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EXHIBIT "A"	Legal Description of the Original Property (Section A of Recitals)
EXHIBIT "B"	Legal Description of the Additional Property (Section B of Recitals)
EXHIBIT "C"	Landscape Maintenance Area
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EXHIBIT "E"	Conditions of Approval (Section 8.24)
EXHIBIT "F"	Disclosure Statement Relating to Present Use of Adjoining Property (Section 8.25)
EXHIBIT "G"	Environmental Conditions Disclosure (Section 8.32)
EXHIBIT "H"	Disclosure Statement Relating to Pipelines and Transmission Facilities Lying Under Certain of the Lots Within the Property

MASTER DECLARATION OF COVENANTS, CONDITIONS,  
RESTRICTIONS AND GRANT OF EASEMENTS  
FOR  
SEA COUNTRY - THE VILLAGES

THIS DECLARATION ("Declaration") is made on the 26th day of January, 1999, by SCH HOUSING NO. 4, LLC, a Delaware limited liability company ("SCH"), and SEA COUNTRY CARSON, LLC, a Delaware limited liability company ("SCC") (collectively "Declarant" herein).

R E C I T A L S:

A. Declarant initially consists of two constituent entities (i.e. SCH and SCC). Declarant or its constituent entities intend(s) (without obligation to do so) to develop the Original Property and the Additional Property as such terms are defined in Paragraphs B and C of these Recitals below, utilizing two different product lines with one to be known as The Village of Brighton and the other as The Village of Strathmore.

B. Fee title to the real property more particularly described on Exhibit "A" attached hereto is owned by Declarant and/or by one or the other of Declarant's constituent entities. Said real property described on Exhibit "A" is sometimes referred to as the "Original Property" or "Phase 1" and sometimes as the "Property" (it being understood that the term Property shall mean the Original Property and such additions thereto as hereafter may be brought under the coverage of the Declaration and within the jurisdiction of the Association).

C. Fee title to all of the real property more particularly described on Exhibit "B" attached hereto is also owned by Declarant and/or by one or other of Declarant's constituent entities. Said real property described on Exhibit "B" is adjacent to the Original Property and is sometimes referred to herein as the "Additional Property".

D. Declarant or one or both of its constituent entities intend(s) (without being obligated to do so) to later develop the Additional Property in separate phases and to annex and bring the Additional Property within the coverage of this Declaration and within the jurisdiction of the same Association that has been established to own, administer, operate and maintain the Common Areas of the Original Property, and in such event the Owners of Lots within the Additional Property will join the Owners of Lots within the Original Property as Members of the said Association, and all such Lots and the Owners thereof will then be subject to assessment for Common Expenses as herein provided.

E. Subject to the specific terms, covenants and conditions set forth herein and in other instruments pertaining to the

creation of such easements, and notwithstanding the fact that the Original Property and the Additional Property (if annexed) will be developed as separate phases, Declarant intends to create or cause to be created certain reciprocal exclusive and/or nonexclusive easements, rights and/or licenses for particular purposes, which easements, rights and/or licenses will affect specific portions of the Common Areas located within each such phase (if and when developed), and will be appurtenant to each Lot located within such phases.

F. If the Additional Property is annexed by utilizing the annexation procedures provided for herein, then following such annexation the term "Property" shall also mean and include the Additional Property so annexed.

G. Declarant intends by this document to impose upon the Original Property, together with such additions thereto, if any, as may hereafter be annexed and brought within the coverage of this Declaration and the jurisdiction of the Association, mutually beneficial restrictions under a general plan of improvement for the benefit of all of the lots and the owners thereof and to create thereby a planned development within the meaning of California Civil Code Section 1351(k).

NOW, THEREFORE, Declarant hereby declares that the Original Property, together with such additions thereto, if any, as may hereafter be annexed and brought within the coverage of this Declaration and the jurisdiction of the Association, shall be held, sold, conveyed, mortgaged, encumbered, leased, rented, used, occupied, and improved, subject to the following easements, limitations, restrictions, covenants, conditions, liens and charges, all of which are for the purpose of establishing a general plan for the development of a residential community and of protecting the value and desirability of, and which shall run with, such real property, and shall be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof, and all of which are imposed on such Property and every portion thereof as a servitude in favor of each and every Lot (hereinafter defined) thereof as the dominant tenement and may be enforced by Declarant, its successors and assigns, each Owner (hereinafter defined), his successors and assigns, or by the Association (hereinafter defined), its successors and assigns, including those through merger, consolidation or reorganization.

#### ARTICLE I.

##### DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases, when used in the Restrictions (as herein defined), shall have the meanings hereinafter specified:



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EXHIBIT "B"	Legal Description of the Additional Property (Section B of Recitals)
EXHIBIT "C"	Landscape Maintenance Area
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EXHIBIT "F"	Disclosure Statement Relating to Present Use of Adjoining Property (Section 8.25)
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MASTER DECLARATION OF COVENANTS, CONDITIONS,  
RESTRICTIONS AND GRANT OF EASEMENTS,  
FOR  
SEA COUNTRY - THE VILLAGES

THIS DECLARATION ("Declaration") is made on the 26th day of January, 1999, by SCH HOUSING NO. 4, LLC, a Delaware limited liability company ("SCH"), and SEA COUNTRY CARSON, LLC, a Delaware limited liability company ("SCC") (collectively "Declarant" herein).

R E C I T A L S:

A. Declarant initially consists of two constituent entities (i.e. SCH and SCC). Declarant or its constituent entities intend(s) (without obligation to do so) to develop the Original Property and the Additional Property as such terms are defined in Paragraphs B and C of these Recitals below, utilizing two different product lines with one to be known as The Village of Brighton and the other as The Village of Strathmore.

B. Fee title to the real property more particularly described on Exhibit "A" attached hereto is owned by Declarant and/or by one or the other of Declarant's constituent entities. Said real property described on Exhibit "A" is sometimes referred to as the "Original Property" or "Phase 1" and sometimes as the "Property" (it being understood that the term Property shall mean the Original Property and such additions thereto as hereafter may be brought under the coverage of the Declaration and within the jurisdiction of the Association).

C. Fee title to all of the real property more particularly described on Exhibit "B" attached hereto is also owned by Declarant and/or by one or other of Declarant's constituent entities. Said real property described on Exhibit "B" is adjacent to the Original Property and is sometimes referred to herein as the "Additional Property".

D. Declarant or one or both of its constituent entities intend(s) (without being obligated to do so) to later develop the Additional Property in separate phases and to annex and bring the Additional Property within the coverage of this Declaration and within the jurisdiction of the same Association that has been established to own, administer, operate and maintain the Common Areas of the Original Property, and in such event the Owners of Lots within the Additional Property will join the Owners of Lots within the Original Property as Members of the said Association, and all such Lots and the Owners thereof will then be subject to assessment for Common Expenses as herein provided.

E. Subject to the specific terms, covenants and conditions set forth herein and in other instruments pertaining to the

creation of such easements, and notwithstanding the fact that the Original Property and the Additional Property (if annexed) will be developed as separate phases, Declarant intends to create or cause to be created certain reciprocal exclusive and/or nonexclusive easements, rights and/or licenses for particular purposes, which easements, rights and/or licenses will affect specific portions of the Common Areas located within each such phase (if and when developed), and will be appurtenant to each Lot located within such phases.

F. If the Additional Property is annexed by utilizing the annexation procedures provided for herein, then following such annexation the term "Property" shall also mean and include the Additional Property so annexed.

G. Declarant intends by this document to impose upon the Original Property, together with such additions thereto, if any, as may hereafter be annexed and brought within the coverage of this Declaration and the jurisdiction of the Association, mutually beneficial restrictions under a general plan of improvement for the benefit of all of the lots and the owners thereof and to create thereby a planned development within the meaning of California Civil Code Section 1351(k).

NOW, THEREFORE, Declarant hereby declares that the Original Property, together with such additions thereto, if any, as may hereafter be annexed and brought within the coverage of this Declaration and the jurisdiction of the Association, shall be held, sold, conveyed, mortgaged, encumbered, leased, rented, used, occupied, and improved, subject to the following easements, limitations, restrictions, covenants, conditions, liens and charges, all of which are for the purpose of establishing a general plan for the development of a residential community and of protecting the value and desirability of, and which shall run with, such real property, and shall be binding on all parties having any right, title or interest in the Property or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each owner thereof, and all of which are imposed on such Property and every portion thereof as a servitude in favor of each and every Lot (hereinafter defined) thereof as the dominant tenement and may be enforced by Declarant, its successors and assigns, each Owner (hereinafter defined), his successors and assigns, or by the Association (hereinafter defined), its successors and assigns, including those through merger, consolidation or reorganization.

## ARTICLE I.

### DEFINITIONS

Unless the context otherwise specifies or requires, the following words and phrases, when used in the Restrictions (as herein defined), shall have the meanings hereinafter specified:



Section 1.1 "Additional Property" shall mean and refer to the real property described in Paragraph C of the Recitals above.

Section 1.2 "Approval" of the Association or the Architectural Committee shall mean prior written approval.

Section 1.3 "Architectural Committee" shall mean the committee created pursuant to the provisions of Article VI hereof.

Section 1.4 "Articles" shall mean the Articles of Incorporation of the Association filed in the Office of the Secretary of State of the State of California, as such Articles may be from time to time amended.

Section 1.5 "Association" shall mean and refer to the Sea Country - The Villages Community Association, a California nonprofit mutual benefit corporation, its successors and assigns, whether by merger, consolidation, reorganization or otherwise, the members of which shall be the Owners of Lots within the Property.

Section 1.6 "Association Rules" shall mean the rules adopted by the Board pursuant to the provisions of Section 7.1 hereof, as they may be amended from time to time.

Section 1.7 "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.8 "Bylaws" shall mean the Bylaws of the Association which have been or will be adopted by the Association, as such Bylaws may be amended from time to time.

Section 1.9 "Common Area(s)" and "Common Facilities" shall mean all real property from time to time owned in fee or held as an easement holder and maintained by the Association for the common use, enjoyment and/or benefit of the Owners (as Members of the Association), including, without limitation, any real property which may be from time to time annexed in accordance with the provisions of this Declaration and brought within the jurisdiction of the Association for such purposes. Common Area shall include without limitation Private Street Area, Landscape Common Area, Park Area and Landscape and Maintenance Easement Area. The Common Area to be conveyed to and/or owned by the Association at the time of the first conveyance of a residential Lot within the Original Property to a third-party purchaser under the auspices of a Final Subdivision Public Report covering the Original Property, is as follows:

- (a) Private Street Area: NONE.
- (b) Landscape Common Area: NONE.
- (c) Park Area: NONE.

(d) Landscape and Maintenance Easement Area: That portion of Lot 46 of Tract No. 52281 subjected to a Landscape and Maintenance Easement in favor of the Association as provided for in Section 9.3(d) hereof and as more particularly described and/or shown on Exhibit "C" attached hereto.

Section 1.10 "Common Expenses" means and includes the actual and estimated expenses of the Association in performing its duties as set forth in the Restrictions, including, without limitation, expenses of: (a) ownership, operation, management and maintenance of the Common Area, (b) operation, management and/or maintenance of other areas (if any) for which the Association has specified responsibilities, (c) the insurance policies required to be carried by the Association, as provided for herein, and also including reasonable reserves for such purposes, as determined by the Board, and all sums designated as Common Expenses by or pursuant to the Restrictions.

Section 1.11 "Declarant" shall mean and refer to Declarant as defined in the introductory paragraph of this Declaration and Declarant's successors and assigns, if such successors and assigns are specifically granted the rights and powers and burdened with the duties, if any, of Declarant hereunder by instrument of conveyance or other instrument recorded in the Office of the County Recorder for the county in which the Property is located.

Section 1.12 "Declaration" shall mean this instrument as it may be amended from time to time.

Section 1.13 "Landscape and Maintenance Easement" shall have the meaning given to such term in Section 9.3(d) of this Declaration.

Section 1.14 "Lot" shall mean and refer to (a) any of the Lots 42 through 46, inclusive, and 76 through 80, inclusive, within the Original Property, (b) any of Lots 1 through 41, inclusive, 47 through 75, inclusive and 81 through 162, inclusive of Tract No. 52281 that may at any time hereafter be annexed into the Property so that they are brought under the coverage of the Declaration and under the jurisdiction of the Association, and (c) any of the Lots and/or Parcels into which any of the Lots referred to in Sections 1.14(a) and (b) above may hereafter from time to time be subdivided and/or resubdivided as shown on any recorded parcel map or subdivision map of the Property or a portion thereof, which has been or will be classified for residential purposes. The term "Lot" shall not include any Common Area and/or any area dedicated for public use.

Section 1.15 "Manager" or "Managing Agent" shall mean the persons, firm or corporation engaged by the Association or Declarant by contract and charged with the management of the Common Areas and the performance of other duties of the Association as provided in this Declaration.

Section 1.16 "Member" shall mean any person who is a Member of the Association pursuant to the provisions of Article IV hereof.

Section 1.17 "Mortgage" shall include a deed of trust as well as a mortgage.

Section 1.18 "Mortgagee" shall include a beneficiary or a holder of a deed of trust as well as a mortgagee.

Section 1.19 "Mortgagor" shall include the trustor of a deed of trust as well as a mortgagor.

Section 1.20 "Notice and a Hearing" shall mean notice and an opportunity for a hearing in the manner provided for in the Bylaws.

Section 1.21 "Original Property" shall mean the real property described in Paragraph A of the Recitals above.

Section 1.22 "Owner(s)" shall mean: (i) the person or persons or legal entity or entities, including Declarant, holding a fee simple interest in a Lot with respect to each Lot so owned, or, (ii) the purchaser or purchasers of a Lot under an executory contract of sale. Owner shall not include any person or entity having an interest in a Lot merely as security for the performance of an obligation.

Section 1.23 "Park and Access Easement" shall have the meaning given to such term in Section 8.34 of this Declaration.

Section 1.24 "Person" means a natural person, a trustee, a corporation, a partnership, or other legal entity.

Section 1.25 The "Property" shall mean and refer to the Original Property and such additions thereto as may hereafter be brought under the coverage of this Declaration and within the jurisdiction of the Association by annexation as herein provided, together with improvements now or hereafter constructed thereon.

Section 1.26 "Restrictions" shall mean all of the terms, provisions and restrictions set forth in this Declaration, together with any and all terms, provisions and restrictions set forth in any Supplemental Declaration which may be recorded by Declarant or its successors in interest, as said Declaration and/or Supplemental Declaration may be amended from time to time, and the rules of the Association and/or Architectural Committee promulgated in accordance with the provisions of this Declaration as such rules may be from time to time in effect, and the terms, provisions and restrictions of the Articles and Bylaws of the Association, as such instruments may be from time to time in effect.

Section 1.27 "Rules" shall mean the rules from time to time promulgated and adopted by the Board and/or the Architectural Committee as herein provided.

Section 1.28 "act No. 52281" shall mean act No. 52281 as per Map thereof filed for record in the County in which the Property is located.

Section 1.29 "Vote" shall mean the vote of the Members entitled to exercise the voting power of the Association at any duly held regular or special meeting of the Members of the Association.

## ARTICLE II.

### USE CLASSIFICATION AND PERMITTED USES

Section 2.1 Residential Area; Single Family Residential Use. Any Lot (as defined in Section 1.14 of this Declaration) located within the Property which is by this Declaration or by any appropriately adopted and recorded Supplemental Declaration classified to be within a "Residential Area" shall be developed and used solely for single family residential purposes.

Section 2.2 Prohibited Activities. No professional, commercial or industrial operations or other nonresidential use shall be conducted on any Lot; provided, however, that nothing in this Declaration shall prevent the rental of a Lot by the Owner thereof for single family residential purposes, subject to all of the provisions of the Restrictions.

Section 2.3 Residential Area Classification. Lots 42 through 46, inclusive, 76 through 80, inclusive, are hereby classified as Residential Area.

### Section 2.4 Common Areas.

(a) The use of the Common Areas within the Original Property and within any additional real property which may be hereafter added to the Property by annexation, shall be in accordance with and subject to the provisions and limitations pertaining thereto as set forth in this Declaration and/or as may be set forth in any Supplemental Declaration which may be recorded covering the Common Areas of any such additional real property so annexed, or by amendment to any such Supplemental Declaration or to this Declaration, and such additional provisions and limitations as may be set forth from time to time by the Association Rules; provided, however, that any such additional provisions and limitations shall not be unreasonable and shall not be generally inconsistent with the provisions of this Declaration.

(b) Except for any area located within the Common Areas that is dedicated to any governmental entity and except for the right of an Owner to make exclusive use of any mail box receptacle assigned to his Lot as contemplated in Section

9.3(c) hereof, the Common Areas and any facilities and improvements located thereon shall be primarily for the use, enjoyment and/or benefit of the Owners of the Lots located within the Original Property and within any additional real property which may be hereafter added to the Property by annexation, and their families, tenants, and guests. The Common Areas shall be subject to all applicable Restrictions.

