendment relating to the insurance provisions as set out in Article XII hereof, or to the application of insurance proceeds as set out in Article XII hereof, or to the disposition of any money received in any taking under condemnation proceedings.

(5) Any amendment which would or could result in termination or abandonment of the Properties or partition or subdivision of a Lot or Condominium, in any manner inconsistent with the provision of this Master Declaration.

- (6) Any amendment concerning:
- (i) Voting rights;
 - (ii) Rights to use the Association Property;
 - (iii) Responsibility for maintenance, repair, and replacement of the Association Property;
 - (iv) Annexation or deannexation of real property to or from the Properties;
 - (v) Boundaries of any Lot or Condominium;
 - (vi) Leasing of Lots or Condominiums;
 - (vii) Establishment of self-management by the Master Association where professional management has been required by any institutional holder or insurer of a first Mortgage; and
 - (viii) Any material amendment as defined in Section 402.02 of the FNMA Lending Guide (as amended from time to time).

Any approval by a holder, insurer or guarantor of a first Mortgage required under this Section 13.02(c), or required pursuant to any other provisions of this Master Declaration, shall be given in writing; provided that prior to any such proposed action, the Master Association or Declarant, as applicable, may give written notice of such proposed action to any or all holders, insurers and guarantors of first Mortgages, and for sixty (60) days following the receipt of such notice, such holder, insurer or guarantor of a first Mortgage shall have the power to disapprove such action by giving written notice to the Master Association or Declarant, as applicable. If no written notice of disapproval is received by the Master Association or Declarant, as applicable, within such sixty (60) day period, then the approval of such holder, insurer or guarantor shall be deemed given to the proposed action, and the Master Association or Declarant, as applicable, may proceed as if such approval was obtained with respect to the request contained in such notice.

(d) Approval of City. Notwithstanding anything contained herein to the contrary, so long as any property subject to this Master Declaration lies within the boundaries of the City of San Clemente ("City"), the City shall have the power to veto any purported amendment or termination of this Master Declaration, based on whether the Properties after

such termination or amendment will continue to enjoy adequate provision for preservation and maintenance of the Association Property. No amendment or written agreement purporting to terminate or modify the maintenance provisions of this Master Declaration shall take effect until fifteen (15) days following mailing of written notice thereof, return receipt requested, to the City Planning Director. If no veto has been exercised by the City Planning Director within fifteen (15) days of the receipt of such notice, such amendment or termination shall thereafter become effective. Any supplement, amendment, or termination of this Master Declaration must be signed by at least two (2) officers of the Master Association, indicating that the requisite approvals have been obtained and that such amendment or supplement must be Recorded.

A certificate, signed and sworn to by two (2) officers of the Master Association that Delegates representing sixty-seven percent (67%) of the Lots and Condominiums have voted for any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The certificate reflecting any termination or amendment which requires a written consent of Declarant, or any of the record holders of first Mortgages shall include a certification that the requisite approval of Declarant or such holders of first Mortgages has been obtained or waived. The Master Association shall maintain in its files the record of all such votes and Mortgagee consent solicitations and disapprovals for a period of at least four (4) years.

Section 13.03. Mortgagee Protection. Notwithstanding any other provision of this Master Declaration, no amendment or violation of this Master Declaration shall operate to defeat or 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 (or a notice of lien Recorded pursuant to Section 6.12), 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 TMC, the GNMA, the FNMA, and FHA 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, TMC, FNMA, GNMA and FHA, conflict with any other provisions of this Master Declaration or any other of the Restrictions, these added restrictions shall control):

(a) Each holder, insurer and guarantor of a first 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 the Master Declaration, the Articles or the Bylaws, which default is not cured

within thirty (30) days after the Master Association learns of such default. For purposes of this Master Declaration and the Bylaws, "first Mortgage" shall mean a Mortgage with first priority over other Mortgages or Deeds of Trust on a Lot or Condominium in the Properties, and "first Mortgagee" shall mean the holder of a first Mortgage.

(b) 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) 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 acquisition of title to such Lot or Condominium by the Mortgagee.

