

ASSOCIATION GOVERNING DOCUMENTS

SAIER

In compliance with amendments to California Civil Code and Government Code, effective January 1, 2000, please attach this cover page to your copy of the association's governing documents.

If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates state and federal fair housing laws and is void. Any person holding an interest in this property may request that the county recorder remove the restrictive covenant language pursuant to subdivision (c) of Section 12956.1 of the Government Code.

Recorded at the request of
FIRST AMERICAN TITLE INS. CO.

4:00
P.M. FEB 28 1992

Official Records
Orange County, California

Lee A. Branch Recorder

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

MCKITTRICK, JACKSON, DEMARCO
& PECKENPAUGH (PSJ)
4041 MacArthur Boulevard, Fifth Floor
Post Office Box 2710
Newport Beach, California 92658-8995

Title \$	
② \$ -5 -	10 -
123 Add. \$	
Pg ② \$ 3 -	384.
Lien Nt \$	
② \$	
Other \$	
Total Rec. Fees	\$ 394 -
D.T.T. \$	
PCOR \$	
SMF \$	
RDE-2	

92-121148

(Space Above For Recorder's Use)

DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR
SALERNO AT PROVENCE

THIS INSTRUMENT FILED FOR RECORD BY
FIRST AMERICAN TITLE INSURANCE COMPANY AS AN
ACCOMMODATION ONLY. IT HAS NOT BEEN EXAMINED AS TO
ITS EXECUTION OR AS TO ITS EFFECT UPON THE TITLE.

fs4037/21930/000/0090/salerno

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RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR
SALERNO AT PROVENCE

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

SALERNO AT PROVENCE

THIS DECLARATION ("Declaration") is made by THE WILLIAM LYON COMPANY, a California corporation, as successor-in-interest by merger with Lyon Communities Inc., dba Lyon Communities Inc. ("Declarant").

P R E A M B L E:

A. Declarant is the owner of certain real property ("Phase 1") located in the unincorporated area of Orange County, California, described as follows:

Parcel 1 (formerly Parcel 1 of Lot Line Adjustment LL 91-028 and formerly Lot 1 of Tract No. 13587), Parcel 11 (formerly Parcel 12 of Lot Line Adjustment LL 91-028 and formerly Lot 12 of Tract No. 13587), and an easement over a portion of Parcel B (formerly Parcel B of Lot Line Adjustment 91-028 and formerly Lot B of Tract No. 13587) as described herein, as shown on Lot Line Adjustment No. LL 91-037, which was Recorded on November 13, 1991, as Instrument No. 91-618789, of Official Records of Orange County, California.

B. It is the desire and intention of Declarant to create a "condominium project," as defined in Section 1351(f) of the California Civil Code, and to subdivide the Property (as hereinafter defined) into "condominiums," as defined in Section 783 of the California Civil Code, and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the condominiums created pursuant to the Davis-Stirling Common Interest Development Act.

C. Declarant hereby declares that all of the Property is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the limitations, restrictions, reservations, rights, easements, conditions and covenants contained in the Master Declaration and this Declaration, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Property for the purpose of enhancing the value, desirability and attractiveness of the Property. All provisions of this

Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Property. All of the limitations, restrictions, reservations, rights, easements, conditions and covenants herein and in the Master Declaration shall run with and burden the Property and shall be binding on and for the benefit of all of the Property and all Persons having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns. The development plan of the Property shall be consistent with the overall development plan, if any, submitted to VA and FHA.

D. Declarant, its successors, assigns and grantees, covenant and agree that the undivided interest in the Common Area, the membership in the Association, any easements conveyed therewith and the fee title to each respective Unit conveyed therewith shall not be separated or separately conveyed, and each such undivided interest, membership and easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit; provided, however, that this restriction upon the severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Property is suspended in accordance with Section 1359 of the California Civil Code and the provisions of Article X hereof. Any conveyance by an Owner of a Condominium, or any portion thereof, shall be presumed to convey the entire Condominium, together with a membership in the Association.

E. On December 18, 1991, Declarant executed a Notice of Annexation and Supplemental Declaration for the Salerno Delegate District of the Maintenance Corporation ("Master Notice"), which annexed Phase 1 to the Properties described in the Master Declaration. The Master Notice was Recorded on January 6, 1992, as Instrument No. 92-0069737, of Official Records of Orange County, California.

ARTICLE I

1. Definitions.

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

1.1. Annexable Territory.

Annexable Territory shall mean the real property described in Exhibit "C" attached hereto and incorporated herein by this reference, all or any portion of which may from time to time

be made subject to this Declaration pursuant to Article XVI hereof; provided that the maximum number of Units that may be added to the Project pursuant to said Article XVI shall be One Hundred Eighty (180).

1.2. Architectural Committee or Committee.

Architectural Committee or Committee shall mean the Architectural Review Committee created pursuant to Article IV hereof.

1.3. Articles.

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

1.4. Assessment, Annual.

Annual Assessment shall mean a charge against a particular Owner and his Condominium, representing a portion of the Common Expenses which are to be levied among all of the Owners and their Condominiums in the Project in the manner and proportions provided herein.

1.5. Assessment, Capital Improvement.

Capital Improvement Assessment shall mean a charge which the Board may from time to time levy against each Owner and his Condominium, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Property. Such charge shall be levied among all of the Owners and their Condominiums in the Project in the same proportions as are Annual Assessments.

1.6. Assessment, Reconstruction.

Reconstruction Assessment shall mean a charge which the Board may from time to time levy against a particular Owner and his Condominium, representing a portion of the cost to the Association for reconstruction of any capital improvements on any of the Common Property. Reconstruction Assessments shall be levied among all of the Owners and their Condominiums in the Project in the same proportions as the relative interior square foot floor areas of the residential elements of the Units (as such areas are depicted in the Condominium Plan or Plans for the Project), expressed as percentages, and computed by dividing the interior square foot floor area of the residential element of each Unit by the total interior square foot areas of the residential elements of all Units in the Project.

1.7. Assessment, Special.

Special Assessment shall mean a charge against a particular Owner directly attributable to, or reimbursable by, the Owner, equal to the cost incurred by the Association for

corrective action performed pursuant to the provisions of this Declaration, or a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Special Assessments as provided for in this Declaration. Special Assessments shall not include any late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Association in the collection of Annual, Capital Improvement and Reconstruction Assessments.

1.8. Association.

Association shall mean Salerno Community Association, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California) as defined in Section 1351(a) of the California Civil Code, its successors and assigns. The Association is defined as a "Sub-Association" in the Master Declaration.

1.9. Association Property.

Association Property shall mean all of the real and personal property and Improvements to which the Association shall hold fee title or over which the Association shall hold an easement for the common use and enjoyment of the Members as provided herein. The Association Property located in Phase 1 shall include Parcel 11 of said Lot Line Adjustment LL 91-037 and an easement over that portion of Parcel B of said Lot Line Adjustment LL 91-037 as shown on Exhibit "E" attached hereto.

1.10. Beneficiary.

Beneficiary shall mean a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust, as the case may be, and the assignees of such Mortgage or Beneficiary.

1.11. Board or Board of Directors.

Board of Directors or Board shall mean the Board of Directors of the Association.

1.12. Budget.

Budget shall mean a written, itemized estimate of the income and Common Expenses of the Association in performing its functions under this Declaration, which Budget shall be prepared pursuant to the Bylaws.

1.13. Bylaws.

Bylaws shall mean the Bylaws of the Association as adopted by the Board initially in the form of Exhibit "B" attached hereto, as such Bylaws may be amended from time to time.

1.14. Close of Escrow.

Close of Escrow shall mean the date on which a deed is Recorded conveying a Condominium pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the DRE.

1.15. Common Area.

Common Area shall mean the entire Property, except the Separate Interests therein and the Association Property. In addition, "Common Area" shall include, without limitation, for maintenance purposes of the Association, but not necessarily by way of fee title, all gas, water and waste pipes, all sewers, all ducts, chutes, conduits, wires and other utility installations of the Project Improvements wherever located (except the outlets thereof when located within the Units), the land upon which the Project Improvements are located and the airspace above the Project Improvements, all bearing walls, columns, unfinished floors, the roofs, soffits, vertical supports, horizontal supports, chimneys, foundation slabs, party walls, utility walls, foundations, private streets or driveways, walkways, common stairways, parking areas and landscaping on those areas of the Project which are not defined as a part of the Units. Subject to the provisions of Section 11.4 of the Declaration, the Owners of Condominiums in Parcel 1 of said Lot Line Adjustment No. LL 91-037 shall have an undivided one-thirtieth (1/30) interest in the Common Area which is located in said Parcel 1 for each Condominium owned. Such Common Area shall be conveyed in fee simple to the Owners of Condominiums as tenants in common, subject to certain reservations and easement rights.

1.16. Common Expenses.

Common Expenses shall mean those expenses for which the Association is responsible under this Declaration, including the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Property; unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments; the cost of maintenance of the recreational facilities on the Common Property; the costs of any and all utilities metered to more than one Unit and other commonly metered charges for the Property; the costs of trash collection and removal (as applicable); the cost of maintenance of clustered mailboxes and address identification signs; the costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security and other services benefiting the Common Property; the costs of fire, casualty and liability insurance, workers' compensation insurance, errors and omissions and director, officer and agent liability insurance, and other insurance covering the Property and the directors, officers and agents of the Association; the costs of bonding of the members of the Board; taxes paid by the Association, including any blanket tax assessed against the Property; amounts paid by the Association for discharge of any lien or encumbrance levied

against the Property, or portions thereof; and the costs of any other item or items incurred by the Association, for any reason whatsoever in connection with the Property, for the common benefit of the Owners.

1.17. Common Property.

Common Property shall mean the Common Area and the Association Property.

1.18. Condominium.

Condominium shall mean an estate in real property as defined in California Civil Code Section 1351(f), and shall consist of an undivided fee simple ownership interest in the Common Area in a Phase of Development, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto. Subject to the provisions of Section 11.4 hereof, the undivided fee simple interest in the Common Area in a Phase of Development shall be appurtenant to each Unit in such Phase of Development; and shall be a fraction having one (1) as its numerator and the number of Units in that Phase of Development as its denominator; and shall be held by the Owners of Condominiums in that Phase of Development as tenants in common.

1.19. Condominium Plan.

Condominium Plan shall mean the Recorded plan, as amended from time to time, for all or a portion of a Phase of Development, consisting of (1) a description or survey map of the Phase of Development or portion thereof, which shall refer to or show monumentation on the ground, (2) a three-dimensional description of the Phase of Development or portion thereof, one or more dimensions of which may extend for an indefinite distance upwards or downwards in sufficient detail to identify the Common Area and each Separate Interest, and (3) a certificate consenting to the recordation thereof signed and acknowledged by the record owner of fee title to the Phase of Development or portion thereof, and by either the trustee or the Beneficiary of each Recorded Deed of Trust, and the Mortgagee of each recorded Mortgage encumbering the Phase of Development or portion thereof.

1.20. County.

County shall mean the County of Orange in the State of California, and its various departments, divisions, employees and representatives. If any portion of the Property becomes a portion of an incorporated city, then the term "County" shall be deemed to include the city in which the Property is then located, in whole as in part.

1.21. Declarant.

Declarant shall mean Lyon Communities Inc., a California corporation, its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment.

1.22. Declaration.

Declaration shall mean the within Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as it may be amended from time to time. The Declaration is defined as an "Additional Declaration" in the Master Declaration.

1.23. Deed of Trust.

Deed of Trust shall mean a Mortgage as further defined herein.

1.24. DRE.

DRE shall mean the California Department of Real Estate and any successors thereto.

1.25. Exclusive Use Common Area.

Exclusive Use Common Area shall mean those portions of the Common Area over which exclusive easements are reserved for the benefit of certain Owners including without limitation for deck, open parking space and patio purposes and internal and external telephone wiring designed to serve a single Unit but located outside the boundaries of that Unit, in accordance with California Civil Code Section 1351(i).

1.26. Family.

Family shall mean one or more natural Persons each related to the other by blood, marriage or adoption, or one or more natural Persons not all so related, but who maintain a common household in a Residence.

1.27. FHA.

FHA shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States Government which succeeds to the FHA's function of insuring notes secured by Mortgages on residential real estate.

1.28. FHLMC.

FHLMC shall mean the Federal Home Loan Mortgage Corporation (also known as The Mortgage Corporation) created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporation.

1.29. Fiscal Year.

Fiscal Year shall mean the fiscal accounting and reporting period of the Association selected by the Board from time to time.

1.30. FNMA.

FNMA shall mean the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

1.31. GNMA.

GNMA shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

1.32. Improvements.

Improvements shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, buildings, walkways, sprinkler pipes, carports, swimming pools, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, awnings, stairs, decks, landscaping, hedges, windbreaks, the exterior surfaces of any visible structure and the paint on such surfaces, planted trees and shrubs, poles, signs, and water softener fixtures or equipment.

1.33. Maintenance Corporation.

Maintenance Corporation shall mean Foothill Ranch Community Association, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State California) as defined in Section 135(a) of the California Civil Code, its successors and assigns.

1.34. Maintenance Funds.

Maintenance Funds shall mean the accounts created for receipts and disbursements of the Association pursuant to the provisions of this Declaration.

1.35. Manager.

Manager shall mean the Person employed by the Association pursuant to and limited by the provisions of this Declaration, and delegated the duties, power or functions of the Association as limited by this Declaration, the Bylaws and the terms of the agreement between the Association and said Person.

1.36. Master Declaration.

Master Declaration shall mean that certain Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Foothill Ranch, which was Recorded on March 26, 1990, as Instrument No. 90-156802, of Official Records of Orange County, California.

1.37. Master Developer.

Master Developer shall mean Foothill Ranch Company, a California general partnership, its successors, and any Persons to which it shall have assigned its rights under the Master Declaration by express written assignment.

1.38. Member, Membership.

Member shall mean every Person holding a membership in the Association, pursuant to the provisions of this Declaration. Membership shall mean the property voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

1.39. Mortgage.

Mortgage shall mean any Recorded mortgage or deed of trust or other conveyance of one or more Condominiums or other portion of the Property 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."

1.40. Mortgagee, Mortgagor.

Mortgagee shall mean a Person 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."

1.41. Notice and Hearing.

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

1.42. Notice of Addition.

Notice of Addition shall mean an instrument Recorded pursuant to Article XVI hereof to annex all or any portion of the Annexable Territory to the Property.

1.43. Owner.

Owner shall mean the record owner, whether one or more Persons, of a fee simple interest in a Condominium, including Declarant with respect to each Condominium owned by Declarant. The term "Owner" shall include a seller under an executory contract of sale but shall exclude Mortgagees.

1.44. Person.

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

1.45. Phase 1.

Phase 1 shall mean all of the real property described in Paragraph A of the Preamble of this Declaration.

1.46. Phase of Development.

Phase of Development or Phase shall mean (a) Phase 1 or (b) all the real property covered by a Notice of Addition Recorded pursuant to Article XVI hereof for which a Final Subdivision Public Report has been issued by the DRE, unless otherwise defined in such Notice of Addition.

1.47. Project.

Project shall mean that portion of the Property which is, from time to time, divided into Condominiums, including the Common Area and the Units therein. The Project is a "condominium project" as defined in Section 1351(f) of the California Civil Code.

1.48. Property.

Property shall mean (a) Phase 1, and (b) each Phase of Development, described in a Notice of Addition. The Property is a "common interest development" and a "condominium project," as defined in Section 1351(c) and 1351(f), respectively, of the California Civil Code.

1.49. Record, File, Recordation.

Record, File or Recordation shall mean, with respect to any document, the recordation or filing of such document in the Office of the Orange County Recorder.

1.50. Residence.

Residence shall mean a Unit, intended for use by a single Family, together with any Exclusive Use Common Area reserved for the benefit of such Unit.

1.51. Restrictions.

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

1.52. Rules and Regulations.

Rules and Regulations shall mean the rules and regulations adopted by the Board pursuant to this Declaration or the Bylaws, as such Rules and Regulations may be amended from time to time.

1.53. Separate Interest or Unit.

Separate Interest or Unit shall mean a separate interest in space as defined in Section 1351(f) of the California Civil Code. Each Separate Interest or Unit shall be a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan, consisting of a living element and a garage element. In interpreting deeds, declarations and plans, the existing physical boundaries of the Unit or a Unit constructed or reconstructed in substantial conformance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed, Condominium Plan or Declaration, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries, as shown on the Condominium Plan or defined in the deed and Declaration, and the boundaries of a building as constructed or reconstructed.

1.54. VA.

VA shall mean the Department of Veteran Affairs of the United States of America and any department or agency of the United States Government which succeeds to VA's function of issuing guarantees of notes secured by Mortgages on residential real estate.

ARTICLE II

2. Salerno Community Association.

2.1. Organization of Association.

The Association is or shall be incorporated under the name of SALERNO COMMUNITY ASSOCIATION, as a corporation not for profit under the Nonprofit Mutual Benefit Corporation Law of the State of California, as required by Section 1363 of the California Civil Code.

2.2. Duties and Powers.

The duties and powers of the Association are those set forth in the Declaration, the Articles and Bylaws, together with its general and implied powers of a nonprofit mutual benefit corporation, generally to do any and all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws and in this Declaration. The Association shall further have the right to install or construct capital Improvements on the Common Property. The Association may at any time, and from time to time reconstruct, replace or refinish any Improvement or portion thereof upon the Common Property in accordance with the

original design, finish or standard of construction of such Improvement; replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Property. The Association may employ personnel necessary for the effective operation and maintenance of the Common Property, including the employment of legal, management and accounting services.

2.3. Membership.

Every Owner, upon becoming the Owner of a Condominium, shall automatically become a Member of the Association and the Maintenance Corporation, and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his Membership in the Association and the Maintenance Corporation shall automatically cease. Ownership of a Condominium shall be the sole qualification for Membership in the Association and the Maintenance Corporation. All Memberships shall be appurtenant to the Condominium conveyed, and with the exception of Declarant, a Person shall be deemed an Owner of a Condominium only upon Recordation of a deed conveying the Condominium to such Person. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be provided in the Restrictions.

2.4. Transfer.

The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Condominium, and then only to the purchaser or Beneficiary of such Condominium. A prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Condominium to a contract purchaser under an agreement to purchase shall be entitled to delegate to the contract purchaser his Membership rights in the Association. The delegation shall be in writing and shall be delivered to the Board before the contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Condominium until fee title to the Condominium sold is transferred, as further provided in Section 5.1 of this Declaration. If the Owner of any Condominium fails or refuses to transfer the Membership registered in his name to the purchaser of the Condominium upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association. The Association may levy a reasonable transfer fee against a new Owner and his Condominium (which fee shall be added to the Annual Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the membership to the new Owner on the records of the Association provided such fee does not exceed the Association's actual cost involved in changing its records of ownership.

2.5. Classes of Membership.

The Association shall have two (2) classes of voting Membership.

Class A. Class A Members shall originally be all Owners, except Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned by such Class A Members and subject to assessment. Declarant shall become a Class A Member with regard to Condominiums owned by Declarant upon conversion of Declarant's Class B Membership as provided below. When more than one (1) Person owns any Condominium, all of those Persons shall be Members. The vote of such Condominium shall be exercised as they among themselves determine in accordance with Section 2.6, but in no event shall more than one (1) Class A vote be cast for any Condominium.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium owned and subject to assessment, provided that the Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events:

(1) The second anniversary of the first Close of Escrow in the most recent Phase of Development;

(2) The fourth anniversary of the first Close of Escrow in Phase 1; or

(3) The seventh anniversary of the Recordation of this Declaration.

2.6. Voting Rights.

(a) All voting rights shall be subject to the Restrictions. Except as provided in Section 14.2 of this Declaration and Section 4.8 of the Bylaws, as long as there exists a Class B Membership, any provision of this Declaration, the Articles or Bylaws which expressly requires the vote or written consent of a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the voting power of the Association before action may be undertaken shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Section 14.2 of this Declaration and Section 4.8 of the Bylaws, when the Class B Membership has terminated,

any provision of this Declaration, the Articles or Bylaws which expressly requires the vote or written consent of Owners representing a specified percentage of the voting power of the Association before action may be undertaken shall then require the vote or written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

(b) At any meeting of the Association, each Owner, except as otherwise provided in Article II, Section 2.5 with respect to the voting power of Declarant, shall be entitled to cast no more than one (1) vote for each Condominium owned as shown on the Condominium Plan. Where there is more than one (1) record Owner of a Condominium ("co-owners"), all of those co-owners shall be Members and may attend any meeting of the Association, but only one (1) of those co-owners shall be entitled to exercise the single vote to which the Condominium is entitled. Co-owners owning the majority interests in a Condominium 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 Condominium 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 Condominium shall be exercised as the co-owners owning the majority interests in the Condominium mutually agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with the consent of his co-owners. No vote shall be cast for any Condominium if the co-owners present in person or by proxy owning the majority interests in such Condominium cannot agree to said vote or other action. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Condominium and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the Bylaws of the Association, shall be deemed to be binding on all Owners, their successors and assigns.

2.7. Repair and Maintenance of Common Property by the Association.

(a) Maintenance Standards. Subject to Article X pertaining to destruction of Improvements and Article XI pertaining to eminent domain, the Association shall paint, maintain, repair and replace the Common Property and Improvements thereon or shall contract for such maintenance, repair and replacement to assure maintenance of the Common Property and Improvements thereon in a clean, sanitary and attractive condition reasonably consistent with the level of maintenance reflected in the most current Budget on file with and approved by the DRE. However, the Association shall not be responsible for or obligated to perform those items of maintenance, repair or Improvement of the Units, the maintenance of which is the responsibility of the Owners as provided in Section 2.9 of this Declaration. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the Common Property.

(b) Maintenance Items. Association maintenance and repairs shall include, without limitation, the right, without obligation, to perform all corrective janitorial, landscaping and repair work within any Residence, if the Owner fails to repair it; the repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Common Property; payment of all charges for all utilities which serve individual Units but which are subject to a common meter; payment of all Common Expenses and charges for water and utilities serving recreational amenities; the repair and maintenance of all walks, private driveways and other means of ingress and egress within the Property; the periodic structural repair, resurfacing, sealing, caulking, replacement or painting of the Exclusive Use Common Area (exclusive of the ground area of the patios), so long as the need for any of these activities is not caused by the willful or negligent acts of the Owner to whom the Exclusive Use Common Area is assigned or any of such Owner's Family, tenants or guests; and if determined by the Board to be economically feasible, an inspection and preventive program for the prevention and eradication of infestation by wood-destroying pests and organisms in the Property.

(c) Termite Eradication. If the Board adopts an inspection and preventive program for the prevention and eradication of infestation by wood destroying pests and organisms, the Association, upon reasonable notice (which shall be given no less than fifteen (15) days nor more than thirty (30) days before the date of temporary relocation) to each Owner and the occupants of his Unit, may require such Owner and occupants to temporarily relocate from such Unit in order to accommodate efforts by the Association to eradicate such infestation. The notice shall state the reason for the temporary relocation, the date and time of the beginning of treatment, the anticipated date and time of termination of treatment, and that the occupants will be responsible for their own accommodations during the temporary relocation. Any damage caused to a Unit by such entry by the Board or by any person authorized by the Board shall be repaired by the Board as a Common Expense of the Association. All costs involved in maintaining the inspection and preventive program as well as repairing and replacing the Common Property and Improvements thereon when the need for such maintenance, repair or replacement is the result of wood destroying pests or organisms shall be a Common Expense subject to the restrictions applicable to Capital Improvement Assessments. All such costs of maintenance, repairs and replacements for the Property shall be paid for as Common Expenses out of the Association Maintenance Funds as provided in this Declaration.

(d) Charges to Owners. It shall be the affirmative duty of the Board of Directors to require strict compliance with all provisions of this Declaration and to cause the Property to be inspected by the Architectural Committee for any violation thereof. The cost of any maintenance, repairs or replacements by the Association which is not the responsibility of the Association or which arises out of, or is caused by, the act of an Owner or such Owner's Family, tenants, guests, invitees, or agents shall, after Notice and Hearing, be levied by the Board as a Special Assessment against such Owner.

2.8. Unsegregated Real Property Taxes.
To the extent not assessed to or paid by the Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Property. In addition, if all of the Units in a Phase of Development are

taxed under a blanket tax bill covering all of such Phase, each Owner shall pay his proportionate share of any installment due under the blanket tax bill to the Association at least ten (10) days prior to the delinquency date; and the Association shall transmit the taxes to the appropriate tax collection agency on or before the delinquency date. Blanket taxes shall be allocated equally among the Owners and their Condominiums in such Phase, based upon the total number of Units in such Phase. The Association shall, at least forty-five (45) days prior to the delinquency date of any blanket tax installment, deliver to each Owner in such Phase a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay his proportionate share of the tax installment and the potential additional charges to the Owner for failure to comply. The Association shall pay the taxes on behalf of any Owner who does not pay his proportionate share. The Association shall add to the Annual Assessment of a delinquent Owner the amount of any sum advanced, plus interest at the rate of ten percent (10%) per annum and any amount necessary to reimburse the Association for any penalty or late charge actually assessed in connection with the blanket tax bill for a Phase of Development, which late charge results from the failure of the delinquent Owner to make timely payment of his proportionate share of the taxes. Until the Close of Escrow for the sale of ninety percent (90%) of the Condominiums in the Project, the foregoing provisions relating to the collection of taxes in connection with a blanket tax bill on all or any portion of the Project may not be amended without the express written consent of Declarant.

2.9. Repair and Maintenance by Owners.

Each Owner shall maintain, repair, replace, paint, paper, plaster, tile, finish and restore or cause to be so maintained, repaired, replaced and restored, at his sole expense, all portions of his Unit, as well as the windows, doors, light fixtures actuated from switches controlled from, or separately metered to, such Owner's Unit, and the interior surfaces of the walls, ceilings, floors, permanent fixtures and firebox in the fireplace, in a clean, sanitary and attractive condition, in accordance with the Condominium Plan and the original construction design of the Improvements in the Project. However, no bearing walls, ceilings, floors or other structural or utility bearing portions of the buildings housing the Units shall be pierced or otherwise altered or repaired, without the prior written approval of the plans for the alteration or repair by the Architectural Committee. It shall further be the duty of each Owner, at his sole expense, to keep the Exclusive Use Common Area over which an exclusive easement has been reserved for the benefit of such Owner free from debris and reasonably protected against damage, subject to the approval of the Architectural Committee. However, no

Owner shall be responsible for the periodic structural repair, resurfacing, sealing, caulking, replacement or painting of his assigned Exclusive Use Common Area, so long as the painting, repair or replacement is not caused by the willful or negligent acts of the Owner or his Family, tenants or guests. Each Owner shall landscape and maintain the ground area of his Exclusive Use Common Area patio in a manner acceptable to the Architectural Committee. Notwithstanding any other provision herein, each Owner shall also be responsible for all maintenance and repair of any internal or external telephone wiring wherever located which is designed to serve only his Unit, and shall be entitled to reasonable access over the Common Area for such purposes, subject to reasonable limitations imposed by the Association. It shall further be the duty of each Owner to pay when due all charges for any utility service which is separately metered to his Unit. If the Board does not adopt an inspection and preventive program with regard to wood-destroying pests and other organisms pursuant to Section 2.7 herein, such a program shall be the responsibility of each Owner. Subject to any required approval of the Architectural Committee, each Owner shall be responsible for maintaining those portions of any heating and cooling equipment and other utilities which are located within or which exclusively serve his Unit. In addition, each Owner shall be responsible for maintaining and repairing the air conditioning pad (whether located in the Common Area or in the Exclusive Use Common Area assigned to the Unit of such Owner) which supports or will support the air conditioning compressor serving such Owner's Unit.