(c) The following is applicable to Common Area classified as "Private Street Area":

(i) Any portion of the Property which is by this Declaration or by Supplemental Declaration or otherwise classified as Private Street Area shall be improved and maintained for road and private street purposes only. The phrase "for road and private street purposes only", shall mean an area whose primary purpose shall be to provide access between the Lots and public streets, together with such complementary purposes as may be set forth for it herein and/or as may be fixed by Declarant in any Supplemental Declaration hereafter recorded covering additional Private Street Area and/or as may be from time to time provided by amendment of this Declaration and/or by amendment of any Supplemental Declaration in accordance with the provisions hereof or thereof, respectively; provided, however, that any such interpretive provisions and/or supplemental restrictions shall be generally consistent and compatible with the provisions of this Section 2.4(c). Any real property classified as Private Street Area shall be deemed a portion of the Common Area.

(ii) Additionally, Private Street Area may be used for purposes from time to time established by the Association; provided, however, that such other purposes when established by the Association must be (A) generally consistent and compatible with the provisions of this Section 2.4(c), (B) in compliance with all, applicable Conditions of Approval as such term is defined in Section 8.24 hereof and all applicable governmental laws, ordinances, codes and orders, and (C) compatible with uses customarily associated with private street areas located within residential developments in Los Angeles County, California.

(iii) Streets, sidewalks, pedestrian crossings, speed control devices, entry gates, entrance control devices, public or private utilities, cable lines and facilities, sewage and drainage facilities, mail boxes, emergency access as may be required by the City of Carson or any other governmental agencies and parking areas may be constructed, maintained and operated on, through, under or across any Private Street Area; provided that none of the foregoing shall materially affect the access

provided by the Private Street Area ; any time other than during the construction, repair, replacement and/or maintenance thereof, and provided further that such improvements must be in compliance with all Conditions of Approval as such term is herein defined and all applicable governmental laws, ordinances, codes and orders.

(iv) No portion of the Original Property is classified as a Private Street Area.

(d) The "Landscape Common Area" may be used for all or any combination of the following purposes and/or for such complementary purposes as may be fixed by Declarant in any Supplemental Declaration hereafter recorded covering additional Landscape Common Area and/or as may be from time to time provided by amendment of this Declaration and/or by amendment of any Supplemental Declaration in accordance with the provisions hereof or thereof, respectively; provided, however, that in no event shall any of the Landscape Common Area be used for any purposes which are not generally related to and/or compatible with the following purposes:

(i) Trees, landscaping, lawns, other forms of vegetation, irrigation facilities and open space;

(ii) Drainage devices, facilities and systems;

(iii) Picnic and recreational areas and facilities;

(iv) Sidewalks, paths, driveways, parking areas and facilities; mail boxes and/or restroom facilities;

(v) Public or private utilities, including, without limitation, sewage and cable lines and facilities;

(vi) Walls, pilasters and fencing, including, without limitation, such items as may be an adjunct to the entry gates;

(vii) Such other uses as may be reasonably compatible with the permitted uses described in this Section 2.4(d) above;

(viii) No portion of the Original Property is classified as Landscape Common Area.

Any portion of the Property classified as Landscape Common Area shall be deemed a portion of the Common Area.

(e) The "Park Area" may be used for all or any combination of the following purposes and/or for such complimentary purposes as may be fixed by Declarant in any

Supplemental Declaration hereafter recorded covering additional Park Area and/or as may be from time to time provided by Amendment of this Declaration and/or by amendment of any Supplemental Declaration in accordance with the provisions hereof or thereof, respectively; provided, however, that in no event shall any of the Park Area be used for any purposes which are not generally related to and/or compatible with the following purposes:

(i) Active and passive recreational areas and facilities, including, without limitation, playground equipment and facilities, tot lot facilities, picnic areas and facilities, and the like;

(ii) Trees, landscaping, lawns, other forms of vegetation, irrigation facilities and open space;

(iii) Drainage devices, facilities and systems;

(iv) Sidewalks, paths, driveways, parking areas and facilities, mail boxes and/or restroom facilities;

(v) Public or private utilities, including, without limitation, sewage and cable lines and facilities;

(vi) Walls, pilasters and fencing, including, without limitation, such items as may be an adjunct to the entry gates;

(vii) Such other uses as may be reasonably compatible with the permitted uses described in this Section 2.4(e) above;

(viii) No portion of the Original Property is classified as Park Area.

Any portion of the Property classified as Park Area shall be deemed a portion of the Common Area.

(f) The "Landscape and Maintenance Easement Area" shall be the area covered by any Landscape and Maintenance Easement in favor of the Association provided for in Sections 1.9, 3.2 and 9.3(d) of this Declaration and/or as established by Declarant in any Supplemental Declaration hereafter recorded covering any Landscape and Maintenance Easement and/or as may be from time to time provided by amendment of this Declaration and/or by amendment of any supplemental declaration in accordance with the provisions hereof or thereof, respectively. The Landscape and Maintenance Easement Area can be used for all or any combination of the purposes set forth in the instrument establishing and/or reserving such easement and/or the following purposes and/or for such complementary purposes as may be fixed by Declarant in any Supplemental

Declaration hereafter recorded covering additional Landscape and Maintenance Easement Area and/or as may be from time to time provided by amendment of this Declaration and/or by amendment of any Supplemental Declaration in accordance with the provisions hereof or thereof, respectively; provided, however, that in no event shall any of the Landscape and Maintenance Easement Area be used for any purposes which are not generally related to or compatible with the following purposes:

(i) Trees, landscaping, lawns, other forms of vegetation and irrigation facilities;

(ii) Drainage devices, facilities and systems;

(iii) Sidewalks, paths, driveways and mail boxes;

(iv) Public or private utilities, including, without limitation, sewage and cable lines and facilities;

(v) Walls, pilasters and fencing;

(vi) Such other uses as may be reasonably compatible with the permitted uses described in this Section 2.4(f) above, provided that no such use shall violate any specific restriction otherwise set forth in these Restrictions and provided further that no such use shall unreasonably interfere with the Owner's use of the building and other portions of the Lot not subjected to the Landscape and Maintenance Easement in question;

(vii) That portion of Lot 46 of Tract No. 52281 subjected to a Landscape and Maintenance Easement in favor of the Association as provided for in Sections 1.9, 3.2 and 9.3(d) hereof is hereby classified as Landscape and Maintenance Easement Area.

Any portion of the Property or interest therein classified as Landscape and Maintenance Easement Area shall be deemed a portion of the Common Area.

(g) It is understood that the description of potential uses the Common Areas set forth in this Section 2.4 is merely permissive, and nothing contained herein shall be construed as a commitment on the part of Declarant, the Association and/or any other person or entity to develop all or any of those facilities described in this Section 2.4. Residential structures shall not be constructed or maintained within the Common Area.



ARTICLE III.

PROPERTY RIGHTS IN COMMON AREAS

Section 3.1 Easements of Enjoyment. Each Owner of a Lot within the Property shall have a nonexclusive right and easement of use and enjoyment in and to the Common Areas which shall be appurtenant to such Lot and shall pass with the title thereto, subject to the following provisions:

(a) Right of the Association Board to take those actions and impose those penalties provided for in the Restrictions, including, but not limited to, Section 8.2 hereof, in the event of any violation or infraction of any provisions of the Restrictions or reasonable Rules promulgated by the Board;

(b) The right of the Association to dedicate, mortgage, convey or transfer all or any part of the Common Areas or its interest therein to any public agency, authority, utility or otherwise for such purposes and subject to such conditions as may be agreed to by the Association Board; provided that no such dedication, mortgage, conveyance, or transfer which could affect a Lot Owner's non-exclusive right and easement to the Common Areas shall be effective unless approved by the vote or written assent of a majority of the voting power of each class of Members of the Association, and unless an instrument in writing is recorded and signed by the Secretary or President of the Association certifying that, if required, such dedication, mortgage, conveyance or transfer has been approved by the required vote or written assents;

(c) Such uniform reasonable Rules affecting the Common Areas as may be from time to time promulgated by the Association Board, which rules shall be strictly complied with by the Owners and their families, tenants, contract purchasers, guests, servants and invitees;

(d) The right of the Association to limit the number and activities of the guests of Owners, tenants and/or contract purchasers;

(e) The Restrictions (including, without limitation, the provisions of Section 8.1 of this Declaration and all reservations contained herein), and in connection therewith each Owner agrees by accepting conveyance of his Lot, that in using the Common Areas he will comply with the provisions of the Restrictions, including, but not limited to, any Rules promulgated by the Association as contemplated in Section 3.1(c) above;

(f) Such sewer, utility, cable and/or other easements as may be from time to time reserved unto and/or granted by Declarant or the Association over the Common Areas or any portion thereof in accordance with the provisions of this

Declaration and/ in any Supplemental Declaration which may be recorded as contemplated in Article XIV hereof, and subject to such limitations as may be contained in said instruments.

Section 3.2 Common Areas in Original Property - Grant of Landscape and Maintenance Easement. Declarant hereby covenants for itself, its successors and assigns, that the Landscape and Maintenance Easement contemplated herein and in Sections 1.9 and 9.3(d) hereof, has been or will be granted to the Association, free and clear of all encumbrances and liens, except nondelinquent real property taxes and assessments, and covenants, conditions, restrictions, reservations, rights and rights-of-way then of record, including those set forth in this Declaration. Said grant must be made to the Association prior to the conveyance of any Lot to an independent purchaser pursuant to the provisions of the Final Subdivision Public Report applicable to the Original Property. For provisions relating to conveyance of Common Area of any future phases that may be later annexed, see Section 14.3 below.

Section 3.3 Owner's Easement of Enjoyment - Additional Property. In the event Additional Property is annexed pursuant to the provisions of this Declaration, then subject to the limitations and restrictions set forth in Section 3.1 hereof, Declarant grants to every Owner of a Lot, a right and easement of enjoyment in and to those portions of the land to be annexed which are set aside as Common Areas, and every Owner of a Lot within the Additional Property annexed shall be entitled to a right and easement of enjoyment in and to all portions of the Original Property which are set aside as Common Areas (subject to all limitations set forth in the Restrictions and/or any instrument creating the interest in such Common Area).

Section 3.4 Delegation of Use. Any Owner may delegate, in accordance with and subject to the Restrictions, his right of enjoyment of the Common Areas to the members of his family, his tenants or contract purchasers and to his or their respective licensees and guests. However, such right of enjoyment may not be sold, conveyed, hypothecated, or otherwise dealt with separately from the Lot to which it is appurtenant; any such attempted severance shall be void and of no effect.

Section 3.5 Sale of Lots by Owners. Any Owner shall, as soon as practicable before transfer of title to its Lot or execution of a real property sales contract (as defined in California Civil Code Section 2985) therefor, provide to the prospective purchaser of such Owner's interest the following:

(a) A copy of this Declaration, the Articles, the Bylaws, the rules of the Association and/or the Architectural Committee, if any, promulgated in accordance with this Declaration, and any other governmental documents of the Association;

(b) If there is any restriction in any of the documents described in Section 3.5(a) above, limiting the occupancy, residency or use of a Lot on the basis of age in a manner different from that provided under Section 51.3 of the California Civil Code, a statement that the restriction is only enforceable to the extent permitted by said Civil Code Section 51.3 and a statement specifying the applicable provisions of said Civil Code Section 51.3;

(c) A copy of the most recent financial statements and items distributed by the Association pursuant to Section 7.3 below; and

(d) A true statement in writing from an authorized representative of the Association as to (i) whether, to the knowledge of the Association, the Owner or the Owner's Lot is in violation of any of the provisions of this Declaration, the Articles, Bylaws or Association Rules, (ii) the amount of current regular and special assessments and fees, including installment payments paid by the Owner during the current fiscal year, and (iii) the amount of any assessments levied upon such Owner's interest which are unpaid on the date of the statement, which statement shall include true information on late charges, interest and costs of collection, which, as of the date of such statement, are or may be made a lien upon the Owner's interest in its Lot pursuant to Section 5.8 below.

(e) A statement as to any change in the Association's current regular and special assessments and fees which have been approved by the Board, but have not become due and payable as of the date such statement is delivered.

Within ten (10) days of the mailing or delivery of a written request therefor, the Association shall provide the Owner with a copy of the requested items specified in this Section 3.5 above. The Association may charge a fee for providing such items, not to exceed the Association's reasonable cost to prepare and reproduce the requested items. The Association shall not impose or collect any assessment, penalty or fee in connection with a transfer of title to a Lot except the Association's actual costs to change its records and the cost authorized in the preceding sentence.

#### ARTICLE IV.

##### HOMEOWNERS' ASSOCIATION

##### Section 4.1 Organization.

(a) The Association shall be a California nonprofit mutual benefit corporation charged with the duties and invested with the powers prescribed by law and set forth in the Restrictions. Neither the Articles nor Bylaws shall, for

any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration.

(b) Nothing in this Declaration shall prevent the creation, by provision therefor in Supplemental Declarations, of additional or subsidiary associations to levy assessments, regulate, maintain, administer and/or manage the portions of the Property, if any, which are subject to such Supplemental Declarations, or to own or control portions thereof for the common use or benefit of the Owners of Lots in any portion of the Property subject to such Supplemental Declarations.

Section 4.2 Membership. Every Owner of a Lot (including Declarant) which is subject to assessment shall, by virtue of being such an Owner and for so long as he is such an Owner, be deemed automatically a member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment. Membership shall be in accordance with the Articles and Bylaws of the Association.

Section 4.3 Transfer of Membership. The Association membership of each Owner (including Declarant) shall not be transferred, pledged or alienated in any way, except upon sale or conveyance of such Lot, and then only to the purchaser or conveyee thereof. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. Any transfer of title to a Lot shall operate automatically to transfer said membership to the new Owner thereof.

Section 4.4 Joint Owner Disputes. The vote of each Lot shall be cast as a unit, if cast at all; fractional votes shall not be allowed. In the event the joint Owners of a Lot are unable to agree among themselves as to how their vote shall be cast, they shall lose their right to vote on the matter in question. If any joint Owner casts a vote representing a certain Lot, it will thereafter be conclusively presumed for all purposes that he was acting with the authority and consent of all other joint Owners of the same Lot.

Section 4.5 Membership Classes and Voting Rights. The Association shall have two (2) classes of voting membership as follows:

(a) Class A. Class A Members shall originally be all Owners with the exception of Declarant for so long as there exists a Class B membership. Declarant shall become a Class A Member with respect to Lots owned by Declarant upon conversion of Declarant's Class B membership as provided below. Each Lot shall be entitled to one (1) vote. When more than one person holds an ownership interest in any Lot, all such persons shall be Members of the Association, but in no event shall more than one (1) vote be cast with respect to any one (1) Lot.

(b) Class The Class B Member shall be Declarant and shall be entitled to vote as follows: Voting shall be the same as for Class A memberships except that the Class B Member may triple its votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(i) Upon the second (2nd) anniversary of the first conveyance of a Lot in the most recent phase of the development of the Property; or

(ii) Upon the fourth (4th) anniversary of the first conveyance of a Lot in the first phase (Original Property) of the development of the Property.

(c) Voting rights shall vest with respect to each Lot within the Original Property upon consummation of the first sale of a Lot located within the Original Property under the auspices of a Final Subdivision Public Report covering the Original Property, and with respect to each Lot located within a later annexed phase of the project upon consummation of the first sale of a Lot located within such later annexed phase under the auspices of a Final Subdivision Public Report covering such later annexed phase.

Section 4.6 Voting Requirements - Meaning of Vote of Members Other Than Declarant. With the exception of Section 11.8 hereof, in any provision in this Declaration or in any of the other Restrictions calling for approval of actions to be taken by the Association by a prescribed majority of the votes of Members other than Declarant, the required vote shall be as follows:

(a) At any time when there are both Class A and Class B Members, the required vote shall be the vote or written assent of a bare majority of the Class B voting power and the vote or written assent of the prescribed majority of the Class A voting power.

(b) After the conversion of Class B to Class A memberships, the required vote shall be the vote or written assent of a bare majority of the total voting power of the Association, as well as the vote or written assent of the prescribed majority of the total voting power of Members other than Declarant.

Section 4.7 Membership Meetings. A regular meeting of the Association shall be held at least once each calendar year at the time and place as indicated in the Bylaws. The first meeting of the Association, whether a regular or a special meeting, shall be held within forty-five (45) days after the closing of the sale of the Lot representing the fifty-first (51st) percentile interest authorized for sale under the first public report for the Property, provided such public report authorizes the sale of fifty (50) Lots

or more. However, in no event shall the meeting be held more than six months after the sale of the first Lot within the Property.

The Association shall conduct meetings of the Association Members in accordance with a recognized system of parliamentary procedure and shall be held within the Property or at a meeting place as close thereto as possible. Unless unusual conditions exist, a Member's meeting shall not be held outside the county where the Property is situated.

The Board shall promptly schedule a special meeting of the Members of the Association in response to: (i) the vote of the Board, (ii) written request for a special meeting signed by Members representing at least five (5) percent of the total voting power of the Association.

Written notice of a regular or special meeting shall be given to the Members by the Board by any means which is appropriate. This notice shall be given at least ten (10) days nor more than ninety (90) days before the date of any meeting at which members are required or permitted to take action. The notice shall specify the place, day, and hour of the meeting and matters the Board intends to present for action by the Members. Except as provided by law, any proper matter may be presented at a meeting for action.