(d) When professional management has been previously required by a holder, insurer or guarantor of a first Mortgage, any decision to undertake self-management by the Master Association shall require the prior approval of Delegates representing sixty-seven percent (67%) of the voting power of the Master Association and the holders of fifty-one percent (51%) of the first mortgages on Lots or Condominiums.

(e) Unless at least sixty-seven percent (67%) of the first Mortgagees (based upon one (1) vote for each Mortgage owned) have given their prior written approval, neither the Master Association nor the Owners shall:

(1) subject to the provisions of the California Nonprofit Mutual Benefit 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);

(2) 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;

(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design of the exterior appearance of the dwelling units on the Lots or Condominiums, the exterior maintenance of the dwelling units on the Lots or Condominiums, or the upkeep of lawns and plantings on the Association Property;

(4) fail to maintain Fire and Extended Coverage insurance on insurable Association Property on a current replacement cost basis in an amount as near as possible to one hundred percent (100%) of the insurable value (based on current replacement cost);

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

(6) amend this Master Declaration or the Articles of Incorporation or Bylaws of the Master Association in such a manner that the rights of any first Mortgages will be adversely affected.

(f) All holders, insurers and guarantors of first Mortgages on Lots or Condominiums, upon written request, shall have the right to (1) examine the books and records of the Master Association during normal business hours, (2) require from the Master Association the submission of an audited annual financial statement (without expense to the holder, insurer or guarantor requesting such statement) and other financial data, (3) receive written notice of all meetings of the Members, and (4) designate in writing a representative to attend all such meetings.

(g) All holders, insurers and guarantors of first Mortgages of Lots or Condominiums shall be given (1) 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 (2) immediate written notice as soon as the Board receives notice or otherwise learns of any damage to the Association Property whenever the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000), 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.

(h) First Mortgages 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 on the lapse of a policy, for such property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association.

(i) The Reserve Fund described in Article VI of this Master Declaration must be funded by regularly scheduled monthly, quarterly, semi-annual or annual payments rather than by large special (irregular) assessments.

(j) Except as approved by the DRE, any agreement between the Master Association and its professional Manager, or any agreement providing for services by Declarant to the Master Association, shall provide that the contract may be terminated (i) for cause on not more than thirty (30) days' written notice, and (ii) without cause (or the payment of a penalty or termination fee) at any time upon ninety (90) days' or less written notice, and the term of any such contract shall not exceed one (1) year.

(k) 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 any professional Manager.

(l) 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.

(m) 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 FHA, VA, TMC, 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 Lots or Condominiums with Residences thereon. Each Owner hereby agrees that it will benefit the Master Association and the membership of the Master Association, as a class of potential Mortgage borrowers and potential sellers of their respective Lots or Condominiums if such agencies approve the Properties as a qualifying community under their respective policies, rules and regulations, as adopted from time to time. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Lot or Condominium.

Section 13.04. 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 forty-eight (48) 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 13.05. Enforcement and Non-Waiver.

(a) **Right of Enforcement.** Except as otherwise expressly provided herein, the Master Association, the successors-in-interest of the Master Association and any Owner, including Declarant and Participating Builders (so long as Declarant or Participating Builder own a Lot or Condominium in the Properties), shall have the right to enforce any or all of the provisions of the Restrictions 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 Restrictions. Each Owner shall have a right of action against the Master Association for its failure to comply with the Restrictions.

(b) **Additional Declaration Enforcement.** The Master Association may also commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the provisions of any applicable Additional Declaration and to enforce, by mandatory injunctions or otherwise, all of the provisions of any applicable Additional Declaration. If such an action is brought by the Master Association, the prevailing party shall be entitled to court costs and reasonable attorneys' fees in accordance with subparagraph (h) below.

(c) **Violations and Nuisance.** Every act or omission whereby any provision of the Restrictions is violated in whole or in part is hereby declared to be a nuisance and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any Owner, by the Master Association, or its successors-in-interest.

(d) **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 the Restrictions and subject to all of the enforcement procedures set forth in the Restrictions.

(e) **Remedies Cumulative.** Each remedy provided by the Restrictions is cumulative and not exclusive. The Master Association may, at its option, without waiving the right to enforce its lien against the Lot or Condominium, bring a suit at law to enforce each assessment obligation.