2.10. Use of Agent.

The Board of Directors, on behalf of the Association, may contract with a Manager for the performance of maintenance and repair and for conducting other activities on behalf of the Association, as may be determined by the Board. The maximum term of any such contract ("Management Contract") shall be one (1) year, unless a longer term is approved either by vote or written assent of a majority of the voting power of the Association (exclusive of the voting power of Declarant) or by the VA or FHA, in which case the maximum term of the Management Contract shall be three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Project shall also be three (3) years. Each such contract for Declarant's services and each Management Contract shall provide for its termination by either party thereto with cause upon no more than thirty (30) days' written notice to the other party, and without cause and without payment of a termination fee upon no more than ninety (90) days' written notice to the other party.

2.11. FHA Regulatory Agreement.

In order to induce FHA to insure Mortgages on Condominiums in the Project, the Association may enter into an agreement with FHA concerning the financial and maintenance affairs of the Association, which agreement may be executed on FHA Form No. 3278. If the Association enters into such an agreement, its provisions shall control in the event of a conflict with the provisions of this Declaration, the Bylaws or the Articles, so long as FHA is insuring loans secured by Mortgages on Condominiums in the Project.

ARTICLE III

3. Rights in Common Property.

3.1. Association Easement.

The Association shall have an easement over the Common Area for performing its duties and exercising its powers described in this Declaration. The Association's obligations to maintain the Common Property in any Phase of Development shall commence on the date Annual Assessments commence on Condominiums in such Phase. Until commencement of Annual Assessments on Condominiums in any Phase, the Common Property in such Phase shall be maintained by Declarant.

3.2. Partition.

Except as provided in this Declaration, there shall be no judicial partition of the Common Area, or any part thereof, for the term of the Project, nor shall Declarant, any Owner or any other Person acquiring any interest in any Condominium in the Project seek any such judicial partition.

3.3. Members' Easements in Common Property.

Subject to the provisions of this Declaration, every Member of the Association shall have, for himself, his Family, his tenants and guests, a nonexclusive easement of access, ingress, egress, use and enjoyment of, in and to the Common Property, and such easements shall be appurtenant to and shall pass with title to every Condominium in the Project.

3.4. Extent of Members' Easements.

The rights and easements of use and enjoyment of the Common Property created by this Declaration shall be subject to the Restrictions, which include, without limitation, the following:

- (a) The right of the Board to suspend the rights and easements of any Member, and the Persons deriving such rights and easements from any Member, for use and enjoyment of any recreation facilities located on the Common Property, for any period during which the payment of any Annual, Special,

Capital Improvement or Reconstruction Assessment against the Member and his Condominium remains delinquent, and, after Notice and Hearing as provided in the Bylaws, to suspend such rights and easements for the period set forth in the Bylaws for any violation of the Restrictions, it being understood that any suspension for either nonpayment of any Assessment or breach of the Restrictions shall not constitute a waiver or discharge of the Member's obligation to pay assessments as provided in this Declaration;

(b) The right of the Association to consent to or otherwise cause the construction of additional Improvements on the Common Property and to consent to or otherwise cause the alteration or removal of any existing Improvements on the Common Property for the benefit of the Members of the Association;

(c) The right of the Association, acting through the Board, to grant, consent to or join in the grant or conveyance of easements, licenses or rights-of-way in, on or over the Common Property for purposes not inconsistent with the intended use of the Property as a residential Condominium project;

(d) Subject to the provisions of this Declaration, the right of each Owner to the exclusive use and occupancy for the purposes designated in this Declaration or in any Recorded Notice of Addition of the Exclusive Use Common Area assigned to his respective Unit;

(e) The rights and reservations of Declarant as set forth in this Declaration;

(f) The right of the Association, acting through the Board, to reasonably restrict access to roofs, maintenance and landscaped areas and similar areas of the Property;

(g) The right of the Association to reasonably limit the number of guests and tenants of the Owners using the Common Property; and

(h) The right of the Association, acting through the Board, to establish uniform Rules and Regulations for the use of the Common Property, as provided in this Declaration.

3.5. Delegation of Use.

Any Member entitled to the right and easement of use and enjoyment of the Common Property may delegate his right to use and enjoyment of the Common Property to his tenants, contract purchasers or subtenants who reside in his Condominium, subject to reasonable regulation by the Board.

3.6. Waiver of Use.

No Member may exempt himself from personal liability for Assessments duly levied by the Association, or effect the release of his Condominium from the liens and charges thereof, by waiving use and enjoyment of the Common Property or by abandoning his Condominium.

3.7. Damage by Member.

To the extent permitted by California law, each Member shall be liable to the Association for any damage to the Common Property not fully reimbursed to the 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 Member, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Common Property from the Member, or his or their respective Family and guests, both minor and adult. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the 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 Member or the Person for whom the Member may be liable as described above. In the case of joint ownership of a Condominium, the liability of the owners shall be joint and several, except to the extent that the 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 Association by insurance shall be a Special Assessment against such Member's Condominium, and may be enforced as provided herein.

ARTICLE IV

4. Architectural Review Committee.

4.1. Members of Committee.

The Architectural Review Committee, sometimes referred to herein as the "Architectural Committee" or the "Committee," shall be three (3) members. The initial members of the Committee shall consist of representatives of Declarant until one (1) year after the original issuance of the Final

Subdivision Public Report ("Public Report") for Phase 1 ("First Anniversary"). After the First Anniversary, the Board may appoint and remove one (1) member of the Committee, and Declarant shall have the right and power at all times to appoint or remove a majority of the members of the Committee or to fill any vacancy of such majority, until the earlier to occur of (i) Close of Escrow for the sale of ninety percent (90%) of all the subdivision interests in the Properties and the Annexable Territory, or (ii) the expiration of five (5) years following the date of original issuance of the Public Report for Phase 1, after which the Board shall have the power to appoint and remove all of the members of the Architectural Committee, provided Declarant is not then entitled to appoint all or a portion of the members pursuant to this Section 4.1. Committee members appointed by the Board shall be from the Membership of the Association, but Committee members appointed by Declarant need not be Members of the Association. Board members may also serve as Committee members.

4.2. Review of Plans and Specifications.

The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. The Committee and its powers hereunder are in addition to the architectural committee under the Master Declaration and its powers thereunder. No construction, alteration, removal, relocation, repainting, demolishing, addition, modification, decoration, redecoration or reconstruction of an Improvement in the Property shall be commenced or maintained, 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 Committee and approved in writing by the Committee; provided, however, that any Improvement may be repainted without Committee approval, so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of this Article IV, the provisions of this Article IV apply to the construction, installation, alteration and modification of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Section 714, the Uniform Building Code of the County, applicable zoning regulations, and associated County ordinances. The Owner submitting the plans ("Applicant") shall obtain a written, dated receipt for the plans and specifications from an authorized agent of the Committee. Until changed by the Board, the address for the submission of such plans and specifications shall be the principal office of the Association. The Committee shall

approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Property as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Property or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. Declarant, and any Person to which Declarant may assign all or a portion of its exemption hereunder, need not seek or obtain Committee approval of any Improvements constructed on the Property by Declarant or such Person, as the case may be.

The Committee may condition its approval of proposals or plans and specifications for any Improvement (1) upon the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against the Property as a result of such work, (2) on such changes therein as it deems appropriate, (3) upon the Applicant's agreement to grant appropriate easements to the Association for the maintenance of the Improvements, (4) upon the Applicant's agreement to install (at its sole cost) water, gas, electrical or other utility meters to measure any increased consumption, (5) upon the Applicant's agreement to reimburse the Association for the cost of maintenance, (6) upon the Applicant's agreement to complete the proposed work within a stated period of time, or (7) all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The 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 additional factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of the fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Committee of any required plans and specifications, the Committee may postpone review of any plan submitted for approval. Decisions of the Committee and the reasons for the decisions shall be transmitted by the Committee to the Applicant at the address set forth in the

application for approval, within forty-five (45) days after receipt by the Committee of all materials required by the Committee. Any application submitted pursuant to this Section 4.2 shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the Applicant within forty-five (45) days after the date of receipt by the Committee of all required materials. The Applicant shall meet any review or permit requirements of the County prior to making any alterations or Improvements permitted hereunder.

4.3. Meetings of the Committee.

The Committee shall meet from time to time as necessary to perform its duties hereunder. The Committee may from time to time by resolution unanimously adopted in writing designate a 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 Committee, except the granting of variances pursuant to Section 4.8. In the absence of such designation, the vote of a majority of the Committee or the written consent of a majority of the Committee taken without a meeting, shall constitute an act of the Committee.

4.4. No Waiver of Future Approvals.

The approval of the 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 Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans and specifications, drawings or matter subsequently or additionally submitted for approval or consent.

4.5. Compensation of Members.

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

4.6. Correction of Defects.

The Architectural Committee or its duly authorized representative may at any time inspect any work for which approval of plans is required under this Article IV ("Work"), which right to inspect shall include the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the Committee-approved plans for the Work or with the requirements of this Declaration ("Noncompliance").

(a) Time Limit. The Committee's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60)

days after the latest to occur of the following events: (i) submittal of the plans for the Work to the Committee for its approval as provided in this Article IV; (ii) completion of the Work as provided in the Committee-approved plans; and (iii) written notice from the Owner to the Committee that the Work has been completed. This time limit for inspection and notification by the Committee shall be extended indefinitely if any of these conditions has not occurred. If the Committee fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

(b) Remedy. If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the Committee, the 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 commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

4.7. Scope of Review.

The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, on the basis of aesthetic considerations, consistency with this Declaration, and the overall benefit or detriment which would result to the immediate vicinity and the Property generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Committee's approval or disapproval shall be based solely on the considerations set forth in this Article IV, and the 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. The Architectural Committee may consider the impact of views from other Residences or Condominiums reasonable privacy claims as factors in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement.

4.8. Variances.

The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by at least a majority of the members of the Committee, and shall become effective upon Recordation. After Declarant has lost the right to appoint a majority of the members of the Committee, the Board must approve any variance recommended by the Committee before any such variance shall become effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this 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 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 the use of his Residence.

4.9. Appeals.

For so long as Declarant has the right to appoint and remove a majority of the members of the Architectural Committee, decisions of the Architectural Committee shall be final, and there shall be no appeal to the Board of Directors. When Declarant is no longer entitled to appoint and remove a majority of the members of the Architectural Committee the Board may, at its discretion, adopt policies and procedures for the appeal of Architectural Committee decisions for reconsideration by the Board. The Board shall have no obligation to adopt or implement any such appeal procedures, and in the absence of Board adoption of appeal procedures, all decisions of the Architectural Committee shall be final.

ARTICLE V

5. Association Maintenance Funds and Assessments.

5.1. Personal Obligation of Assessments.

Declarant, for each Condominium owned by it, hereby covenants and agrees to pay, and each Owner, by acceptance of a deed of a Condominium whether or not it shall be so expressed in any such deed, is deemed to covenant and agree to pay to the Association all Annual Assessments for Common Expenses and all applicable Special Assessments, Reconstruction Assessments and Capital Improvement Assessments. The Association shall not levy or collect any Annual Assessment,

Capital Improvement Assessment, Special Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose for which it is levied. Except as provided in this Section 5.1, all such assessments, together with interest, costs, and reasonable attorneys' fees, shall be a separate, distinct and personal obligation of the Person who was the Owner of the Condominium at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of the Condominium or by an offer to waive use of the Common Property or the Exclusive Use Common Area. The personal obligation for delinquent assessments shall not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

5.2. Maintenance Funds of Association.

The Board of Directors shall establish no fewer than two (2) separate Maintenance Fund accounts into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. The Maintenance Funds may be established as trust accounts at a banking or savings institution. The Maintenance Funds shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) an adequate Reserve Fund for capital Improvements, replacements, painting and repairs of the Common Property (which cannot normally be expected to occur on an annual or more frequent basis), and for payment of deductible amounts for policies of insurance which the Association obtains as provided in Section 9.1 hereof, and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

5.3. Purpose of Assessments.

The assessments levied by the Board of Directors on behalf of the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Condominiums, for the operation, replacement, improvement and maintenance of the Common Property, and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as may be 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. Disbursements from the Reserve Fund shall be made by the Board of Directors only for the respective purposes specified in this Article V. Nothing in this Declaration shall be construed in such a way as to permit the use of Association assessments or funds to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

5.4. Limitations on Annual Assessment Increases.
The Board shall levy Annual Assessments in accordance with the following provisions:

(a) Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may only levy an Annual Assessment per Condominium in an amount which exceeds Three Thousand Ninety-One Dollars and Eighty-Two Cents (\$3,091.82) if the Board first obtains the approval of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented ("Increase Election"). Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 5.4(e).

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years. Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board may only levy Annual Assessments which exceed the Annual Assessments for the immediately preceding Fiscal Year as follows:

(i) If the increase in Annual Assessments is less than or equal to twenty percent (20%) of the Annual Assessments for the immediately preceding Fiscal Year, then the Board must either (a) have distributed the Budget for the current Fiscal Year in accordance with Section 1365(a) of the California Civil Code, or (b) obtain the approval of Members casting a majority of votes in an Increase Election;

(ii) If the increase in Annual Assessments is greater than twenty percent (20%) of the Annual Assessments

for the immediately preceding Fiscal Year, then the Board must obtain the approval of Members casting a majority of votes in an Increase Election.

Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 5.4(e).

(c) Supplemental Annual Assessments. If the Board, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses for the Property for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the limitations described in Sections 5.4(a) and (b) above and (d) below, the Board shall have the authority to levy, at any time by a majority vote, a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Condominium.

(d) Automatic Assessment Increases. Notwithstanding any other provisions of this Section 5.4, upon Declarant's annexation of any portion of the Annexable Territory pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Common Property in or abutting such Annexable Territory 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 Annexable Territory is permitted by the DRE and VA or FHA, and (ii) the amount of such increase does not result in the levy of an Annual Assessment which is greater than Three Thousand Ninety-One Dollars and Eighty-Two Cents (\$3,091.82).

(e) Emergency Situations. For purposes of Sections 5.4(a), 5.4(b) and 5.6, an "Emergency Situation" is any one of the following:

(1) An extraordinary expense required by an order of a court;

(2) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible where a threat to personal safety on the Property is discovered; and

(3) An extraordinary expense necessary to repair or maintain the Property or any portion thereof for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this subparagraph (3), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the Notice of Assessment.

(f) Notification. The Association shall provide notice by first-class mail to the Owners of any increase in the Annual Assessment, Capital Improvement Assessment, Reconstruction Assessment or Special Assessment not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

5.5. Annual Assessments/Commencement-Collection. The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Condominium, as provided herein, by majority vote of the Board. The initial Annual Assessment shall begin on all Condominiums in a Phase of Development (including unsold Condominiums therein owned by Declarant) on the first day of the first calendar month following the first Close of Escrow for the sale of a Condominium in such Phase. All Annual Assessments shall be assessed equally against the Members and their Condominiums based upon the number of Condominiums owned by each Member. Annual Assessments for fractions of any month involved shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Condominium at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessments shall be assessed in accordance with the most recent Budget on file with and

approved by the DRE. From time to time the Board may determine that all excess funds in the Operating Fund be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Property, any amounts remaining in any of the Maintenance Funds shall be distributed to or for the benefit of the Members in the same proportions as such monies were collected from the Members.

Each Member shall pay to the Association his Annual Assessment in installments at such frequency and in such amounts as established by the Board. Each Annual Assessment may be paid by the Member to the Association in one check or in separate checks as payments attributable to the deposits under the Operating Fund and the Reserve Fund. If any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

5.6. Capital Improvement Assessments.

Should the Board of Directors determine the need for a capital Improvement or other such addition to the Property, the cost of which in the aggregate exceeds five percent (5%) of the Budgeted gross expenses of the Association for the then current Fiscal Year, then the vote or written consent of Members casting a majority of votes at a meeting or election of the Association at which more than fifty percent (50%) of the Members are represented shall be required to approve and render effective a Capital Improvement Assessment levied by the Board of Directors to cover the cost of such expenditure. Capital Improvement Assessments may be levied by the Board without the consent of the Members, if the aggregate of such expenditures in each Fiscal Year does not exceed five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year. Notwithstanding the foregoing, the Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 5.4(e).

5.7. Delinquency.

Any installment of an assessment provided for in this Declaration shall become delinquent if not paid within fifteen (15) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement

Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein, shall bear interest commencing thirty (30) days from the due date until paid at the rate of up to twelve percent (12%) per annum, but in no event more than the maximum rate permitted by law. The Board of Directors may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(c)(2). The Association need not accept any tender of a partial payment of an installment of an assessment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender shall not be deemed to be a waiver of the Association's right to demand and receive full payments thereafter.

5.8. Creation and Release of Lien.

All sums other than Special Assessments assessed in accordance with the provisions of this Declaration shall constitute a lien on the respective Condominium prior and superior to (a) any declaration of homestead Recorded after the Recordation of this Declaration, and (b) all other liens, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage or Deed of Trust with first priority or seniority over other Mortgages or Deeds of Trust) made in good faith and for value and Recorded prior to the date on which the "Notice of Lien" (described in this Section) against the respective Condominium was Recorded. The lien shall become effective upon Recordation by the Board or its authorized agent of a Notice of Assessment ("Notice of Lien") securing the payment of any Annual, Capital Improvement or Reconstruction Assessment or installment thereof, levied by the Association against any Condominium Owner as provided in Section 1367 of the California Civil Code. The Notice of Lien shall state (i) the amount of the assessment or installment, as the case may be, and other authorized charges and interest, including the cost of preparing and Recording the Notice of Lien, (ii) the expenses of collection in connection with any delinquent installments, including without limitation reasonable attorneys' fees, (iii) a sufficient description of the Condominium against which the same has been assessed, (iv) the name and address of the Association, (v) the name of the Owner thereof, and (vi) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Lien shall be signed by the President or Vice President and Secretary or Assistant Secretary of the Association. The lien shall relate only to the individual Condominium against

which the assessment was levied and not to the Property as a whole. Upon payment to the Association of the full amount claimed in the Notice of Lien, or other satisfaction thereof, the Board of Directors shall cause to be Recorded a Notice of Satisfaction and Release of Lien ("Notice of Release") stating the satisfaction and release of the amount claimed. The Board of Directors may demand and receive from the applicable Owner a reasonable charge, to be determined by the Board, for the preparation and Recordation of the Notice of Release before Recording it. Any purchaser or encumbrancer who has acted in good faith and extended value may rely upon the Notice of Release as conclusive evidence of the full satisfaction of the sums stated in the Notice of Lien.

5.9. Enforcement of Liens.

It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one (1) or more of the alternative means of relief afforded by this Declaration. The lien on a Condominium may be enforced by sale of the Condominium by the Association, the Association's attorneys, any title insurance company authorized to do business in California, or other persons authorized to conduct the sale as a trustee, after failure of the Owner to pay any Annual, Capital Improvement or Reconstruction Assessment, or installment thereof, as provided herein. The sale shall be conducted in accordance with the provisions of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any manner permitted by law. An action may be brought to foreclose the lien of the Association by the Board, or by any Owner if the Board fails or refuses to act, after the expiration of at least thirty (30) days from the date on which the Notice of Lien was Recorded; provided that at least ten (10) days have expired since a copy of the Notice of Lien was mailed to the Owner affected thereby. The Association, through its agents, shall have the power to bid on the Condominium at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting Owner's Unit, and the defaulting Owner shall be required to pay the reasonable rental value for such Unit during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

5.10. Priority of Assessment Lien.

The lien of the assessments provided for herein, including interest and costs of collection (including attorneys' fees), shall be subordinate to the lien of any first Mortgage upon one or more Condominiums which was Recorded before Recordation of the Notice of Lien on the Condominium(s). Sale or transfer of any Condominium shall not affect the assessment lien. However, the sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Condominium from liens for any assessments thereafter becoming due. When the Mortgagee of a first Mortgage of record or other purchaser of a Condominium obtains title pursuant to a judicial or nonjudicial foreclosure of the first Mortgage, such acquirer of title, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Condominium which became due prior to the acquisition of title to such Condominium by such acquirer. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Owners of the Condominiums in the Property including such acquirer, his successors and assigns.

5.11. Capital Contributions to the Association.

Upon acquisition of record title to a Condominium from Declarant, each Owner of a Condominium shall contribute to the capital of the Association an amount equal to Sixty-One Dollars and Thirty-Four Cents (\$61.34), which is the amount to equal to one-two hundred and tenth (1/210th) of the product of two (2) monthly installments of Annual Assessments from the Phase 1 Budget (as reflected in the Final Subdivision Public Report for Phase 1) times thirty (30) which is the number of Condominiums in Phase 1. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association or to Declarant if Declarant has previously advanced such sums to the Association.

ARTICLE VI

6. Project Easements and Rights of Entry.

6.1. Easements.

(a) Access. Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all

of the Common Property, including any private streets or driveways currently existing in the Property or subsequently added to it, which easements may be conveyed by Declarant to Owners and to the Association for so long as Declarant owns any interest in the Property. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by all Owners and their guests, tenants and invitees residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Condominium in the Project.

(b) Maintenance and Repair. Declarant expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements over the Common Area (including the Exclusive Use Common Area) as necessary to maintain and repair the Common Area, and to perform all other tasks in accordance with the provisions of this Declaration. Such easements over the Common Area shall be appurtenant to, binding upon, and shall pass with the title to, every Condominium conveyed.

(c) Exclusive Use Common Area. Declarant expressly reserves for the benefit of certain Owners exclusive easements over the Project for use of the Exclusive Use Common Area, including without limitation for deck and open parking space purposes as shown and assigned on the Condominium Plans for the Project, and for patio purposes, as shown and assigned on Exhibit "D" to this Declaration for Phase 1 and as shown and assigned on the respective Notice of Addition for subsequent Phases of Development. Owners shall be entitled to exchange Exclusive Use Common Area open parking spaces assigned to their respective Units assigned on the Condominium Plans for the Project, provided that (1) a reciprocal deed of conveyance identifying the exchanged Exclusive Use Common Area open parking spaces, the exchanging Owners and their respective Condominiums, is executed by the exchanging Owners and the first Mortgagees of such exchanging Owners, and Recorded; and (2) no exchange of Exclusive Use Common Area open parking spaces shall be effective if such exchange would result in a reduction of the number of open parking spaces to which such Owners were originally entitled. A copy of the Recorded reciprocal deed of conveyance shall be delivered to the Board as soon as possible after Recordation.

(d) Utility Easements. Declarant expressly reserves for the benefit of the Association the right of Declarant to grant additional easements and rights-of-way over the Property to utility companies and public agencies, as necessary, for the proper development and disposal of the Property. Such right of Declarant shall expire (i) with respect to any Phase of Development, upon Close of Escrow for the sale of all Condominiums in such Phase by Declarant, or (ii) with respect to all Phases, upon expiration of seven (7) years from the date of original issuance by the DRE of the Final Subdivision Public Report for Phase 1.

(e) Encroachments. Declarant, the Association and Owners of contiguous Residences shall have a reciprocal easement appurtenant to each of the Residences over the Residences and the Common Property for the purpose of (1) accommodating any existing encroachment of any wall of any Improvement, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the Improvements or any other portion of the Project housing their respective Units. Easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Common Property are specifically reserved for the benefit of the Owners. Declarant expressly reserves for the benefit of the Common Area, and for the benefit of the Owners and the Association, reciprocal nonexclusive easements for drainage of water over, across and upon the Common Area. The foregoing easements shall not unreasonably interfere with each Owner's use and enjoyment of adjoining Residences. No portion of the Common Property, including without limitation parking spaces and other amenities contemplated as a part of the Property, are proposed to be leased by Declarant to the Owners or to the Association.

(f) Completion of Improvements. Declarant expressly reserves for its benefit the right and easement to enter the Property to complete any Improvement which Declarant deems desirable to implement Declarant's development plan.

6.2. Rights of Entry.

The Board of Directors shall have a limited right of entry in and upon the Common Area and the interior of all Units for the purpose of inspecting the Project, and taking whatever

corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, such entry upon the interior of a Unit shall be made, except to effect emergency repairs or other emergency measures, only after three (3) days prior written notice to the Owner of such Unit and after authorization of two-thirds (2/3rds) of the Board of Directors. Nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property or Improvements required to be maintained or repaired by the Owners. Nothing in this Article VI shall in any manner limit the right of the Owner to exclusive occupancy and control over the interior of his Unit. However, an Owner shall permit a right of entry to the Board of Directors or any other person authorized by the Board of Directors, as reasonably necessary, such as in case of any emergency originating in or threatening his Unit, whether the Owner is present or not. Any damage caused to a Unit by such entry by the Board of Directors or by any person authorized by the Board of Directors shall be repaired by the Association as a Common Expense of the Association. Furthermore, an Owner shall permit other Owners, or their representatives, to enter his Residence for the purpose of performing required installations, alterations or repairs to the mechanical or electrical services to a Residence, provided that such requests for entry are made in advance and entry is made at a time reasonably convenient to the Owner whose Unit is to be entered; and provided further, that the entered Unit is left in substantially the same condition as existed immediately preceding such entry. In case of an emergency, such right of entry shall be immediate. Any damage caused to a Unit by such entry by an Owner or its representative shall be repaired by such Owner. Upon receipt of reasonable notice from the Association (which shall in no event be less than fifteen (15) days nor more than thirty (30) days) each Owner shall vacate his Unit in order to accommodate efforts by the Association to perform any other maintenance or repairs pursuant to the Declaration. The Board shall have the right of entry to the Units and the right to remove Owners from their Units, as necessary, to accomplish its duties as provided herein. The cost of performing any such maintenance or repairs shall be a Common Expense of the Association; however, each Owner shall bear his own costs of temporary relocation. If the Association acts to eradicate any wood destroying pests or organisms, then the procedure established in Section 2.7 shall control.