## ARTICLE V.

### COVENANT FOR ASSESSMENT

Section 5.1 Creation of the Lien and Personal Liability. Declarant, for each Lot owned by it within the Property, hereby covenants and agrees to pay, and each Owner of any Lot within the Property by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such instrument, is deemed to covenant and agree to pay to the Association:

(a) Regular Assessments or charges;

(b) (i) Special Assessments for the purpose of defraying, in whole or in part, the cost of capital improvements to be made by the Association as herein provided, and/or for the purpose of defraying special common expenses other than for capital improvements and/or for defraying the costs of any action or undertaking on behalf of the Association, the funding for which is not otherwise provided for herein, and/or for the purposes set forth in Section 5.1(b)(ii) below, all subject to the provisions of Section 5.4 hereof;

(ii) In the event the Board shall determine that the estimate of total Regular Assessments for the current year is or will become inadequate to meet all Common

Expenses for such current year for any reason, it shall then immediately determine the approximate amount of such inadequacy and shall issue a supplemental estimate of the Common Expenses and shall determine the amount of additional assessment revenue required for the current year, and shall thereupon levy a special (supplemental) assessment against each Lot and the Owners thereof, which special (supplemental) assessment shall set forth the date or dates when due; provided that the levy of any such special (supplemental) assessment shall be subject to the provisions of Section 5.4 below.

(c) Reconstruction Assessments levied against each Owner and his Lot by the Board in accordance with the provisions of Section 12.1 and 12.2 hereof, for the purpose of defraying the expense to the Association of reconstructing all or any portion of damaged or destroyed improvements located within the Common Areas.

All such assessments to be fixed, established and collected from time to time as herein provided.

All assessments, together with interest thereon, costs of collection thereof, late charges which may be imposed by the Association, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien, with power of sale, upon the property against which each such assessment is made. The lien shall become effective upon recordation of a Notice of Claim of Lien in accordance with Section 5.8 of this Declaration. Each such assessment, together with such interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such property at the time when the assessment fell due, and shall bind his heirs, devisees, personal representatives, successors and assigns; provided, however, that the personal obligation for delinquent assessments shall not pass to his successors in title unless expressly assumed by them (it being understood that subject to the provisions of Article X below, the lien effected against a Lot by recordation of a Notice of Claim of Lien shall remain in full force and effect following any conveyance or transfer of the said Lot).

Section 5.2 Purpose of Assessments. The assessments levied by the Association shall be collected, accumulated and used exclusively to promote the recreation, health, safety and welfare of the Members of the Association, including, without limitation, use for the improvement, maintenance, operation, replacement and administration of the Common Area and the Common Facilities for the common good of the Owners, and to discharge any other obligations of the Association under this Declaration. The Board shall not expend or use funds designated as reserve funds for any purpose or in any manner other than those specified in Sections 1365.5(c)(1) and (2) of the California Civil Code, as it may be from time to time amended. 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. Regular Assessments shall be used to satisfy Common Expenses of the Association.

Section 5.3 Regular Assessments.

(a) The Regular Assessments levied by the Association shall be collected, accumulated and used generally for the maintenance and operation of the Common Area and Common Facilities, the administration of the Property and the Association, the establishment of reserves as contemplated in Section 10.12 hereof, and for such other purposes as may be from time to time reasonably determined by the Board, subject to such limitations as may be set forth in the Restrictions.

(b) Until January 1 of the year immediately following the year in which the first sale to a purchaser of a Lot located within the Property is consummated, the Regular Assessment shall be that dollar amount per month per Lot then subject to assessment as was provided for in the Association budget that was approved by the California Department of Real Estate in connection with the issuance of the public report for the first phase of the development ("Initial Regular Assessment"), unless the amount of such Initial Regular Assessment is adjusted by the Board in accordance with the provisions and subject to the limitations set forth elsewhere in this Section 5.3; provided that until said January 1 of the year immediately following the year in which the first sale to a purchaser of a Lot located within the Property is consummated, the Board shall in no event levy a Regular Assessment per month per Lot in an amount which exceeds one hundred twenty percent (120%) of the amount of the Initial Regular Assessment, unless the Board first obtains approval from Members constituting a quorum [i.e. more than fifty percent (50%) of the Members of the Association], casting a majority of the votes at a meeting or election of the Association ("Increase Election"). Increase Elections and the meetings and elections of the Association pertaining thereto shall be conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the California Corporations Code and Section 7613 of the California Corporations Code. Notwithstanding the foregoing, this Section 5.3(b) shall not limit Regular Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 5.3(f).

(c) Starting with the first calendar year immediately following the calendar year in which Regular Assessments commence, the Board may only levy Regular Assessments which exceed the Regular Assessments for the immediately preceding calendar year as follows ("Maximum Authorized Annual Regular Assessment For Subsequent Calendar Years"):



(i) If the increase in annual assessments is less than or equal to twenty percent (20%) of the Regular Assessments for the immediately preceding calendar year, then the Board must either (A) have distributed the Budget for the current calendar year in accordance with Section 1365(a) of the California Civil Code [which is presently in conformity with Section 7.3(a) of this Declaration], or (B) obtain the approval of Members holding a majority of the voting power cast in an Increase Election;

(ii) If the increase in Regular Assessments is greater than twenty percent (20%) of the Regular Assessments for the immediately preceding calendar year, then the Board must obtain the approval of Members holding a majority of the voting power of votes cast in an Increase Election.

Notwithstanding the foregoing, this Section does not limit annual Regular Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 5.3(f).

(d) If the Board, by majority vote, determines that the important and essential functions of the Association may be properly funded by a Regular Assessment in an amount less than the Maximum Authorized Annual Regular Assessment described in Section 5.3(c) above, it may levy such lesser Regular Assessment so long as it complies with the provisions of said Section 5.3(c).

(e) Notwithstanding any other provisions of this Section 5.3, upon Declarant's annexation of any portion of the Additional Property pursuant to Article XIV, the Regular Assessment shall be (i) automatically increased by the additional amount, if any, necessary to maintain the Common Areas in or abutting such Additional Property 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 described by comparable maintenance cost guidelines prepared in accordance with prudent property management practices, or (ii) otherwise adjusted to reflect the amount of the Regular Assessment approved by the Board in connection with any level assessment program being utilized by Declarant in connection with the Property as authorized by the DRE in the Final Subdivision Public Reports issued in connection with the Property, including, without limitation, the Final Subdivision Public Report for the portion of the Additional Property then being annexed by Declarant. However, such increase or adjustment shall occur only if (A) the annexation of such Additional Territory is permitted by the DRE, and (B) the amount of any increase does not result in the levy of a Regular Assessment which is greater than the maximum potential

Regular Assessments : disclosed in all Final & division Public Reports for the Property previously issued by the DRE.

(f) For purposes of Sections 5.3(b), 5.3(c) and 5.4, an "Emergency Situation" is any one of the following:

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

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

(iii) 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 5.3(f)(iii), 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 Notice of Assessment.

Section 5.4 Special Assessments. In addition to the Regular Assessments authorized above, the Board may levy, in any assessment year, Special Assessments for any of the purposes contemplated in Section 5.1(b) above; provided that, any such Special Assessments exceeding five percent (5%) in the aggregate of the budgeted gross expenses of the Association for the assessment year in question shall require the approval of Owners, constituting a quorum of more than fifty percent (50%) of the Members, casting a majority of the votes at a meeting or election of the Association. Written notice of the amount of any Special Assessment shall be sent to every Owner. The due date for payment of same shall be set forth in such notice, and to the extent reasonably appropriate, each special assessment shall be levied upon the same basis as that prescribed for the levying of Regular Assessments. The above provisions with respect to Special Assessments do not apply in the case where individual extraordinary charges are levied against an Owner for any of the purposes described in Section 5.14 below (including, without limitation, where the individual extraordinary charge against an Owner is used by the Board as a remedy to reimburse the Association for the costs incurred in bringing the Member and/or his Lot into compliance with the provisions of the Restrictions). Notwithstanding anything to the contrary in this Section 5.4, the limitation on the increases applicable to Special Assessments in this Section 5.4 shall not limit assessment increases for addressing Emergency Situations as such term is defined in Section 5.3(f) above.

Annual increases in Special Assessments for any calendar year which are five percent (5%) or less in the aggregate of the budgeted gross expenses of the Association for the assessment year in question, shall not be imposed unless the Board has either: (a) prepared and distributed the pro forma operating budget not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the Association's fiscal year as required by Section 7.3(a) of this Declaration, or (b) obtained the approval of members, constituting a quorum [i.e. more than fifty percent (50%) of the Members of the Association], casting a majority of the votes at a meeting or election of the Association conducted in accordance Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of Corp. Code.

Section 5.5 Uniform Rate of Assessment. Regular Assessments and Special Assessments must be fixed at a uniform rate for all Lots then subject to assessment by the Association. Each Lot; (and the Owners thereof) subject to assessment by the Association at the time any of the foregoing types of assessments are levied shall be liable to the extent herein provided for that proportion of the overall assessment levied as the number one (1) bears to the total number of Lots then subject to assessment by the Association.

Section 5.6 Date of Commencement of Regular Assessments; Due Dates of Assessments.

(a) The Regular Assessments provided for herein shall commence as to all Lots located within the Original Property on the date of closing of the first sale of a Lot within the Original Property to a purchaser thereof under the auspices of a Final Subdivision Public Report covering the Original Property, provided that in the event said date of closing is other than the first day of a calendar month, Regular Assessments for such month of closing only shall be prorated based on the number of days in the calendar month of closing.

(b) Except for the partial first year, and partial first month, if applicable, which are dealt with in Sections 5.3(b) and 5.6(a) above, Regular Assessments shall be levied on a calendar year basis. All Regular Assessments shall be due and payable in monthly installments, in advance, on the first day of each and every month, or in such other manner and at such other times as the Board of Directors of the Association may from time to time establish.

Section 5.7 Duties of the Board of Directors as to Assessments. The Board of Directors of the Association shall fix the amount of the Regular Assessment against each Lot on an annual basis for each calendar year at least thirty (30) days in advance of the commencement of such period and shall, at that time, prepare a roster of the Lots within the Property, and all types of assessments applicable thereto, which shall be kept in such place as may be from time to time designated by the Board of the

Association, provided that same shall be open to inspection by any Owner during normal business hours.

Written notice of the Regular Assessments shall be sent to every Owner by first class mail on an annual basis not less than thirty (30) nor more than sixty (60) days in advance of the commencement of the applicable calendar year, and such notice shall specify when installment payments shall be due and payable, and to the extent not covered by the preceding notice, the Association shall also provide notice by first-class mail to the Owners of Lots of any increase in the Regular or Special Assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. Nothing to the contrary herein withstanding, if the Regular Assessment is not made as required for any calendar year, then the Regular Assessment for the last prior calendar year shall be deemed automatically assessed against the Owners of each Lot then subject to assessment, and installment payments based on such amount shall be payable on the regular payment dates until changed by new or supplementary assessment.

Upon demand, the Association shall furnish to any Owner and/or Mortgagee of a Lot which is liable for any Regular, Special and/or Reconstruction Assessments, a certificate in writing signed by an officer of the Association setting forth the nature and extent of such assessments, the due dates thereof, and whether or not any delinquency exists. Such certificates shall be conclusive evidence of payment of any assessments or portion thereof therein stated to have been paid. A reasonable charge may be made by the Board of Directors for the issuance of any such certificate.

In order to facilitate the proper use of and account for the Cumulative Surplus under the level assessment procedure, if one is utilized, the Board shall set up and follow controls which must be adhered to as long as the level assessment budgeting procedure is in effect, that include but are not limited to the following:

(a) A separate account shall be set up to house the Cumulative Surplus Fund Account as such phrase is defined in the California Department of Real Estate Subdivision Manual;

(b) A Cumulative Surplus Fund Account shall be restricted so that the account funding shall only be used for the funding of the Regular Assessments in a given fiscal year; and require the Association's annual audit to include a review or test of the Level Assessment Program to insure that adequate Regular Assessments are being collected.

Section 5.8 Effect of Nonpayment of Assessments: Delinquency and Remedies of the Association.

(a) If any Regular, Special or Reconstruction Assessment, or any portion thereof, is not paid on the date when due, then such assessment or portion thereof not paid when due

shall be deemed delinquent and shall, together with interest and costs of collection, including, but not limited to, reasonable attorneys' fees as provided for below, become a continuing lien on the Lot against which such assessment was made when such lien is perfected by the recordation of a "Notice of Claim of Lien" against such Lot in the manner provided for in Section 5.8(b) below. Upon recordation of a Notice of Claim of Lien against a Lot, such lien shall constitute a lien on the Lot prior and superior to all other monetary liens except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any first mortgage of record made in good faith and for value.

(b) With respect to each assessment not paid within fifteen (15) days after its due date, the Association may, at its election, require the Owner to pay a "late charge" not to exceed the greater of TEN DOLLARS (\$10.00) or ten percent (10%) of such delinquent assessments. No charge shall be imposed more than once for the delinquency provided, however, that the imposition of a late charge on any delinquent payment shall not eliminate or supersede charges imposed on prior delinquent payments.

(c) In addition to the late charge which may be imposed on delinquent assessments pursuant to Section 5.8(b) above, the Association may charge interest on the amount of such delinquent assessments, which interest shall accrue from month to month on the outstanding balance (including any late charges previously assessed and unpaid and costs of collection), commencing thirty (30) days after such assessment became due until payment thereof at an interest rate not to exceed twelve percent (12%) per annum.

(d) In addition to all other legal and equitable rights or remedies, the Association may, at its option, bring an action at law against the Owner personally obligated to pay the assessment and all charges relating thereto (and such action may be brought without foreclosing or waiving any lien securing such amount); or, upon compliance with the notice provisions set forth in Section 5.8(e) below, the Association may foreclose the lien against the Lot, and there shall be added to the amount of such assessment or any portion thereof, the interest thereon and all costs and expenses, including, but not limited to, reasonable attorneys' fees, incurred by the Association in collecting the delinquent assessment. In lieu of judicially foreclosing the lien, the Association, at its option, may foreclose such lien by proceeding under a power of sale as provided for in Section 5.8(f) below, such a power of sale being given to the Association as to each and every Lot for the purpose of collecting delinquent assessments. Each Owner vests in the Association, its successors or assigns, the right and power to bring all actions at law or of lien foreclosure against such Owner or

other Owners or purposes of collecting delinquent assessments.

(e) No action shall be brought to foreclose the lien, or to proceed under the power of sale, until at least thirty (30) days after a Notice of Claim of Lien, executed by a duly authorized representative of the Association, has been recorded with the County Recorder of the County in which the Property is located, said Notice setting forth the amount claimed (which may include late payment charges and interest as provided for above and expenses of collection, including reasonable attorneys' fees), a good and sufficient legal description of the Lot being assessed, the name of the record owner or reputed owner thereof, the name and address of the Association as claimant, and the name of the trustee authorized by the Association to conduct any nonjudicial foreclosure sale to recover such claims. A copy of said Notice of Claim of Lien shall be deposited in the United States Mail, certified or registered, with postage prepaid, addressed to the Owner of the Lot using the address of the said Lot or using such other address as may have been previously given in writing to the Association by such Owner.

(f) Any such sale provided for above shall be conducted in accordance with the provisions of Section 2924 - 2924h of the Civil Code of the State of California, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted or provided by law. The Association, through its duly authorized agents, shall have the power to bid on the Lot at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

(g) Upon the timely curing of any default for which a Notice of Claim of Lien under Section 5.8(e) or Section 8.23 of this Declaration was recorded by the Association, the officers of the Association are hereby authorized to record an appropriate release of such notice, upon payment by the defaulting Owner of a reasonable fee to be determined by the Association to cover the cost of preparing and recording such release together with the payment of such other costs, interest or fees as shall have been incurred (including, but not limited to, reasonable attorney's fees).

(h) The assessment lien and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder or by law.

Section 5.9 Assessment of Lots Owned by Declarant. Except as otherwise specifically provided in this Declaration, each Lot owned by Declarant within the Property shall be assessed to the same extent and in the same manner as if the Lot was owned by any individual Owner.

Section 5.10 Exempt Property. All portion of the Property dedicated to, and accepted by, a local public authority, if any, and all of the Common Area shall be exempt from the assessments created hereby; provided, however, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 5.11 Nonuse and Abandonment. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot.

Section 5.12 Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created for assessments pursuant to this Article V, the benefit of any homestead or exemption laws of California in effect at the time any assessment or installment becomes delinquent or any lien is imposed.

Section 5.13 Administration of Additional Property by the Association. If Declarant elects in the future to have the Association administer one or more additional phases by bringing them under the coverage of this Declaration by annexation pursuant to the annexation provisions hereof, then the provisions of this Declaration shall be liberally and reasonably construed to the end that the Association can properly serve as the managing body with respect to any such additional phases so annexed, and can do all of the things and undertake all of the actions reasonably necessary for the management, operation and administration of any such additional projects so annexed (and the maintenance of the Common Areas thereof), including, but not limited to, the levying of those assessments described in this Article V against all Owners of Lots located within the phases that are managed and administered by the Association. For example, under the circumstances outlined in this Section 5.13, the term "Property" as used in this Article V shall be construed to encompass and mean all phases then managed and/or administered by the Association. Further, under the circumstances outlined above, each Owner of a Lot located within the Property shall be assessed for his pro rata share (as such term is hereinafter defined) of the aggregate of the Common Expenses of the Association applicable to all of the Property administered by the Association. An Owner's pro rata share of the Association's aggregate Common Expenses pertaining to all of the phases administered by the Association within the Property shall be (for each Lot owned by such Owner) that proportion of said Association's aggregate Common Expenses as the number one (1) bears to the total number of Lots located within phases then administered by the Association within the Property; provided, however, that the Board may make such adjustment with respect to the amount of the assessments levied or to be levied against the Lots located within the Property and the Owners thereof, as may be reasonably required in order to insure that the Owners who receive substantially greater benefits and/or services from the Association shall be required to bear a proportionally greater share of the aggregate Common Expenses of the Association; and provided further that all Owners whose Lots are located within the same project within the

Property shall be treated in exactly the same manner under the foregoing adjustment provisions. Declarant's election in the future to have the Association administer any such additional phases within the Property shall be evidenced by the recordation of a Supplemental Declaration covering such additional phases, which declaration shall reflect that such phases have been annexed into the Property and that the Association has been designated as the managing body with respect thereto.