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

(g) Mortgages. Any breach or amendment of the covenants, conditions or restrictions contained in the Restrictions shall not affect or impair the lien or charge of any first Mortgage or Deed of Trust made in good faith and for value on any Lot or Condominium or the Improvements thereon; provided, however, that any subsequent Owner of such property shall be bound by such covenants, whether such Owner's title was acquired by foreclosure in a trustee's sale or otherwise.

(h) Attorneys' Fees. Any judgment rendered in any action or proceeding hereunder shall include a sum 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.

(i) Special Assessment. If any Member or his family, guests, licensees, lessees or invitees violates the Restrictions, the Board may, after Notice and Hearing and in addition to the other remedies available, impose a reasonable Special Assessment upon such Owner for each violation and may as further provided in the Bylaws, suspend or condition such Member's right to use any portion of the Association Property. Any such suspension or conditional suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The Board may also adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for failure of a resident of or visitor to his Lot or Condominium to comply with any provision of the Restrictions, other than Article VI hereof. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

Section 13.06. Interpretation.

(a) Restrictions Construed Together. All of the provisions of the Restrictions 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. The Restrictions 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 the Restrictions 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 13.07. Reservation of Easements. Declarant and the Initial Participating Builder expressly reserve for the benefit of all of the 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 and Participating Builders or authorized by the Architectural Committee over the Association Property, for drainage of water over, across and upon adjacent Lots, Common Areas and the Association Property resulting from the normal use of adjoining Lots, Common Areas or Association Property and for necessary maintenance and repair of any Improvement. Such easements may be used by Declarant, its successors, purchasers, the 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, Common Areas or the Association Property.

Section 13.08. No Public Right of Dedication. Nothing contained in this Master Declaration shall be deemed to be a gift or dedication of all or any part of the Properties to the public, or for any public use.

Section 13.09. Constructive Notice and Acceptance. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or Condominium or other portion of the Properties does and shall be conclusively deemed to have consented and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to this Master Declaration is contained in the instrument by which such person acquired an interest in the Properties, or any portion thereof.

Section 13.10. 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, 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 DRE or with any other governmental authority.

Section 13.11. Nonliability and Indemnification. Except as specifically provided in the Restrictions or provided by law no right, power, or responsibility conferred on the Board or the Architectural Committee by this Master Declaration, the Articles

or the Bylaws shall be construed as a duty, obligation or disability charged upon any individual member of the Board or of the Architectural Committee, or any other officer, employee or agent of the Master Association. No such Person shall be liable to any party (other than the Master Association or a party claiming in the name of the Master Association) for injuries or damage resulting from such Person's acts or omissions within what such Person reasonably believed to be the scope of his Master Association duties ("Official Acts"), except to the extent that such injuries or damage result from such Person's willful or malicious misconduct. No such Person shall be liable to the Master Association (or to any party claiming in the name of the Master Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct.

The Master Association shall pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person to impose liability on such Person for his Official Acts, provided that:

(1) The Board determines that such Person acted in good faith and in a manner such Person reasonably believed to be in the best interests of the Master Association;

(2) In the case of a criminal proceeding, the Board determines that such Person had no reasonable cause to believe his conduct was unlawful; and

(3) In the case of an action or threatened action by or in the right of the Master Association, the Board determines that such Person acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Any determination of the Board required under this Section 13.11 must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote of a majority of a quorum of the Delegates of the Master Association voting at a meeting of the Delegates of the Master Association called for such purpose, provided that the Person to be indemnified shall not be entitled to vote.

Payments made hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action. This Section 13.11 shall be construed to authorize payments and indemnification to the fullest extent now or hereafter permitted by applicable law.

The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any Person entitled to such indemnification.