ARTICLE VII

7. Declarant's Rights and Reservations.

Nothing in the Restrictions shall limit, and no Owner or the Association shall do anything to interfere with, the right of

Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Common Property or any portion of the Property owned solely or partially by Declarant, or to alter the foregoing or its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Property so long as any Condominium in the Project remains unsold. Any alteration of Declarant's construction plans shall require the prior approval of FHA and VA if such alteration is inconsistent with the general plans of development of the Property submitted to and approved by FHA and VA. The rights of Declarant hereunder shall include, but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Condominiums by sale, resale, lease or otherwise. Each Owner by accepting a deed to a Condominium hereby acknowledges that the activities of Declarant may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Declarant to establish on that Condominium 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 Property. Declarant may use any Condominiums owned by Declarant in the Project as model home complexes or real estate sales or leasing offices. Declarant need not seek or obtain Architectural Committee approval of any Improvement constructed or placed on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in these Restrictions may be assigned by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Property by a written assignment. Notwithstanding any other provision of this Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment to this Article shall be effective. Each Owner, with the exception of the Secretary, Department of Veterans Affairs, an officer of the United States of America, hereby grants, upon acceptance of his deed to his Unit, an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article. Declarant and its prospective purchasers of Condominiums shall be entitled to the nonexclusive use of the Common Property and any recreational facilities thereon, without

further cost for access, ingress, egress, use or enjoyment, in order to show the Property to its prospective purchasers, to dispose of the Property as provided herein, and to develop and sell the Annexable Territory. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property and the Annexable Territory. The use of the Common Property by Declarant shall not unreasonably interfere with the use thereof by the other Members. The Association shall provide Declarant with all notices and other documents to which a Beneficiary is entitled upon written request to the Association pursuant to Article XII hereof, provided that Declarant shall be provided such notices and other documents without making written request. The rights and reservations of Declarant set forth in this Article VII shall terminate on the seventh (7th) anniversary of the first Close of Escrow for the sale of a Condominium in the Project.

ARTICLE VIII

8. Residence and Use Restrictions.

All of the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemptions of Declarant set forth in this Declaration.

8.1. Single Family Residences.

That portion of the Unit comprising the "residential elements" shall be used exclusively for single Family residential purposes, subject to the exemption granted Declarant under Article VII of this Declaration. An Owner may rent or lease his Unit to a single Family provided that the Unit is rented or leased pursuant to a lease or rental agreement which is (a) in writing, and (b) for a term of at least thirty (30) days, and (c) subject to all of the provisions of this Declaration.

8.2. Parking and Vehicular Restrictions.

Those portions of the Property intended for parking of motorized vehicles, including the Exclusive Use Common Area open parking spaces and the garages assigned to individual Units (collectively, "Parking Areas"), shall be used to park only the following motorized land vehicles designed and used primarily for non-commercial passenger transport: automobiles; passenger vans designed to accommodate ten (10) or fewer people; two-wheel motorcycles; and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less ("Authorized Vehicles"); provided, however, that

a vehicle which is not an Authorized Vehicle may be parked in the Property if specifically authorized by the Board. Each Authorized Vehicle which is owned or operated by or within the control of an Owner or a resident of an Owner's Unit, if kept within the Property, shall be parked in the assigned garage of that Owner to the extent of the space available; provided that each Owner shall ensure that any such open parking space or garage accommodates at least one (1) Authorized Vehicle having four (4) or more wheels. No repair, maintenance or restoration of any vehicle shall be conducted on the Property except within an enclosed garage when the garage door is closed, provided that such activity is not undertaken as a business, and provided that such activity may be prohibited entirely by the Board if the Board determines that it constitutes a nuisance. The Board may establish additional regulations as it deems appropriate in its sole discretion with regard to any of the Parking Areas not assigned to individual Units, including without limitation designating "parking," "guest parking," and "no parking" areas thereon; and shall have the power to enforce all parking and vehicle use regulations applicable to the Property, including the power to remove violating vehicles from any portion of the Property pursuant to California Vehicle Code Section 22658.2 or other applicable statutes. If the Board fails to enforce any of the parking or vehicle use regulations, the general purpose local government in whose jurisdiction the Property is located may, but need not, enforce such regulations in accordance with state and local laws and ordinances.

8.3. Nuisances.

No noxious or offensive activities (including but not limited to the generation of loud noises and the generation of noxious odors) shall be carried on upon the Property or on any public street abutting or visible from the Property. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, shall be placed or used in any such Residence. No noisy or smoky vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Project, shall be located, used or placed on any portion of the Property or on any public street abutting or visible from the Property, or exposed to the view of other Owners without the prior written approval of the Architectural Committee. The Board of Directors of the Association shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept upon the Property or on any public street abutting or visible from the Property which

may increase the rate of insurance on Units or on the Property, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners. No Person shall commit or permit any nuisance on the Property. Each Owner shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Residence. Each Owner shall be accountable to the Association and other Owners for the conduct and behavior of children residing in or visiting his Unit and other family members or persons residing in or visiting his Unit. Any damage to the Common Property, personal property of the Association, or property of another Owner, caused by such children or other family members, shall be repaired at the sole expense of the Owner of the Unit where such children or other family members or persons are residing or visiting.

8.4. Signs.

No sign, poster, display or other advertising device of any character shall be erected or maintained anywhere on the Property or on any public street abutting or visible from the Property, or shown or displayed from any Residence, without the prior written consent of the Architectural Committee; provided, however, that the restrictions of this Section shall not apply to any sign or notice of customary and reasonable dimension which states that the Residence is for rent or sale, so long as it is consistent with the standards promulgated by the Architectural Committee in accordance with Section 4.2 hereof. Such sign or notice may be placed within a Unit and may also be placed upon the Common Property with the prior written approval of the Architectural Committee; provided that the location of such sign or notice on the Common Property shall be within an area specifically established by the Committee for such purpose. This Section shall not apply to any signs used by Declarant or its agents in connection with the sale of Condominiums or the construction or alteration of the Units or Common Property, traffic and visitor parking signs installed by Declarant, and traffic and parking control signs installed with the consent of the Board. Notwithstanding the foregoing, nothing contained in this Section shall be construed in such manner as to permit the maintenance of any sign which is not in conformance with any ordinance of the County.

8.5. Antennae.

No radio station or shortwave operators of any kind shall operate from any Unit or any other portion of the Property unless approved by the Architectural Committee. With the exception of any master antenna maintained by the

Association, no exterior radio antenna, "C.B." antenna, television antenna, earth receiving station, satellite dish or other antenna of any type shall be erected or maintained anywhere in the Property.

8.6. Inside and Outside Installations.

No outside installation of any type, including but not limited to clotheslines, shall be constructed, erected or maintained on any Residence, excepting antennae installed by Declarant as a part of the initial construction of the Property and except as may be installed by, or with the prior consent of the Architectural Committee. No balcony, patio or deck covers, wiring, or installation of air conditioning, water softeners, or other machines shall be installed on the exterior of the buildings of the Project or be allowed to protrude through the walls or roofs of the buildings (with the exception of those items installed during the original construction of the Project), unless the prior written approval of the Architectural Committee is secured. Outdoor patio or lounge furniture, plants and barbecue equipment may be maintained pursuant to rules and procedures of the Architectural Committee. The type and color of all exposed window coverings shall be subject to the prior written approval of the Architectural Committee. Notwithstanding the specificity of the foregoing, no exterior addition, change or alteration to any Residence shall be commenced without the prior written approval of the Architectural Committee. Nothing shall be done in any Unit or in, on or to the Common Area which will or may tend to impair the structural integrity of any building in the Project or which would structurally alter any such building except as otherwise expressly provided herein. There shall be no alteration, repair or replacement of wall coverings within Units which may diminish the effectiveness of the sound control engineering within the buildings in the Project. No Owner shall cause or permit any mechanic's lien to be filed against any portion of the Project for labor or materials alleged to have been furnished or delivered to the Project or any Condominium Unit for such Owner, and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may discharge the lien and charge the Owner a Special Assessment for such cost of discharge.

8.7. Animal Regulations.

No animals, livestock, reptiles, insects, poultry or other animals of any kind shall be kept in any Residence except that usual and ordinary domestic dogs, cats, fish, and birds inside bird cages may be kept as household pets within any Residence provided that they are not kept, bred or raised

therein for commercial purposes or in unreasonable quantities or sizes. As used in the Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per Residence; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Board shall have the right to limit the size of pets and may prohibit maintenance of any animal which constitutes, in the opinion of the Board of Directors, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure, an enclosed balcony or on a leash held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their families, guests and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Project by an Owner or by members of his family, his tenants or his guests. It shall be the duty and responsibility of each such Owner to clean up after such animals which have deposited droppings or otherwise used any portion of the Property or on any public street abutting or visible from the Property.

8.8. Business or Commercial Activity.

No part of the Property shall ever be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated in any way or receives any form of consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant, its successors and assigns may use any portion of the Property for a model home site and display and sales offices in accordance with Article VII hereof. The provisions of this Section 8.8 shall not preclude any of the above-described activities without external evidence thereof, provided that all of the following conditions are fulfilled: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not visit the Unit or park automobiles or other vehicles within the Property; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside of the boundaries of the Unit; (d) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (e) such activities are consistent with the residential character of the Property and conform with the provisions of this Declaration.

8.9. Rubbish Removal.

Trash, garbage, or other waste shall be disposed of by residents of the Project only by depositing the same into trash containers designated for such use by the Board of Directors. No portion of the Property shall be used for the storage of building materials, refuse or any other materials. No clothing, household fabrics or other unsightly articles shall be hung, dried or aired on any portion of the Property, including the interior of any Residence, so as to be visible from other Residences or the street. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor. The cost of trash collection and removal and trash bin rentals shall be borne by the Association and shall constitute a portion of the Common Expenses.

8.10. Further Subdivision.

Except as otherwise provided herein, no Owner shall physically or legally subdivide his Unit in any manner, including without limitation any division of his Unit or his Condominium into time-share estates or time-share uses; however, the right of an Owner to rent or lease all of his Unit by means of a written lease or rental agreement subject to the Restrictions shall not be impaired. Any failure by the lessee of the Unit to comply with the terms of this Declaration or the Bylaws of the Association shall constitute a default under the lease or rental agreement. Notwithstanding the foregoing, no Unit in the Project may be partitioned or subdivided without the prior written approval of the Beneficiary of any first Mortgage on that Unit. This Section may not be amended without the prior written approval of the Beneficiaries of at least seventy-five percent (75%) of the first Mortgages of Condominiums in the Project.

8.11. Drainage.

There shall be no interference with the established drainage pattern over the Property, unless an adequate alternative provision is made for proper drainage with the prior written approval of the Architectural Committee. For the purpose hereof, "established" drainage in any Phase is defined as the drainage which exists at the time of the first Close of Escrow for the sale of a Condominium in such Phase, or that which is shown on any plans approved by the Architectural Committee.

8.12. Water Supply System.

No individual water supply or water softener system shall be permitted in any Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any

applicable water district, the County, and all other applicable governmental authorities. Any sewage disposal system shall be installed only after approval by the Architectural Committee and any governmental health authority having jurisdiction.

8.13. View Obstructions.

No vegetation or other obstruction shall be planted or maintained upon any patio or deck in such location or of such height as to unreasonably obstruct the view from any other Residence in the vicinity thereof. If there is a dispute between Owners concerning the obstruction of a view from a Residence, the dispute shall be submitted to the Architectural Committee, whose decision in such matters shall be binding. Any such obstruction shall, upon request of the Architectural Committee, be removed or otherwise altered to the satisfaction of the Architectural Committee, by the Owner of the Residence upon which the obstruction is located. Any item or vegetation maintained upon any patio or deck, which item or vegetation is exposed to the view of any Owner, shall be removed or otherwise altered to the satisfaction of the Architectural Committee, if such Committee determines that the maintenance of such item or vegetation in its then existing state is contrary to the purposes or provisions of this Declaration. The Architectural Committee shall ensure that the vegetation on the Common Property maintained by the Association is cut frequently, so that the view of any Owner is not unreasonably obstructed. Each Owner, by accepting title to a Condominium, hereby acknowledges that any construction, landscaping or other installation of Improvements by Declarant or other Owners may impair the view from any Condominium, and the Owners hereby consent to such view impairment.

8.14. Rights of Handicapped.

Subject to the provisions of Article IV of this Declaration, each Owner shall have the right to modify his Residence and the route over the Common Area leading to the front door of his Residence, at his sole cost and expense, in order to facilitate access to his Residence by Persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which would be hazardous to such Persons.

ARTICLE IX

9. Insurance.

9.1. 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 FNMA (not less than \$1 million 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 Association and its Members, with respect to the Common Property. 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 Common Property and those portions of the Units consisting of all fixtures, installations or additions comprising a part of the buildings housing the Units and all built-in or set-in appliances, cabinets and initial basic floor coverings, as initially installed or replacements thereof in accordance with the original plans and specifications for the Project, or as installed by or at the expense of the Owners. Such insurance shall be maintained for the benefit of the 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 worker's compensation, and such other risks as shall customarily be covered with respect to condominium projects similar in construction, location and use. Fidelity bond coverage which names the Association as an obligee must be obtained, if reasonably available, by or on behalf of the Association for any Person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Association, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than the sum equal to one-fourth (1/4) of the Annual Assessments on all Condominiums in the Project, plus reserve funds. In addition, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bond coverage meeting the insurance and fidelity bond requirements for condominium projects established by FNMA, GNMA and FHLMC, so long as any of which is a Mortgagee or Owner of a Condominium within the Project, except to the extent such coverage is not available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable.

9.2. Waiver of Claim Against Association.

As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the 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 said Persons.

9.3. Right and Duty of Owners to Insure.

It is the responsibility of each Owner to provide insurance on his personal property and upon all other property and Improvements within his Unit for which the Association has not purchased insurance in accordance with Section 9.1 hereof. Nothing herein shall preclude any Owner from carrying any public liability insurance as he deems desirable to cover his individual liability for damage to person or property occurring inside his individual Unit or elsewhere upon the Property. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

9.4. Notice of Expiration Requirements.

If available, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant, and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity bonds shall provide that they may not be cancelled or substantially modified without ten (10) days prior written notice to any insurance trustee named pursuant to Section 9.6 and to each FNMA servicer who has filed a written request with the carrier for such notice.

9.5. Insurance Premiums.

Insurance premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense

to be included in the Annual Assessments levied by the Association and collected from the Owners. That portion of the Annual Assessments necessary for the required insurance premiums shall be separately accounted for by the Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

9.6. Trustee for Policies.

The 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 Association. All insurance proceeds under any such policies as provided for in Section 9.1 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 Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in Article X of this Declaration. 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 as provided in Article X, Section 10.4 of this Declaration. Any two (2) officers of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds. A representative chosen by the Board may be named as an insured, including a trustee with whom the 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 necessary to accomplish this purpose.

9.7. Actions as Trustee.

Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance, in a manner satisfactory to Beneficiaries of seventy-five percent (75%) of the first Mortgages held by first Mortgagees who have filed requests under Section 9.4. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Owners and Mortgagees who have requested the same in writing.

9.8. Annual Insurance Review.

The Board shall review the insurance carried by or on behalf of the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 9.1 above. If economically feasible, the Board shall obtain a current appraisal of the full replacement value of the Improvements on the Property except for foundations and footings, without deduction for depreciation, from a qualified independent insurance appraiser, prior to each such annual review.

9.9. 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 coinsurance;

(c) any right of setoff, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the 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 Condominium; and

(g) any right to require any assignment of any Mortgage to the insurer.

ARTICLE X

10. Destruction of Improvements.

10.1. Restoration of the Property.

Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Property, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article IX hereof for reconstruction or repair of the Property shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Property shall be reconstructed or rebuilt substantially in accordance with the Condominium Plan and the original construction plans if they are available, unless changes recommended by the Architectural Committee have been approved in writing by sixty-seven percent (67%) of the Owners and by the Beneficiaries of fifty-one percent (51%) of first Mortgages upon the Condominiums. If the amount available from the proceeds of such insurance policies for such restoration and repair is at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Reconstruction Assessment shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. If the amount available from the proceeds of such insurance policies for such restoration and repair is less than eighty-five percent (85%) of the estimated cost of restoration and repair, the Board may levy a Reconstruction Assessment and proceed with the restoration and repair only if both of the following conditions ("Conditions to Reconstruction") have first been satisfied: (a) the levy of a Reconstruction Assessment to pay the costs of restoration and repair of the Property is approved by the affirmative vote or written consent of sixty-seven percent (67%) of the Owners and by the written consent of the Beneficiaries of fifty-one percent (51%) of the first Mortgages on the Condominiums in the Project; and (b) within six (6) months after the date on which the destruction occurred, the Board Records a certificate of the resolution authorizing the restoration and repair ("Reconstruction Certificate"). If either of the Conditions to Reconstruction does not occur following a destruction for which insurance proceeds available for restoration and repair are less than eighty-five percent (85%) of the estimated cost of restoration and repair, it shall be conclusively presumed that the Owners have

determined not to proceed with restoration and repair and not to allow the Board to levy a Reconstruction Assessment, in which case the Owners may proceed as provided in Section 10.2 below.

10.2. Sale of Property and Right to Partition.

No Owner shall have the right to partition of his interest in the Condominium and there shall be no judicial partition of the Project, or any part thereof, except as provided in Section 1359(b) of the California Civil Code as amended or in any successor statute. For purposes of Subsection 4 of said Section 1359(b), partition may occur only if all of the following conditions are satisfied: (a) either or both of the Conditions to Reconstruction described in Section 10.1 above have failed to occur; and (b) within six (6) months after the date on which destruction occurred, restoration or repair has not actually commenced; and (c) the Owners of sixty-seven percent (67%) of the Condominiums in the Project approve the partition by vote or written consent. In such event, the Association, acting through a majority of the Board, shall prepare, execute and Record, as promptly as practical, the certificate stating that a majority of the Board may properly exercise an irrevocable power of attorney to sell the Project for the benefit of the Owners and such other documents and instruments as may be necessary for the Association to consummate the sale of the Property at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. Such certificate shall be conclusive evidence of such authority for any Person relying thereon in good faith. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among the Owners, such proportions to be determined in accordance with the relative appraised fair market valuation of the Condominiums as of a date immediately prior to such destruction (or condemnation), expressed as percentages, and computed by dividing such appraised valuation of each Condominium by the total of such appraised valuations of all Condominiums in the Project. The Board is hereby authorized to hire one (1) or more appraisers for such purpose and the cost of such appraisals shall be a Common Expense of the Association. Notwithstanding the foregoing, the balance then due on any valid encumbrance of record shall be first paid in order of priority, before the distribution of any proceeds to an Owner whose Condominium is so encumbered. Nothing herein shall be deemed to prevent partition of a cotenancy in any Condominium. Except as provided above, each Owner and the successors of each Owner, whether by deed, gift, devise, or by operation of law, for their own benefit and for the Units

and for the benefit of all other Owners, specifically waive and abandon all rights, interests and causes of action for a judicial partition of the tenancy in common ownership of the Project and do further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment.

10.3. Interior Damage.

With the exception of any casualty or damage insured against by the Association pursuant to Article IX, Section 9.1 of this Declaration, restoration and repair of any damage to the interior of any individual Residence, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Owner of the Residence so damaged. In the event of a determination to rebuild the Property after partial or total destruction, as provided in this Article X, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee as provided herein.

10.4. Notice to Owners and Listed Mortgagees.

The Board, immediately upon having knowledge of any damage or destruction affecting a material portion of the Common Property, shall promptly notify all Owners and Beneficiaries, insurers and guarantors of first Mortgages on Condominiums in the Project, who have filed a written request for such notice with the Board. The Board, immediately upon having knowledge of any damage or destruction affecting a Unit, shall promptly notify any Beneficiary, insurer or guarantor of any Mortgage encumbering such Unit who has filed a written request for such notice with the Board.

ARTICLE XI

11. Eminent Domain.

The term "taking" as used in this Article shall mean condemnation by exercise of the power of eminent domain or by sale under threat of the exercise of the power of eminent domain. The Board shall represent the Owners, with the exception of the Secretary, Department of Veterans Affairs, an officer of the United States of America, in any proceedings, negotiations, settlements, or agreements regarding takings. All takings proceeds shall be payable to the Association for the benefit of the Unit Owners and their Mortgagees, and shall be distributed to such Owners and Mortgagees as provided in this Article XI.

11.1. Project Condemnation.

If there is a taking of an interest in all or part of the Project such that the ownership, operation and use of the Project in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking the Owners of Units (a) not taken, or (b) only partially taken but capable of being restored to at least ninety-five percent (95%) of their floor area and to substantially their condition prior to the taking (collectively, the "Remaining Units") do not by affirmative vote of at least one-third of their voting power approve the continuation of the Project and the repair, restoration and replacement to the extent feasible of the Common Area and the Remaining Units, then the Board shall proceed with the sale of that portion of the Project which was not taken and distribute the net proceeds of such sale after deducting any incidental fees and expenses, in the same proportion and manner as provided in Section 10.2.

11.2. Condemnation of Common Property.

If there is a taking of (a) all or any portion of the Common Area (other than Exclusive Use Common Area), or any interest therein, other than the taking of an undivided interest therein taken as a result of the taking of a Condominium, or (b) all or any portion of the Association Property, or any interest therein, then the award in condemnation shall be paid to the Association and shall be deposited in the Operating Fund.

11.3. Condemnation of Exclusive Use Common Area.

If there is a taking of all or any portion of an Exclusive Use Common Area which is not taken in connection with the taking of all or any portion of the Unit to which it is appurtenant, the award in condemnation shall be paid to the Owner of the Unit to which the taken Exclusive Use Common Area was appurtenant; provided, however, that such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Condominium, in order of priority.

11.4. Condemnation of Condominiums.

If there is a taking of a Condominium, the award in condemnation shall be paid to the Owner of the Condominium; provided, however, that such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Condominium, in order of priority.

11.5. Condemnation of Portions of Units.

(a) Minor Takings Within Limits. If (i) there is a taking of a portion of one or more Units such that the intended use of the Units as

residential dwellings is not substantially and adversely affected, and (ii) restoration can be accomplished at a cost less than or equal to the sum of (A) the amount of the condemnation awards for such takings plus (B) any amounts the Owners of the taken Units wish to contribute to restoration plus (C) an amount less than or equal to five percent (5%) of the Budgeted gross expenses of the Association for that Fiscal Year (collectively, the "Allowable Cost"), then the Board shall contract for such restoration and levy a Reconstruction Assessment in an amount equal to the Allowable Cost minus the amount of the condemnation awards and Owners' contributions, and the condemnation awards, Owners' contributions and Reconstruction Assessment shall be applied to such restoration. If the restoration is accomplished at a cost less than the amount of the condemnation awards, then that portion of the condemnation awards in excess of the restoration costs shall be paid to the Owners of the partially taken Units in proportion to the decreases in the fair market values of their Condominiums; provided however, that such awards shall first be applied to the balance then due on any Mortgages encumbering such Owners' Condominiums, in order of priority.

(b) Minor Takings Exceeding Limits. If (i) there is a taking of a portion of one or more Units such that the intended use of the Units as residential dwellings is not substantially and adversely affected, and (ii) such restoration cannot be accomplished at a cost less than or equal to the Allowable Cost, then the Board shall call a Special Meeting of the Members. If more than fifty percent (50%) of the Members are represented at such Special Meeting, either in person or by proxy, and a majority of the votes cast at such Special Meeting are in favor of levying a Reconstruction Assessment in an amount equal to the restoration costs minus the sum of the amount of the condemnation awards and the amounts the Owners of the taken Units wish to contribute to such restoration, then the Board shall contract for such restoration and levy a Reconstruction Assessment, and the condemnation awards, Owners' contributions and Reconstruction Assessment shall be applied to such restoration.

(c) Major Takings. If the requisite approval is not obtained at the Special Meeting referred to in Section 11.5(b), or if there is a taking of a portion of one or more Units such that the intended use of the Units as residential dwellings is not substantially and adversely affected, then the award in condemnation shall be paid to the Owners of the taken Units; provided, however, that such award shall first be applied to the balance then due on any Mortgages encumbering such Owner's Condominium, in order of priority. The Board shall have the remaining portions of the taken Units razed. The remaining portions of the taken Units and appurtenant Exclusive Use Common Areas shall become part of the Common Area, and the Owners of such taken Units in any Phase of Development, by acceptance of the award allotted to them in taking proceedings, hereby relinquish to the other Owners in such Phase of Development, on the basis of their relative ownership of the Common Area therein, such Owners' undivided interest in the Common Area. Each Owner relinquishing his interest in the Common Area pursuant to this Section shall, at the request of the Board and at the expense of the Association, execute and acknowledge such deeds and other instruments which the Board deems necessary or convenient to evidence such relinquishment. Each Owner of a taken Unit or Residence shall not be liable for assessments under this Declaration which accrue on or after the date such Owner accepts his condemnation award.

11.6. Portions of Awards in Condemnation Not Compensatory for Value of Real Property.

Those portions of awards in condemnation which do not directly compensate Owners for takings of real property (e.g., awards for takings of personal property, relocation expenses, moving expenses, or other allowances of a similar nature intended to facilitate relocation) shall be paid to the Owners whose personal property is taken, or whose relocation is intended to be facilitated.

11.7. Notice to Owners and Mortgagees.

The Board, upon learning of any taking affecting a material portion of the Property, or any threat thereof, shall promptly notify all Owners and those Beneficiaries, insurers and guarantors of Mortgages on Condominiums in the Project who have filed a written request for such notice with the Association. The Board, upon learning of any taking affecting a Unit, or any threat thereof, shall promptly notify any Beneficiary, insurer or guarantor of a Mortgage encumbering such Unit who has filed a written request for such notice with the Association.

ARTICLE XII

12. Rights of Mortgagees.

Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Beneficiary under any Deed of Trust upon one or more Condominiums made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Condominium(s) shall remain subject to this Declaration, as amended. For purposes of this Declaration, "first Mortgage" shall mean a Mortgage with first priority over other Mortgages or Deeds of Trust on a Condominium, and "first Mortgagee" shall mean the Beneficiary of a first Mortgage. For purposes of any provision of this Declaration or the other Restrictions which require the vote or approval of a specified percentage of first Mortgagees, such vote approval shall be determined based upon one (1) vote for each Condominium encumbered by each such first Mortgage. In order to induce FHLMC, GNMA, FNMA, VA and FHA to participate in the financing of the sale of Condominiums within the Project, the following provisions are added hereto (and to the extent these added provisions, pertaining to the rights of Mortgagees, FHLMC, FNMA, GNMA, VA and FHA conflict with any other provisions of this Declaration or any other of the Restrictions, these added restrictions shall control):

(a) Each Beneficiary, insurer and guarantor of a first Mortgage encumbering any Condominium, upon filing a written request for notification with the Board, is entitled to written notification from the Association of: (1) any condemnation or casualty loss which affects either a material portion of the Project or the Unit(s) securing the respective first Mortgage; and (2) any delinquency of sixty (60) days or more in the performance of any obligation under the Restrictions, including without limitation the payment of assessments or charges owed by the Owner(s) of the Unit(s) securing the respective first Mortgage, which notice each Owner hereby consents to and authorizes; and (3) a lapse, cancellation, or material modification of any policy of insurance or fidelity bond maintained by the Association; and (4) any proposed action of the Association which requires consent by a specified percentage of first Mortgagees.