Section 5.14 Extraordinary Charges. Declarant, for each Lot owned by it within the Property, hereby covenants and agrees to pay, and each Owner of any Lot within the Property by acceptance of a deed or recorded contract of sale therefor, whether or not it shall be so expressed in such instrument, is deemed to covenant and agree to pay to the Association, the following:

(a) Charges levied against individual Lot Owners by the Board in accordance with Sections 7.1(d) and 7.4 of this Declaration and Article X of the Bylaws;

(b) Charges required to pay for or reimburse the Association for extra costs for maintenance and repairs caused by the willful or negligent act of the individual Owner, his or her family, guests, tenants, lessees and/or invitees and not caused by ordinary wear and tear; and/or

(c) Charges levied by the Board to pay for or reimburse the Association for costs incurred in bringing any Owner or his Lot into compliance with the provisions of the Restrictions.

Each such charge shall be the personal obligation of the person(s) who was the Owner of such Lot at the time the charge arose and shall bind his heirs, devisees, personal representatives and assigns, provided however, that the personal obligation for the delinquent charge shall not pass to the Owner's successor in title unless expressly assumed by them, and provided further, that unlike the regular, special or reconstruction assessments, the above-described charges shall not become a lien against the Owner's Lot which is enforceable by a sale of the interest pursuant to Sections 2924, 2924(b) or 2924(c) of the California Civil Code. The basis and due date for such charge and Owner(s) responsibility for same shall be fixed by resolution of the Board. Written notice of the charge shall be delivered to the responsible Owner(s). An extraordinary charge not paid when due shall be subject to the same late charge and payment of interest as provided for delinquent assessments pursuant to Section 5.8 above. An extraordinary charge, together with late charge, interest thereon and costs of collection, including, without limitation, reasonable attorneys' fees, may be fixed and established by the Board from time to time as herein provided and may be enforced by decision arising out of an arbitration



conducted in accordance with Section 12.4 of his Declaration or by judgment of a court of competent jurisdiction.

Section 5.15 Exemption of Vacant Lots and Common Facilities.

(a) Declarant and any Owner shall be exempt from the payment of any portion of any assessment, regular or special, which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of structural improvements on any Lot which is not, as the date of commencement of such assessments, improved with a structural improvement for human occupancy ("Residential Structural Improvement"). Any such exemption from the payment of assessments pursuant to this Section 5.15(a) shall be in effect only until the earliest of (i) the date of recordation of a notice of completion as to the Residential Structural Improvement thereafter constructed on such Lot; (ii) occupation or use of the Residential Structural Improvement thereafter constructed on such Lot; or (iii) completion of all elements of the Residential Structural Improvement which the Association is obliged to maintain pursuant to this Declaration.

(b) Declarant and any Owner shall be exempt from the payment of any portion of any assessment, regular or special, which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of a Common Facility that is not complete as of the date of commencement of such assessments. Any such exemption from the payment of assessments pursuant to this Section 5.15(b) shall be in effect only until the earliest of (i) the date of recordation of a notice of completion as to such Common Facility; or (ii) the date that such Common Facility has been placed into use.

(c) The exemptions under Sections 5.15(a) and 5.15(b) above shall include, without limitation, any portion of regular or special assessments attributable to roof replacement, exterior maintenance, walkway or carport lighting, refuse disposal, cable television and supply of domestic water with respect to such Residential Structural Improvement or Common Facility, respectively.

Section 5.16 Notice of Enforcement Remedies. In addition to the financial statements referenced in Section 7.3 below, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of regular and special assessments, including the recording and foreclosing of liens against Members' Lots.

ARTICLE VI.

ARCHITECTURAL COMMITTEE AND  
ARCHITECTURAL CONTROL

Section 6.1 Approval by Architectural Committee.

(a) No fence, wall, grading, building or other structure, or exterior addition to or change or alteration thereof (including painting which changes the original paint color after such original color has been established), shall be commenced, constructed, erected, placed, altered, maintained, or permitted to remain on any of the Property (including the Common Area thereof) until complete plans and specifications showing plot layout and all exterior elevations, materials, sizes, shape and colors therefor, as well as design and landscaping, shall have been submitted to and approved in writing by the Architectural Committee, except as otherwise provided in Section 6.1(d) below. All such plans and specifications shall be submitted in writing over the signature of the Owner of the subject Lot or that of his authorized agent. Approval or disapproval of the proposed plans and specifications shall be based on, among other things, those factors described in Section 6.4 below.

(b) No trees or plant materials shall be planted or maintained on any Lot within the Property in such a manner as to interfere with the aesthetic enjoyment and the unobstructed view which any other Lot within the Property is intended to enjoy. Prior to the placement thereof on any Lot, plans and specifications for placement of all trees and plant materials on any Lot, which can reasonably be expected at any time to exceed the height of eight (8) feet, shall have been submitted and approved in writing by the Architectural Committee. Such plans and specifications shall show the proposed location and anticipated height of said trees and plant materials both at the time of their initial planting and at full growth. Approval of said plans by the Architectural Committee may be withheld if, in the sole discretion of the Committee, the harmony and aesthetic beauty of any Lot or the natural view which any Lot is intended to enjoy, would be impeded by the location or type of proposed planting. In any event, the Association shall have the right to require the person or entity responsible therefor as provided in this Declaration, to remove, trim, top or prune any tree or plant which in the reasonable belief of the Architectural Committee impedes or detracts from the harmony and aesthetic beauty of any Lot.

(c) In addition to the approvals by the Architectural Committee required as hereinabove set forth, in undertaking any activity contemplated in this Section 6.1, Owners must comply with all laws, codes, regulations and rules of and/or administered by the County in which the Property is located and any political subdivision thereof.

(d) Notwithstanding to the contrary hereof, notwithstanding, Declarant (as such term is defined in Section 1.11 hereof) shall not be required to comply with the provisions of this Section 6.1 in its original development of the Property, except that Declarant must comply with all laws, codes, regulations, and rules of and/or administered by the County in which the Property is located and any political subdivision thereof.

(e) Notwithstanding anything in this Declaration to the contrary, the Architectural Committee shall not unreasonably and without good cause deny any Owner's request to modify such Owner's Lot or Improvements thereon, at such Owner's expense, for the purpose of facilitating access for persons who are blind, visually handicapped, deaf, or physically disabled or to alter conditions which could be hazardous to such persons, including, without limitation, modifications of the route from the public way to the door of any Improvements on such Owner's Lot subject to the following: (i) any such modifications shall be consistent with applicable building code requirements; (ii) any such modifications shall be consistent with the provisions of this Declaration pertaining to safety or aesthetics; (iii) any such modifications external Improvements on such Owner's Lot shall not prevent reasonable passage by other residents of the Property; (iv) any such modifications shall be removed by the Owner of such Lot or Improvements thereon, at such Owner's expense, when the Lot or Improvements thereon are no longer occupied by persons requiring such modifications who are blind, visually handicapped, deaf or physically disabled; and (v) any Owner intending to modify a Lot or Improvements thereon pursuant to this Section 6.1(e) shall submit such Owner's plans and specifications to the Architectural Committee and the Association in the manner described in this Article for review to determine whether the proposed modifications comply with the provisions of this Section 6.1(e) and with the provisions otherwise applicable to modifications of a Lot or Improvements thereon under this Declaration.

Section 6.2 Enforcement by Owners. Any Owner within the Property may by appropriate legal action enforce the provisions of this Article VI in the event that the Association fails to take remedial action within a reasonable period of time after knowledge by the Association of the particular violation.

Section 6.3 Architectural Committee. The procedures for appointment and replacement of members of the Architectural Committee shall be as follows:

(a) Declarant may appoint all of the original members of the Architectural Committee and all replacements until the first anniversary of the issuance by the California Department of Real Estate of the initial final public report for the

Original Property     The original members of the Architectural Committee hereby appointed by Declarant shall be as follows:

- (i)     Kimberly Pierce
- (ii)    Mary Beth Bioek
- (iii)   Denny Bean

The Architectural Committee's initial address is:

Architectural Committee for Sea Country - The Villages:  
3 Corporate Plaza, Suite 100  
Newport Beach, CA 92660

Such address may be changed from time to time by recording in the county in which the Property is located an instrument referencing the Property and this Declaration, and setting forth the new address, or by giving notice of such new address to all Owners within the Property.

(b) Declarant hereby reserves to itself the power to appoint two members of the Architectural Committee until 90% of all of the Lots in the Property have been sold or until the fifth anniversary of the issuance by the California Department of Real Estate of the initial final public report for the Original Property, whichever first occurs.

(c) After one (1) year from the date of the issuance by the California Department of Real Estate of the initial final public report for the Original Property, the Board of the Association shall have the power to appoint one member to the Architectural Committee until 90% of all of the Lots within the Property have been sold or until the fifth (5th) anniversary date of the initial issuance by the California Department of Real Estate of the final public report for the Original Property, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Committee.

(d) Members appointed to the Architectural Committee by the Board shall be from the membership of the Association. Members appointed to the Architectural Committee by Declarant need not be Members of the Association.

Section 6.4     Certain Procedures for the Architectural Committee. In the event any member is unable to or unwilling to serve on said Architectural Committee, the remaining member or members shall have full authority to approve or disapprove such proposed construction, planting, grading, addition, alteration, modification, deletion, or other proposed form of change. The membership of the Architectural Committee or any representative appointed thereby if other than as stated in this Declaration,

shall be evidenced by a certificate of identity which shall be executed by at least one member of said Committee or by Declarant or by an authorized officer of the Association, as appropriate; which certificate shall then be conclusive evidence thereof in favor of any person relying thereon in good faith. In the event the Architectural Committee or the representative appointed by the Committee fails to approve or disapprove any proposed construction, grading, planting, addition, alteration, modification, deletion, or other proposed form of change within thirty (30) days after the complete plans and specifications pertaining thereto have been submitted to it, such approval shall be deemed to have been given and the provisions of this Declaration requiring any such approval shall be deemed to have been complied with. Such complete plans and specifications shall be personally delivered to any member of the Architectural Committee or mailed to the Committee at its then current address via certified mail, return receipt requested, postage prepaid. The plans and specifications shall be deemed submitted to the Architectural Committee upon the date of receipt by the committee of such plans and specifications delivered as aforesaid.

Section 6.5 No Liability. Neither Declarant, the Association, the Architectural Committee, nor any officers, directors, employees, agents and/or members of any thereof shall be liable in damages or otherwise to anyone submitting plans or specifications to the Architectural Committee for approval, or to any Owner of Lots affected by the Restrictions or to any other person or entity for any loss, damage or injury arising out of or in any way connected with the performance of the Committee's duties hereunder, unless due to the wilful misconduct or bad faith of the Architectural Committee or any individual member thereof (in which event only those persons actually guilty of wilful misconduct and/or bad faith shall be liable).

Section 6.6 Review Standards. The Architectural Committee shall review and approve or disapprove all plans and specifications submitted to it for any proposed improvement, grading, planting, alteration, addition and/or change, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the Property (with particular emphasis on the benefit or detriment which would result in the area immediately surrounding the Lot involved). The Architectural Committee shall take into consideration the aesthetic aspects of the architectural design, placement of buildings, landscaping, color schemes, exterior finishes and materials, harmony of exterior design with existing structures, location in relation to surrounding structures, topography and finished grade-elevation, and similar features, but 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. Notwithstanding the foregoing, the Architectural Committee's approval of the installation of solar heating units shall not be unreasonably withheld.

Section 6.7     Notice of Noncompliance or Noncompletion. Notwithstanding anything to the contrary contained herein, after the expiration of 180 days following the recordation of a notice of completion for any improvement, said improvement shall, with respect to purchasers and encumbrancers in good faith and for value, be deemed to be in compliance with all provisions of this Article VI, unless actual notice of such noncompliance, executed by the Architectural Committee or its representative, shall appear of record in the office of the County Recorder in the County in which the Property is located, or unless legal proceedings shall have been instituted to enforce compliance hereunder.

Section 6.8     Rules and Regulations.     The Architectural Committee may from time to time, in its sole discretion, adopt, amend and repeal rules and regulations interpreting and implementing the provisions hereof.

Section 6.9     No Waiver.     The approval by the Architectural Committee of any proposals or plans and specifications or drawings for work done or proposed or in connection with any other matter requiring the approval and consent of the Architectural Committee, shall not be deemed to constitute a waiver of any right to withhold approval and consent as to similar proposals, plans and specifications, drawings or any matter whatever subsequently or additionally submitted for approval or consent.

Section 6.10    Completion.     All work approved by the Architectural Committee once commenced shall be diligently prosecuted to completion.

Section 6.11    Entry.     In addition to the other rights of entry provided for elsewhere herein, the Association and the Architectural Committee, or any person authorized by either, shall be further empowered with the right and duty to periodically inspect all Lots in order to insure that each Lot Owner is completely and adequately fulfilling all of those duties and obligations on his part to be performed as provided for herein. In each instance, the Lot Owner shall be given reasonable advance notice of the entry to be undertaken.

Section 6.12    Compensation of Members.     The members of the Architectural Committee shall receive no compensation for services rendered, other than reimbursement for reasonable expenses incurred by them in the performance of their duties hereunder, unless any such compensation arrangement has been approved by vote or written assent of a majority of the voting power of each class of membership of the Association.

## ARTICLE VII.

### DUTIES AND POWERS OF THE ASSOCIATION

Section 7.1 Duties and Powers of the Association. The Association shall have all of the powers of a California nonprofit mutual benefit corporation, subject only to the limitations upon the exercise of such powers as are expressly set forth in Section 7.5 below and/or elsewhere in the Restrictions. It shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under or by virtue of the Restrictions and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association. Subject to the provisions set forth in the Restrictions, the powers and duties of the Association shall include, but not necessarily be limited to, the specific acts hereinafter enumerated or as set forth in the California Civil Code Section 1363 and California Corporations Code Section 7140:

(a) Own (in fee or as an easement holder as herein provided), maintain, manage and operate all of the Common Areas within the Property and all other real property from time to time acquired by the Association together with all facilities, improvements and landscaping located on such Common Areas or other real property; and maintain those portions of any Lots for which the Association is responsible pursuant to the provisions of this Declaration, including, without limitation, the provisions of Sections 8.13 and 8.15 below. The responsibility of the Association for maintenance and repair shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner, or his family, guests, tenants, or invitees, the cost of which is not covered by insurance, but rather the uninsured cost thereof shall be borne by the person causing the damage.

(b) Pay real and personal property taxes or other charges, if any, assessed against the Common Areas or any portion thereof.

(c) Have the authority to obtain for the benefit of the Common Areas, if and to the extent applicable, water, sewer, electrical, gas and other necessary utility services as well as refuse collection, gardening and janitorial services, and to pay out of the assessments levied and collected in accordance herewith the charges and fees for the foregoing services.

(d) Discharge by payment, if necessary, any lien against the Common Area within the Property (including, without limitation, any general and/or special real property taxes and assessments which are or could become liens upon such area) and assess such costs and fees, to the Member or Members

responsible for the existence of said lien. By such general and special real property tax and/or assessment may be contested or compromised by the Association, provided that it is paid or a bond insuring its payment is posted prior to the conveyance or other disposition of any property to satisfy the payment of such taxes.

(e) Make the necessary arrangements to provide the following insurance coverages:

(i) Obtain and maintain a blanket policy or individual policies of fire insurance for one hundred percent (100%) of the full replacement value, without deduction for depreciation or coinsurance, of all improvements on the Common Areas of the Property; such policy or policies shall contain extended coverage, vandalism and malicious mischief, and replacement cost endorsements and if available, shall also contain the special extended coverage endorsement commonly known as "All Risk" coverage, stipulated amount clause and determinable cash adjustment clause, or a similar clause to permit cash settlement covering the full value of improvements on the Common Areas of the Property in the event of destruction of improvements and a decision, pursuant to Article XII hereof, not to rebuild. Such policy or policies shall name the Association as insured and the proceeds shall be payable to the Association. Such policy may, in the discretion of the Board, provide for a deductible not to exceed the greater of Five Hundred Dollars (\$500.00) or one percent (1%) of the face amount of the policy applicable to either fire or extended coverage, or both; provided that any such deductible feature is acceptable to the First Mortgagees named as insureds under such fire insurance policy. Any fall of building clause must be waived. Unless otherwise provided in this Declaration, the net proceeds from such insurance policy or policies shall be used for restoration of the damaged or destroyed improvements located in the Common Areas. Insurance premiums for any blanket insurance policy shall be a Common Expense, and included in the Regular Assessments.