Section 13.12. Special Provision for Enforcement of Certain Bonded Obligations. In the event that (1) the Association Property Improvements located on any Phase of Development of the Properties are not completed by the developer (Participating Builder or Declarant, as the case may be) of such Phase of Development of the Properties (herein the "Obligor Developer"), prior to the issuance of a Final Subdivision Public Report for that Phase of Development by the DRE, and (2) the Master Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of the Obligor Developer 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 given an extension in writing for the completion of any Association Property 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 Members, 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 Members representing five percent (5%) of the total voting power of the Master Association. A vote of Delegates representing a majority of the voting power of the Master Association, disregarding any votes attributable to Lots or Condominiums owned by the Obligor Developer, 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.

Section 13.13. FHA/VA Approval. So long as Declarant and any Participating Builders have effective control of the Master Association, the following actions will require the prior approval of the FHA and VA, as applicable: (a) annexation or deannexation of additional properties in the Properties; (b) dedication, conveyance or mortgage of the Association Property; (c) amendment of the Master Declaration; and (d) mergers, consolidations or dissolution of the Master Association.

Section 13.14. Priorities and Inconsistencies. If there are conflicts or inconsistencies between this Master Declaration and either the Articles of Incorporation or the Bylaws of the Master Association, the terms and provisions of this Master Declaration shall prevail.

Declarant and the initial Participating Builder have executed this Master Declaration on the dates set forth opposite their respective signatures.

DATED: Aug 6, 1985

WESTERN PROPERTIES SERVICE CORPORATION, an Arizona corporation

By: [Signature]
STEPHEN C. MALONEY
Its: Executive Vice President

By: [Signature]
JOHN MURRAY
Its: Assistant Vice President/
Controller

"Declarant"

DATED: Aug 27, 1985

EPAC SAN CLEMENTE, INC., a California corporation

By: [Signature]
Its: PRES.

By: [Signature]
Its: SECRETARY

"Initial Participating Builder"

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.

On August 6, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared STEPHEN C. MALONEY and JOHN MURRAY, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as Executive Vice President and Assistant Vice President/Controller or on behalf of WESTERN PROPERTIES SERVICE CORPORATION, the corporation therein named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

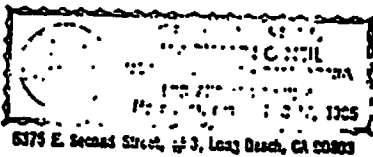


Louise Anderson
Notary Public in and for said State

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss.

On August 22, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared Rick Doremus and Dorothy Lenick personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as President and Secretary or on behalf of EPAC SAN CLEMENTE, INC., the corporation therein named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.



Maureen O'Neil
Notary Public in and for said State

SUBORDINATION

The undersigned, as holder of the beneficial interest in and under that certain Deed of Trust dated March 1, 1985, and recorded on March 8, 1985, as Instrument No. 85-082268, in Official Records of Orange County, California (the "Deed of Trust"), which Deed of Trust is by and between EPAC San Clemente, Inc., a California corporation, as trustor, to First Interstate Mortgage Company, a California corporation, as trustee, for the benefit of First Interstate Mortgage Company, a California corporation, as Beneficiary, hereby expressly subordinates said Deed of Trust and its beneficial interest thereunder to the foregoing Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements, to instruments annexing any portions of the Annexable Area to the Properties pursuant to Article II of the Master Declaration, and to all maintenance and other easements to be conveyed to the Master Association in accordance with the Master Declaration.

Dated: August 21, 1985.

FIRST INTERSTATE MORTGAGE COMPANY,
a California corporation

By: Elizabeth A. Poindexter
ELIZABETH A. POINDEXTER, ASST. VICE PRESIDENT

By: Michael E. Clancy
MICHAEL E. CLANCY, SENIOR VICE PRESIDENT

STATE OF CALIFORNIA)
COUNTY OF Los Angeles) ss.

On August 21, 1985, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared Elizabeth A. Poindexter and Michael E. Clancy, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as Asst. Vice President and Senior Vice President, respectively, of FIRST INTERSTATE MORTGAGE COMPANY, the corporation therein named, and acknowledged to me that the national banking association executed it.

WITNESS my hand and official seal.