(b) Every Owner, including every first Mortgagee of a Mortgage encumbering any Condominium who obtains title to such 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" created or purported to be created by the Restrictions.

(c) Each first Mortgagee of a Mortgage encumbering any Condominium, which obtains title to such Condominium, pursuant to judicial foreclosure or the powers provided in such Mortgage, shall take title to such Condominium free and clear of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time such Mortgagee acquires title to such Condominium in accordance with Section 5.10.

(d) Unless at least sixty-seven percent (67%) of the first Mortgagees or sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

(1) by act or omission seek to abandon or terminate the Property; or

(2) change the method of determining the obligations, assessment dues or other charges which may be levied against any Owner; or

(3) partition or subdivide any Condominium Unit; or

(4) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Property. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Common Property under this Declaration, and the granting of exclusive easements to Owners over portions of the Common Property to conform the boundaries of the Common Property to the as-built location of Improvements installed or constructed by Declarant shall not be deemed a transfer within the meaning of this clause); or

(5) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design, the exterior appearance or the maintenance of the Units or the Common Property; or

(6) fail to maintain or cause to be maintained Fire and Extended Coverage insurance on insurable Common Area as provided in Article IX of this Declaration; or

(7) use hazard insurance proceeds for losses to any condominium property (i.e., Improvements to the Units or Common Property) for other than the repair, replacement or reconstruction of such condominium property, subject to the provisions of Article X of this Declaration; or

(8) change the pro rata interest or obligations of any Condominium in order to levy assessments or charges, allocate distributions of hazard insurance proceeds or condemnation awards or determine the pro rata share of ownership of each Condominium in the Common Area.

(e) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request to the Association, shall have the right to:

- (1) examine current copies of the Association's books, records and financial statements and the Restrictions during normal business hours; and
- (2) require the Association to submit an annual audited financial statement if one is available, or have one prepared at the expense of the requesting entity if such statement is not otherwise prepared by the Association; provided that, upon annexation of additional Units to the Project such that fifty (50) or

more Units are subject to this Declaration, the Association may be required to submit such a statement without expenses to the requesting entity; and

- (3) receive written notice of all meetings of Owners; and
- (4) designate in writing a representative who shall be authorized to attend all meetings of Owners.

(f) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request, shall be given thirty (30) days' written notice prior to the effective date of (1) any proposed material amendment to the Restrictions or Condominium Plans; (2) any termination of an agreement for professional management of the Property following any decision of the Owners to assume self-management of the Project; and (3) any proposed termination of the Property as a condominium project.

(g) The Reserve Fund described in Article V of this Declaration must be funded by regular scheduled monthly, quarterly, or semiannual payments rather than by large special assessments.

(h) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of the professional Manager.

(i) In addition to the foregoing, the Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA or GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first Mortgages encumbering Condominiums. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their residential Condominiums, if such agencies approve the Property as a qualifying subdivision

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 Condominium.

(j) Each Owner hereby authorizes the first Mortgagee of a first Mortgage on his Condominium to furnish information to the Board concerning the status of such first Mortgage and the loan which it secures.

(k) When professional management has been previously required by a Beneficiary, insurer, or guarantor of a first Mortgage, any decision to establish self-management by the Association shall require the approval of sixty-seven percent (67%) of the voting power of the Association and the Beneficiaries of fifty-one percent (51%) of the first Mortgages of Condominiums in the Project.

(l) All intended Improvements in any Phase of Development other than Phase 1 shall be substantially completed or the completion of such Improvements shall be secured by a bond or other arrangement acceptable to the DRE prior to the first Close of Escrow for the sale of a Condominium in such Phase. All such Improvements shall be consistent with the Improvements in Phase 1 in terms of quality of construction. The requirements of the immediately preceding sentence are for the benefit only of and may be enforced only by FNMA.

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

ARTICLE XIII

13. Duration and Amendment.

13.1. Duration.

This Declaration shall continue in full force for a term of fifty (50) years from the date of Recordation hereof, after which time the same shall be automatically extended for

successive periods of ten (10) years, unless a Declaration of Termination is Recorded, satisfying the requirements of an amendment to this Declaration as set forth in Section 13.2. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Unit from the concomitant Membership in the Association, as long as this Declaration shall continue in full force and effect. The provisions of this Article are subject to the provisions of Sections 10.2 and 11.5 of this Declaration.

13.2. Amendment.

(a) Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Association at which a proposed amendment is to be considered. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) sixty-seven percent (67%) of the voting power of the Association, and (ii) sixty-seven percent (67%) of the voting power of the Association residing in Members other than Declarant, provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. So long as there exists a Class B Membership, the prior approval of VA and FHA shall be required for any amendment of this Declaration. A draft of the proposed amendment shall be submitted to VA and FHA for approval prior to its approval by the Membership of the Association.

(b) In addition to the required notice and consent of VA, FHA, Members and Declarant provided above, the Beneficiaries of fifty-one percent (51%) of the first Mortgages on all the Condominiums in the Project who have requested the Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees must approve any amendment to this Declaration which is of a material nature, as follows:

(1) Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protection granted to Beneficiaries, insurers or

guarantors of first Mortgages as provided in Articles V, IX, X, XI, XII and XIII hereof.

(2) Any amendment which would necessitate an encumbrance after it has acquired a 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 a Condominium not being separately assessed for tax purposes.

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

(5) Any amendment which would or could result in partition or subdivision of a Condominium Unit in any manner inconsistent with the provisions of this Declaration.

(6) Any amendment which would subject any Owner to a right of first refusal or other such restriction, if such Condominium is proposed to be sold, transferred, or otherwise conveyed.

(7) Any amendment concerning:

(A) Voting rights;

(B) Rights to use the Common Property;

(C) Reserves and responsibility for maintenance, repair and replacement of the Common Property;

(D) Boundaries of any Unit;

(E) Owners' interests in the Common Area;

(F) Convertibility of Common Area into Units or Units into Common Area;

(G) Leasing of Units;

(H) Establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;

(I) Annexation or deannexation of real property to or from the Property; or

(J) Assessments, assessment liens, or the subordination of such liens.

(c) Termination of this Declaration shall require approval by the Members as provided in subsection (a) of this Section 13.2. No such termination shall be effective unless it is also approved in advance either by fifty-one percent (51%) of the Beneficiaries of the first Mortgages on all of the Condominiums in the Project (if said termination is proposed by reason of the substantial destruction or condemnation of the Project) or by sixty-seven percent (67%) of such Beneficiaries (if said termination is for reasons other than such substantial destruction or condemnation).

(d) Each Beneficiary of a first Mortgage on a Condominium in the Project which receives proper written notice of a proposed amendment or termination of this Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the Beneficiary fails to submit a response to the notice within thirty (30) days after the Beneficiary receives the notice.

(e) A copy of each amendment shall be certified by at least two (2) officers of the Association, and the amendment shall be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Owners and mortgagees have either voted for or consented in writing to any amendment adopted as provided above, when Recorded, shall be conclusive

evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years.

(f) Notwithstanding any other provisions of this Section 13.2, at any time prior to the first Close of Escrow for the sale of a Condominium within Phase 1, Declarant may unilaterally amend or terminate this Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant and the Master Developer.

(g) Notwithstanding any other provisions of this Section 13.2, for so long as Declarant is an Owner, Declarant (with the written consent of the Master Developer) may unilaterally amend this Declaration after Close of Escrow for the sale of a Condominium in the Project, by Recording a written instrument which effects the amendment and is signed by Declarant and acknowledged, provided that such amendment is reasonably necessary to cause this Declaration to conform to the requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC then in effect.

(h) Notwithstanding anything contained herein to the contrary, so long as any property subject to this Declaration lies outside of the boundaries of an incorporated city, the County shall have the power to veto any purported amendment or termination of this Declaration, based on whether the Property after such termination or amendment will continue to enjoy adequate provision for preservation and maintenance of the Common Area. No amendment or written agreement purporting to terminate or written or modify the maintenance provisions of this Declaration shall take effect until fifteen (15) days following mailing of written notice thereof, return receipt requested, to the Director of Planning, EMA, and the County Counsel. If no veto has been exercised by the Director or the County Counsel within fifteen (15) days of the receipt of such notice, such amendment or termination shall thereafter become effective.

13.3. Protection of Declarant.

Until the seventh (7th) anniversary of the first Close of Escrow for the sale of a Condominium in the Project, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would

impair or diminish the rights of Declarant to complete the Property or sell or lease Condominiums therein in accordance with this Declaration shall become effective. Notwithstanding any other provisions of the Restrictions, until such time as (i) Declarant is no longer entitled to add Annexable Territory to the Property without the consent of the Association pursuant to Section 16.1, or (ii) Declarant no longer owns any Condominiums in the Property, whichever occurs last, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

(a) Any amendment or action requiring the approval of first Mortgagees pursuant to this Declaration, including without limitation all amendments and actions specified in Sections 13.2;

(b) The annexation to the Property of real property other than the Annexable Territory pursuant to Section 16.2;

(c) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Common Property by Declarant;

(d) Subject to Section 5.4 regarding limitations on Annual Assessment increases, any significant reduction of Association maintenance or other services; or

(e) Any amendment to Article VII of this Declaration.

ARTICLE XIV

14. Enforcement of Certain Bonded Obligation.

14.1. Consideration by Board of Directors.

If (1) the Improvements to be located on the Common Property are not completed prior to the issuance of a Final Subdivision Public Report by the DRE for the sale of Condominiums in the Project, and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Declarant to complete such Improvements, the Board of Directors of the Association shall consider and vote on the question of action by the 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 Association has given an extension in writing for the completion of any Improvement on the Common Property, 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.

14.2. Consideration by the Members.

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 Association residing in Members other than Declarant. A vote at such meeting to take action to enforce the obligations under the Bond by Members representing a majority of the total voting power of the Association residing in Members other than Declarant shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XV

15. General Provisions.

15.1. Legal Proceedings.

Failure to comply with any of the terms of the Restrictions by an Owner, his family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof. The Board, any Owner (not at the time in default hereunder), the Board of Directors of the Maintenance Corporation, the Master Developer, or Declarant (so long as Declarant is an Owner) shall be entitled to bring an action for damages against any defaulting Owner, and in addition may enjoin any violation of this Declaration. Notwithstanding the foregoing, the Association shall not incur litigation expenses, including without limitation attorneys' fees, where the Association initiates judicial proceedings or is joined as a plaintiff in judicial proceedings without the approval of a majority of the voting power of the Association, excluding the voting power of any Owner who would be a defendant in such proceedings. Such approval shall not be necessary if the

judicial proceedings are initiated to (a) enforce the use restrictions contained in Article VIII hereof, (b) enforce the architectural control provisions contained in Article IV hereof, or (c) collect any unpaid assessments levied pursuant to this Declaration. Any judgment rendered in any action or proceeding pursuant to this Declaration 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 any delinquent payment, interest thereon, costs of collection and court costs. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive. Each Owner shall have a right of action against the Association for the failure by the Association to comply with the Restrictions.

15.2. Violation of Restrictions.

Without in any way limiting the generality of the foregoing, if the Board of Directors determines that there is a violation of any provision of this Declaration, or the Architectural Committee determines that an Improvement which is the maintenance responsibility of an Owner is in need of installation, repair, restoration or painting, then the Board shall give written notice to the responsible Owner of the condition or violation complained of. Unless the Architectural Committee has approved in writing corrective plans proposed by the Owner to remedy the condition complained of within such period of time as may be determined reasonable by the Board after it has given said written notice, and such corrective work so approved is completed thereafter within the time allotted by the Board, the Board, after Notice and Hearing, shall undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner and his Condominium whose Residence is the subject matter of the corrective work. Such cost shall be deemed to be a Special Assessment to such Owner and shall be subject to enforcement and collection by the Board in accordance with the procedures provided for in this Declaration. The Board may also adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Unit, to comply with any provision of the Restrictions. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

15.3. Severability.

The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provisions hereof.

15.4. Interpretation.

The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential condominium development and for the maintenance of Common Property, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings, titles and captions have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the masculine, feminine and neuter shall each include the other, unless the context dictates otherwise.

15.5. Mergers or Consolidations.

Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Property, together with the covenants and restrictions established upon any other property, as one (1) plan.

15.6. Use of Recreational Facilities.

The Board of Directors shall have the right to limit the number of guests that an Owner or such Owner's tenant may permit to use the open parking and recreational facilities on the Common Property, and the Board shall have the right to set further reasonable restrictions on the time and manner of use of said parking areas and recreational facilities, in accordance with the Rules and Regulations, including, without limitation, Rules and Regulations restricting or prohibiting the use of all or designated portions of the Property recreational facilities by minors, guests of an Owner or his tenants.

15.7. No Public Right or Dedication.

Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property to the public, or for any public use.

15.8. No Representations or Warranties.

No representations or warranties of any kind, express or implied, other than the standard warranty required by VA and FHA, have been given or made by Declarant, or its agents or

employees in connection with the Property, or any portion thereof, its physical condition, zoning, views, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a Condominium Project, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with the DRE.

15.9. Nonliability and Indemnification.

(a) General Limitation. Except as specifically provided in the Restrictions or as required by law, no right, power, or responsibility conferred on the Board or the Architectural Committee by this Declaration, the Articles or the Bylaws shall be construed as a duty, obligation or disability charged upon the Board, the Architectural Committee, any member of the Board or of the Architectural Committee, or any other officer, employee or agent of the Association. No such Person shall be liable to any party (other than the Association or a party claiming in the name of the 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 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 Association (or to any party claiming in the name of the 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.

(b) Bodily Injury Damages Limitation. No person who suffers bodily injury (including without limitation emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer Board member or volunteer Association officer shall recover damages from such Board member or officer if all of the following conditions are satisfied:

(1) At the time the act or omission occurred, the Board member or officer resided in the Project as either a tenant or an Owner of two (2) or fewer Condominiums;

(2) The act or omission was performed within the scope of the Board member's or officer's Association duties;

(3) The act or omission was performed in good faith;

(4) The act or omission was not willful, wanton or grossly negligent; and

(5) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim was made general liability insurance in the amount of at least five hundred thousand dollars (\$500,000.00) if the Project then consisted of one hundred (100) or fewer Condominiums, and at least one million dollars (\$1,000,000.00) if the Project then consisted of more than one hundred (100) Condominiums.

A Board member or Association officer who at the time of the act or omission received direct or indirect compensation as an employee from Declarant or from a financial institution which purchased a Condominium at a judicial or nonjudicial foreclosure of a Mortgage is not a volunteer for purposes of this Section 15.9(b). The payment of actual expenses incurred by a Board member or Association officer does not affect the member's or officer's status as a volunteer for purposes of this Section 15.9(b).

(c) Indemnification. The 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 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 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 15.9(c) 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 or written consent of a majority of a quorum of the Members of the Association, 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 15.9(c) 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.

15.10. Notices.

Except as otherwise provided in this Declaration, in each instance in which notice is to be given to an Owner, the same shall be in writing and may be delivered personally to the Owner, in which case personal delivery of such notice to one (1) or more co-owners of a Condominium or to any general partner of a partnership owning a Condominium shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Unit. Such notice shall be deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board of Directors in which case the notice provisions of the Bylaws of the Association shall control.

Any notice to be given to the Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

15.11. Priorities and Inconsistencies.

If there are conflicts or inconsistencies between this Declaration and either the Articles of Incorporation or the Bylaws of the Association, the terms and provisions of this Declaration shall prevail. All of the terms, conditions and restrictions of this Declaration are and shall be subordinate to the terms, conditions, covenants and restrictions contained in the Master Declaration. If there is any conflict or inconsistency between this Declaration and the Master Declaration, the terms and provisions of the Master Declaration shall prevail.

15.12. Aircraft Noise.

By acceptance of a deed to a Condominium, each Owner acknowledges and understands that the Property is subject to overflight, sight and sound of aircraft operating from El Toro Marine Corps Air Station.

15.13. Arbitration of Disputes.

Notwithstanding any other provision of this Declaration, in the event of an arbitrable dispute between or among (a) Declarant, its builder, general contractor or broker, or their agents or employees, and any Owner(s) or the Association, or (b) any Owner, and another Owner, or (c) the Association, and any Owner (exclusive of disputes relating to the payment of Annual Assessments, Reconstruction Assessments, Capital Improvement Assessments, Special Assessments or any other assessments imposed by this Declaration), the matter will be submitted to binding arbitration following Notice and Hearing as provided herein. Arbitrable disputes include any controversy or claim between the parties, including any claim based on contract, tort, or statute, arising out of or relating to the rights or duties of the parties under this Declaration or other Project documents or the design or construction of the Project. Any controversy regarding whether a dispute is an arbitrable dispute shall be determined by the arbitrator.

The arbitration shall be conducted by the Judicial Arbitration and Mediation Services, Inc. at 1900 East Fourth Street, Suite 205, Santa Ana, California, County of Orange, or its successor ("JAMS"). If JAMS is unavailable, arbitration will be conducted by and in accordance with the rules of the American Arbitration Association ("AAA") as

herein modified. In either case, there shall be only one arbitrator who shall be selected by mutual agreement of the parties, failing which the selection shall be made by JAMS or its substitute.

The rules to be followed in the arbitration are as follows: (1) Claims comprising the petition for arbitration shall be submitted in the form of a complaint, prepared in conformance with California Code of Civil Procedure, Section 420 et seq., filed with the service or association which will be conducting the arbitration, with copies personally served on all responding parties. The respondent will have thirty (30) days to file a response which will take the form of an answer, prepared in compliance with California Code of Civil Procedure, Section 431.30. No demurrers, motions to strike, or pretrial motions will be permitted. The matters at issue will be set for hearing by the arbitrator. Within twenty (20) days of the filing of the response to the claim, the arbitrator will schedule, upon mutual agreement of the parties, a prehearing conference, discovery and hearing dates. If parties are unable to agree, the arbitrator will set the appropriate dates. Parties shall be allowed to conduct discovery under the provisions of the California Code of Civil Procedure, Sections 1282.6, 1283 and 1283.05. Any disputes concerning discovery shall be submitted to the arbitrator and attorneys fees will be awarded to the party prevailing at hearing of any discovery dispute, regardless of which party ultimately prevails in the matter. At the arbitration hearing, order of proof shall be governed by the California Code of Civil Procedure unless the parties mutually agree otherwise. Admissibility will be governed by the California Evidence Code.

The arbitrator shall comply with, and the decision of the arbitrator shall be rendered in accordance with, the law of the State of California. The arbitrator shall have the power to grant all legal and equitable remedies and award compensatory damages provided by California law, but shall not have the power to award punitive damages. The parties agree to be bound by the decision of the arbitrator, which shall be final, shall not be appealable, and which shall allow for no trial de novo on the same issues. The arbitrator's decision shall be rendered within thirty (30) days following submission of the matter at issue, but the failure to comply with this provision shall in no way invalidate any decision or award as may be rendered more than thirty (30) days after submission.

Upon the rendering of the decision or award, the prevailing parties shall be entitled to reasonable costs and attorneys' fees. Judgment upon any award may be entered in

any court having jurisdiction or applications may be made to such court for judicial acceptance of the award and an order of enforcement.

Nothing in this Section shall constitute a waiver of any of the benefits of statute of limitations or equitable defense by any party. Notwithstanding any other provision of this Declaration, this Section may not be amended without the prior written consent of Declarant.

ARTICLE XVI

16. Annexation of Additional Property.

Additional real property may be annexed to Phase 1 and such additional real property may become subject to this Declaration by any of the methods set forth hereinafter:

16.1. Additions by Declarant.

Declarant or its successors or assigns shall have the right, with the consent of the Master Developer, from time to time to add the Annexable Territory, or any portion or portions thereof (including any recreation facilities located thereon), to the Property and to bring such added territory within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on the earlier to occur of the third anniversary of the original issuance of the most recently issued Final Subdivision Public Report for the most recent Phase of Development, or the seventh anniversary of the date of Recordation of this Declaration. As each Phase of Development is developed, Declarant may, with respect thereto, record a supplemental declaration ("Supplemental Declaration") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development. Prior to any annexation under this Section 16.1, detailed plans for the development of the additional property must be submitted to the VA and the VA must determine that such plans are in accordance with the general plan and so advise Declarant.

16.2. Other Additions.

In addition to the provision for annexation specified in Section 16.1 above, additional real property may be annexed to the Property and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3rds) of the voting power of the Association. Notwithstanding the foregoing, any additional real property annexed to the Property after the seventh (7th) anniversary

of the Recordation of this Declaration shall not effect a change in the percentage interests of Owners in the Common Area which existed prior to the date of annexation.

16.3. Rights and Obligations-Added Territory.

Subject to the provisions of Section 16.4, upon the Recording of a Notice of Addition of Territory containing the provisions as set forth in this Section, all provisions contained in this Declaration shall apply to the real property described in such Notice of Addition of Territory (the "added territory") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the added territory shall be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Units within the added territory, as well as within the property originally subject to this Declaration, shall be the same as if the added territory were originally covered by this Declaration. Voting rights attributable to the Condominiums in the added territory shall not vest until Annual Assessments have commenced as to such Condominiums.

16.4. Notice of Addition of Territory.

The additions authorized under Sections 16.1 and 16.2 shall be made by Recording a Notice of Addition of Territory, or other similar instrument (which Notice or Instrument may contain the Supplemental Declaration, if any, affecting each such Phase of Development), with respect to the added territory which shall be executed by Declarant and Master Developer and shall extend the general plan and scheme of this Declaration to such added territory ("Notice of Addition"). The Recordation of said Notice of Addition shall constitute and effectuate the annexation of the added territory described therein, and thereupon said added territory shall become and constitute a part of the Project, become subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Owners of Condominiums in said added territory shall automatically become Members of the Association. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the added territory, or as Declarant may deem appropriate in the development of the added territory, and as are not

inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same shall pertain to the real property originally covered by this Declaration. Concurrently with the first Close of Escrow for the sale of a Condominium in any Phase of Development annexed to the Property in accordance herewith, Declarant shall pay to the Association an appropriate amount (as determined by DRE) for reserves for replacement or deferred maintenance of the Common Property in such Phase necessitated by or arising out of the use and occupancy of the Condominiums in such Phase under a rental program conducted by Declarant if such rental program was in effect for at least one (1) year prior to such first Close of Escrow.

16.5. Reciprocal Cross-Easements Between Phases.
Subject to annexation of additional property as set forth in Section 16.1:

(a) Declarant hereby reserves for the benefit of and appurtenant to the Condominiums hereafter located in each Phase of Development annexed to Phase 1 and their respective Owners, nonexclusive easements to use the Common Property (other than any buildings containing dwelling units or Exclusive Use Common Area) in Phase 1, including, without limitation, the driveways, pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in each Phase of Development annexed to Phase 1 owned an undivided interest in the Common Area in Phase 1.

(b) Declarant hereby grants, for the benefit of and appurtenant to each Condominium in Phase 1 and their Owners, a nonexclusive easement to use the Common Property (other than any buildings containing dwelling units or Exclusive Use Common Area) in each Phase of Development annexed to Phase 1, including, without limitation, the driveways, pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in Phase 1 owned an undivided interest in the Common Area in each such Phase of Development.

These reciprocal cross-easements shall be effective as to each Phase of Development annexed to Phase 1 and as to Phase 1, only upon the first Close of Escrow for the sale of a

Condominium in such Phase of Development annexed to Phase 1. Prior to such first Close of Escrow, neither Phase 1 nor the Phases of Development annexed to Phase 1 shall be affected by these reciprocal cross-easements.

16.6. Deannexation and Amendment.

Declarant may amend a Notice of Addition or delete all or a portion of a Phase of Development from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such Phase of Development, and provided that (1) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the applicable Notice of Addition was Recorded, (2) Declarant has not exercised any Association vote with respect to any portion of such Phase of Development, (3) assessments have not yet commenced with respect to any portion of such Phase of Development, (4) Close of Escrow has not occurred for the sale of any Condominium in such Phase of Development, (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development, and (6) a draft of the Notice of Deletion of Territory has been submitted to VA and VA has determined that the deannexation is acceptable and in accordance with the revised general plan and has so advised Declarant.

ARTICLE XVII

17. Annual Inspection.

17.1. Duty to Inspect.

It shall be the duty of the Board to have the Common Property inspected at least once each year.

17.2. Purpose of Inspection.

The purpose of the inspection shall be to (i) determine whether the Common Property is being maintained adequately in accordance with the standards of maintenance established in Section 2.7 hereof, (ii) identify the condition of the Common Property and any Improvements thereon including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (iii) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future.

17.3. Scope of Inspection.

All of the Common Property and Improvements thereon shall be inspected, including, but not limited to, the exterior and structural integrity of all structures, gates, walls, walkways, irrigation systems, landscaping, and drainage devices.

17.4. Experts and Consultants.

The Board may employ such experts and consultants as are necessary to perform the inspection and make the report required by this Article.

17.5. Report to Owners.

The Board shall have a report of the results of the inspection of the Common Property required by this Article prepared. The report shall be furnished to Owners within the time set forth for furnishing Owners with the Budget. The report shall include at least the following:

(a) a description of the condition of the Common Property, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;

(b) a description of all maintenance, repair and replacement planned for the ensuing fiscal year and included in the Budget;

(c) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;

(d) a summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;

(e) a report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and

(f) such other matters as the Board deems appropriate.

This Declaration is dated for identification purposes

February 10, 1992

THE WILLIAM LYON COMPANY, a
California corporation, as
successor-in-interest by merger
with Lyon Communities Inc., dba
Lyon Communities Inc.

By: [Signature]

Its: President

By: [Signature]

Its: Assistant Secretary

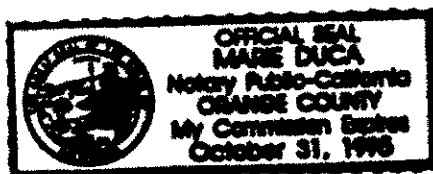
"Declarant"

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On February 10, 1992, before me, the undersigned,
a Notary Public in and for said State, personally appeared
Chris Hawk, personally known to me or proved
to me on the basis of satisfactory evidence to be the person
who executed the within instrument as Vice President or
on behalf of THE WILLIAM LYON COMPANY, the corporation
therein named and acknowledged to me that the corporation
executed it.

WITNESS my hand and official seal.

Maria Duca
Notary Public in and for said State



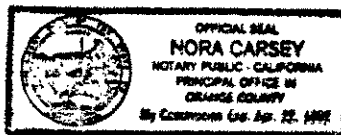
STATE OF CALIFORNIA)
COUNTY OF Orange) ss.