(ii) Obtain and maintain a policy or policies insuring the Association, the Board, the Declarant, the Managing Agent and the Owners and agents and employees of each of the foregoing, against any liability incident to the ownership and/or use of the Common Areas within the Property as normally covered by comprehensive general liability insurance, and if obtainable, a cross liability to each other insured. Said policy or policies shall have a minimum liability limit of ONE MILLION DOLLARS (\$1,000,000.00) per occurrence for physical injury, death and/or property damage; such policy or policies shall contain a "severability of interest" clause or



endorsement which shall preclude the insurer from denying the claim of an Owner because of the negligent act of the Association or other Owners.

(iii) If the Property is located in an area identified by the Secretary of Housing and Urban Development or any successor agency as an area having special flood hazards, then obtain and maintain a "blanket" policy of flood insurance on the Property in the amount of the aggregate of the outstanding principal balances of the mortgage loans on the Lots within the Property or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

(iv) Obtain and maintain fidelity coverage insurance against dishonest acts on the part of directors, officers, managers, trustees, employees or volunteers responsible for handling funds collected and held for the benefit of the Owners, if there are more than thirty (30) Lots within the Property. The insurance or fidelity bond shall name the Association as the named insured and be written in an amount sufficient to provide protection which is in no event less than one and one-half (1-1/2) times the Association's estimated annual operating expenses and reserves; and in connection with such coverage, an appropriate endorsement to the policy shall be obtained and maintained to cover any persons who serve without compensation if the policy would not otherwise cover volunteers. Such insurance may be carried, at the option of the Association, if there are thirty (30) or less Lots within the Property.

(v) Deal with any such insurance referred to in this Section 7.1 as herein provided; and the provisions of this Declaration shall control the rights and responsibilities of the Association, the Board and the Owners.

(A) Each hazard insurance policy to be obtained and maintained pursuant to the provisions of this Declaration must be written by a hazard insurance carrier which has a financial rating by Best's Insurance Reports of Class B/VI or better, or from an insurance carrier which has a financial rating by Best's Insurance Reports of Class V, provided it has a general policy holder's rating of at least A.

(B) It shall be the duty of the Association to obtain and keep in full force and effect at all times the policy or policies of insurance referred to in this Section 7.1(e), provided such insurance coverage is available and

can be obtained and maintained at a reasonable cost to the Association as determined in the sole discretion of the Board of the Association. If it is determined that such insurance coverage is not available at reasonable costs, then all Owners and their respective mortgagees who have requested notice pursuant to the provisions of Section 10.15 below, shall immediately be notified in writing and advised as to any change in coverage and/or to obtain and maintain coverage on their own behalf.

(C) So long as the Declarant, its successors and assigns retain any interest in the Property, the Association shall, from time to time, immediately upon receipt of same, cause to be deposited with Declarant true copies of all insurance policies obtained by the Association referred to in this Section 7.1.

(D) Each and every policy of insurance described herein shall contain a provision that said policy or policies shall not be materially modified, cancelled, terminated or permitted to expire by their own terms without thirty (30) days' prior written notice from insurer to the Association and Declarant, as well as to every other Person in interest who shall have requested in writing such notice from the insurer.

(E) It should be understood that the Association is obligated, subject to the limitations herein provided, to provide only the insurance coverages specified in this Section 7.1(e), and that such coverages do not include coverages pertaining to the Lots and the improvements located thereon (nor protection against risks customarily covered under insurance policies designated as "homeowners" or "broad form homeowners" policies), which coverages and risks must be insured against by the Owners individually in order for the Owners to receive insurance protection against these risks.

(F) The policies of insurance obtained by the Association as provided for in this Section 7.1(e) shall contain as appropriate the following provisions:

(1) Statements that such policies are primary and noncontributing;

(2) Statements that conduct of an Owner shall not constitute grounds for

a iding liability under ch policy or policies;

(3) An express waiver of the carrier's right of subrogation against any Owner, member of the family of any Owner, the Association, the Board, the Manager, the Architectural Committee, Declarant and agents and employees of each of the foregoing.

(vi) Obtain and maintain workers' compensation insurance to the extent necessary to comply with any applicable laws.

(vii) Obtain and maintain such other policies of insurance as the Association may deem appropriate.

(f) Subject to the provisions of Section 7.5 below, have the authority to obtain the services of a person or firm to manage the Common Areas and perform or cause to be performed all or any part of the duties and responsibilities of the Association (the "Manager") to the extent deemed advisable by the Association, as well as such other personnel as the Association shall determine shall be necessary or proper for the operation of the Common Areas, whether such personnel are employed directly by the Association or furnished by the Manager.

(g) Have the power and duty to establish and maintain working capital, reserve and/or contingency funds in reasonable amounts to be determined by the Board, provided that withdrawal of funds from the Association's reserve account shall require the signatures of either -(i) two members of the Board who are also Members of the Association; or (ii) one member of the Board who is also a Member of the Association and an officer of the Board who is not also a Member of the Association.

Notwithstanding the foregoing, the Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components of the Common Area or any other area which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses. The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Project, delay the restoration until the time which the Board reasonably

determines to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this Section. This special assessment is subject to the limitation imposed by Section 5.4.

(h) Maintain the books and records of the Association and all operating and reserve accounts pertaining thereto, including, without limitation, preparation of the budgets and financial statements described in Section 7.3 below, and shall review the following:

(i) A current reconciliation of the Association's operating accounts on at least a quarterly basis;

(ii) A current reconciliation of the Association's reserve accounts on at least a quarterly basis;

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

(iv) The latest account statements prepared by financial institutions where the Association has its operating and reserve accounts on at least a quarterly basis; and

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

(i) With the approval of the Architectural Committee, construct new improvements or additions to the Common Areas, or demolish existing improvements thereon; provided that, in the case of any improvements, addition or demolition (other than maintenance or repairs to existing improvements) requiring a special assessment, the Association shall first comply with all other provisions of this Declaration, including, without limitation, the provisions for levying such special assessments.

(j) Have the authority to adopt such reasonable rules, not inconsistent with this Declaration, as it deems proper relating to the use of the Common Areas and all facilities thereon for the conduct of Owners, their families, tenants, guests, and invitees with respect to the Property and other Owners. A copy of said rules, as they may be from time to time adopted, amended or repealed, may but need not be mailed or otherwise delivered to each Owner, or may be recorded. Upon such mailing, delivery or recordation, said rules shall have the same force and effect as if they were set forth in and were made a part of this Declaration. In addition, as to

any Owner having actual knowledge of and given properly adopted rules, such rules shall have the same force and effect and may be enforced against such Owner.

(k) Have a duty to maintain all drainage easements and facilities owned by the Association, if any.

(l) Carry out all of the duties and have all of the authority and rights provided for herein and in the Articles and Bylaws.

(m) Enforce all applicable provisions of the Declaration, Bylaws and other instruments for the ownership, management and control of the Property.

Section 7.2 Right of Entry. For the purpose of performing the maintenance authorized in this Declaration, or for construction or emergency repairs for the benefit of the Common Areas or the Owners in common, or for any other purpose reasonably related to the performance by the Association of its responsibilities under this Declaration, the Association's agent or employee shall have the right to enter any Lot at reasonable hours, after reasonable notice to the Owner(s) thereof. Without limiting the generality of the foregoing, and subject to the requirements of the immediately preceding sentence, the Association and its agents and employees shall have the right to enter upon (i) any Lot on which a mail box is originally installed and located by Declarant, if any, for the purpose of maintaining, repairing, painting, removing, replacing and keeping in good and clean conditions any such mail boxes [as contemplated in Sections 8.15(a)(v) hereof], and (ii) any Lot located adjacent to the entry gates of the Property for the purpose of inspecting, maintaining and repairing the portions of the walls and pilasters [as contemplated in Section 8.15(a)(vi) hereof], which are located on such Lots adjacent to the entries to the Property; provided that the Association will use reasonable efforts to limit its access to the yard portions of said Lots and not to unreasonably interfere with an Owner's use and enjoyment of his Lot.

Section 7.3 Budget and Financial Statements. The Board shall cause budgets and financial statements for the Association to be regularly prepared, and copies shall be distributed to each member of the Association as follows:

(a) A pro forma operating statement (budget) for each Association fiscal year shall be distributed not less than forty-five (45) days nor more than sixty (60) days before the beginning of the fiscal year. The budget shall include all of the following:

(i) The estimated revenue and expenses on an accrual basis;

(ii) summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 7.6 below, which shall be printed in bold type and include all of the following:

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

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

(aa) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain major components of the Common Areas; and

(bb) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components of the Common Areas.

(C) The percentage that the amount determined for purposes of Section 7.3(a)(ii)(B)(bb) is of the amount determined for the purposes of Section 7.3(a)(ii)(B)(aa).

(iii) A statement as to whether the Board has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component of the Common Areas or to provide adequate reserves therefor.

(iv) A general statement addressing the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Areas and Facilities for which the Association is responsible.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing of the first sale of a Lot located within the Property, and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by Lot and number the name of the person assessed.

(c) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(i) . balance sheet as of the d of the fiscal year;

(ii) An operating (income) statement for the fiscal year;

(iii). A statement of changes in financial position for the fiscal year;

(iv) Any information required to be reported under Section 8322 of the California Corporations Code, concerning indemnifications and transactions with interested persons.

(d) The annual report referred to in Section 7.3(c) above and a review of the Association's financial statements shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds SEVENTY-FIVE THOUSAND DOLLARS (\$75,000.00), and a copy of said review shall be distributed to each Member within one hundred twenty (120) days after the close of each such fiscal year.

(e) If the report referred to in Section 7.3(c) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without independent audit or review from the books and records of the Association.

(f) A statement as to the Association's policies and practices in enforcing the lien rights or other legal remedies for the default in the payment of its assessments against its Members shall be annually delivered to the Members within sixty (60) days prior to the beginning of each fiscal year.

(g) In lieu of the distribution of the proforma operating budget required by Section 7.3 (a) above, the Board of Directors may elect to distribute a summary of this budget to all its members with a written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the Property and that copies will be provided upon request and at the expense of the Association. If any member requests a copy of the budget required by Section 7.3(a) above to be mailed to the member, the Association shall provide the copy to the member by first class United States Mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association members shall be in at least 10-point bold type of the front page of the summary of the budget.

(h) A summary of the Association's general liability policy that states all of the following:

- (i) The name of the insurer.
- (ii) The policy limits of the insurance.
- (iii) If an insurance agent, as defined in Section 1621 of the California Insurance Code ("Insurance Code"), an insurance broker, as defined in Section 1623 of the Insurance Code, or an agent of an insurance agent or insurance broker has assisted the Association in the development of the general liability policy limits and if the recommendations of the insurance agent or insurance broker were followed.
- (iv) The insurance deductibles.
- (v) The person or entity that is responsible for paying the insurance deductible in the event of loss.
- (vi) Whether or not the insurance coverage extends to the real property improvements to the separate interests (i.e. Lots).

(i) A summary of the Association's earthquake and flood insurance policy, if one has been issued, that states all of the following:

- (i) The name of the insurer.
- (ii) The policy limits of the insurance.
- (iii) The insurance deductibles.
- (iv) The person or entity that is responsible for paying the insurance deductible in the event of loss.

(j) A summary of the liability coverage policy for the director and officers of the Association that lists all of the following:

- (i) The name of the insurer.
- (ii) The limits of the insurance.

(k) Notwithstanding Sections 7.3(h), (i) and (j) above, the Association shall, as soon as reasonably practical, notify its members by first class mail if any of the policies have been cancelled and not immediately replaced. If the Association renews any of the policies or a new policy is issued to replace an insurance policy of the Association, and where there is no lapse in coverage, the Association shall notify its members of that fact in the next available mailing



to all members pursuant to Section 5016 c the California Corporations Code.

(1) To the extent that the information to be disclosed pursuant to Sections 7.3(h), (i) and (j) above is specified in the insurance policy declaration page, the Association may meet the requirements of those subdivisions by making copies of that page and distributing it to all its members.

Section 7.4 Performance of Owner's Obligations by Association. If any Owner shall fail to perform any maintenance type of obligation for which he is responsible under the Restrictions or if any Owner shall fail to make the repairs or replacements which are his responsibility under the Restrictions, then upon a vote of a majority of the Board, and after not less than thirty (30) days' notice to the Owner, the Association shall have the right (but not the obligation) to enter the Lot of such Owner and undertake any such maintenance work and/or make such repairs or replacements, and the costs thereof shall be chargeable to such Owner as an individual extraordinary charge as contemplated in Section 5.14 hereof and shall be payable to the Association by the Owner of such Lot together with interest at the rate of ten percent (10%) per annum on amounts advanced by the Association to defray such costs from the date of advance until the date of repayment.

Section 7.5 Certain Limitations on Actions to be Taken by the Association. The Association shall not take any of the following actions, except with the assent, by vote at a meeting of the Association or by written ballot without a meeting pursuant to California Corporations Code Section 7513, of a simple majority of the Members, other than Declarant, constituting a quorum consisting of more than fifty percent (50%) of the voting power of the Association residing in Members other than Declarant:

(a) Enter into any contract with a third person wherein the third person will furnish goods or services for the Common Areas or the Association for a term longer than one (1) year with the following exceptions:

(i) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(ii) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(iii) Prepaid casualty or liability insurance policies of not to exceed three (3) years' duration,

provided that the policy permits short- te cancellation by the insured.

(iv) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years' duration, provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(v) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years' duration, provided that the supplier of such services or equipment is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(vi) Agreements for the sale or lease of burglar alarm and fire alarm equipment of not to exceed five (5) years' duration, provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(vii) A contract for a term not to exceed three (3) years that is terminable by the Association after no longer than one (1) year without cause, penalty, or other obligation upon ninety (90) days written notice of termination to the other party.

(b) Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Selling, during any fiscal year, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(d) Paying compensation to members of the Board, the Architectural Committee and/or the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member of the Board and/or of the Architectural Committee and/or an officer of the Association to be reimbursed for expenses incurred in carrying on the activities of the Association.

(e) Filling of a vacancy on the Board created by the removal of a Board member.

Section 7.6 Periodic Reserve Account Study. At least once every three (3) years, the Board shall cause a study of the reserve account requirements of the Project to be conducted if the current replacement value of the major components of the Common Areas which the Association is obligated to repair, replace, restore, or

maintain is equal to : greater than one-half ( ) of the gross budget of the Association for any fiscal year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. As used herein, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components of the Common Areas which the Association is obligated to maintain.

The study shall, at a minimum, include:

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

(b) Identification of the probable remaining useful life of the components identified in paragraph (a) as of the date of the study.

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of the components identified in paragraph (a) during and at the end of their useful life.

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

Section 7.7 Utility Easements. The Association is authorized and empowered to grant in, on, over, under, across and through the Common Areas such licenses, easements and rights of way for sewer lines, water lines, underground conduits, telephone or cable television lines, storm drains, sprinkling systems, and other utility purposes as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Lots and/or Common Areas and/or for the preservation of the health, safety, convenience and welfare of the Owners. Such licenses, easements and rights of way may be granted at any time prior to the later of (i) twenty-one (21) years after the death of the individuals who have signed this Declaration and their issue who are in being as of the date hereof; or (ii) such later time as may be permitted by applicable law, including, without limitation, California Civil Code Section 1310; and the right to grant such licenses, easements and rights of way is hereby expressly reserved in favor of Declarant with the right to grant same to the Association and/or to the others as herein contemplated; and Declarant and the Owners, upon request of the Association, shall take such actions (without being required to expend monies in connection therewith) and execute such instruments as may be reasonably necessary to implement and perfect the purposes of this Section 7.7.

Section 7.8 Liability of Board Member Manager and Architectural Committee. No member of the Board nor of the Architectural Committee nor the Manager nor Declarant nor any officer, director, agent or employee of any of the foregoing or of the Association shall be personally liable to any Owner, or any other party, for any damage, loss or prejudice suffered or claimed on account of any act or omission of the Association, the Board, the Architectural Committee, the Manager, Declarant or any of the representatives or employees of any of the foregoing, provided that such Board Member, Architectural Committee Member, the Manager or Declarant has, upon the basis of such information as may be possessed by him, acted in good faith.

Section 7.9 Delegation of Duties by Association. The Association may delegate any of its duties, powers or functions to any person, corporation or firm to act as Manager. Neither the Association nor the members of its Board shall be liable for any omission or improper exercise of the Manager of any such duty, power or function so delegated.

Section 7.10 Commencement of the Association's Management Responsibility.

(a) The Association's obligation to maintain, operate and/or manage areas within the Original Property to be maintained, operated and/or managed by the Association as called for in this Article VII above, shall commence as to all such areas on the date of the consummation of the first sale under the auspices of a final subdivision public report to a third-party purchaser of a Lot located within the Original Property.

(b) The Association's obligation to maintain, operate, manage and/or administer areas located within the boundaries of the Additional Property which may be hereafter annexed pursuant to the annexation provisions of this Declaration, which areas are to be maintained, operated, managed and/or administered by the Association as called for in this Declaration or in any Supplemental Declaration hereafter recorded, shall commence as to all such areas on the date of the consummation of the first sale of a Lot located within such Additional Property so annexed under the auspices of a final subdivision public report.

Section 7.11 Membership Records and Open Meeting Requirements.

(a) The membership register, including mailing addresses and telephone numbers of the Members, books of account and minutes of meetings of the Members of the Association, the Architectural Committee, and of other committees of the Association, shall be made available for inspection and copying by any Member of the Association or by such Member's representative at any reasonable time and for a purpose

reasonably relate to such Member's interests as a Member, at the office of the Association or at such other place within the Property as the Board shall prescribe.