{SEAL}

Arnetta B. Jones
Notary Public in and for said State
ARNETTA B. JONES



SUBORDINATION

The undersigned, as holder of the beneficial interest in and under that certain Deed of Trust dated March 6, 1985, and recorded on March 8, 1985, as Instrument No. 85-082269, in Official Records of Orange County, California (the "Deed of Trust"), which Deed of Trust is by and between EPAC San Clemente, Inc., a California corporation, as trustor, to Independent Encumbrance Service, a California corporation, as trustee, for the benefit of Pacific Savings Bank, a California mutual savings bank, as Beneficiary, hereby expressly subordinates said Deed of Trust and its beneficial interest thereunder to the foregoing Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements, to instruments annexing any portions of the Annexable Area to the Properties pursuant to Article II of the Master Declaration, and to all maintenance and other easements to be conveyed to the Master Association in accordance with the Master Declaration.

Dated: August 16, 1985.

PACIFIC SAVINGS BANK,
a California mutual savings bank

By: [Signature]
Its: EVPR
By: [Signature]
Its: SECRETARY

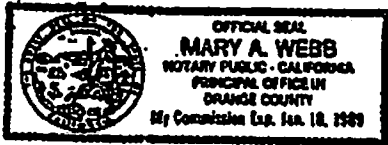
STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

On August 19, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared PETER L. ZIMMAN and DOROTHY K. POTTER, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as Exec. Vice Pres. and SECRETARY, respectively, of PACIFIC SAVINGS BANK, the California mutual savings bank therein named, and acknowledged to me that the mutual savings bank executed it.

WITNESS my hand and official seal.

(SEAL)

[Signature]
Notary Public in and for said State



85-327173

EXHIBIT "A"

LEGAL DESCRIPTION OF ASSOCIATION PROPERTY

IN FIRST SUBDIVISION

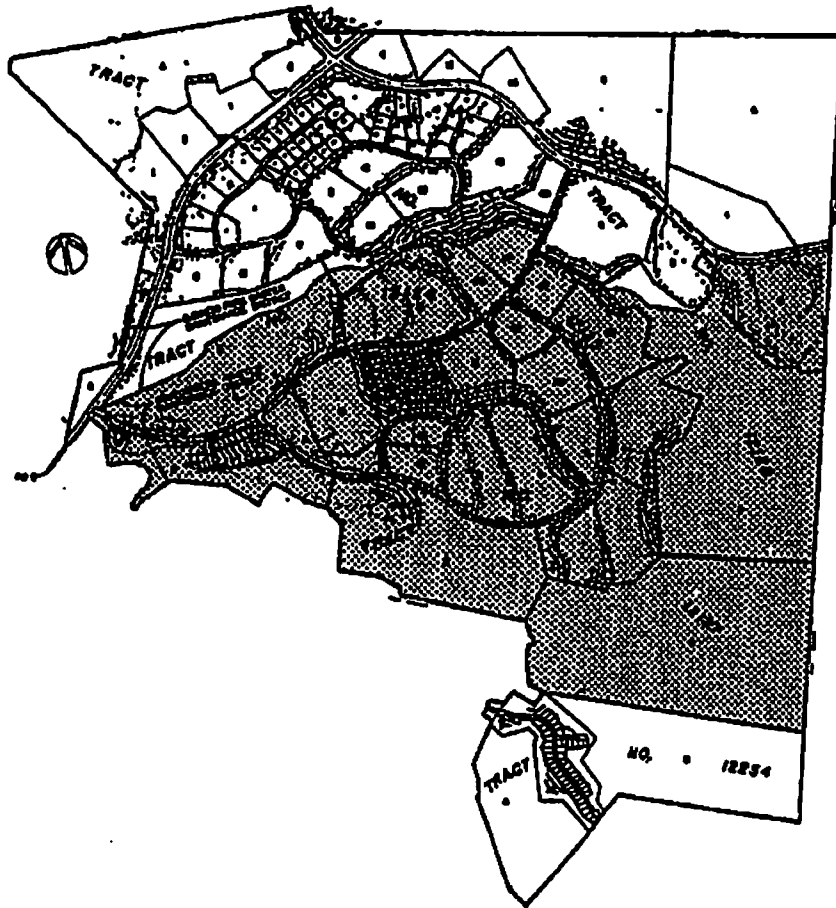
All that certain real property located in the City of San Clemente, County of Orange, California, described as follows:

A nonexclusive easement of access, ingress and egress for the purposes set forth in this Master Declaration, over approximately 425,000 square feet of non-irrigated natural open space more particularly described on the drawings attached hereto.