On Feb. 10, 1992 before me, NORA CARSEY,
personally appeared Christopher M. Hawk &
Justin Black personally known to me (or proved
to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within
instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies),
and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the
person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature

Nora Carsey



(This area for official notarial seal)

Affidavit for notary stamp shown herein

I certify under the penalty of perjury
that the notary seal on the document to
which this statement is attached reads as
follows:

Name of Notary: Nora Carsey
Date Commission Expires: Apr. 22, 1992
County Where Bond is Filed: Orange

PLACE OF EXECUTION: Santa Ana, Ca.

-79-

C. B. Kil
First American Title Insurance Co.

fsj037/21930/000/0090/salerno
02-06-92

SUBORDINATION

The undersigned holds the beneficial interest in and under that certain Construction Deed of Trust and Assignment of Rents dated May 12, 1988 executed by Lyon Communities Inc., a California corporation ("Lyon") as trustor, in favor of Equitable Deed Company, a California corporation, as trustee, and the undersigned, as beneficiary, and recorded on May 12, 1988 in the Official Records of Orange County, California, as Instrument No. 88-222083, as amended by that certain Amendment to Construction Deed of Trust and Assignment of Rents and Security Agreement dated December 14, 1989 by Lyon and the undersigned and recorded on December 21, 1989 in the Official Records of Orange County, California as Instrument No. 89-692055, and as further amended by that certain Modification Agreement dated August 21, 1991 executed by Lyon and the undersigned, a short form of which was recorded October 2, 1991 in the Official Records of Orange County, California as Instrument No. 91-535667, (collectively, the "Deed of Trust"). The undersigned hereby expressly subordinates the Deed of Trust and its beneficial interest thereunder to the foregoing Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Salerno at Provence ("Declaration"), to any Notice of Additional Territory recorded pursuant to the provisions of Article XVI of the Declaration ("Notice"), and to the Master Declaration and any Supplemental Declaration for Foothill Ranch ("Master Declaration") as defined herein, and to all maintenance and other easements to be conveyed to the Association in accordance with the Declaration, the Master Declaration, or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Property by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration, the Master Declaration and any applicable Notice, which shall remain in full force and effect, provided that the undersigned shall have all of the rights, powers, and benefits of a First Mortgagee under the Declaration, and shall be entitled to receive, without further notice to or request upon the Association or the Board, copies of all notices, consent requests and other information which a

requesting first Mortgagee is entitled to receive under the Declaration. All such notices, requests and information shall be sent to the undersigned at the following address:

Security Pacific National Bank
555 Anton Boulevard, Suite 1100
Costa Mesa, California 92626
Attention: Mr. Eric J. Ventura

Dated: FEBRUARY 24, 1992.

SECURITY PACIFIC NATIONAL BANK,
a national banking association

By: [Signature]

Its: Vice President

By: N/A

Its: N/A

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.

On FEBRUARY 24, 1992, before me, the undersigned, a Notary Public in and for said State, personally appeared ALLEN R. STAFF, JR. and [Signature], personally known to me or proved to me on the basis of ~~satisfactory evidence~~ to be the persons who executed the within instrument as VICE PRESIDENT and [Signature], respectively, or on behalf of SECURITY PACIFIC NATIONAL BANK, the national banking association therein named and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

[Signature: Susan Kolach]
Notary Public in and for said State

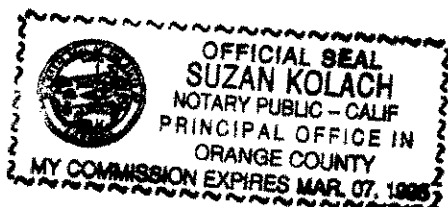


EXHIBIT "A"

ARTICLES OF INCORPORATION OF THE ASSOCIATION

EXHIBIT "B"

BYLAWS OF THE ASSOCIATION

EXHIBIT "C"

LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

All that certain real proeprty in the unincorporated
County of Orange, State of California, described as follows:

Tract No. 13587, as shown on a
Subdivision Map, which was Recorded on
August 24, 1990, as Instrument No. 90-
453353, of Official Records of Orange
County, California; as modified by that
certain Lot Line Adjustment LL 91-028,
which was Recorded on June 19, 1991, as
Instrument No. 91-913368, of Official
Records of Orange County, California; as
further modified by that certain Lot Line
Adjustment LL 91-037, which was Recorded
on November 13, 1991, as Instrument No.
91-618789, of Official Records of Orange
County, California; excepting Phase 1
therefrom.

EXHIBIT "D"

DRAWINGS DEPICTING AND ASSIGNING
EXCLUSIVE USE PATIO AREAS IN PHASE 1

The Exclusive Use Common Areas for patio purposes, as depicted and assigned on this Exhibit "D" to the Declaration for Salerno, shall each contain at least the number of square feet in the patio areas as are shown on the drawing attached hereto. The Exclusive Use Common Areas for patio purposes are bounded by a plane located eight (8) feet below the surface of the ground to a height of sixteen (16) feet, more or less, to the foundations and structures of the residential buildings, to the interior surfaces of the fences surrounding the patio areas, as such foundations, structures and fences are initially constructed by Declarant. These drawings showing the patio areas contain only approximate dimensions and are not necessarily drawn to scale. There is also reserved and conveyed by Declarant to the Owner of the Condominium, to which the Exclusive Use Common Area patio is appurtenant, an encroachment easement as to actual location onto the Common Area for any such patio that may exceed the dimensions shown on the attached drawing.

EXHIBIT "E"

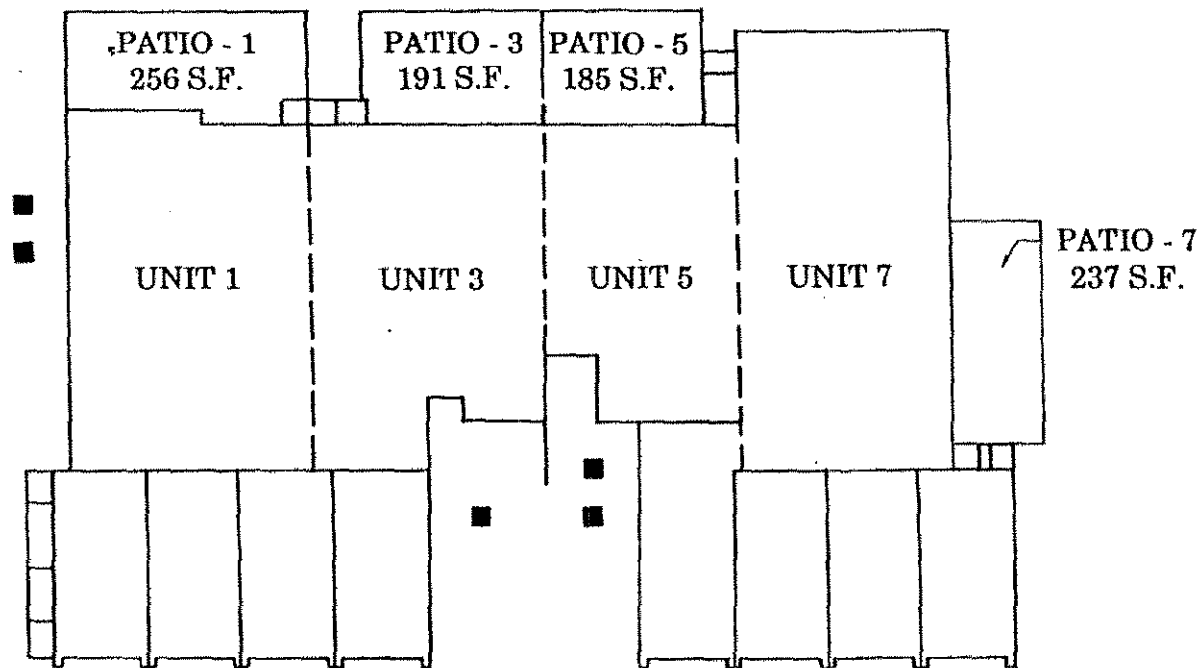
DRAWING SHOWING LOCATION OF EASEMENT OVER
PORTION OF PARCEL B OF LOT LINE ADJUSTMENT NO. LL 91-037
CONSTITUTING PORTION OF ASSOCIATION PROPERTY IN PHASE 1

EXHIBIT "D"

PATIO EXCLUSIVE USE COMMON AREA

LYON COMMUNITIES, INC.
SALERNO AT FOOTHILL RANCH

TRACT 13587
PHASE 1
SHEET 1 OF 3



BUILDING 1
PARCEL 1 OF LLA NO. 91-037
(FORMERLY LOT 1)



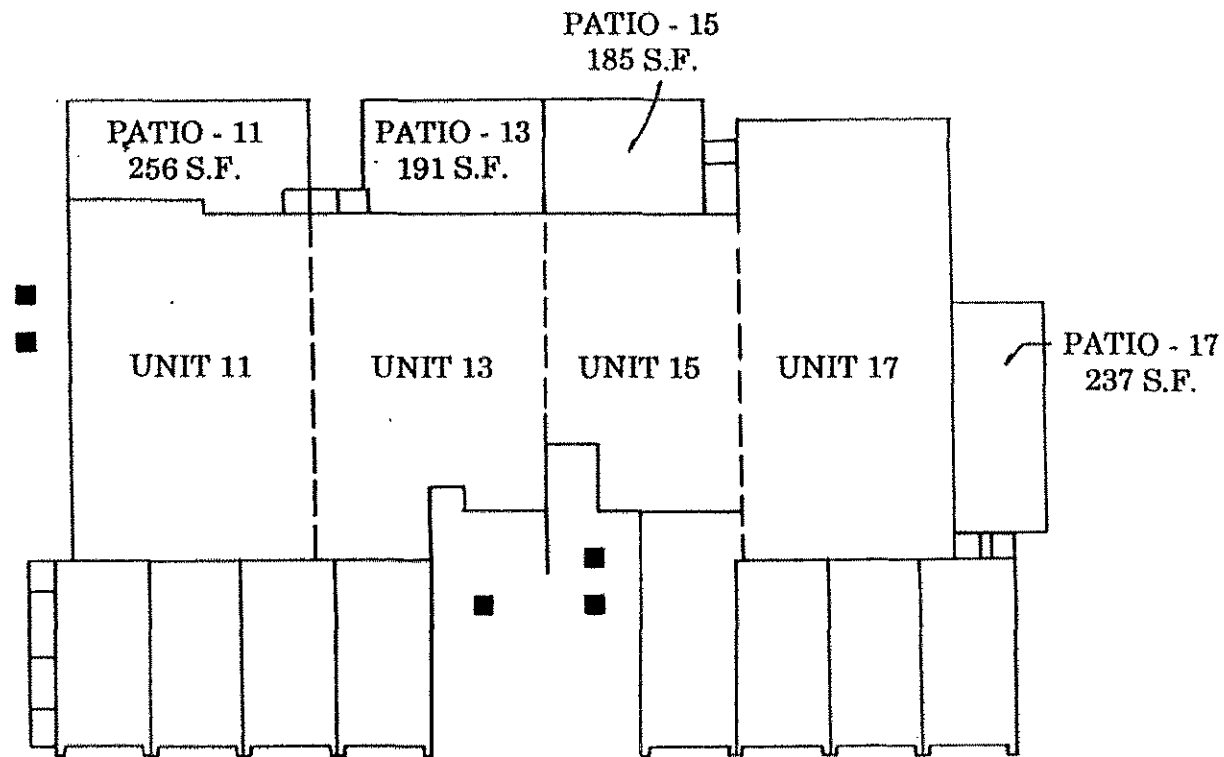
PREPARED BY: JEFF PINGLEY
W.O. 346-23
SCALE: 1" = 20'
DATE: SEPTEMBER 27, 1991

EXHIBIT "D"

PATIO EXCLUSIVE USE COMMON AREA

LYON COMMUNITIES, INC.
SALERNO AT FOOTHILL RANCH

TRACT 13587
PHASE 1
SHEET 2 OF 3



BUILDING 2
PARCEL 1 OF LLA NO. 91-037
(FORMERLY LOT 1)



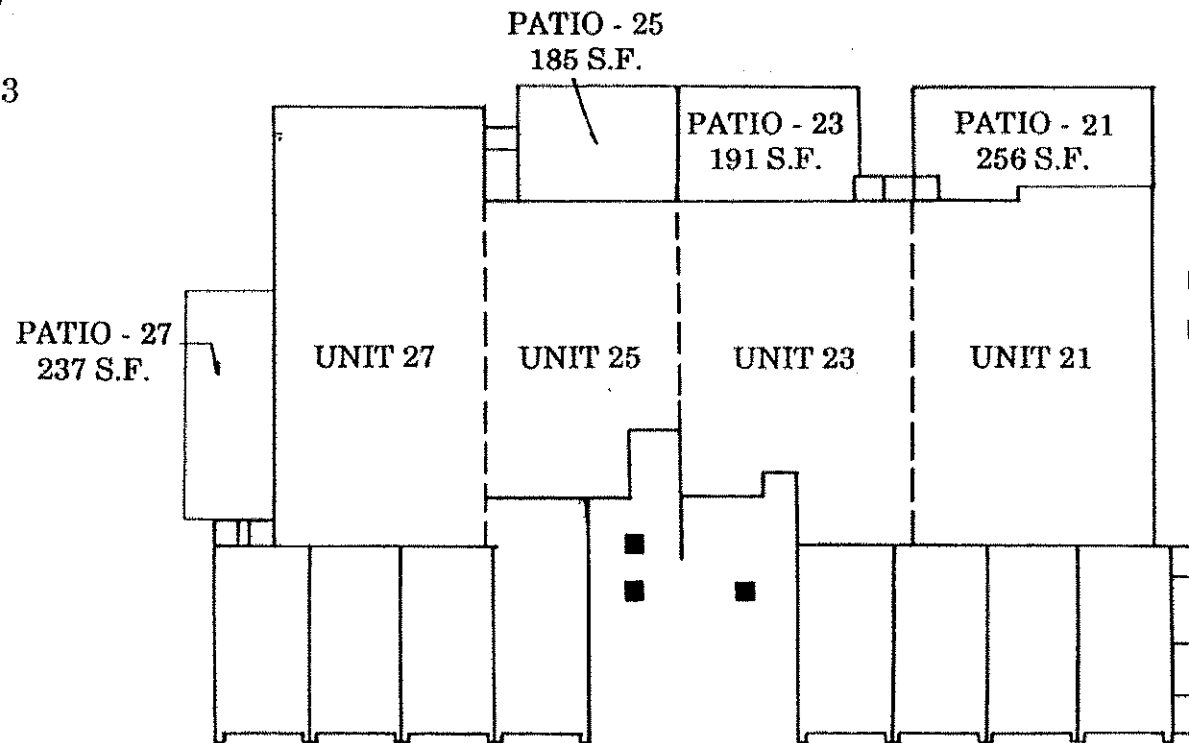
PREPARED BY: JEFF PINGLEY
W.O. 346-23
SCALE: 1" = 20'
DATE: SEPTEMBER 27, 1991

EXHIBIT "D"

PATIO EXCLUSIVE USE COMMON AREA

LYON COMMUNITIES, INC.
SALERNO AT FOOTHILL RANCH

TRACT 13587
PHASE 1
SHEET 3 OF 3



BUILDING 3
PARCEL 1 OF LLA NO. 91-037
(FORMERLY LOT 1)



PREPARED BY: JEFF PINGLEY
W.O. 346-23
SCALE: 1" = 20'
DATE: SEPTEMBER 27, 1991

EXHIBIT "E"

DRAWING SHOWING LOCATION OF EASEMENT OVER
PORTION OF PARCEL B OF LOT LINE ADJUSTMENT NO. LL 91-037
CONSTITUTING PORTION OF ASSOCIATION PROPERTY IN PHASE 1

EXHIBIT "E"



LYON COMMUNITIES INC. FOOTHILL RANCH PHASE 1 SALERNO

PARCELS 1, B & J
OF LLA 91-037
(FORMERLY LOTS 1, B & J
OF TRACT 13587)

SHEET 1 OF 3

LEGEND



EASEMENT OVER PARCEL "B" FOR PRIVATE
STREET PURPOSES

(LOT "A")

FORMER LOT NO.# OR LETTERED LOT

B

PARCEL NO.# OR LETTER PER
LOT LINE ADJUSTMENT

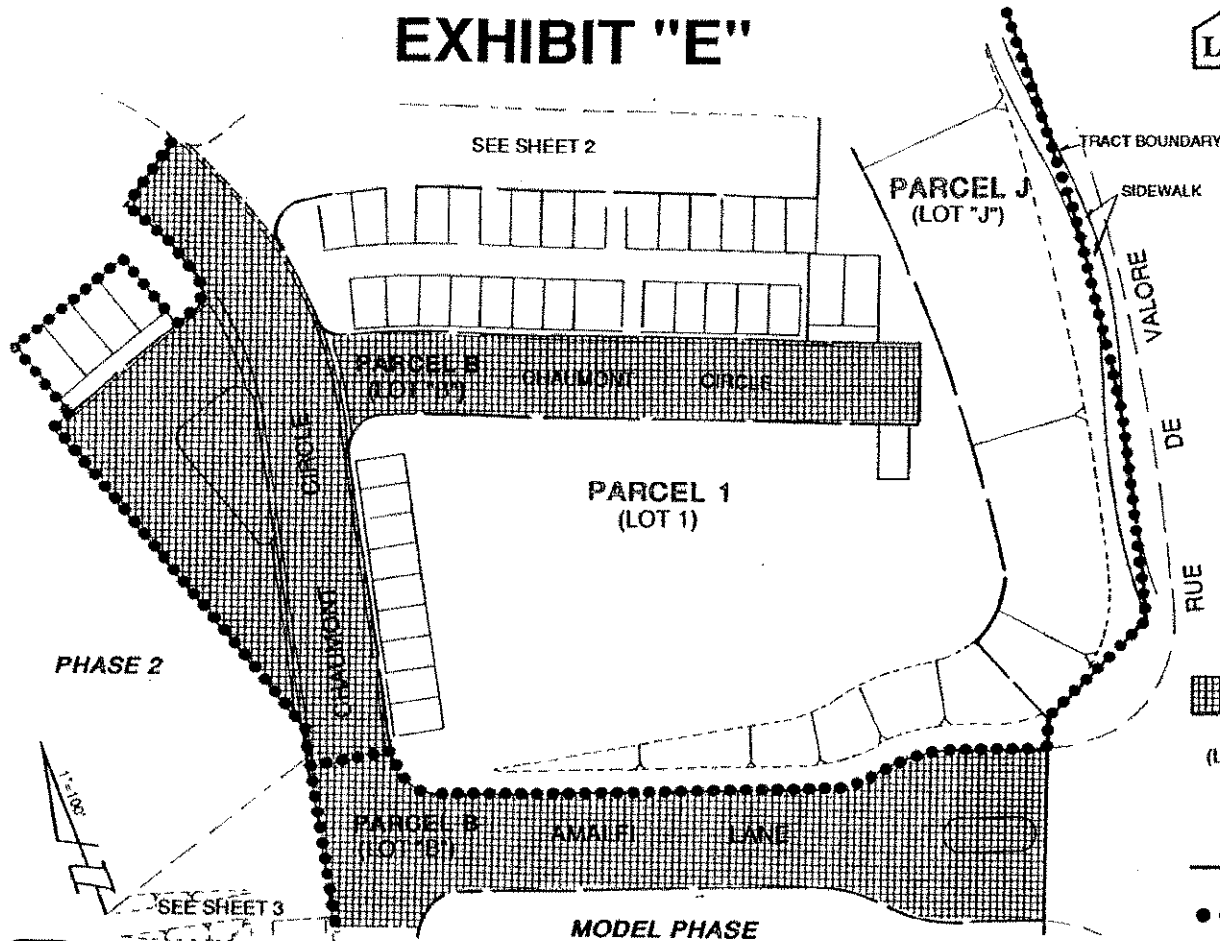


LOT LINE



PHASE LINE

DATE: SEPTEMBER 30, 1991



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

Three Hughes • Irvine, California 92718 • (714) 583-1010

EXHIBIT "E"



LYON COMMUNITIES INC.
FOOTHILL RANCH
PHASE 1 SALERNO

PARCELS 1, B & J
OF LLA 91-037
(FORMERLY LOTS 1, B & J
OF TRACT 13587)

SHEET 2 OF 3

PHASE 2

PARCEL 1
(LOT 1)

PARCEL 1
(LOT 1)

PARCEL J
(LOT "J")

TRACT BOUNDARY

SIDEWALK

RETAINING WALL

RETAINING WALL

LEGEND



EASEMENT OVER PARCEL "B" FOR PRIVATE
STREET PURPOSES

(LOT "A")

FORMER LOT NO.# OR LETTERED LOT

8

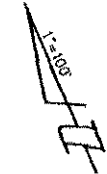
PARCEL NO.# OR LETTER PER
LOT LINE ADJUSTMENT



LOT LINE



PHASE LINE



RETAINING WALL



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

Three Hughes • Irvine, California 92618 • (714) 583-1010

PARCEL B
(LOT "B")

CHAMONT

CIRCLE

SEE SHEET 1

DATE: SEPTEMBER 30, 1991

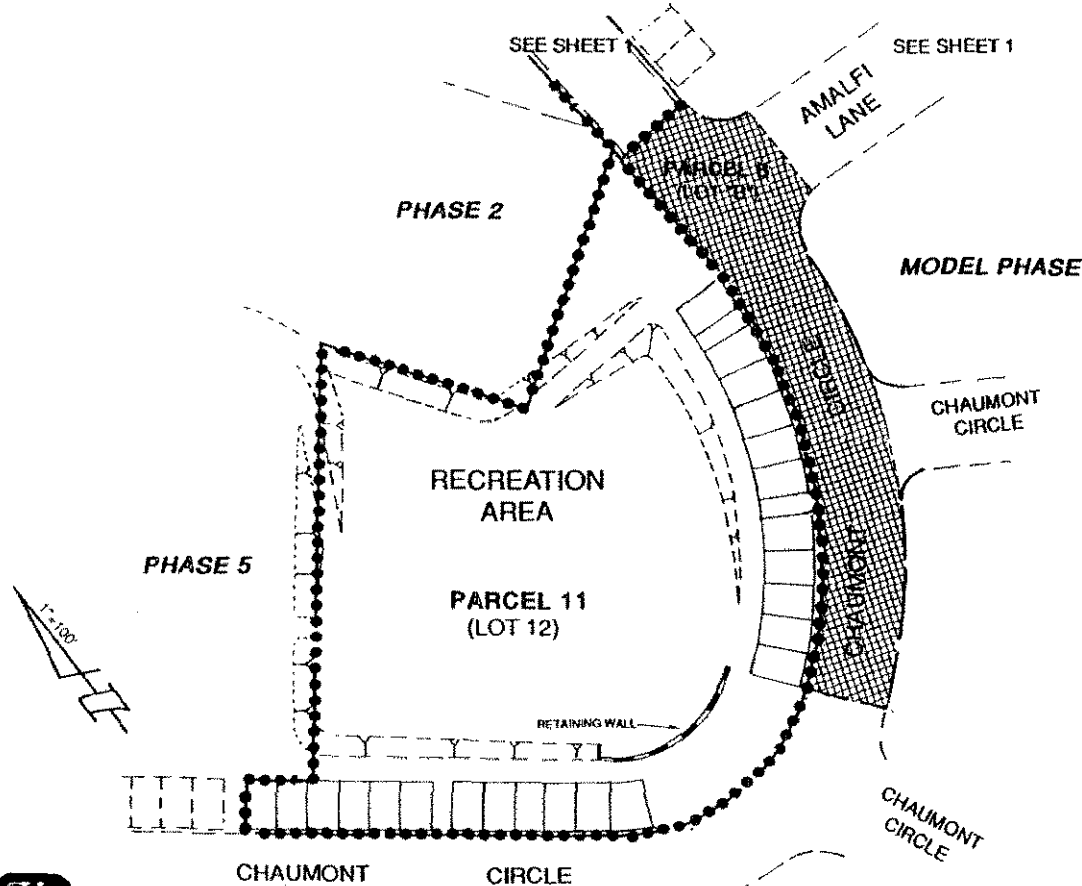
EXHIBIT "E"



LYON COMMUNITIES INC. FOOTHILL RANCH PHASE 1 SALERNO

PARCELS 11 & B
OF LLA 91-037
(FORMERLY LOTS 11 & B
OF TRACT 13587)

SHEET 3 OF 3



LEGEND



EASEMENT OVER PARCEL "B" FOR PRIVATE STREET PURPOSES

(LOT "A")

FORMER LOT NO.# OR LETTERED LOT

8

PARCEL NO.# OR LETTER PER LOT LINE ADJUSTMENT



LOT LINE



PHASE LINE



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

Three Hughes • Irvine, California 92718 • (714) 583-1010

DATE: SEPTEMBER 30, 1991

92-00737

Recorded at the request of
FIRST AMERICAN TITLE INS. CO.Recording Requested By,
and When Recorded, Mail To:4:00
P.M.

JAN 6 1992

McKITTRICK, JACKSON, DeMARCO
& PECKENPAUGH (FSJ)
4041 MacArthur Boulevard
Fifth Floor
Post Office Box 2710
Newport Beach, California 92658-8995Official Records
Orange County, California*Lee A. Branch* Recorder

Title		\$
Q.S.		
Add.		\$
P.S.		
Lien Nt		\$
Q.S.		
Other		\$
Doc Fee	\$	
EX. T.	\$	
BOOK	\$	
FILE	\$	
RDE-6		

NOTICE OF ANNEXATION AND
SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR A PHASE OF DEVELOPMENT OF FOOTHILL RANCH
(SALERNO DELEGATE DISTRICT - PHASE 1)

THIS NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION ("Notice") is made by LYON COMMUNITIES INC., a California corporation ("Lyon").

P R E A M B L E

A. Lyon is the record owner of certain real property ("Added Territory") in the unincorporated area of the County of Orange, State of California, described as:

Parcels 1, 11, J (formerly Parcels 1, 12 and J of Lot Line Adjustment LL 91-028 and formerly Lots 1, 12 and J of Tract No. 13587) and an easement over a portion of Parcel B (formerly Parcel B of Lot Line Adjustment LL 91-028 and formerly Lot B of Tract No. 13587), as shown on Lot Line Adjustment No. LL 91-037, which was Recorded on November 13, 1991, as Instrument No. 91-618789, of Official Records of Orange County, California, and Parcel K (formerly Lot K of Tract No. 13587), as shown on Lot Line Adjustment No. 91-028, which was Recorded on June 19, 1991, as Instrument No. 91-313368, of Official Records of Orange County, California.

B. The Added Territory constitutes a Phase of Development of the Properties known as Foothill Ranch, as described in the certain Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements ("Master

Declaration") for Foothill Ranch ("Properties"). The Master Declaration was recorded on March 26, 1990, as Instrument No. 90-156802, of Official Records of Orange County, California. The Master Declaration is or will be binding upon all Owners of Lots and Condominiums in the Properties presently or hereafter covered by the Master Declaration.