(b) Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters relating to the formation of contracts with third parties, member discipline, or personnel matters. The Board of Directors of the Association shall meet in executive session, if requested by a Member who may be subject to a fine, penalty, or other form of discipline, and the Member shall be entitled to attend the executive session.

(c) Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors.

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

(e) Members of the Association shall be notified in writing at the time that the proforma budget required under Section 7.3 hereof is distributed, or at the time of any general mailing to the entire Membership of the Association, of their right to have copies of the minutes of meetings of the Board of Directors, and how and where those minutes may be obtained.

(f) As used in this Section 7.11, "meeting" includes any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session.

(g) Unless the time and place of meeting is fixed by the Bylaws, or unless the Bylaws provide for a longer period of notice, Members shall be given notice of the time and place of a meeting as defined in Section 7.11(f) above, except for an emergency meeting, at least four (4) days prior to the meeting. Notice may be given by posting the notice in a prominent place or places within the Common Area, by mail or delivery of the notice to each Lot in the Property, or by newsletter or similar means of communication.

(h) An emergency meeting of the Board may be called by the President of the Association, or by any two members of the Board other than the President, if there are circumstances that could not have been reasonably foreseen which require

which os necessitv make it impracticable to provide notice as required by this section 7.11.

Section 7.12 Neighborhood Watch Committee. The Board of Directors of the Association shall establish a Neighborhood Watch Committee consisting of seven (7) members or such other number of members as the Board of Directors may from time to time direct. Members of the Neighborhood Watch Committee shall be appointed by the Board of the Association on an annual basis and shall serve at the pleasure of the Board. The duties and responsibilities of the Neighborhood Watch Committee shall be as from time to time prescribed by the Board.

## ARTICLE VIII.

### GENERAL RESTRICTIONS AND DISCLOSURES

Section 8.1 Rights Reserved by Declarant. Nothing in this Declaration nor in the Articles or Bylaws shall limit the right of Declarant to complete excavation, grading and construction of improvements within the Property or the Additional Property owned in whole or in part by Declarant, or to alter the foregoing or to construct such additional improvements as Declarant from time to time, in its sole and absolute discretion, deems advisable in the course of development of the Property or the Additional Property, or any portions thereof, for so long as any Lot within the Property or the Additional Property remains unleased or unsold (but not to exceed four (4) years from the date of recordation of this Declaration) and/or during such period to use any Lot or structure (if there are any structures) within the Property as a model Lot or model home or for a construction, real estate sales, leasing or decorator office or a parking area incidental thereto. For the shorter of a period ending upon expiration of the four (4) years referred to in this Section 8.1 above, or until Declarant no longer has a fee ownership interest in the Property or the Additional Property or any portions thereof ("Specified Period"), Declarant and its agents and invitees shall have the right to make reasonable use of any and all portions thereof owned in fee by Declarant, and any and all of the Common Areas within the Property for ingress, egress, development, sales, construction and related purposes. Each Owner by acceptance of a deed to a Lot within the Property, acknowledges that during the Specified Period there may be or will be traffic, congestion, noise, vibrations, dust, signs and other conditions and irritations associated with the development of the Property (including the Additional Property) and the construction and marketing of improvements thereon (including, without limitation, dwelling units and Common Area improvements). Notwithstanding the foregoing, the Declarant shall not be relieved of responsibility for any loss, damage, injury or claim which is determined by a court of competent jurisdiction to have been caused by the gross negligence or intentional misconduct of Declarant.

Section 8.2 No Violation of the Restrictions. There shall be no violation of the Restrictions. If any Owner, his family, servants, guests, licensees, lessees or invitees violate the

Restrictions or any or them, disciplinary action may be taken in accordance with the Bylaws.

Section 8.3      Garages and Garage Doors. No garage shall be converted to another use without the prior written consent of the City or its Community Development Department. Prior to the transfer of any Lot within the Property, the transferor and the potential transferee shall notify the Association of the proposed transfer and the Association shall have the right and the duty to enter upon such Lot and inspect the garage located thereon to insure that it has not been altered or converted to another use. If as a result of its inspection, the Association determines that the garage has been altered or converted without the required approval of the Association, then the Association shall promptly notify the Owner of the Lot that such Owner has thirty (30) days to change the garage back to a two car garage. A copy of any such notice sent to the Owner by the Association shall also be sent to the City. If the Owner has not changed the garage back to a two car garage within said thirty (30) day period, then at any time thereafter until the garage has been changed back appropriately, both the Association and the City shall have the right (but not the obligation), upon three (3) days prior written notice to such Owner, to enter upon such Owner's Lot and change his garage back to a two car garage without his permission, and the entire cost of any such entry and work shall be chargeable to such Owner and shall be immediately payable to either the Association or the City (the one that did the work) by the Owner of such Lot together with interest at the rate of ten percent (10%) per annum on amounts advanced by the Association or the City, as the case may be, to defray such costs from the date of advance until the date of repayment. If the Association performs or causes the work to be performed, then the cost of such entry and work shall be subject to the provisions of Section 5.14 hereof to the extent that such provisions are not inconsistent with the foregoing provisions of this Section 8.3. Garage doors, if any, shall be closed at all times when such doorways are not actually being used for access to or from the garage. An automatic garage door opener shall be installed and maintained in the garage on each Lot within the Property, and two (2) portable opening devices shall be available for use in connection with each such garage door opener. The Owner of each Lot shall be responsible for assuring that the garage door opener and the two (2) portable opening devices are kept and maintained in good operating condition.

Section 8.4      No Temporary Structures. No shed, tent, trailer or temporary building shall be erected, maintained or used on any of the Property; provided, however, that temporary buildings for use and used only for purposes incidental to the construction of improvements and dwellings on any portion of the Property may be constructed and maintained provided that said temporary buildings shall be promptly removed upon the completion of such construction work.

Section 8.5      Parking Restrictions.

(a) Except for any area actually improved as a driveway and/or garage, no portion of any Lot shall at any time be used for the parking of any vehicle and/or boat.

(b) No area improved as a driveway on any Lot shall be used for the parking of any mobile home, motor home, truck (excepting pick-up trucks and any other trucks which may be from time to time specifically exempted from the provisions of this Section 8.5 by the Board of Directors of the Association), trailer and/or boat (except for temporary parking of any such vehicle for a period of not to exceed two consecutive hours for loading and/or unloading purposes).

(c) Except within the garage located on any Lot, no portion of the Property shall be used for repairing any vehicle and/or boat.

(d) Except for any area actually then improved for parking purposes and then authorized for parking by the Association, no portion of the Common Area shall at any time be used for the parking of any vehicle or boat.

(e) No Common Area then improved for parking purposes and then authorized for parking by the Association shall be used for the parking of any mobile home, motor home, commercial truck, trailer and/or boat (except for temporary parking of any such vehicle for a period of not to exceed two (2) consecutive hours for loading and/or unloading purposes).

(f) In addition to the foregoing restrictions, the Association may promulgate rules regulating the parking of vehicles, mobile homes, motor homes, trucks, trailers and/or boats in any portion of the Common Area and/or in the driveway of any Lot.

Section 8.6      Signs.      Except for one standard type real estate sign reasonable as to color and display qualities and having a maximum face area of six (6) square feet, and advertising a Lot for sale or lease, no sign or other advertising device of any character shall be erected, maintained, or displayed upon any portion of the Property, without the prior written consent of the Board; provided, however, that Declarant, its agents and assigns, may for a period not to exceed four (4) years from the date of recordation of this Declaration erect and maintain any signs and other advertising devices or structures as it may deem necessary or proper in connection with the conduct of its operations for the development, improvement, subdivision, sale and/or leasing of said Property or any portion thereof.

Section 8.7      Limitation of Animals.      No animals, fowl, reptiles or poultry (except a maximum of two (2) usual and ordinary household pets such as domestic dogs, cats, birds and fish) may be



kept, bred or raised within the Property, provided that they are not kept, bred or raised for commercial purposes and they are kept under reasonable control at all times. Notwithstanding the foregoing, no pets may be kept on the Property or any portion thereof, which cause residents in the vicinity to be annoyed and/or bothered thereby. No pets shall be allowed in the Common Areas except as may be permitted by the Rules of the Board. No dog shall enter the Common Areas except while on a leash which is held by a person capable of controlling it. No dogs whose barking disturbs other Owners shall be permitted to remain on the Property. Owners shall prevent their pets from soiling any portion of the Common Areas.

Section 8.8 Rubbish. No weeds, rubbish, debris, objects or materials of any kind shall be placed or permitted to accumulate upon any portion of the Property, which render such portion unsanitary, unsightly, offensive or detrimental to any property in the vicinity thereof or to the occupants of any such property in such vicinity.

Section 8.9 No Infected Plants. No plants or seeds infected with noxious insects or plant diseases shall be brought upon, grown, or maintained upon any part of the Property.

Section 8.10 Enclosure of Storage Areas. All rubbish, trash, garbage and refuse containers, woodpiles, storage piles, storage areas, machinery and equipment shall be prohibited upon any Lot, unless obscured from view of other Lots and Common Areas by a fence or appropriate screen. Garbage or rubbish containers may be temporarily placed for pick-up subject to the Rules from time to time promulgated and in effect.

Section 8.11 Clothes Lines. No clothes shall be dried nor exterior clothes lines erected or maintained upon the Property except in areas obscured from view of other Lots and Common Areas by a fence or screen.

Section 8.12 No Nuisance. No obnoxious, illegal or offensive activities shall be carried on upon any portion of the Property, nor shall anything be done or maintained thereon which may be or become an annoyance or nuisance to or which may interfere with the quiet enjoyment of any other Owner or the neighborhood, or which will impair the structural integrity of any building.

Section 8.13 Maintenance of the Common Areas. The Common Areas and every portion thereof and all structures, improvements and landscaping located thereon shall be maintained in good and clean condition by the Association. Without limiting the generality of the other provisions of this Section 8.13 and/or of the provisions of Section 8.15 below, upon fifteen (15) days prior written notice from the City requesting that specified graffiti be removed from the improvements to be maintained and/or kept clean by the Association as provided for in this Section 8.13 and/or in Section 8.15 hereof, the Association shall be responsible for

removing or causing such graffiti to be removed from such improvements within the said fifteen (15) day period. Additionally, the Association shall hire a gardener and prepare a list of approved repair and maintenance companies for services such as plumbing, electrical, etc. All repairs and maintenance to the Common Areas and/or the improvements located thereon shall be performed by approved companies only.

Section 8.14 Maintenance of the Lots. Except as may be otherwise provided for in Sections 8.15 and 8.36(a) below, each Lot and every portion thereof and the improvements and landscaping located thereon shall be maintained in good, clean and attractive condition by the Owner thereof; and without limiting the generality of the foregoing (but also except as otherwise provided in Section 8.15 below), the Owner(s) of each Lot within the Property shall be responsible for:

(a) Painting and keeping in attractive condition and free of graffiti, the interior surfaces (i.e. those surfaces facing the Lot in question) of any side and/or rear boundary fences located on or immediately adjacent to the subject Lot and which separate said Lot from adjoining Lots; provided that the responsibility for structural maintenance of each fence separating Lots within the Property (and the cost of such structural maintenance) shall be shared equally by the Owner(s) of the Lots separated by such fence, except that structural damage to any such fence caused by the negligence or wilful misconduct of an Owner of one of the adjoining Lots shall be repaired by and at the cost of such Owner who caused the damage;

(b) Maintaining, irrigating and trimming lawns, landscaping and trees located in the front yard of such Lot so as to keep such lawns, landscaping and trees in good, clean and attractive condition;

(c) Maintaining, irrigating and trimming lawns, landscaping and trees located in the back yard or side yard of such Lot (except for side yard areas, if any, to be maintained by the Association pursuant to the provisions of this Declaration) so as to keep such lawns, landscaping and trees in good, clean and attractive condition;

(d) Except as may be otherwise provided in Section 8.36(a) below, painting (in the original color or a color approved by the Architectural Committee so that the color will be compatible with the other parts of the perimeter wall/fence) and maintaining graffiti free and in good, clean and attractive condition: the interior surfaces (i.e. those surfaces facing the Lot in question) of any perimeter wall (perimeter wall as used herein shall mean the wall bounding the exterior perimeter of Tract No. 52281) located on or immediately adjacent to said Lot; and

(e) Maintaining in good and operating condition all drainage and grading patterns, systems and improvements, including, without limitation, all swales, curbs, gutters, inlets, conduits, pipes, wall openings and spouts located on such Lot, but specifically excepting the storm drain facilities, systems and improvements to be maintained by the Association as more particularly identified and provided for in Section 8.15(a)(iii) below.

All maintenance to be performed by the Owners pursuant to the provisions of this Section 8.14 shall be in accordance with the maintenance standards set forth herein. Without limiting the generality of the foregoing provisions of this Section 8.14, upon fifteen (15) days written notice from the City requesting that specified graffiti be removed from specified improvements on a Owner's Lot, which improvements are to be maintained and/or kept clean by such Owner, then such Owner shall be responsible for removing or causing such graffiti to be removed from such improvements within the said fifteen (15) day period. If the Owner of any Lot fails to perform such Owner's obligations under this Section 8.14, then in addition to any of its other rights and/or remedies for such failure, the Association shall have the right to proceed under the provisions of Section 7.4 hereof and/or the provisions of Section 10.01 of the Bylaws (which Section 10.01 provides for the disciplining of Owners and others for violations of the Restrictions).

Section 8.15 Maintenance of Certain Improvements on the Lots by the Association.

(a) In addition to maintaining the Common Areas, the Association shall (subject to the provisions of Article XII hereof):

(i) Without limiting the provisions of Section 8.36(a) below, maintain the structural integrity of and keep in good structural condition all portions of the perimeter wall located on or immediately adjacent to those Lots located within the Property which are then subject to assessment hereunder;

(ii) Without limiting the provisions of Section 8.36(a) below, paint (in the original color or in a color approved by the Architectural Committee) and maintain in clean and attractive condition (including the implementation of appropriate graffiti abatement measures), the exterior side of all perimeter walls bounding the Property;

(iii) Maintain in good and operating condition the storm drain facilities, systems and improvements constructed or to be constructed by Declarant on one or more of the Lots in connection with development of the Project, as such storm drain facilities, systems and

improvements are more particularly shown and/or described on Exhibit "D" attached hereto, and the Association shall have the right of entry on such Lots as provided for in Section 7.2 above for the purpose of performing such maintenance activities described in this Section 8.15(a) (iii);

(iv) Maintain (to the extent properly required to do so, if at all, by Conditions of approval and/or by governmental agencies having jurisdiction) all landscaping within the parkway adjacent to the Property along 228th Street and Main Street (which maintenance shall include pruning, trimming, irrigation and replacement of such landscaping), whether within the public right-of-way or on private property; provided that Association's duties under this Section 8.15(a) (iv) will only be applicable during periods when the Association has the right of access to perform such maintenance activities;

(v) Maintain, repair, paint (in the original colors or in colors approved by the Architectural Committee), remove, replace and keep in good and clean condition, any mail boxes originally installed by Declarant on any Lot;

(vi) Inspect, maintain and repair and keep in good structural and aesthetic condition, graffiti free, those portions of the walls and pilasters, if any, which are related to the entry gates of the Property and which are on located Lots lying adjacent to the entry gates.

The cost of the actions undertaken by the Association pursuant to the provisions of this Section 8.15(a) shall be deemed a Common Expense to be defrayed by Regular and/or Special Assessments being levied from time to time against all Lots within the Property then subject to assessment. The Association's right of entry for performing its duties under the provisions of this Section 8.15(a) is provided for in Section 7.2 hereof.

(b) In the event that the need for painting, maintenance or repair is caused through the negligent or willful act of an Owner, his family, or guests, or invitees, the cost of such maintenance or repairs shall be paid for by such Owner, and to such end said cost may be levied as an individual extraordinary charge against such Owner.

2 Section 8.16 Limitation on Tree Overhang. No tree, shrub or planting of any kind shall be allowed to overhang or otherwise encroach upon any sidewalk or other pedestrian way from ground level to a height of ten (10) feet without the prior approval of the Architectural Committee.

Section 8.17 Restrictions on Exploration i Removal of Minerals. No surface area within the Property, nor any other area within two hundred (200) feet below the surface of the Property shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance or natural gas of any kind.

Section 8.18 Indemnity by Owner of the Association for Negligence, etc. Each Owner shall indemnify and hold harmless the Association for any losses or damage to the Common Areas or to any of the equipment or improvements thereon and, in addition, for any costs thereby incurred, including, without limitation, reasonable attorneys' fees, which may be sustained by reason of the negligence or willful misconduct of said Owner or of his family members, relatives, guests or invitees, both minor and adult.