3545S/DOB/0526S/16973
ab/07-25-85

85-327173

RANCHO SAN CLEMENTE



**RANCHO SAN CLEMENTE
HOMEOWNER'S MASTER MAINTENANCE
ANNEXATIONS PER PHASE**

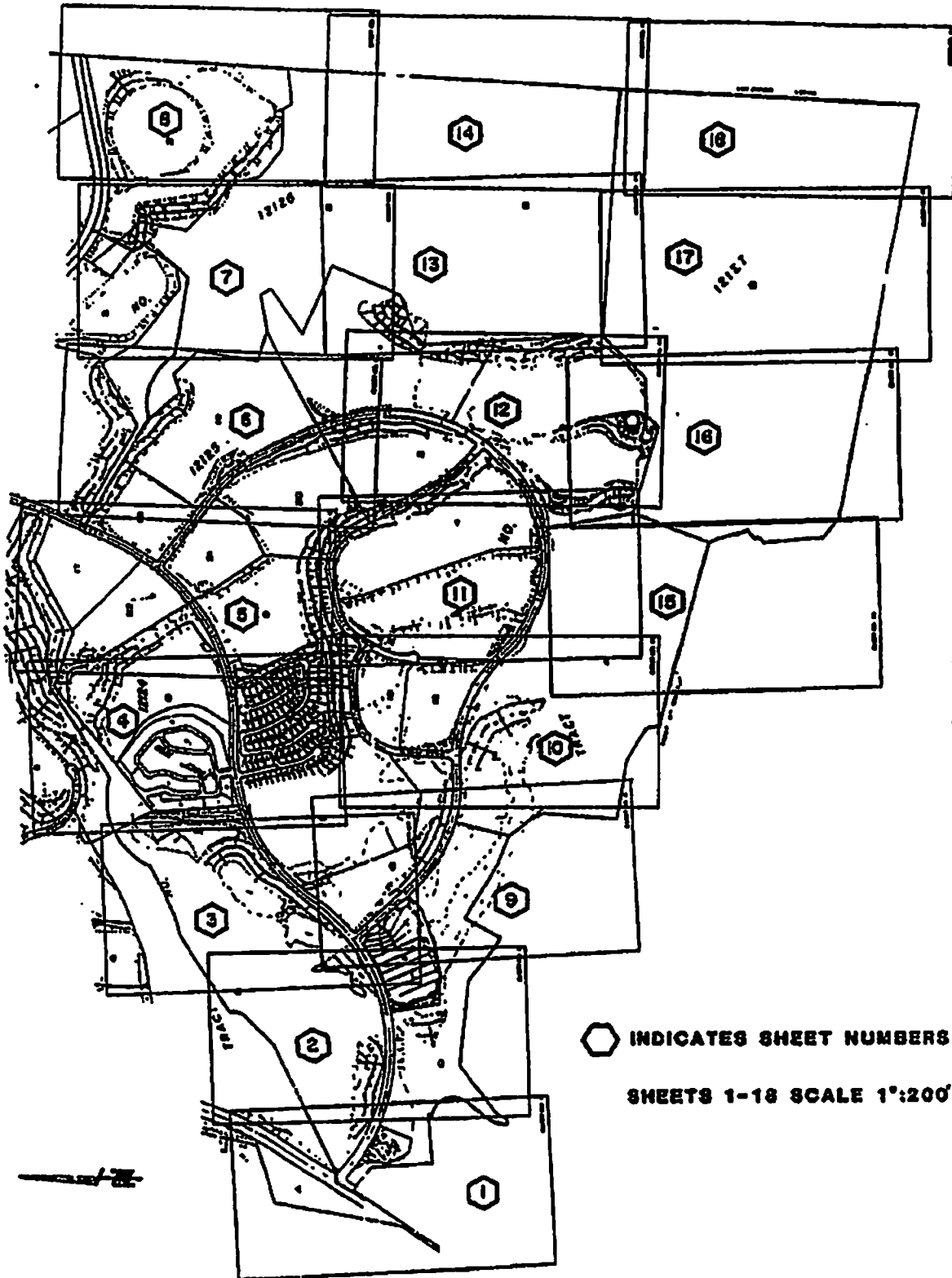
 HOMEOWNER'S MASTER MAINTENANCE DISTRICT