C. Lyon is a "Participating Builder" as defined in the Master Declaration, and Lyon is executing this Notice pursuant to the authority of Article II, Sections 2.1 and 2.3 of the Master Declaration. In furtherance of the Master Development Plan for the Properties as described in the Master Declaration, Lyon intends to develop and sell Condominiums in the Added Territory to the public, and Lyon intends to provide for the maintenance of the Corporation Property in the Annexed Property for the benefit of the Owners of all Lots and Condominiums in the Properties, subject to the provisions of the Master Declaration and this Notice. Lyon with the consent of Declarant now desires to annex the Added Territory to the Properties.

THEREFORE, LYON HEREBY DECLARES AS FOLLOWS:

1. Annexation of Territory and Establishment of General Plan.

a. General Plan. This Notice is hereby established in furtherance of the overall development plan for the improvement and sale of Condominiums within the Added Territory and for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Added Territory and the Condominiums therein.

b. Equitable Servitudes. The covenants, conditions and restrictions of this Notice and the Master Declaration are hereby imposed as equitable servitudes upon each Condominium within the Added Territory, as a servient tenant, for the benefit of each and every other Lot and Condominium within the Properties, as dominant tenements.

c. Covenants Appurtenant. The covenants, conditions and restrictions of this Notice shall run with, and shall inure to the benefit of and shall be binding upon all of the Added Territory, and shall be binding upon and inure to the benefit of all parties having, or hereafter acquiring, any right, title or interest in all or any portion of the Added Territory.

2. Annexation. Lyon hereby declares that the Added Territory is hereby added to and made a part of the Properties subject to the Master Declaration. The Added Territory is and shall be held, conveyed, hypothecated, encumbered, leased,

occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Notice and the Master Declaration. This Notice constitutes a "Notice of Annexation," as described in Section 2.3 of the Master Declaration.

3. Delegate District. The Added Territory shall comprise a portion of the Salerno Delegate District of the Foothill Ranch Maintenance Corporation (the "Maintenance Corporation").

4. Restrictions. Each of the provisions of this Notice shall be deemed a part of the Restrictions (as defined in the Master Declaration), and they may be enforced as provided in the Master Declaration for the enforcements of other provisions thereof.

5. Membership. The Owner of the Added Territory shall automatically become a Member of the Maintenance Corporation.

6. Phase of Development. The Added Territory shall constitute a Phase of Development as defined in the Master Declaration.

7. Land Classifications.

a. Residential Area. Parcel 1 of Lot Line Adjustment No. LL 91-037 of the Added Territory is hereby classified, pursuant to Article II, Section 2.3 of the Master Declaration, to be Residential Area.

b. Corporation Property. That portion of the Added Territory, consisting of Parcel K of Lot Line Adjustment No. LL 91-028 and Parcel J of Lot Line Adjustment No. LL 91-037, is hereby designated, pursuant to Article II, Section 2.3 of the Master Declaration, to be Corporation Property as defined in Article I, Section 1.19 of the Master Declaration. Declarant shall grant fee simple title to Parcel K of LL 91-028 and Parcel J of LL 91-037, lien-free, to the Maintenance Corporation, prior to the first Close of Escrow for the Sale of a Condominium in the Added Territory. The Maintenance Corporation shall become responsible for maintenance of the Corporation Property in the Added Territory concurrently with the commencement of Common Assessments against Condominiums located in the Added Territory.

c. Common Area. Parcel 11, and easements over Parcel 1 (excepting the Units therefrom) and a portion of Parcel B, as further described in the Declaration, of Lot Line Adjustment LL 91-037 shall be deemed to be "Common Area" as that term is defined in the Master Declaration.

8. Assessment Obligations. The rights and obligations of the Owners of Condominiums the Added Territory with respect to assessments shall be as stated in the Master Declaration. Annual Common Assessments provided for in the Master Declaration shall commence as to each Condominium in the Added Territory on the first day of the first month following the month in which the first Close of Escrow for the sale of a Condominium in the Added Territory occurs, or on the first day of the first month in which the Corporation Property in the Added Territory is conveyed to the Maintenance Corporation, whichever occurs first. There is no Cost Center Assessment Component of the Common Assessments attributable to the Added Territory. The Common Assessments shall be levied against the Condominiums in a uniform and equal manner based upon the number of Condominiums owned.

9. Maintenance Obligations. The maintenance obligations of the Maintenance Corporation and the Owners are described in the Master Declaration. The Maintenance Corporation shall assume its maintenance obligations with respect to the Added Territory upon the commencement of Common Assessments on Condominiums in the Added Territory.

10. Conformity with Development Plan. This Notice is in conformity with the development plan currently on file with the DRE. This Notice is being Recorded prior to the third (3rd) anniversary of the original issuance of the most recently issued Final Subdivision Public Report from the DRE for the most recent Phase of Development of the Properties, as described in Section 2.3 of the Master Declaration. This Notice shall not have the direct effect of increasing the current budgeted expenses of the Maintenance Corporation by more than twenty percent (20%) or substantially overburdening the Corporation Property.

11. Maintenance of Rear Yard Walls. There are Rear Yard Walls in the Added Territory, as defined in Section 1.19 of the Master Declaration. The Maintenance Corporation shall maintain the Rear Yard Walls initially constructed by Lyon, which are shown on Exhibit "A" attached hereto, to the extent required by the Master Declaration.

12. Miscellaneous Provisions.

a. Enforcement and Nonwaiver. References hereby made to the provisions of Article XII, Section 12.5 of the Master Declaration, which Section is hereby incorporated in this Notice by such reference as though set forth herein to apply to the Properties of which the Added Territory is a part.

b. Restrictions Severable. Each of the provisions of this Notice shall be deemed independent and severable, and the invalidity or partial invalidity of any pro-

visions or portions therein shall not affect the validity or enforceability of any other provisions hereof.

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

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

e. Amendments.

(a) By Lyon. Prior to the Close of Escrow for the sale of a Condominium in the Added Territory to a member of the public in accordance with a Final Subdivision Public Report issued by the DRE, the provisions of this Notice may be amended or terminated by the Recordation of a written instrument signed by Lyon setting forth such amendment or termination; provided, however, that any amendment or termination of this Notice or in such a manner that it would affect the Corporation Property, shall require the prior written consent of the Declarant under the Master Declaration.

(b) By Owners. After the first Close of Escrow as provided in subparagraph (a) above, the Owners of seventy-five percent (75%) of the Condominiums in the Added Territory may at any time amend, revoke or cancel all or any part of this Notice by execution and Recordation of a written instrument providing therefor; provided, however, that any amendment or termination of this Notice in such a manner that it would affect the Corporation Property shall further require the prior written consent of the Maintenance Corporation.

f. Term. Unless otherwise terminated or amended as provided in this Notice, all of the covenants, conditions and restrictions of this Notice shall run with the Properties and shall be binding on and enforceable by all Owners of Lots and Condominiums in the Properties and by the Maintenance Corporation for a period of fifty (50) years after the Recordation of this Notice and, thereafter, said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years.

g. Terminology. Unless otherwise expressly provided herein, the terms in this Notice shall have the same meanings as are given such terms by the Master Declaration.

h. Inconsistencies. If there is any inconsistency between the terms of this Notice and the terms of any Additional Declaration insofar as the Added Territory is concerned, the terms of this Notice shall control. If there is any inconsistency between the terms of this Notice and the terms of the Master Declaration insofar as the Added Territory is concerned, the terms of the Master Declaration shall control.

December 18 The Parties have executed this Notice on 1991.

LYON COMMUNITIES INC., a
California corporation

By: B. J. Jantzen

Its: President

By: Justin Bluff

Its: Assistant Secretary

"Lyon"

The undersigned is the "Declarant" under the Master Declaration and hereby consents to the foregoing Notice in accordance with Article II, Sections 2.1 and 2.3 of the Master Declaration as of December 19, 1991.

FOOTHILL RANCH COMPANY, a
California limited partnership

By: BUCK EQUITIES, LTD., a
California limited
partnership

Its: General Partner

By: BUCK CORPORATION, INC.,
a California corporation

Its: General Partner

By: [Signature]

Its: Vice President

"Declarant"

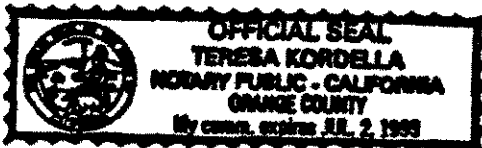
STATE OF CALIFORNIA

COUNTY OF ORANGE

)
) ss.
)

On 2/12, 1991, before me, the undersigned, a Notary Public in and for said State, personally appeared John V. Kordella and John V. Kordella, 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 LYON COMMUNITIES INC., the corporation therein named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.



Teresa Kordella
Notary Public in and for said State

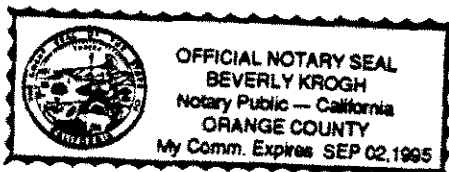
STATE OF CALIFORNIA

COUNTY OF ORANGE

)
) ss.
)

On December 19, 1991, before me, the undersigned, a Notary Public in and for said State, personally appeared CHRIS A. DOWNEY personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as VICE PRESIDENT or on behalf of BUCK CORPORATION, INC., a corporation, and acknowledged to me that the corporation executed it on behalf of BUCK EQUITIES, LTD., a limited partnership and that such limited partnership executed it on behalf of FOOTHILL RANCH COMPANY, the limited partnership therein named, and that the limited partnership executed it.

WITNESS my hand and official seal.



Beverly Krogh
Notary Public in and for said State

EXHIBIT "A"

DRAWING DEPICTING REAR YARD
WALLS IN ADDED TERRITORY

EXHIBIT "A"

SEE SHEET 2

PARCEL J
(LOT "J")

TRACT BOUNDARY

SIDEWALK

PARCEL B
(LOT "B")

CHAUMONT

CIRCLE

PARCEL 1
(LOT 1)

CIRCLE

CHAUMONT

PHASE 2

PHASE 1

PARCEL B
(LOT "B")

AMALFI

LANE

MODEL PHASE



LYON COMMUNITIES INC.

FOOTHILL RANCH
PHASE 1 SALERNO

PARCELS 1, B & J
OF LLA 91-037
(FORMERLY LOTS 1, B & J
OF TRACT 13587)

SHEET 1 OF 2

LEGEND

WALLS/FENCES MAINTAINED BY FOOTHILL
RANCH MAINTENANCE CORPORATION (MASTER)

(LOT "A")

FORMER LOT NO.# OR LETTERED LOT

8

PARCEL NO.# OR LETTER PER
LOT LINE ADJUSTMENT

LOT LINE

PHASE LINE



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

Three Unincorporated California Cities • Tel. 883-1010

DATE: SEPTEMBER 30, 1991

EXHIBIT "A"

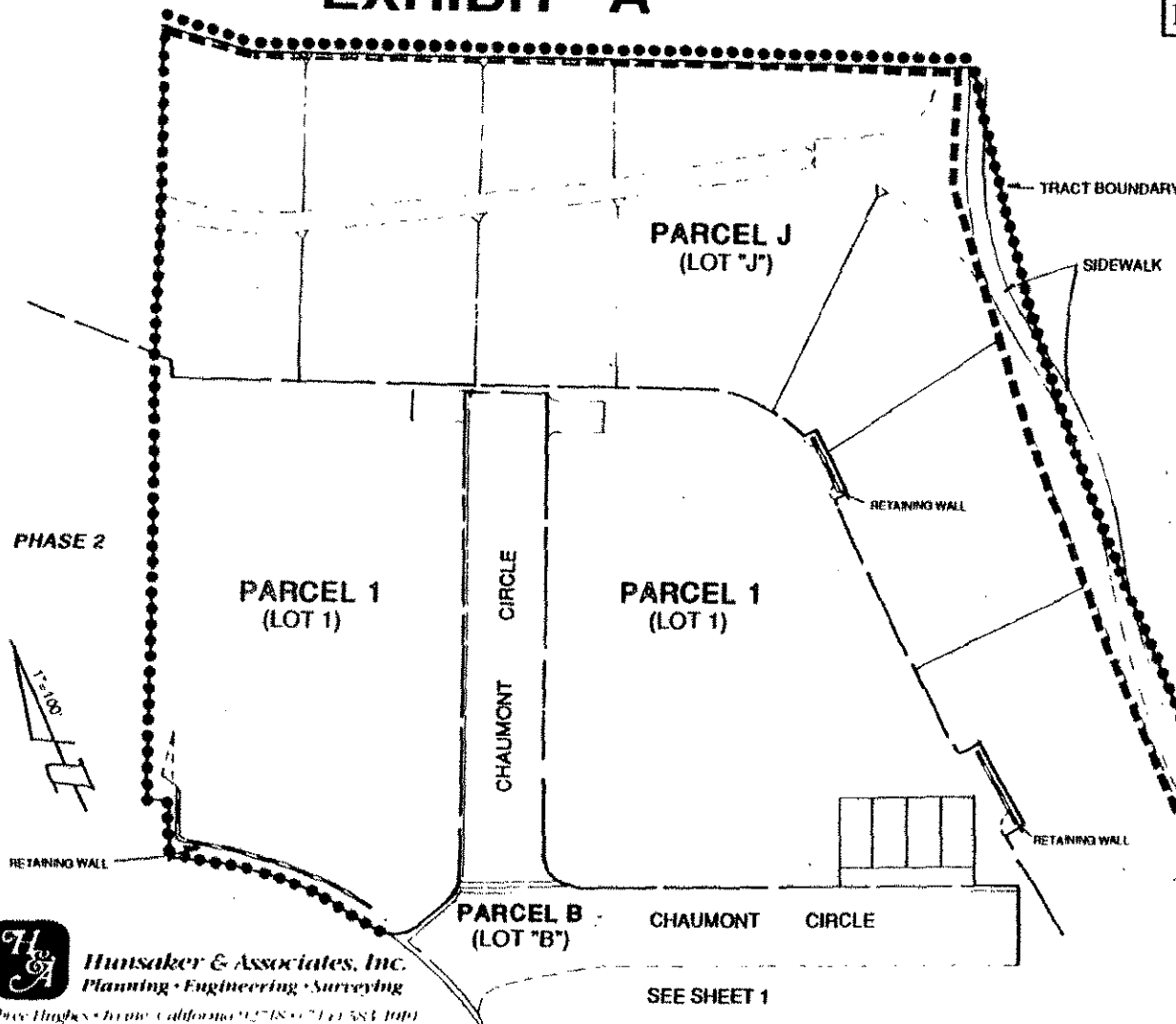


LYON COMMUNITIES INC.

FOOTHILL RANCH PHASE 1 SALERNO

PARCELS 1, B & J
OF LLA 91-037
(FORMERLY LOTS 1, B & J
OF TRACT 13587)

SHEET 2 OF 2



LEGEND

- WALLS/FENCES MAINTAINED BY FOOTHILL RANCH MAINTENANCE CORPORATION (MASTER)
- (LOT "A") FORMER LOT NO.# OR LETTERED LOT
- 8 PARCEL NO.# OR LETTER PER LOT LINE ADJUSTMENT
- LOT LINE
- PHASE LINE



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying
Three Hughes • Irvine, California 92618 • (714) 554-1000

DATE: SEPTEMBER 30, 1991

PHASING MATRIX:

[illegible]

ADDRESSING:

[illegible]

LEGEND:

- ***** PLANNING LINE *****
 ***** MASS HILLS ASSOCIATION MAINTAINED SLOPE (LOTS H-1) *****
 1 STREET (LOTS A-G)
 2 RAILROAD NUMBER
 3 PLANNING NUMBER
 4 DOWNSTAIRS UNIT NUMBER & PLAN TYPE
 5 PHASE
 6 ABOVE GARAGE UNIT NUMBER & PLAN TYPE
 7 GARAGE ASSIGNMENT TO UNIT NUMBER

NOTES:

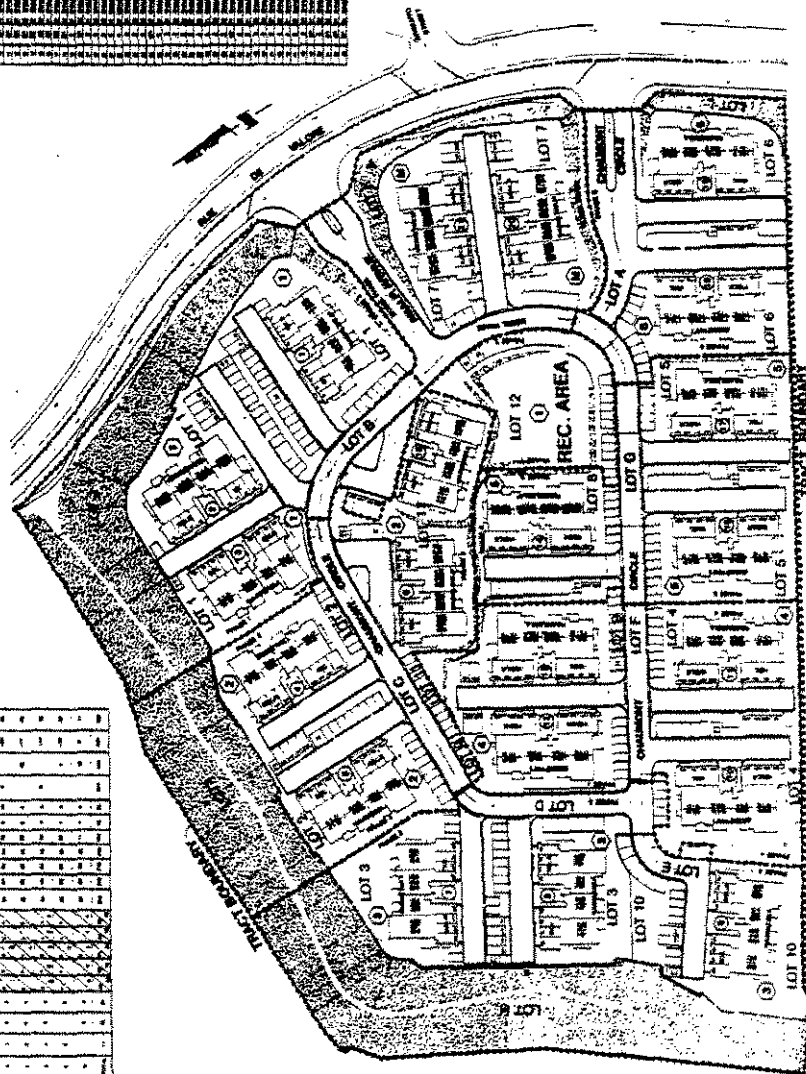
1. LETTER DESIGNATION AFTER NUMBER INDICATES PLAN TYPE
2. "R" AFTER LETTER DESIGNATION INDICATES REVERSE PLAN

WD: 198-23
DATE: 1-22-80
SCALE: 1"=40'
REVISED: NONE 4, 1981

UNCLASSIFIED

DATE PLACED BY:

MAP DAYE KENTNER
DATE OF BIRTH: 1901
JUNE 4, 1901

[illegible]

92-300199

Recorded at the request of
FIRST AMER. TITLE INS. CO.

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

8:00 JUN 2 1992

A.M. Official Records
Orange County, California

McKITTRICK, JACKSON, DeMARCO
& PECKENPAUGH (FSJ)
4041 MacArthur Boulevard, 5th Floor
Post Office Box 2710
Newport Beach, California 92658-8995

Lee A. Branch Recorder

Page \$	
Lien No. \$	
@ \$	
Other \$	
Total Rec. Fees	\$ 1.00
D.T.T.	\$
FEES	
S.F.	

(Space Above For Recorder's Use)

NOTICE OF ADDITION OF TERRITORY
AND SUPPLEMENTAL DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SALERNO (PHASE 2)

THIS INSTRUMENT FILED FOR RECORD BY
FIRST AMERICAN TITLE INSURANCE COMPANY AS AN
ACCOMMODATION ONLY. IT HAS NOT BEEN EXAMINED AS TO
ITS EXECUTION OR AS TO ITS EFFECT UPON THE TITLE.

fsj037/21930/000/0420/add.ter.2
05-14-92

NOTICE OF ADDITION OF TERRITORY
AND SUPPLEMENTAL DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
SALERNO (PHASE 2)

THIS NOTICE OF ADDITION OF TERRITORY AND SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS ("Notice of Addition") is made by THE WILLIAM LYON COMPANY, a California corporation, as successor-in-interest by merger with Lyon Communities Inc., dba Lyon Communities Inc. (the "Declarant").

P R E A M B L E:

A. On February 28, 1992, Declarant recorded a Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Salerno at Provence as Instrument No. 92-121148, which was amended by the First Amendment to Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Salerno at Provence, which was recorded on May 21, 1992, as Instrument No. 92-338720 (collectively referred to herein as the "Declaration"), both of Official Records of Orange County, California ("Official Records"). The Declaration is binding upon all Owners of Condominiums in the condominium project known as Salerno at Provence (the "Property").

B. Declarant is the owner of certain real property ("Annexed Property") in Orange County, California, described as follows:

Parcel 2 (formerly Lot 2 of Tract No. 13587), Parcel 11 (formerly Parcel 12 of Lot Line Adjustment LL 91-028 and formerly Lot 11 and a portion of Lot 12 of Tract No. 13587), Parcel C (formerly Lot C of Tract No. 13587), and an easement over a portion of Parcel 9 (formerly Lot 9 of Tract No. 13587), as shown and described on Exhibit "A" hereto, all as shown on Lot Line Adjustment No. LL 91-037, which was Recorded on November 13, 1991, as Instrument No. 91-618789, of Official Records of Orange County, California.

C. The Annexed Property is part of the Annexable Territory as defined in the Declaration.

D. Pursuant to Article XVI of the Declaration, Declarant now desires to add the Annexed Property to the Property as a Phase of Development thereof.

THEREFORE, Declarant hereby declares as follows:

1. Annexation of Annexed Property. Declarant, as the owner of the Annexed Property, hereby declares that the Annexed Property is annexed to and made a part of the Property as Phase 2 thereof. This Notice of Addition constitutes a Notice of Addition of Territory, as described in Section 16.4 of the Declaration.

2. Interests in Common Areas. Subject to the provisions of Section 11.4 of the Declaration, each Owner of a Condominium in the Annexed Property shall have an equal and undivided one-fortieth (1/40th) interest in the Common Area which is located in the Annexed Property. Such Common Area shall be conveyed in fee simple to the Owners of Condominiums in the Annexed Property as tenants in common, subject to certain reservations and easement grants. Declarant hereby expressly reserves for the benefit of certain Owners of Condominiums in the Annexed Property, exclusive easements for use of the Exclusive Use Common Area (as defined in the Declaration) for deck and open space parking purposes as shown on the Condominium Plan for the Annexed Property, and patio purposes as shown and assigned on Exhibit "B" hereto. Declarant also hereby expressly reserves for the benefit of certain Owners of Condominiums in the Annexable Territory exclusive easements for the use of Exclusive Use Common Area open space parking purposes as shown and assigned on the Condominium Plan for the Annexed Property.

3. Membership in Association and Community Association. Each Owner of one or more Condominiums in the Annexed Property shall automatically become a Member of the Salerno Community Association ("Association"), a California nonprofit mutual benefit corporation, as provided in Section 2.3 of the Declaration.

4. Assessment Obligations and Voting Rights. The rights and obligations of all Owners of Condominiums located in the Annexed Property with respect to payment of assessments and voting are set forth in Article V and Section 2.6, respectively, of the Declaration. The Annual Assessments to be paid to the Association, and each Owner's voting rights shall commence as to all Condominiums in the Annexed Property on the first day of the calendar month following the first Close of Escrow for the sale of a Condominium in the Annexed Property.

5. Maintenance Obligations. The respective maintenance obligations of the Association, the Owners, and Declarant shall be as described in the Declaration.

6. VA Approval. Detailed plans for the development of the Annexable Territory, as described in Paragraph B hereof, have been submitted to the Department of Veteran Affairs, which has determined that such plans are in accordance with the

general plan previously submitted to the Department of Veteran Affairs for the overall development of the Properties, and the Department of Veteran Affairs has so advised Declarant.

7. Conformity with Development Plan. This Notice of Addition is in conformity with the Development Plan currently on file with the Department of Real Estate ("DRE"), and is being Recorded prior to the seventh (7th) anniversary of the Recordation of the Declaration. This Notice of Addition is being Recorded prior to the third (3rd) anniversary of the issuance of the most recently issued or amended Final Subdivision Public Report from the DRE for a Phase of Development, as described in Section 16.1 of the Declaration.

8. Miscellaneous. The provisions of this Notice of Addition shall run with all of the Annexed Property and the Property; shall be binding upon all Persons having or acquiring any interest in the Annexed Property, the Property, or any part thereof; shall inure to the benefit of and burden every portion of the Annexed Property, the Property, and any interest therein; and shall inure to the benefit of, be binding upon, and may be enforced by any Owner, Declarant, each successor in interest of Declarant, the Association, and their successive Owners and assigns. Except as otherwise provided herein, the terms in this Notice of Addition shall have the same meanings as are given such terms by the Declaration. Except as otherwise expressly provided herein, all of the provisions of the Declaration are hereby incorporated by reference as if fully set forth herein.

This Notice of Addition has been executed on the date set forth below to be effective as of the date of its Recordation.

Dated: May 26, 1992.

THE WILLIAM LYON COMPANY, a California corporation, as successor-in-interest by merger with Lyon Communities Inc., dba Lyon Communities Inc.

By:

William J. Arto Jr.

Its:

Vice President

By:

Justin Black

Its:

Assistant Secretary

"Declarant"

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On May 26,, 1992, before me, the undersigned, a
Notary Public in and for said State, personally appeared
William J. Soto and Justine Black,
personally known to me or proved to me on the basis of satisfac-
tory evidence to be the persons who executed the within instrument
as Vice President and Assist. Secret. or on behalf of
The William Lyon Company, the corporation
therein named, and acknowledged to me that the corporation
executed it.

WITNESS my hand and official seal.

Maria Duca
Notary Public in and for said State

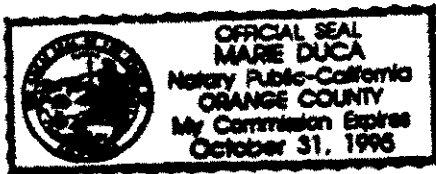


EXHIBIT "A"

DRAWING SHOWING LOCATION OF EASEMENT OVER PARCEL C
AND A PORTION OF PARCEL 9 OF LOT LINE ADJUSTMENT LL 91-037
CONSTITUTING PORTION OF ASSOCIATION PROPERTY IN PHASE 2

EXHIBIT "A"

THE WILLIAM LYON CO.