Section 8.19 Prohibition Against Exterior Antennae, Etc. No Owner, resident or lessee (other than Declarant undertaking initial construction of dwellings, if any) shall install or permit to be installed wiring for electrical or telephone installation, television or radio antennae, satellite dishes, machines or air-conditioning units, etc., on the exterior of the buildings located within the Property or that protrude through the walls or the roof of the buildings, except for variances from the foregoing which may be from time to time authorized by the Architectural Committee; and except that the prohibition set forth in this Section 8.19 above shall not be applicable to the installation and/or use of a video or television antenna (including a satellite dish) which is by reason of screening or otherwise not visible from any public or private street and has a diameter or diagonal measurement of thirty-six (36) inches or less (any such video or television antenna, including satellite dish, qualifying for the preceding exception shall be referred to herein as an "Excepted Antenna"); provided, however, that no Excepted Antenna shall be installed within the Property (other than any installation made by Declarant in undertaking initial construction of any dwelling on the Property) until complete plans and specifications have been submitted to and approved by the Architectural Committee in accordance with the provisions of Article VI hereof. In no event shall the Architectural Committee's decision on any such application be wilfully or unreasonably delayed nor shall the Architectural Committee's approval be unreasonably withheld or conditioned.

Nothing to the contrary withstanding in the first paragraph of this Section 8.19 above, all roof top equipment located or to be located on any building within the Property shall be screened or otherwise situated so that such equipment is not visible from any other Lot within the Property or from any public or private street; provided that variances from the restrictions set forth above in this second paragraph of Section 8.19 may be from time to time authorized by the Architectural Committee so long as any such variance is also approved in writing by the City as reflected by the execution of such an approval by an authorized

representative of the City (without limiting others from being designated as authorized representatives), it is understood that either the City Attorney or the Community Development Director shall be deemed an authorized representative of the City for such purpose; and provided further that no variance shall be granted by the Architectural Committee hereunder until complete plans and specifications have been submitted to and approved by the Architectural Committee in accordance with the provisions of Article VI hereof. In no event shall the Architectural Committee's decision with respect to such a variance be made on an unreasonable basis. Unless otherwise prohibited by law, the City's approval as required in this Section 8.19 may be given or withheld in the City's sole discretion.

Section 8.20 Solar Energy Systems. The Association may impose reasonable restrictions on the installation of solar energy systems provided in Civil Code Sections 714 and 714.1 and any amendments thereto.

Section 8.21 Open Space Areas. Private open space areas located within each Lot which are not improved with buildings or structures by reason of Declarant's original development of such Lot, shall remain open space without a roof cover.

Section 8.22 Window Covers. No newspaper or aluminum foil shall be used as window coverings.

Section 8.23 Compliance. Each Owner, tenant or occupant of a Lot shall comply with the provisions of the Restrictions as lawfully amended from time to time, and failure to comply with any such provisions shall be grounds for an action to recover sums due, for damages, or for injunctive relief. These remedies are intended to be cumulative, and shall not prevent the exercise of any other right or remedy available at law, in equity or under the provisions of this Declaration.

Section 8.24 Conditions of Approval. In compliance with the requirements of the Conditions of Approval of Specific Plan No. 7-97 and of the Conditions of Vesting Tentative Tract Map No. 52281, copies of such "Conditions of Approval" are attached as Exhibit "E" to this Declaration.

Section 8.25 Disclosure Statement Relating to Present Uses of Adjoining Properties. Each Owner, by acceptance of a Grant Deed for the conveyance of title to a Lot in the Property, and each subsequent Owner of such Lot, acknowledges and understands, or is presumed to have acknowledged and understood that the properties adjacent to the Property are, as of the date of recordation of this Declaration, used for the purposes set forth on Exhibit "F" attached to this Declaration.

Neither the Declarant nor the City makes any warranty, representation, guaranty or other assertion as to potential future uses of properties adjacent to the Property. Neither Declarant,

nor the City shall have any liability, either express or implied, on account of the representations made in this Section. For further information regarding potential future uses of properties adjacent to the Property, please contact the Community Development Department of the City of Carson.

Section 8.26 Compliance with City, County and State Regulations. The Property shall comply with all regulations, ordinances and laws of the City of Carson, the County of Los Angeles and the State of California, and the Property shall be architecturally compatible with the surrounding neighborhood.

Section 8.27 Entry Gates. Each Owner, by acceptance of a deed to a Lot, acknowledges that one or more entry gate(s) for the Property have been or will be installed; however, no guaranties, promises or warranties, express or implied, oral or written, are made by Declarant as to the continued existence or location of the gate(s); and no representations, are made by Declarant regarding providing protection or security for the Property, in general, for the Common Areas, or any Owner, Owner's family, guests, invitees, tenants, agents or employees or any of their personal property.

Each Owner further acknowledges that (i) any entry gate installed on the Property is intended merely as an architectural feature of the Property, and is not designed nor intended to provide security for the Property or any portion thereof, and (ii) the existence of one or more entry gates does not (A) represent an undertaking to Declarant, the Association or any other person or entity to provide security, or (B) indicate a community design intended to provide security for the Property in general, for the Common Areas, or for any Owner, Owner's family, guests, invitees, tenants, agents or employees or any of their personal property.

Section 8.28 No Representations or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees in connection with the Property, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned unit development 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 California Department of Real Estate.

Section 8.29 Additional Provisions. Notwithstanding the provisions contained in the Restrictions, the Association and the Owners should be aware that there may be provisions or various laws, including, without limitation, the Davis-Stirling Common Interest Development Act codified at Sections 1350 et seq. of the California Civil Code, which may supplement or override the Restrictions.

Section 8.30 Potential for Tree Damage. Each Owner by acceptance of a deed to a Lot and the Association by acceptance of a deed to the Common Area hereby acknowledges that:

(a) In connection with the development of the Property, trees have been or will be planted within the Property as part of the overall landscaping plan;

(b) Each Owner and the Association understands that when such trees and their root systems grow, they may subject the Owner's Lot, the Common Area and the improvements located thereon and thereunder (including, without limitation, roofs, underground sprinklers and utility systems and pavement) to damage, injury, loss and/or increased maintenance requirements and costs, and each Owner and the Association hereby agrees to accept the foregoing risks as their own and without recourse. Declarant, its officers, directors, shareholders, divisions, subsidiaries, partners and affiliated companies; and

(c) In an effort to minimize or eliminate the potential for damage, injury, loss, and/or increased maintenance requirements and costs described in Section 8.30(b) above, each Owner as to his Lot and the Association as to the Common Area, may decide some time in the future that it is necessary or appropriate for one or more of such trees to be removed and/or replaced and in the event of such removal or replacement, it is agreed that the Owner who removes and/or replaces any such tree located on his Lot shall bear the full cost of any such removal and/or replacement and the Association shall bear any such cost for the removal and/or replacement of any trees located on the Common Area.

Declarant (except as an Owner), its officers, directors, shareholders, divisions, subsidiaries, partners and affiliated companies, shall not be liable for any cost, expense (including attorneys' fees), loss, damage, injury or claim of any kind or character, arising from or related to any of the risks and/or activities described in Section 8.30(b) or (c) above; and each Owner, by acceptance of a deed to a Lot, and the Association by acceptance of a deed to the Common Area, for himself/itself and on behalf of all of his/its licensees, tenants, invitees, employees and agents, waives any and all claims and demands in any way related to the risks and/or activities described in Sections 8.30(b) and (c) as they apply to the Lot of the waiving Owner and to the Common Area so far as the Association is concerned.

Section 8.31 Restrictions Relating to Mail Boxes. Each mail box receptacle shall be for the exclusive use of the Owner of the Lot to which such mail box receptacle has been assigned as being appurtenant thereto. Each Owner may delegate his exclusive use rights provided for in this Section 8.31 above to the Tenants and/or occupants of his Lot. Additionally, each Owner shall be responsible for assuring that neither he nor any of his tenants,



occupants and/or guests violate the exclusive use rights of others as described in this Section 8.31 above.

Section 8.32 Environmental Conditions Disclosure. The Original Property and the Additional Property (collectively the "Overall Property") constitute real property which was formerly used as a petroleum tank farm and oil storage facility. Disclosures relating to the Overall Property and its prior uses, contamination and remediation attached hereto as Exhibit "G". Neither the Declarant nor the City makes any warranty, representation, guarantee or assertion as to the accuracy, reliability and/or sufficiency of any health and/or environmental risk assessment, report, confirmation, certification, verification and/or communication heretofore or hereafter issued and/or performed by any other governmental agency and/or environmental consultant relating to the condition of the Overall Property or any portion thereof and/or to the remediation of any contamination affecting same, and/or to the confirmation that the Overall Property or any portion thereof poses no risk to human health or the environment and is suitable for residential development and occupancy. Neither Declarant nor the City shall have any liability, either express or implied, on account of any of the statements made in Exhibit "G" attached hereto. For further information regarding health and environmental risks relating to the Overall Property, please contact the Community Development Department of the City of Carson.

Section 8.33 City's Rights to Prohibit the Construction and Maintenance of Structures in Certain Common Areas of the Property. Declarant hereby dedicates and grants to the City, the right to prohibit the construction and maintenance of structures within the Landscape Common Areas and the Private Street Areas of the Property, except for non-residential improvements of the type permitted within such areas pursuant to the provisions of Section 2.4 hereof, and except as may be otherwise approved by the City.

Section 8.34 Easements for Access to Lots and Use of the Park Area. Certain Private Street Areas providing access to the Lots within the Property via the entry gates and to the Park Area are not intended to be annexed into the Property until annexation of: (i) Phase 8 which will include Lot 174, (ii) Phase 14 which will include Lot 173, and (iii) Phase 15 which will include Lot 168. Therefore, it is anticipated that said Private Street Areas (i.e. Lots 168, 173 and 174) will not be conveyed to the Association by Declarant and thereby become Common Area until the annexation of the Phase to which each such Private Street Area has been assigned as noted above, provided that Declarant shall not be obligated to ever annex such Phases into the Property nor convey said Private Street Areas or any of them to the Association; and provided further that Declarant shall have the right to reassign at any time such Private Street Areas for annexation with other phases if it so elects.

The Park Areas (lots 182 and 183) are not intended to be annexed into the Property until Phase 5 for Lot 183 and Phase 6 for Lot 182. Therefore, it is anticipated that said Park Areas (i.e. Lots 182 and 183) will not be conveyed to the Association by Declarant nor become Common Area until the annexation of the Phase in which Park Area has been assigned as noted above, provided that Declarant shall not be obligated to ever annex such Phases into the Property nor convey said Park Areas or either them to the Association, and provided further that Declarant shall have the right to reassign such Park Areas for annexation with other Phases if it so elects.

Therefore, in order to provide access and the right of enjoyment to the Owners of Lots from time to time located within the Property (and to give them appropriate protection), Declarant is by separate instrument granting to the Association and the Owners of the Lots from time to time located within the Property and their respective successors and assigns, (a) a non-exclusive easement for ingress, egress and travel over and across Lots 168, 173 and 174, and (b) a non-exclusive easement for access and use of the park facilities from time to time existing within the Park Areas (i.e. Lots 182 and 183). Such easements shall not initially be deemed a part of the Common Area and the Association shall not be responsible for operating and/or maintaining same unless and until such easements or portions thereof are terminated and the easement areas or portions thereof become Common Area as hereinafter contemplated in this Section 8.34, in which event the Association shall thereupon become obligated to operate and maintain those portions of the easement areas which have become Common Areas.

The non-exclusive easements provided for in this Section 8.34(a) above shall provide that so long as such easements remain in effect, it shall also be for the benefit of the City of Carson ("City") to allow the City access to and through said Lots 168, 173 and 174 for the purpose of reviewing maintenance issues relating to the City's Property Maintenance Ordinance and the provisions of Specific Plan No. 7-97 as identified in Section 8.24 hereof. The City's said access rights under the aforementioned non-exclusive easement shall be considered a "public right-of-way" for the purposes stated in the preceding sentence.

The aforementioned non-exclusive easements are sometimes collectively referred to herein as the Park and Access Easement. The Park and Access Easement shall be appurtenant to the Lots and Common Areas from time to time located within the Property. Any easement beneficiary with respect to the Park and Access Easement may delegate his rights of enjoyment with respect to such easements to the same persons and on the same basis and subject to the same limitations as are set forth in Section 3.4 of the Declaration.

Park and Access Easement will automatically terminate by its own terms as to any portion of the Park Area and/or the Private Street Area which is ultimately annexed into the Property as Common

Area and conveyed to the Association for its use and benefit and for the use and benefit of the Owners and their delegates as contemplated in Section 3.4, subject to the provisions and limitations contained in this Declaration.

Declarant shall be responsible for operating (which shall include being responsible for payment of property taxes applicable thereto and the maintenance of insurance with respect thereto to the same extent as if such area were Common Area) and maintaining, at Declarant's sole cost and expense, the areas that are from time to time subject to the Park and Access Easement and Declarant's said responsibility shall terminate and be assumed by the Association as to each such area originally subject to the Park and Access Easement upon annexation of such area into the Property and upon Declarant's conveyance of such area to the Association in accordance with the provisions of this Declaration. The Park and Access Easement is being created by a separate instrument which each Owner has had the opportunity to review.

Section 8.35 Disclosure: Existence of Pipelines and Transmission Facilities. Each Owner of an affected Lot, by acceptance of a Deed for the conveyance of title to such Lot, and each subsequent Owner of such Lot, acknowledges and understands, or is presumed to have acknowledged and understood that: (a) underground pipelines and transmission facilities exist or may exist under such Owner's Lot and/or under any other portion of the Overall Property, as such term is defined in Section 8.32 above, including, without limitation, under and/or within those pipeline easements and license areas identified on the Tract Map for Tract No. 52281 and/or in other instruments of record, if any, and (b) such Owner has accepted title to said Lot subject to the information, matters and disclosures set forth on Exhibit "H" attached hereto. Neither the Declarant nor the City makes any warranty, representation, guaranty or assertion as to potential future risks associated with any pipelines, transmission facilities and/or related facilities located on or under said Lot and/or any other portion of the Overall Property and/or any release of hazardous materials or contamination therefrom, including without limitation potential future risks disclosed or identified herein or in Exhibit "H". Neither Declarant, nor the City shall have any liability, either express or implied, on account of any matters disclosed or identified in this Section and/or in Exhibit "H" attached hereto and the Owners shall accept all risks of every kind or nature relating thereto.

Section 8.36 Certain Setback, Improvement and Maintenance Requirements.

(a) A minimum six (6) foot high decorative block wall shall be located and maintained on that portion of the Property which fronts on 228th Street and Main Street. A minimum six (6) foot high decorative block wall shall also be placed along the perimeter of that portion of the Property which abuts all residential portions of Tract No. 52281. An

eight (8) foot high sound wall shall be located and maintained at the Main Street elevation. Said walls shall be set back a minimum of eight (8) feet from the residential property line. The area in front of the wall shall include drought tolerant landscaping as approved by the Director of Community Development for the City. Landscape vines shall be utilized at the base of the wall to provide a graffiti deterrent. Nothing to the contrary in this Declaration withstanding, such block walls and landscaping shall be maintained by the Association. The provisions of this Section 8.36(a) shall not limit the Association's obligations provided for elsewhere in this Declaration.

(b) A minimum eight (8) foot landscaping setback shall be included for all areas adjacent to Main Street and 228th Street.

(c) Each lot shall have a front yard with a minimum depth of fifteen (15) feet, to the living area; units that provide a porch area may encroach into the fifteen (15) foot setback, leaving a minimum setback of twelve (12) feet if approved by the Community Development Director of the City under the City's applicable ordinance.

#### ARTICLE IX.

##### ESTABLISHMENT AND RESERVATION OF EASEMENTS

Section 9.1 Establishment of Utility and Drainage Easements. The rights and duties of the Owners of Lots within the Property with respect to drainage facilities, sewer, water, electricity, gas, telephone and cable television lines (if any), and other utility lines and facilities shall be governed by the following:

(a) Wherever sewer house connections and/or water house connections or electricity, gas, telephone and cable television lines or drainage facilities are installed within the Property, which connections, lines or facilities (together the "System" herein) or any portion thereof, lie in or upon Lots and/or Common Area owned by the Association or owned by others than the Owner of a Lot served by said System, the Owners of any Lot or area served by said System shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon the Lots or to have utility companies enter upon the Lots and/or Common Areas in or upon which said Systems, or any portion thereof, lie, to repair, replace and generally maintain said System as and when the same may be reasonably necessary.

(b) Whenever sewer house connections and/or water house connections or electricity, gas or telephone or cable television lines or drainage facilities are installed within

the Property, which connections, lines and facilities (the "System" herein), serve more than one Lot, the Owner of each Lot or area served by said System shall be entitled to reasonable use and enjoyment of all portions of the System which are necessary to serve his Lot.

(c) The easements provided for herein shall be used so as not to interfere with any Owner's use and enjoyment of any of the buildings originally constructed on the Lots.

Section 9.2      Reservation of Utility and Drainage Easements.  
Easements over the Lots and Common Areas for the installation, maintenance, modification and replacement of electric, telephone, cable television, water, gas and sewer lines and drainage facilities are hereby reserved by Declarant, together with the right to grant and transfer the same; provided, however, that such easements shall not interfere with any Owner's use and enjoyment of the buildings as originally located on the Lots and Common Areas constituting the servient tenements.

Section 9.3      Reservation of Certain Easements for Use by Declarant and/or the Association and of Others for Mail Box Purposes.

(a) Non-exclusive easements over the Lots and Common Areas, which easements shall be for those limited purposes contemplated in Section 8.1 above, and which easements shall be appurtenant to each of the Lots, are hereby reserved to Declarant with right to grant and convey same to others as contemplated in Section 8.1 above.