Exhibit "A" Cont'd

INDEX MAP

85--327173

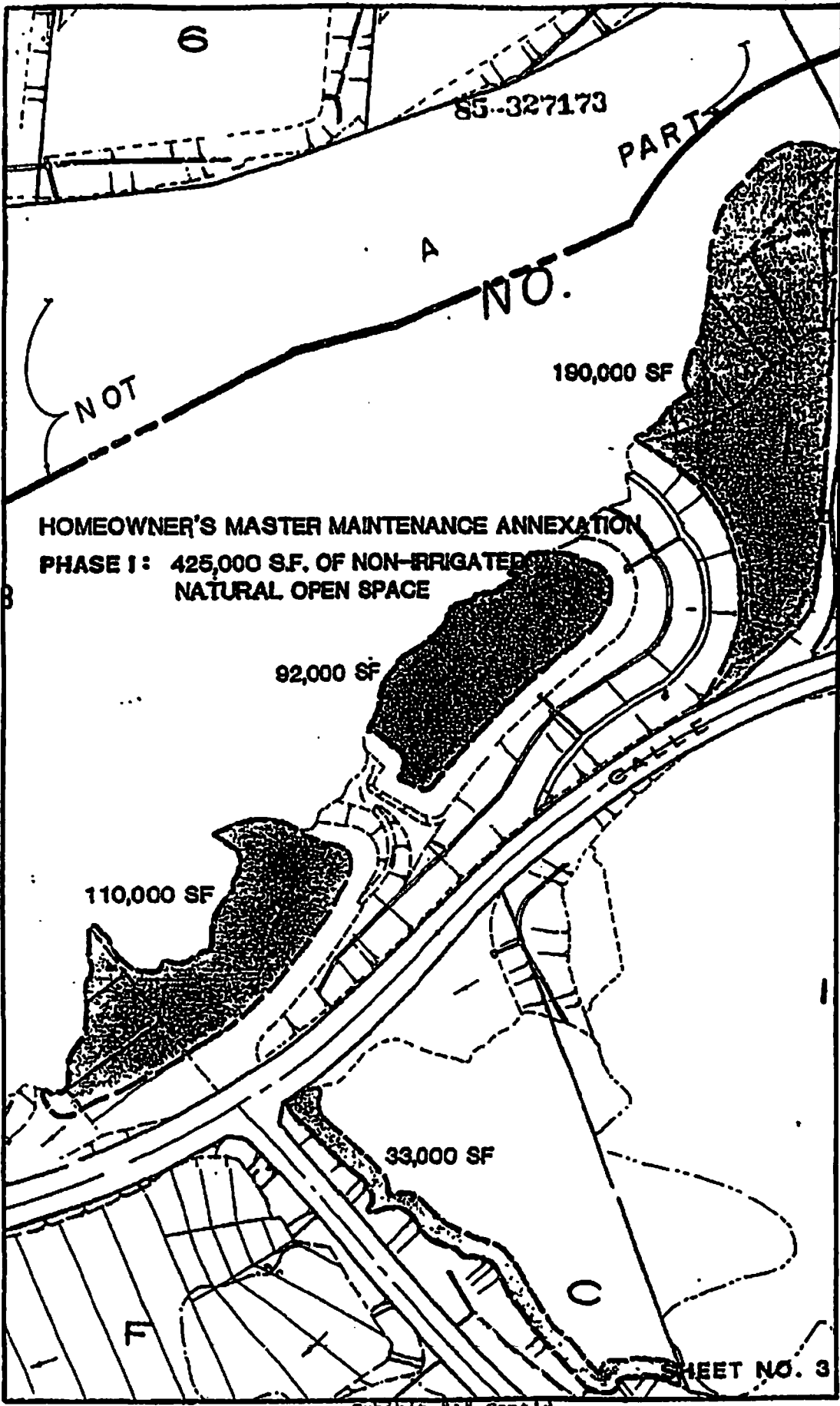
NOT TO SCALE



○ INDICATES SHEET NUMBERS

SHEETS 1-18 SCALE 1":200'

Exhibit "A" Cont'd



**HOMEOWNER'S MASTER MAINTENANCE ANNEXATION
PHASE I: 425,000 SF. OF NON-IRRIGATED
NATURAL OPEN SPACE**

85-327173

PART

NO.