FOOTHILL RANCH PHASE 2 SALERNO

PARCELS 2,11,C AND A PORTION
OF PARCEL 9 OF LLA 91-037
(FORMERLY LOTS 2,11,C & 9 OF
TRACT 13857)

SHEET 1 OF 2

LEGEND

-  EASEMENT OVER PORTION OF
PARCEL 9 FOR OPEN PARKING
PURPOSES
-  EASEMENT OVER PARCEL "C"
FOR PRIVATE STREET PURPOSES
- (LOT "C") FORMER LOT NO. # OR
LETTERED LOT
- 8 PARCEL NO. # OR LETTER PER
LOT LINE ADJUSTMENT
- PHASE LINE
- LOT LINE



PHASE 3

PARCEL 2
(LOT 2)

PARCEL 1
(LOT "I")

RETAINING WALL

RETAINING WALL

PARCEL 2
(LOT 2)

PHASE 1

DATE: MAY 11, 1992

PARCEL 2 (LOT 2)

PARCEL C
(LOT "C")

PARCEL 2
(LOT 2)

PARCEL C
(LOT "C")

CHAUMONT CIRCLE

SEE SHEET 2



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

Three Hughes • Irvine, California 92718 • (714) 583-1010

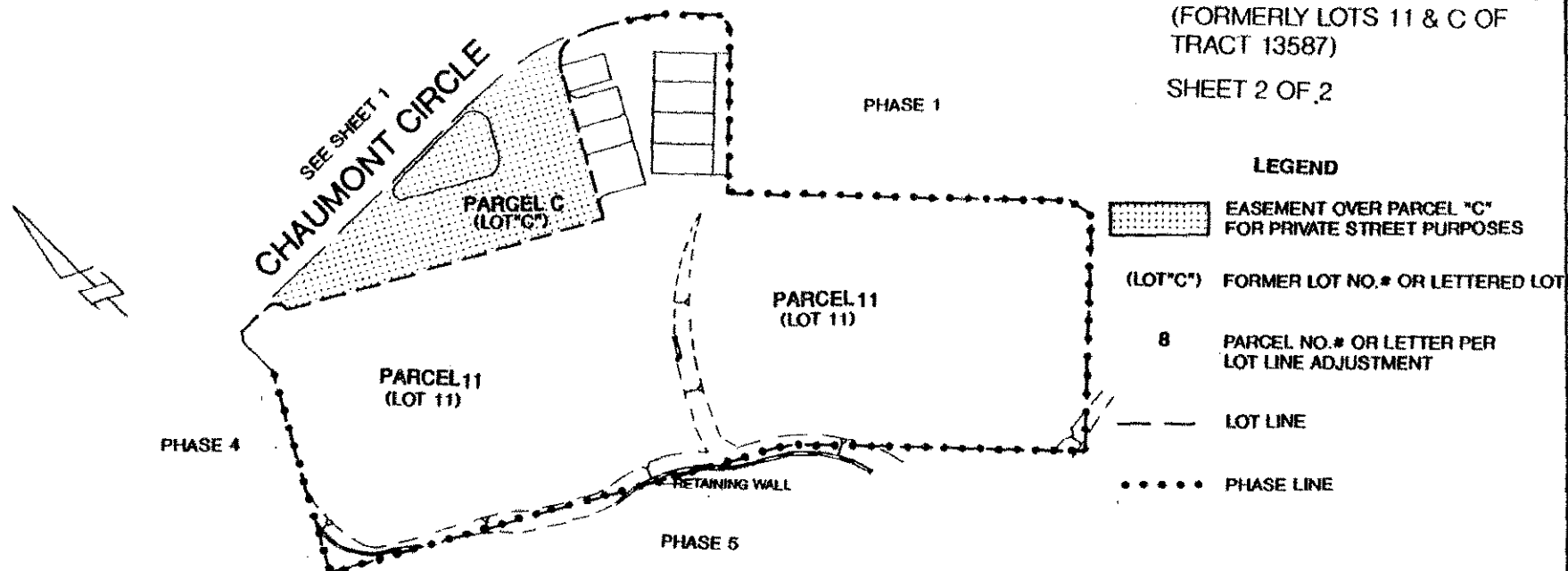
EXHIBIT "A"

THE WILLIAM LYON CO.

FOOTHILL RANCH PHASE 2 SALERNO

PARCELS 11 & C OF LLA 91-037
(FORMERLY LOTS 11 & C OF
TRACT 13587)

SHEET 2 OF 2



DATE: MAY 11, 1992



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

Three Hughes • Irvine, California 92718 • (714) 583-1010

EXHIBIT "B"

DRAWINGS DEPICTING AND ASSIGNING
EXCLUSIVE USE PATIO AREAS IN PHASE 2

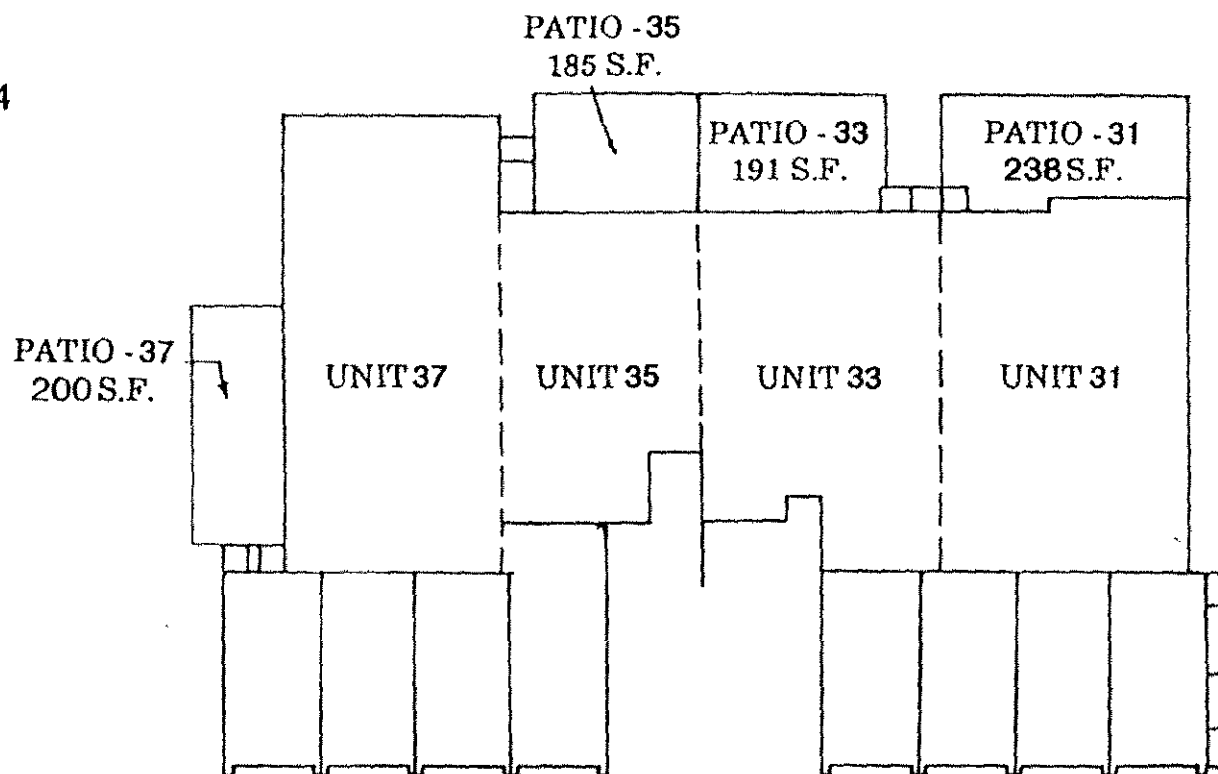
The Exclusive Use Common Areas for patio purposes, as depicted and assigned on this Exhibit "B" to the Notice for Salerno, shall each contain at least the number of square feet in the patio areas as are shown on the drawing attached hereto. The Exclusive Use Common Areas for patio purposes are bounded by a plane located eight (8) feet below the surface of the ground to a height of sixteen (16) feet, more or less, to the foundations and structures of the residential buildings, to the interior surfaces of the fences surrounding the patio areas, as such foundations and structures of the residential buildings, to the interior surfaces of the fences surrounding the patio areas, as such foundations, structures and fences are initially constructed by Declarant. These drawings showing the patio areas contain only approximate dimensions and are not necessarily drawn to scale. There is also reserved and conveyed by Declarant to the Owner of the Condominium, to which the Exclusive use Common Area patio is appurtenant, an encroachment easement as to actual location onto the Common Area for any such patio that may exceed the dimensions shown on the attached drawing.

EXHIBIT "B"

PATIO EXCLUSIVE USE COMMON AREA

THE WILLIAM LYON COMPANY
SALERNO AT FOOTHILL RANCH

TRACT 13587
PHASE 2
SHEET 1 OF 4



BUILDING 4
PARCEL 2 OF LLA NO. 91-037
(FORMERLY LOT 2)



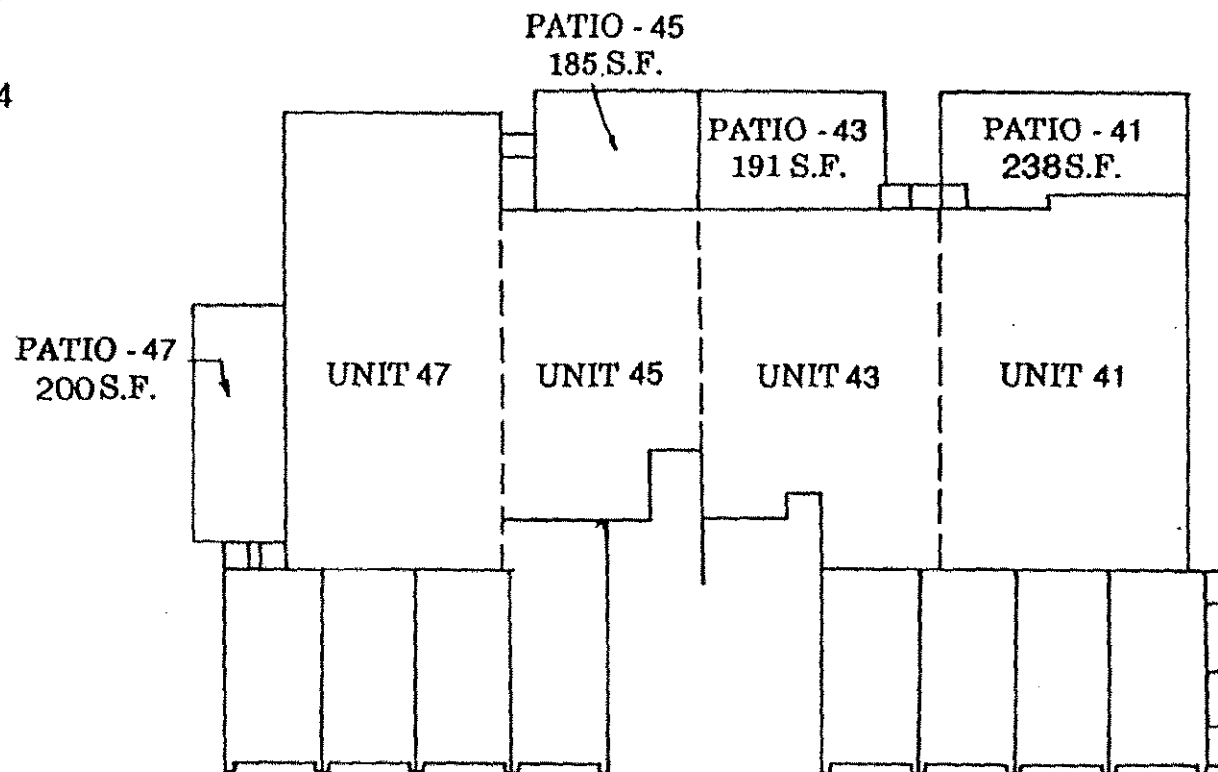
W.O. 346-23
SCALE: 1" = 20'
DATE: MAY 19, 1982

EXHIBIT "B"

PATIO EXCLUSIVE USE COMMON AREA

THE WILLIAM LYON COMPANY
SALERNO AT FOOTHILL RANCH

TRACT 13587
HASE 2
SHEET 2 OF 4



BUILDING 5
PARCEL 2 OF LLA NO. 91-037
(FORMERLY LOT 2)



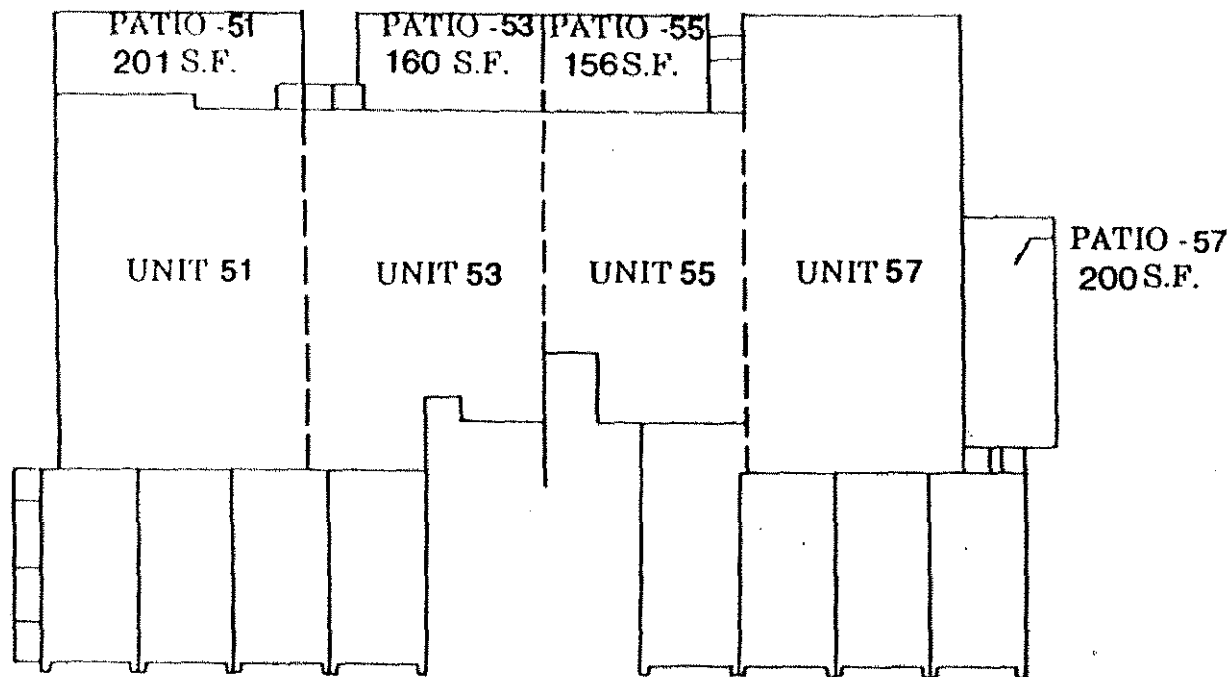
W.O. 346-23
SCALE: 1" = 20'
DATE: MAY 10, 1999

EXHIBIT "B"

PATIO EXCLUSIVE USE COMMON AREA

THE WILLIAM LYON COMPANY
SALERNO AT FOOTHILL RANCH

TRACT 13587
PHASE 2
SHEET 3 OF 4



BUILDING 6
PARCEL 11 OF LLA NO. 91-037
(FORMERLY LOT 11)



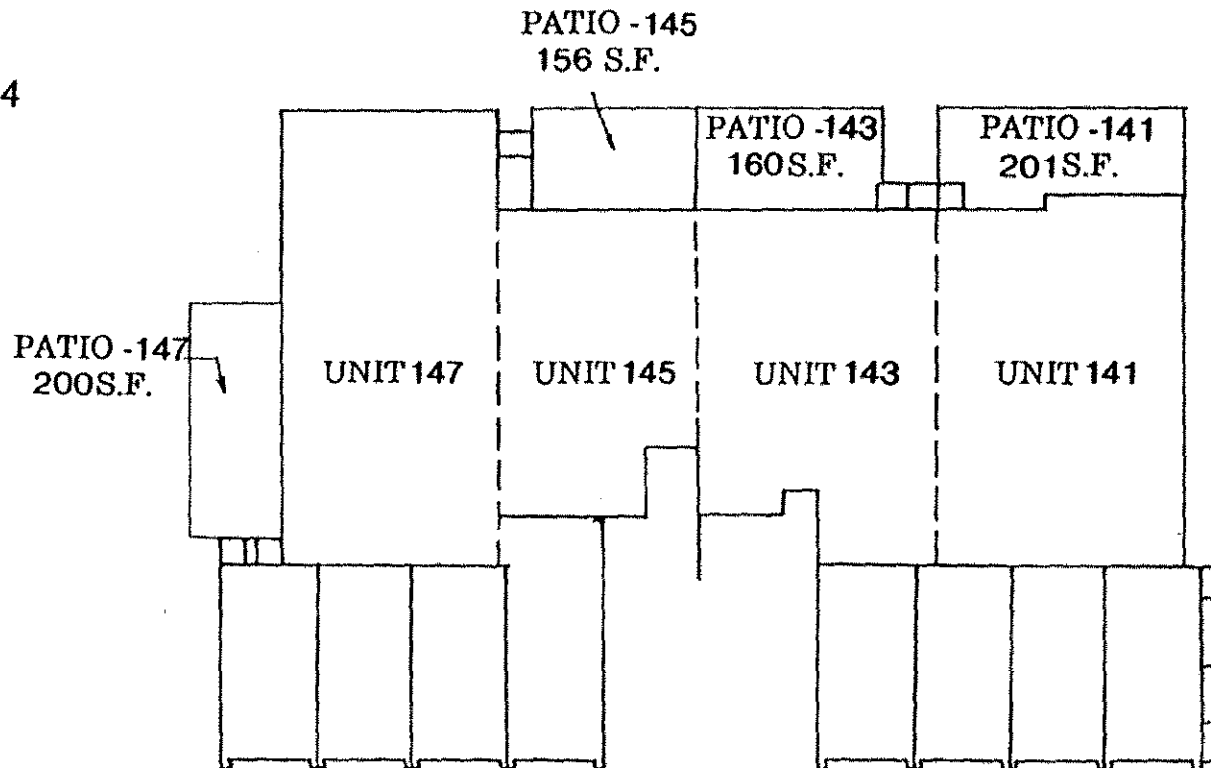
W.O. 346-23
SCALE: 1" = 20'
DATE: MAY 19, 1992

EXHIBIT "B"

PATIO EXCLUSIVE USE COMMON AREA

THE WILLIAM LYON COMPANY
SALERNO AT FOOTHILL RANCH

TRACT 13587
HASE 2
SHEET 4 OF 4



BUILDING 15
PARCEL 11 OF LLA NO. 91-037
(FORMERLY LOT 11)



W.O. 346-23
SCALE: 1" = 20'
DATE: MAY 19, 1992

92-00037.

Recorded at the request of
FIRST AMERICAN TITLE INS. CO.Recording Requested By,
and When Recorded, Mail To:4:00
P.M. JAN 6 1992McKITTRICK, JACKSON, DeMARCO
& PECKENPAUGH (FSJ)
4041 MacArthur Boulevard
Fifth Floor
Post Office Box 2710
Newport Beach, California 92658-8995Official Records
Orange County, California
Lee A. Branch Recorder

Titles \$	
Co \$	
Add. \$	
Pg \$	
Lien Nt \$	
Co \$	
Other \$	
Total	\$
Pro. Fees	\$
C.I.T.	\$
BOOK	\$
SPF	\$
RDE-6	

NOTICE OF ANNEXATION AND
SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR A PHASE OF DEVELOPMENT OF FOOTHILL RANCH
(SALERNO DELEGATE DISTRICT - PHASE 1)

THIS NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION
("Notice") is made by LYON COMMUNITIES INC., a California
corporation ("Lyon").

P R E A M B L E

A. Lyon is the record owner of certain real property
("Added Territory") in the unincorporated area of the County of
Orange, State of California, described as:

Parcels 1, 11, J (formerly Parcels 1, 12
and J of Lot Line Adjustment LL 91-028
and formerly Lots 1, 12 and J of Tract
No. 13587) and an easement over a portion
of Parcel B (formerly Parcel B of Lot
Line Adjustment LL 91-028 and formerly
Lot B of Tract No. 13587), as shown on
Lot Line Adjustment No. LL 91-037, which
was Recorded on November 13, 1991, as
Instrument No. 91-618789, of Official
Records of Orange County, California, and
Parcel K (formerly Lot K of Tract
No. 13587), as shown on Lot Line
Adjustment No. 91-028, which was
Recorded on June 19, 1991, as Instrument
No. 91-313368, of Official Records of
Orange County, California.

B. The Added Territory constitutes a Phase of
Development of the Properties known as Foothill Ranch, as
described in the certain Master Declaration of Covenants,
Conditions, Restrictions and Reservation of Easements ("Master

Declaration") for Foothill Ranch ("Properties"). The Master Declaration was recorded on March 26, 1990, as Instrument No. 90-156802, of Official Records of Orange County, California. The Master Declaration is or will be binding upon all Owners of Lots and Condominiums in the Properties presently or hereafter covered by the Master Declaration.

C. Lyon is a "Participating Builder" as defined in the Master Declaration, and Lyon is executing this Notice pursuant to the authority of Article II, Sections 2.1 and 2.3 of the Master Declaration. In furtherance of the Master Development Plan for the Properties as described in the Master Declaration, Lyon intends to develop and sell Condominiums in the Added Territory to the public, and Lyon intends to provide for the maintenance of the Corporation Property in the Annexed Property for the benefit of the Owners of all Lots and Condominiums in the Properties, subject to the provisions of the Master Declaration and this Notice. Lyon with the consent of Declarant now desires to annex the Added Territory to the Properties.

THEREFORE, LYON HEREBY DECLARES AS FOLLOWS:

1. Annexation of Territory and Establishment of General Plan.

a. General Plan. This Notice is hereby established in furtherance of the overall development plan for the improvement and sale of Condominiums within the Added Territory and for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Added Territory and the Condominiums therein.

b. Equitable Servitudes. The covenants, conditions and restrictions of this Notice and the Master Declaration are hereby imposed as equitable servitudes upon each Condominium within the Added Territory, as a servient tenant, for the benefit of each and every other Lot and Condominium within the Properties, as dominant tenements.

c. Covenants Appurtenant. The covenants, conditions and restrictions of this Notice shall run with, and shall inure to the benefit of and shall be binding upon all of the Added Territory, and shall be binding upon and inure to the benefit of all parties having, or hereafter acquiring, any right, title or interest in all or any portion of the Added Territory.

2. Annexation. Lyon hereby declares that the Added Territory is hereby added to and made a part of the Properties subject to the Master Declaration. The Added Territory is and shall be held, conveyed, hypothecated, encumbered, leased,

occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Notice and the Master Declaration. This Notice constitutes a "Notice of Annexation," as described in Section 2.3 of the Master Declaration.

3. Delegate District. The Added Territory shall comprise a portion of the Salerno Delegate District of the Foothill Ranch Maintenance Corporation (the "Maintenance Corporation").

4. Restrictions. Each of the provisions of this Notice shall be deemed a part of the Restrictions (as defined in the Master Declaration), and they may be enforced as provided in the Master Declaration for the enforcements of other provisions thereof.

5. Membership. The Owner of the Added Territory shall automatically become a Member of the Maintenance Corporation.

6. Phase of Development. The Added Territory shall constitute a Phase of Development as defined in the Master Declaration.

7. Land Classifications.

a. Residential Area. Parcel 1 of Lot Line Adjustment No. LL 91-037 of the Added Territory is hereby classified, pursuant to Article II, Section 2.3 of the Master Declaration, to be Residential Area.

b. Corporation Property. That portion of the Added Territory, consisting of Parcel K of Lot Line Adjustment No. LL 91-028 and Parcel J of Lot Line Adjustment No. LL 91-037, is hereby designated, pursuant to Article II, Section 2.3 of the Master Declaration, to be Corporation Property as defined in Article I, Section 1.19 of the Master Declaration. Declarant shall grant fee simple title to Parcel K of LL 91-028 and Parcel J of LL 91-037, lien-free, to the Maintenance Corporation, prior to the first Close of Escrow for the Sale of a Condominium in the Added Territory. The Maintenance Corporation shall become responsible for maintenance of the Corporation Property in the Added Territory concurrently with the commencement of Common Assessments against Condominiums located in the Added Territory.

c. Common Area. Parcel 11, and easements over Parcel 1 (excepting the Units therefrom) and a portion of Parcel B, as further described in the Declaration, of Lot Line Adjustment LL 91-037 shall be deemed to be "Common Area" as that term is defined in the Master Declaration.

8. Assessment Obligations. The rights and obligations of the Owners of Condominiums the Added Territory with respect to assessments shall be as stated in the Master Declaration. Annual Common Assessments provided for in the Master Declaration shall commence as to each Condominium in the Added Territory on the first day of the first month following the month in which the first Close of Escrow for the sale of a Condominium in the Added Territory occurs, or on the first day of the first month in which the Corporation Property in the Added Territory is conveyed to the Maintenance Corporation, whichever occurs first. There is no Cost Center Assessment Component of the Common Assessments attributable to the Added Territory. The Common Assessments shall be levied against the Condominiums in a uniform and equal manner based upon the number of Condominiums owned.

9. Maintenance Obligations. The maintenance obligations of the Maintenance Corporation and the Owners are described in the Master Declaration. The Maintenance Corporation shall assume its maintenance obligations with respect to the Added Territory upon the commencement of Common Assessments on Condominiums in the Added Territory.

10. Conformity with Development Plan. This Notice is in conformity with the development plan currently on file with the DRE. This Notice is being Recorded prior to the third (3rd) anniversary of the original issuance of the most recently issued Final Subdivision Public Report from the DRE for the most recent Phase of Development of the Properties, as described in Section 2.3 of the Master Declaration. This Notice shall not have the direct effect of increasing the current budgeted expenses of the Maintenance Corporation by more than twenty percent (20%) or substantially overburdening the Corporation Property.

11. Maintenance of Rear Yard Walls. There are Rear Yard Walls in the Added Territory, as defined in Section 1.19 of the Master Declaration. The Maintenance Corporation shall maintain the Rear Yard Walls initially constructed by Lyon, which are shown on Exhibit "A" attached hereto, to the extent required by the Master Declaration.

12. Miscellaneous Provisions.

a. Enforcement and Nonwaiver. References hereby made to the provisions of Article XII, Section 12.5 of the Master Declaration, which Section is hereby incorporated in this Notice by such reference as though set forth herein to apply to the Properties of which the Added Territory is a part.

b. Restrictions Severable. Each of the provisions of this Notice shall be deemed independent and severable, and the invalidity or partial invalidity of any pro-

visions or portions therein shall not affect the validity or enforceability of any other provisions hereof.

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

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

e. Amendments.

(a) By Lyon. Prior to the Close of Escrow for the sale of a Condominium in the Added Territory to a member of the public in accordance with a Final Subdivision Public Report issued by the DRE, the provisions of this Notice may be amended or terminated by the Recordation of a written instrument signed by Lyon setting forth such amendment or termination; provided, however, that any amendment or termination of this Notice or in such a manner that it would affect the Corporation Property, shall require the prior written consent of the Declarant under the Master Declaration.

(b) By Owners. After the first Close of Escrow as provided in subparagraph (a) above, the Owners of seventy-five percent (75%) of the Condominiums in the Added Territory may at any time amend, revoke or cancel all or any part of this Notice by execution and Recordation of a written instrument providing therefor; provided, however, that any amendment or termination of this Notice in such a manner that it would affect the Corporation Property shall further require the prior written consent of the Maintenance Corporation.

f. Term. Unless otherwise terminated or amended as provided in this Notice, all of the covenants, conditions and restrictions of this Notice shall run with the Properties and shall be binding on and enforceable by all Owners of Lots and Condominiums in the Properties and by the Maintenance Corporation for a period of fifty (50) years after the Recordation of this Notice and, thereafter, said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years.

g. Terminology. Unless otherwise expressly provided herein, the terms in this Notice shall have the same meanings as are given such terms by the Master Declaration.

h. Inconsistencies. If there is any inconsistency between the terms of this Notice and the terms of any Additional Declaration insofar as the Added Territory is concerned, the terms of this Notice shall control. If there is any inconsistency between the terms of this Notice and the terms of the Master Declaration insofar as the Added Territory is concerned, the terms of the Master Declaration shall control.

December 18, The Parties have executed this Notice on 1991.

LYON COMMUNITIES INC., a
California corporation

By: [Signature]

Its: President

By: [Signature]

Its: Assistant Secretary

"Lyon"

The undersigned is the "Declarant" under the Master Declaration and hereby consents to the foregoing Notice in accordance with Article II, Sections 2.1 and 2.3 of the Master Declaration as of December 19, 1991.

FOOTHILL RANCH COMPANY, a
California limited partnership

By: BUCK EQUITIES, LTD., a
California limited
partnership

Its: General Partner

By: BUCK CORPORATION, INC.,
a California corporation

Its: General Partner

By: [Signature]

Its: Vice President

"Declarant"

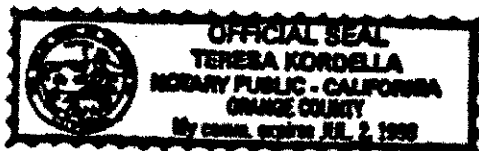
STATE OF CALIFORNIA

COUNTY OF ORANGE

)
) ss.
)

On 12/18, 1991, before me, the undersigned, a Notary Public in and for said State, personally appeared Donald Kordella and William H. H. H., 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 President or on behalf of LYON COMMUNITIES INC., the corporation therein named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.



Theresa Kordella
Notary Public in and for said State

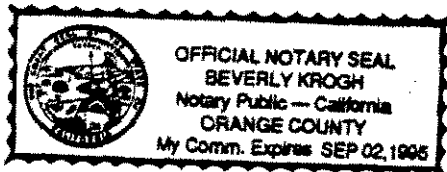
STATE OF CALIFORNIA

COUNTY OF ORANGE

)
) ss.
)

On December 19, 1991, before me, the undersigned, a Notary Public in and for said State, personally appeared CHRIS A. DOWNEY personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as VICE PRESIDENT or on behalf of BUCK CORPORATION, INC., a corporation, and acknowledged to me that the corporation executed it on behalf of BUCK EQUITIES, LTD., a limited partnership and that such limited partnership executed it on behalf of FOOTHILL RANCH COMPANY, the limited partnership therein named, and that the limited partnership executed it.

WITNESS my hand and official seal.



Beverly Krogh
Notary Public in and for said State

EXHIBIT "A"

DRAWING DEPICTING REAR YARD
WALLS IN ADDED TERRITORY

EXHIBIT "A"

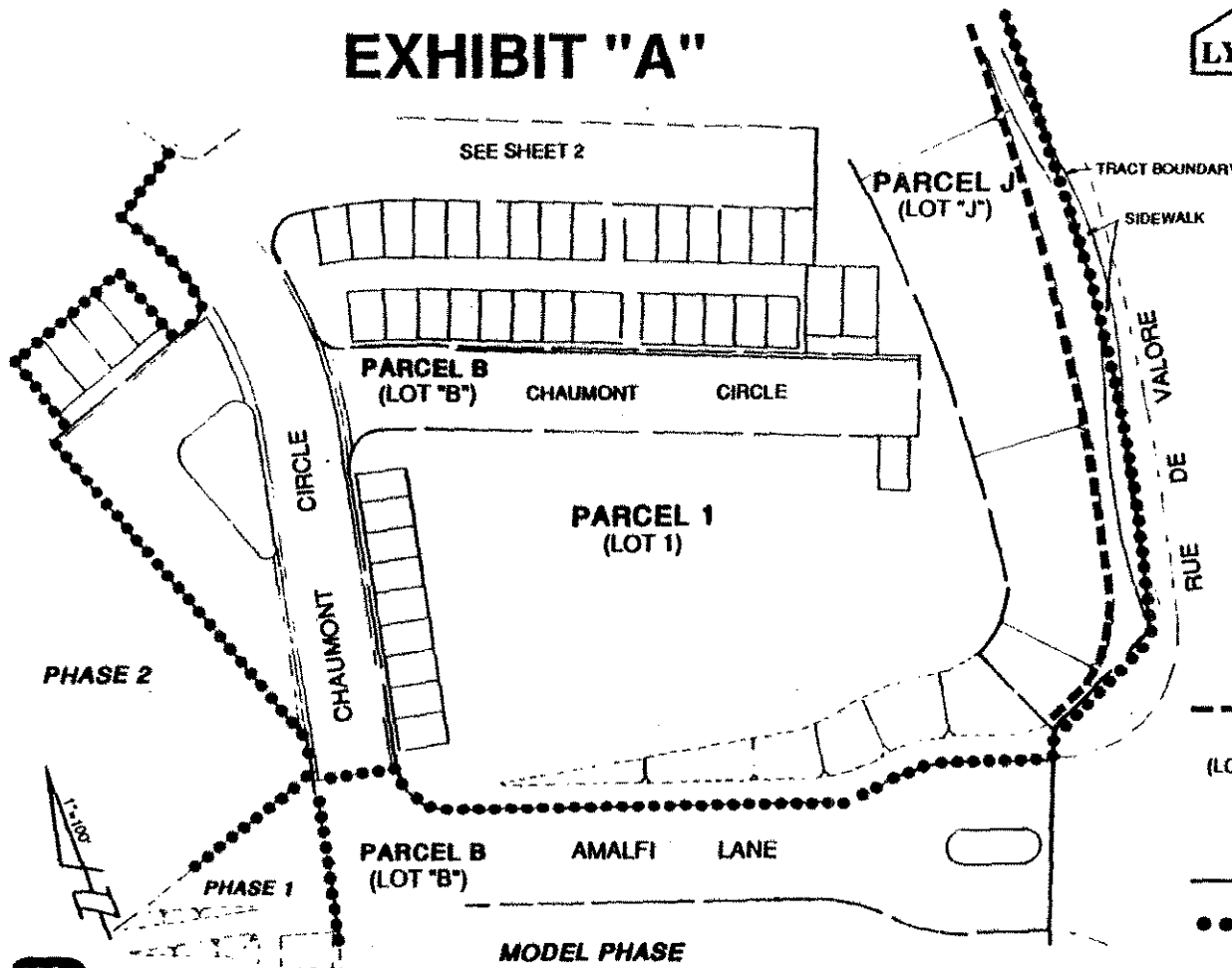


LYON COMMUNITIES INC.

FOOTHILL RANCH PHASE 1 SALERNO

PARCELS 1, B & J
OF LLA 91-037
(FORMERLY LOTS 1, B & J
OF TRACT 13587)

SHEET 1 OF 2



LEGEND

--- WALLS/FENCES MAINTAINED BY FOOTHILL RANCH MAINTENANCE CORPORATION (MASTER)

(LOT "A") FORMER LOT NO.# OR LETTERED LOT

8 PARCEL NO.# OR LETTER PER LOT LINE ADJUSTMENT

--- LOT LINE

..... PHASE LINE



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

One Hughes • Irvine • California 92614 • (714) 584-1000

DATE: SEPTEMBER 30, 1991

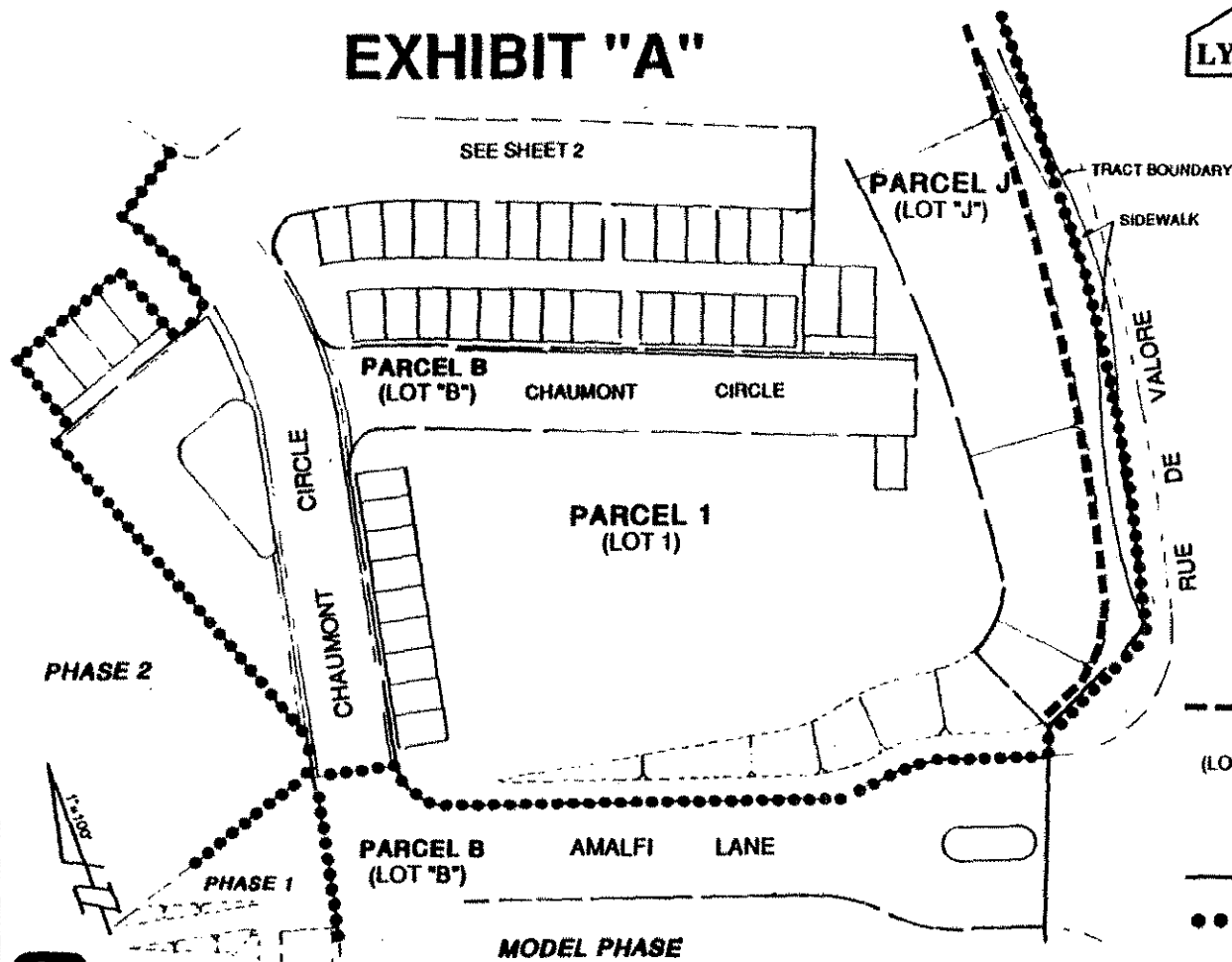
EXHIBIT "A"



LYON COMMUNITIES INC. FOOTHILL RANCH PHASE 1 SALERNO

PARCELS 1, B & J
OF LLA 91-037
(FORMERLY LOTS 1, B & J
OF TRACT 13587)

SHEET 1 OF 2



LEGEND

--- WALLS/FENCES MAINTAINED BY FOOTHILL RANCH MAINTENANCE CORPORATION (MASTER)

(LOT "A") FORMER LOT NO.# OR LETTERED LOT

8 PARCEL NO.# OR LETTER PER LOT LINE ADJUSTMENT

--- LOT LINE

..... PHASE LINE



Hunsaker & Associates, Inc.
Planning • Engineering • Surveying

One Hughes • Irvine, California 92618 • (714) 583-1000

DATE: SEPTEMBER 30, 1991

92-368179

Recording Requested By,
and When Recorded, Mail To:

McKITTRICK, JACKSON, DeMARCO
& PECKENPAUGH (FSJ)
4041 MacArthur Boulevard
Fifth Floor
Post Office Box 2710
Newport Beach, California 92658-8995

Recorded at the request of
FIRST AMER. TITLE INS. CO.

3:00 JUN 2 1992
A.M. Official Records
Orange County, California
Lee A. Branch Recorder

CF	
ADD	
Pg@	
Lien No.	
@	
Other	
Total Rec. Fees	\$
D.T.T.	\$
PROB	\$
SUE	\$

NOTICE OF ANNEXATION AND
SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR A PHASE OF DEVELOPMENT OF FOOTHILL RANCH
(SALERNO DELEGATE DISTRICT - PHASE 2)

THIS INSTRUMENT FILED FOR RECORD BY
FIRST AMERICAN TITLE INSURANCE COMPANY AS AN
ACCOMMODATION ONLY. IT HAS NOT BEEN EXAMINED AS TO
ITS EXECUTION OR AS TO ITS EFFECT UPON THE TITLE.

kaj206/21930/000/0420/annex.ph.2
05-14-92

NOTICE OF ANNEXATION AND
SUPPLEMENTAL DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR A PHASE OF DEVELOPMENT OF FOOTHILL RANCH
(SALERNO DELEGATE DISTRICT - PHASE 2)

THIS NOTICE OF ANNEXATION AND SUPPLEMENTAL DECLARATION ("Notice") is made by THE WILLIAM LYON COMPANY, a California corporation, as successor-in-interest by merger with Lyon Communities Inc., dba Lyon Communities Inc. ("Lyon").

P R E A M B L E

A. Lyon is the record owner of certain real property ("Added Territory") in the unincorporated area of the County of Orange, State of California, described as:

Parcel 2 (formerly Lot 2 of Tract No. 13587), Parcel 11 (formerly Parcel 12 of Lot Line Adjustment LL 91-028 and formerly Lot 11 and a portion of Lot 12 of Tract No. 13587), Parcels C and I (formerly Lots C and I of Tract No. 13587), and an easement over a portion of Parcel 9 (formerly Lot 9 of Tract No. 13587), as shown on Lot Line Adjustment LL 91-037, which was Recorded on November 13, 1991, as Instrument No. 91-618789, of Official Records of Orange County, California.

B. The Added Territory constitutes a Phase of Development of the Properties known as Foothill Ranch, as described in the certain Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements ("Master Declaration") for Foothill Ranch ("Properties"). The Master Declaration was recorded on March 26, 1990, as Instrument No. 90-156802, of Official Records of Orange County, California. The Master Declaration is or will be binding upon all Owners of Lots and Condominiums in the Properties presently or hereafter covered by the Master Declaration.

C. Lyon is a "Participating Builder" as defined in the Master Declaration, and Lyon is executing this Notice pursuant to the authority of Article II, Sections 2.1 and 2.3 of the Master Declaration. In furtherance of the Master Development Plan for the Properties as described in the Master Declaration, Lyon intends to develop and sell Condominiums in the Added Territory to the public, and Lyon intends to provide for the maintenance of the Corporation Property in the Added Territory for the benefit of the Owners of all Lots and Condominiums in the Properties, subject to the provisions of the

Master Declaration and this Notice. Pursuant to Section 2.3(b) of the Master Declaration, detailed plans for the development of the Added Territory have been submitted to the VA and the VA has determined that such plans are in accordance with the development plan for the Properties and has so advised Lyon. Lyon with the consent of Declarant now desires to annex the Added Territory to the Properties.

THEREFORE, LYON HEREBY DECLARES AS FOLLOWS:

1. Annexation of Territory and Establishment of General Plan.

a. General Plan. This Notice is hereby established in furtherance of the overall development plan for the improvement and sale of Condominiums within the Added Territory and for the purpose of enhancing and perfecting the value, desirability and attractiveness of the Added Territory and the Condominiums therein.

b. Equitable Servitudes. The covenants, conditions and restrictions of this Notice and the Master Declaration are hereby imposed as equitable servitudes upon each Condominium within the Added Territory, as a servient tenement, for the benefit of each and every other Lot and Condominium within the Properties, as dominant tenements.

c. Covenants Appurtenant. The covenants, conditions and restrictions of this Notice shall run with, and shall inure to the benefit of and shall be binding upon all of the Added Territory, and shall be binding upon and inure to the benefit of all parties having, or hereafter acquiring, any right, title or interest in all or any portion of the Added Territory.

2. Annexation. Lyon hereby declares that the Added Territory is hereby added to and made a part of the Properties subject to the Master Declaration. The Added Territory is and shall be held, conveyed, hypothecated, encumbered, leased, occupied, built upon or otherwise used, improved or transferred, in whole or in part, subject to this Notice and the Master Declaration. This Notice constitutes a "Notice of Annexation", as described in Section 2.3 of the Master Declaration.

3. Delegate District. The Added Territory shall comprise a portion of the Salerno Delegate District of the Foothill Ranch Maintenance Corporation (the "Maintenance Corporation").

4. Restrictions. Each of the provisions of this Notice shall be deemed a part of the Restrictions (as defined in the Master Declaration), and they may be enforced as provided in the Master Declaration for the enforcements of other provisions thereof.

5. Membership. The Owner of the Added Territory shall automatically become a Member of the Maintenance Corporation.

6. Phase of Development. The Added Territory shall constitute a Phase of Development as defined in the Master Declaration.

7. Land Classifications.

a. Residential Area. Parcel 2 (formerly Lot 2 of Tract No. 13587) and Parcel 11 (formerly Parcel 12 of Lot Line Adjustment LL 91-028 and formerly Lot 11 and a portion of Lot 12 of Tract No. 13587) of Lot Line Adjustment No. LL 91-037 of the Added Territory is hereby classified, pursuant to Article II, Section 2.3 of the Master Declaration, to be Residential Area.

b. Corporation Property. That portion of the Added Territory, consisting of Parcel I (formerly Lot I of Tract No. 13587) of Lot Line Adjustment No. LL 91-037, is hereby designated, pursuant to Article II, Section 2.3 of the Master Declaration, to be Corporation Property as defined in Article I, Section 1.19 of the Master Declaration. Lyon shall grant fee simple title to Parcel I (formerly Lot I of Tract No. 13587) of LL 91-037, lien-free, to the Maintenance Corporation, prior to the first Close of Escrow for the sale of a Condominium in the Added Territory. The Maintenance Corporation shall become responsible for maintenance of the Corporation Property in the Added Territory concurrently with the commencement of Common Assessments against Condominiums located in the Added Territory.

c. Common Area. Parcel C, and easements over Parcels 2 and 11 (excepting the Units therefrom) and a portion of Parcel 9, as further described in the Notice of Annexation of Territory and Supplemental Declaration of Covenants, Conditions and Restrictions for Salerno (Phase 2) ("Notice of Addition"), of Lot Line Adjustment LL 91-037 shall be deemed to be "Common Area" as that term is defined in the Master Declaration.

8. Assessment Obligations. The rights and obligations of the Owners of Condominiums in the Added Territory with respect to assessments shall be as stated in the Master Declaration. Annual Common Assessments provided for in the Master Declaration shall commence as to each Condominium in the Added Territory on the first day of the first month following

the month in which the first Close of Escrow for the sale of a Condominium in the Added Territory occurs, or on the first day of the first month in which the Corporation Property in the Added Territory is conveyed to the Maintenance Corporation, whichever occurs first. There is no Cost Center Assessment Component of the Common Assessments attributable to the Added Territory. The Common Assessments shall be levied against the Condominiums in a uniform and equal manner based upon the number of Condominiums owned.

9. Maintenance Obligations. The maintenance obligations of the Maintenance Corporation and the Owners are described in the Master Declaration. The Maintenance Corporation shall assume its maintenance obligations with respect to the Added Territory upon the commencement of Common Assessments on Condominiums in the Added Territory.

10. Conformity with Development Plan. This Notice is in conformity with the development plan currently on file with the DRE. This Notice is being Recorded prior to the third (3rd) anniversary of the original issuance of the most recently issued Final Subdivision Public Report from the DRE for the most recent Phase of Development of the Properties, as described in Section 2.3 of the Master Declaration. This Notice shall not have the direct effect of increasing the current budgeted expenses of the Maintenance Corporation by more than twenty percent (20%) or substantially overburdening the Corporation Property.

11. Maintenance of Rear Yard Walls. There are Rear Yard Walls in the Added Territory, as defined in Section 1.19 of the Master Declaration. The Maintenance Corporation shall maintain the Rear Yard Walls initially constructed by Lyon, which are shown on Exhibit "A" attached hereto, to the extent required by the Master Declaration.

12. Miscellaneous Provisions.

a. Enforcement and Non-waiver. References hereby made to the provisions of Article XII, Section 12.5 of the Master Declaration, which Section is hereby incorporated in this Notice by such reference as though set forth herein to apply to the Properties of which the Added Territory is a part.

b. Restrictions Severable. Each of the provisions of this Notice shall be deemed independent and severable, and the invalidity or partial invalidity of any provisions or portions therein shall not affect the validity or enforceability of any other provisions hereof.

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

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

e. Amendments.

(1) By Lyon. Prior to the Close of Escrow for the sale of a Condominium in the Added Territory to a member of the public in accordance with a Final Subdivision Public Report issued by the DRE, the provisions of this Notice may be amended or terminated by the Recordation of a written instrument signed by Lyon setting forth such amendment or termination; provided, however, that any amendment or termination of this Notice affecting the Corporation Property, shall require the prior written consent of the Declarant under the Master Declaration.

(2) By Owners. After the first Close of Escrow as provided in subparagraph (a) above, the Owners of seventy-five percent (75%) of the Lots and Condominiums in the Properties may at any time amend, revoke or cancel all or any part of this Notice by execution and Recordation of a written instrument providing therefor; provided, however, that any amendment or termination of this Notice affecting the Corporation Property shall further require the prior written consent of the Maintenance Corporation.

f. Term. Unless otherwise terminated or amended as provided in this Notice, all of the covenants, conditions and restrictions of this Notice shall run with the Properties and shall be binding on and enforceable by all Owners of Lots and Condominiums in the Properties and by the Maintenance Corporation for a period of fifty (50) years after the Recordation of this Notice and, thereafter, said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years.

g. Terminology. Unless otherwise expressly provided herein, the terms in this Notice shall have the same meanings as are given such terms by the Master Declaration.

h. Inconsistencies. If there is any inconsistency between the terms of this Notice and the terms of any Additional Declaration insofar as the Added Territory is concerned, the terms of this Notice shall control. If there is

any inconsistency between the terms of this Notice and the terms of the Master Declaration insofar as the Added Territory is concerned, the terms of the Master Declaration shall control.

The Parties have executed this Notice on
May 26, 1992.

THE WILLIAM LYON COMPANY, a
California corporation, as
successor-in-interest by merger
with Lyon Communities Inc., dba
Lyon Communities Inc.

By: William J. [Signature]
Its: Vice President

By: Justin [Signature]
Its: Assistant Secretary

"Lyon"

The undersigned is the "Declarant" under the Master Declaration and hereby consents to the foregoing Notice in accordance with Article II, Sections 2.1 and 2.3 of the Master Declaration as of May 26, 1992.

FOOTHILL RANCH COMPANY, a
California limited partnership

By: BUCK EQUITIES, LTD., a
California limited
partnership

Its: General Partner

By: BUCK CORPORATION, INC.,
a California corporation

Its: General Partner

By: [Signature]

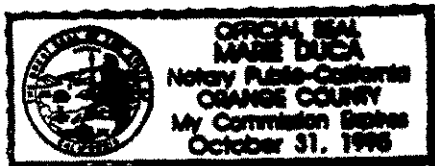
Its: Vice President

"Declarant"

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On May 26, 1992, 1992, before me, the undersigned,
a Notary Public in and for said State, personally appeared
William J. Soto Jr. and Justine Black,
personally known to me or proved to me on the basis of satisfac-
tory evidence to be the persons who executed the within instru-
ment as Vice President and Assistant Secretary or on
behalf of THE WILLIAM LYON COMPANY, the corporation therein
named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

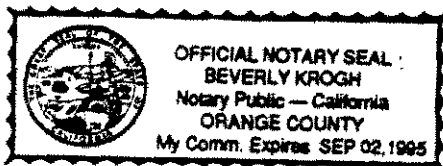


Marie Duka
Notary Public in and for said State

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On May 26, 1992, before me, the undersigned,
a Notary Public in and for said State, personally appeared
CHRIS A. DOWNEY personally known to me or proved to
me on the basis of satisfactory evidence to be the person who
executed the within instrument as VICE PRESIDENT or on
behalf of BUCK CORPORATION, INC., a corporation, and
acknowledged to me that the corporation executed it on behalf of
BUCK EQUITIES, LTD., a limited partnership and that such limited
partnership executed it on behalf of FOOTHILL RANCH COMPANY, the
limited partnership therein named, and that the limited partner-
ship executed it.

WITNESS my hand and official seal.



Beverly Krogh
Notary Public in and for said State

EXHIBIT "A"

DRAWING DEPICTING REAR YARD
WALLS IN ADDED TERRITORY

EXHIBIT "A"

TO NOTICE OF ANNEXATION

THE WILLIAM LYON CO.

FOOTHILL RANCH PHASE 2 SALERNO

PARCELS 2, 11, C, I, AND
A PORTION OF PARCEL 9 OF
LLA 91-037 (FORMERLY LOTS
2, 11, C, I, & 9 OF TRACT 13587)

SHEET 1 OF 1

DATE: MAY 29, 1992

- LEGEND**
- WALLS/FENCES TO BE MAINTAINED BY MAINTENANCE CORPORATION
 - "C)" FORMER LOT NO. # OR LETTERED LOT
 - PARCEL NO. # OR LETTER PER LOT LINE ADJUSTMENT
 - ... PHASE LINE
 - LOT LINE