190,000 SF

NOT

92,000 SF

110,000 SF

GALLE

33,000 SF

SHEET NO. 3

Exhibit "A" Cont'd

85-327173

EXHIBIT "B"

LEGAL DESCRIPTION OF FIRST SUBDIVISION

OWNED BY INITIAL PARTICIPATING BUILDER

All that certain real property located in the City of San Clemente, County of Orange, California described as follows:

Lots 1, 3, 4 and A through E, inclusive, of Tract No. 12283, as shown on a Subdivision Map, recorded on May 17, 1985, in Book 540, Pages 6 to 13, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder.

35458/DGB/05268/16973
dnl/07-26-85

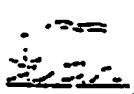
85-327173

EXHIBIT "C"
ARTICLES OF INCORPORATION OF
MASTER ASSOCIATION

35455/DCB/0526S/16973
kih/05-03-85

WENDELL JACKSON,
OF MARGO & PECKENFAUGH
& LAW CORPORATION

85-327173



California

OFFICE OF THE SECRETARY OF STATE

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

MAY 3 1985



March Fong Eu

Secretary of State

RECORDED
FILED
In the office of the Secretary of State
of the State of California

MAR 11 1985

ARTICLES OF INCORPORATION
OF
RANCHO SAN CLEMENTE COMMUNITY ASSOCIATION

MARCH 1985 BY Secretary of State
Sheron K. Hawkins
Deputy

ONE: The name of this corporation ("Master Association" herein) is RANCHO SAN CLEMENTE COMMUNITY ASSOCIATION.

TWO: This corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under the Nonprofit Mutual Benefit Corporation Law.

THREE: The Master Association's initial agent for service of process is Stephen C. Maloney, whose business address is 3151 Airway Drive, Suite I-2, Costa Mesa, California 92626-4167.

FOUR: The Master Association shall have and exercise any and all powers, rights, and privileges which a corporation organized under the Nonprofit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Master Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the following purposes of the Master Association:

(a) To bring about civic betterments and social improvements by providing for the preservation, management, maintenance, and care of the architecture and appearance of a planned residential development known as Rancho San Clemente ("Properties"), located in the City of San Clemente, County of Orange, State of California.

(b) To promote the common good, health, safety, and general welfare of all of the residents within the Properties.

(c) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Master Association arising from that certain Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Rancho San Clemente (the "Master Declaration") recorded or to be recorded with the Orange County Recorder and applicable to the Properties, as such Master Declaration may be amended from time to time.

FIVE: The classes of Membership and the voting and other rights and privileges of Members shall be as set forth in the Bylaws. Amendment of these Articles of Incorporation shall require approval of the Board of Directors and the vote or written consent of both (1) Delegates representing at least a majority of the total voting power of the Master Association, and (2) Delegates representing at least a majority of the voting power of the Master Association residing in Members other than the Subdivider ("Declarant") and all Participating Builders (as defined in the Master Declaration) of the Properties. In addition to the foregoing, as long as there exists a Class A and a Class B Membership, amendment of these Articles shall require the vote or written consent of Delegates representing at least a majority of the voting power of each such Class of Members.

The undersigned, who is the incorporator of the Master Association, has executed these Articles of Incorporation on May 1, 1985.

Stephen C. Maloney

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.

Stephen C. Maloney

85-327173

EXHIBIT "D"
BYLAWS OF
MASTER ASSOCIATION

3545S/DGB/05268/26973
klh/05-03-85

MCKITTRICK JACKSON
DE MARCO & RECHENPAUGH
& LAW CORPORATION