(b) Non-exclusive easements over the Lots, which easement shall be for those purposes set forth in Section 7.2 hereof, are hereby reserved to Declarant for its benefit and for the benefit of the Association.

(c) Wherever a mail box is installed within the Property (whether in the Common Area or within a Lot other than the Lot to be served thereby, the Owner of the Lot to be served by such mail box (as such Lot is identified by Declarant in a written mail box allocation instrument), shall have the right and is hereby granted (i) an exclusive easement to make use of the receptacle of such mail box so identified and assigned by Declarant, and (ii) a non-exclusive easement of access to reach such mail box (it being understood that such easement in each instance is appurtenant to the Lot being served by such mail box); provided that such easements shall be used so as not to unreasonably interfere with the use and enjoyment of the dominant tenement by the person entitled thereto.

(d) Non-exclusive easements ("Landscape and Maintenance Easements") over, under and across the "Landscape and Maintenance Easement Area" of any Lot within the Property as identified in this Declaration or any amendment or supplement

hereto, as may be from time to time effected, is hereby reserved unto Declarant and its successors and assigns for the benefit and use of the Association and its successors and assigns. The Landscape and Maintenance Easements shall be for the purpose of (i) irrigating and maintaining the Landscape and Maintenance Easement Area [approximately a five (5) foot strip required to be provided on certain Lots between the Private Street Area and the fence of such Lot when the side yard of such Lot abuts a Private Street Area], and (ii) maintaining, repairing and painting the fence which bounds the Landscape and Maintenance Easement Area on the Lot that is subject to such easement. The Landscape and Maintenance Easement shall constitute Common Area and the costs and expenses incurred by the Association in carrying out its duties with respect to the Landscape and Maintenance Easement Areas shall constitute Common Expenses. The Landscape and Maintenance Easement shall be appurtenant to the Lots within the Property, but the rights with respect thereto shall be exercised by the Association or its successors and assigns except as may be otherwise provided in this Declaration or in any other instrument relating to the establishment of such easements. Nothing to the contrary herein withstanding, the Landscape and Maintenance Easements shall be used so as not to unreasonably interfere with any owner's use and enjoyment of any of the buildings originally constructed on such Lots.

#### Section 9.4 Encroachment Easements.

(a) Each Lot is hereby declared to have an easement over all adjoining Property (including Lots and Common Areas) for the purpose of accommodating any minor encroachments due to original engineering or survey errors, errors in original construction, or settlement or shifting of a building, wall or other structure, or for any other similar reason, together with an easement for maintaining such encroachment.

(b) If any portion of the Common Area encroaches upon any Lot, a valid easement for encroachment and for maintenance of same, so long as it stands, shall and does exist.

Section 9.5 Drainage and Grading Systems and Improvements.  
Each Owner and the Association shall accept the established drainage and grading patterns, systems and improvements for the Lots and Common Areas (including, without limitation, swales, curbs, gutter, inlets, pipes, wall openings, spouts and the like), which are collectively referred to herein as the "Drainage Systems and Improvements" as established by the completed final grading of the Property and installation of the Drainage Systems and Improvements as originally undertaken by Declarant. Neither the Association nor any Owner shall alter or change the established Drainage Systems and Improvements as from time to time existing without the prior written approval of the Association as authorized by its Board of Directors.

Reasonable and adequate provisions for proper drainage shall be made by the Association and/or the Architectural Committee in the event it is later reasonably determined to be necessary to alter the drainage pattern and systems, and the right of access is hereby reserved and transferred to the Association to allow the Association to make any reasonably necessary alterations to the Drainage Systems and Improvements from time to time existing, subject to first satisfying the requirements of Section 7.2 hereof.

Section 9.6      Reservation of Private Street Easement.      A perpetual non-exclusive easement ("Private Street Easement") for vehicular and pedestrian, ingress, egress, travel utility and cable purposes, over and across the Private Street Areas of the Property is hereby reserved unto Declarant, its successors and assigns, together with the right to grant and transfer same. The Private Street Easement shall be appurtenant to and for the benefit of the Lots and any and all portions of any of them located within the Property as it from time to time exists, which Lots shall constitute the dominant tenement with respect to the Private Street Easement; provided that easements for utility and cable purposes within the Private Street Areas shall be underground easements and may be granted in gross. It is understood that the Private Street Easement can be used by Declarant (subject to the limitations set forth in Section 8.1 hereof), and by the Owners, lessees and tenants of any portion of the dominant tenement and their respective agents, employees, contractors, guests, invitees and licensees, and by utility and cable companies having the right to such easement. Declarant hereby reserves and transfers to the City of Carson, access to the Private Street Areas for itself and its agents and contractors for the purpose of emergency access and reviewing maintenance issues relating to the City's Property Maintenance Ordinance and the provisions of Specific Plan 7-97. All Private Street Areas shall be considered "public rights-of-way" for the purposes referred to in the preceding sentence.

Section 9.7      Transferability of Reserved Easements.      Each and every easement and right reserved under this Declaration may be granted and transferred by Declarant to the Association or to any other person and/or entity and their successors or assigns, as may be appropriately determined by the Declarant.

Section 9.8      Surcharge of Easements.      Neither the use of the dominant tenement nor the use of any of the easements established and/or provided for in this Article IX, nor the division from time to time of any such dominant tenement into two or more parcels for any purpose whatsoever shall be deemed to constitute a surcharge upon said easements.

Section 9.9      Matters Having Priority Over Easements.      Each and every one of the easements established, reserved and/or now or hereafter granted as contemplated in this Article IX hereof shall be subject to:

(a) All general and special real property taxes, assessments and bonds, not delinquent;

(b) All covenants, conditions, restrictions, reservations, rights, rights of way and easements of record;

(c) Any and all reasonable rules and regulations pertaining to any such easement, as such rules and regulations may from time to time be established and promulgated by the Association.

## ARTICLE X.

### MORTGAGE PROTECTION

#### Section 10.1 Subordination of Lien and Foreclosure.

(a) Liens created or claimed under the provisions of this Declaration (including, without limitation, any assessment lien provided for under the provisions of Article V above) prior to the recordation of a mortgage shall have priority over the mortgage. Liens created or claimed under the provisions of this Declaration (including, without limitation, any assessment lien provided for under the provisions of Article V above) after recordation of any first mortgage are expressly made subject and subordinate to the rights of any first mortgage that encumbers all or a portion of the Property, or any Lot, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the mortgagee expressly subordinates his interest, in writing, to such lien or a Notice of Claim of Lien is of record with respect to the Lot encumbered prior to recordation of such first mortgage.

(b) If any Lot is encumbered by a first mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments, shall not operate to affect or impair the lien of such mortgage except as set forth in the first sentence of Section 10.1(a). Upon foreclosure of a first mortgage, the foreclosure-purchaser shall take title to the Lot free of the lien for assessments, or installments, that have accrued up to the time of the foreclosure sale except as noted above. On taking title to the Lot the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the Lot except as noted above. The subsequently levied assessments or other charges may include previously unpaid assessments provided all Owners, including the foreclosure-purchaser and his successors and assigns, are required to pay



their proportionate share as provided for herein except as noted above.

Section 10.2 Mortgagees Not Required to Cure Certain Breaches. A first mortgagee who acquires title by judicial foreclosure or as a result of a trustee's sale under the power of sale provisions of such first mortgage shall not be obligated to cure a then-existing breach of this Declaration which is of a type not reasonably practical or feasible for such acquirer to cure.

Section 10.3 Estoppel Certificate. The Association shall, at the request of a mortgagee of an interest in any Lot located within the Property, report any unpaid assessments due from the Owner of such interest in the Lot.

Section 10.4 Effect of Breach of Declaration. No breach of any of the covenants, restrictions or provisions contained in this Declaration shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but violation of any one or more of these covenants, restrictions and provisions may be enjoined or abated by Declarant, its successors and assigns, by the Association, or by any Lot Owner, by action of any court of competent jurisdiction, and damages may also be awarded against such violation; provided, however, that any such violation shall not defeat or render invalid the lien of any mortgage or deed of trust made in good faith and for value as to the Property or any part thereof, but said covenants, restrictions and provisions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale or otherwise.

Section 10.5 Mortgagee's Right to Attend Meetings. Because of its financial interest in the Property, a mortgagee under a recorded mortgage affecting any portion of the Property may appear (but may not vote) at meetings of the Members of the Association and the Board of Directors of the Association.

Section 10.6 Notification of Breach. Subject to Section 10.15, the holder of a first mortgage on a Lot located within the Property, upon written request, shall be entitled to written notification from the Association of any default by the mortgagor of such Lot in the performance of such mortgagor's obligations under this Declaration, the Association Bylaws and/or with respect to any rule promulgated by the Association or the Architectural Committee pursuant to the provisions of this Declaration, which default is not cured within sixty (60) days.

Section 10.7 Exemption From Right of First Refusal. Any holder of a first mortgage or deed of trust who obtains title to a Lot pursuant to the remedies provided in the mortgage or by foreclosure of the mortgage through judicial or trustee sale proceedings or by acceptance of a deed in lieu of foreclosure shall be exempt from any "right of first refusal" which might at any time or from time to time be provided for in this Declaration, the Association's Bylaws or by any of the documents referred to herein.

Section 10.8 Restrictions on Certain Change Unless at least two-thirds (2/3rds) of the holders of first mortgages (based upon one vote for each Lot encumbered by a first mortgage) and at least two-thirds (2/3rds) of the Owners (other than Declarant) of Lots located within the Property have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(a) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area or any portion thereof unless due to the annexation of Additional Property as contemplated in this Declaration. Nothing to the contrary herein withstanding, the granting of easements for public utilities, or for other public purposes consistent with the intended use of the Common Area shall not be deemed a sale or transfer within the meaning of this subsection.

(b) Change the method of (i) determining the assessments or other charges which may be levied against an Owner, except in connection with the annexation of Additional Property as contemplated in this Declaration; or (ii) reallocating distributions of hazard insurance proceeds or condemnation awards.

(c) By act or omission change, waive, terminate or abandon any scheme of regulations, or enforcement thereof, pertaining to the Property or to the architectural design or the exterior appearance of any structures on the Lots, the exterior maintenance of structures on any of the Lots, the maintenance of the Common Area, including, without limitation, the maintenance of walks, fences and driveways, and the upkeep of lawns and plantings within the Property.

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

(e) Use hazard insurance proceeds for losses to any portion of the Common Area for other than the repair, replacement or reconstruction of such Common Area.

Section 10.9 Inspection of Association Books and Records.  
The holder of any first mortgage on a Lot shall have the right to examine the books and records of the Association.

Section 10.10 Condemnation Awards and Insurance Proceeds.  
Nothing contained in this Declaration or in any of the Restrictions shall be construed as giving any Owner or any other party priority over any rights of first mortgagees of Lots pursuant to their mortgages in the case of distribution to Lot Owners of insurance proceeds or condemnation awards for losses to or taking of all or any part of the Common Areas. In the event of substantial damage

to or destruction of any part of the Common Area, the holder of any first mortgage encumbering a Lot within the Property shall be entitled to timely written notice from the Association of any such damage or destruction; provided that the holder of such first mortgage shall have filed the request for notice contemplated in Section 10.15 hereof.

Section 10.11 Insurance. All applicable fire and all physical loss or extended coverage insurance policies shall provide at least the lesser of: (a) compensation equal to the full amount of the damage or loss, or (b) compensation to the first mortgagee under the mortgage encumbering any Lot equal to the full amount of the unpaid principal balance of the mortgage loan. All buildings valued at \$1,000 and over must be insured. Notwithstanding the foregoing provisions of this Section 10.11, it is understood that the Association has no duty to provide any fire, physical loss or extended coverage insurance policy or policies insuring the Lots or any of them against any risks whatsoever.

Section 10.12 Establishment of Adequate Reserve Fund. Regular Assessments shall include an adequate amount to create a reserve fund for maintenance, repairs and replacement of those portions of the Common Areas located within the Property that must be replaced on a periodic basis.

Section 10.13 Agreements for Professional Management and/or for Services of Declarant. Nothing to the contrary in the Restrictions withstanding, no agreement for professional management of the Property or any portion thereof, nor any other contract providing for services of the Declarant, shall exceed one (1) year in length, renewable by agreement of the parties for successive one (1) year periods and any such agreement shall provide for termination by either party without cause and without payment of a termination fee on not more than ninety (90) days' written notice. Neither the Association nor the Owners shall effect any decision of the Association to terminate professional management and assume self-management of the Property, without the written approval of any governmental agency involved in a Governmental Financing Program affecting the Property (as such term is defined in Section 10.16 below). If and to the extent any such governmental approval may be required in accordance with the terms of such Governmental Financing Program.

Section 10.14 Payments by Mortgagees. First mortgagees of Lots may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against all or any part of the Common Areas and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Areas. First mortgagees making such payments shall be entitled to and owed immediate reimbursement therefor from the Association. The Association shall execute an agreement in favor of all first mortgagees of Lots within the Property reflecting the entitlement of said first mortgagees to such reimbursement.

Section 10.15 Filing of Notice; Notices and Approvals. A mortgagee shall not be entitled to receive any notice which this Declaration requires the Association to deliver to mortgagees unless and until such mortgagee, or its mortgage servicing contractor, has delivered to the Board a written notice stating that such mortgagee is the holder of a mortgage encumbering a Lot within the Property. Such notice shall state which Lot or Lots are encumbered by such mortgage and shall further state whether such mortgagee is a first mortgagee. Except as provided in this Section 10.15, a mortgagee's rights pursuant to this Declaration, including, without limitation, the priority of the lien of mortgages over the lien of Assessments levied by the Association hereunder, shall not be affected by the failure to deliver a notice to the Board. Any notice or request delivered to the Board by a mortgagee shall remain effective without any further action by such mortgagee for so long as the facts set forth in such notice or request remain substantially unchanged.

Section 10.16 Governmental Financing Programs. If Declarant at any time or from time to time elects to use a financing program for all or a portion of the Property which involves any type of mortgage insurance or guaranty issued by a governmental agency or quasi governmental agency such as the Federal Housing Administration (FHA herein), a part of the Department of Housing and Urban Development ("HUD") or the Veterans Administration ("VA"), and/or involves the sale of first mortgages to a governmental agency or quasi governmental agency such as Federal Home Loan Mortgage Corporation (FHLMC herein) and/or involves a Federal National Mortgage Association (FNMA herein) type of program (the aforementioned programs being collectively referred to herein as "Governmental Financing Programs"), then it is intended that the Association and the Owners shall take whatever reasonable steps are necessary to satisfy the then existing requirements for any such Governmental Financing Program selected by Declarant, including, without limitation, the requirement that, when available, the Association shall obtain and maintain such types of coverages of insurance, evidenced by policies of insurance and endorsements, when applicable, in such form and issued by such carriers as shall from time to time meet the requirements of the particular Governmental Financing Program involved which apply to the Property. Under such circumstances, all policies of hazard insurance required to be obtained and maintained pursuant to the provisions of this paragraph 10.16 must contain or have attached the standard mortgagee clause commonly accepted by private institutional mortgage investors for similar projects in the area in which the Property is located, except that if a separate insurance policy is maintained covering the Common Areas, such policy need not contain a mortgagee clause.

Section 10.17 Certain HUD (FHA)/VA Requirements. Nothing to the contrary in this Declaration withstanding:

- (a) While the Declarant is in control of the Association so that Declarant can take or cause the Association to take

such actions even though all other members of the Association (i.e. the other Owners of Lots within the Property) voted unanimously against such action being taken), the following actions must be approved by VA:

(i) Merger, consolidation or dissolution of the Association;

(ii) Dedication, conveyance or mortgaging of the Common Area; provided that the granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Area shall not be deemed a dedication or conveyance within the meaning of this subsection;

(iii) Annexation of additional properties into the Property [provided that annexation of the Additional Property pursuant to the provisions of Section 14.1(a) shall be deemed approved by VA upon the VA approval of this Declaration]; or

(iv) Amendment of the Declaration.

(b) Any provision of this Declaration providing for action by the Association which could affect a Lot Owner's easement in the Common Area (i.e. mortgage, conveyance or dedication of the Common Area; or annexation of additional properties into the Property; or merger, consolidation or dissolution of the Association) must be implemented by vote or written assent of not less than two-thirds (2/3rds) of each class of Members of the Association or if there is then only one class of Members of the Association, by vote or written assent of Members of the Association, excluding the Declarant, holding not less than two-thirds (2/3rds) of the voting power of the Association, exclusive of Declarant's voting power; provided that notwithstanding the foregoing, the annexation of Additional Property from time to time pursuant to the provisions of Section 14.1(a) above shall not require the approval or assent of any of the Owners or Members of the Association as provided for in this Section 10.17(b) above.

## ARTICLE XI.

### GENERAL PROVISIONS

Section 11.1 Duration. The covenants and restrictions of this Declaration shall run with and bind the Property, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years each, unless an instrument in

writing, signed by the then Owners of a majority of the Lots subject to this Declaration, has been recorded within the year preceding the beginning of any such successive period of ten (10) years, agreeing to change said covenants and restrictions in whole or in part, or to terminate the same.

Section 11.2    Amendment.

(a) Until the sale of the first Lot located within the Property shall have been consummated, Declarant may amend this Declaration unilaterally by recording an instrument of amendment in the Recorder's Office of the County in which the Property is located, therein identifying the Property and this Declaration, certifying that no sales of Lots within the Property have previously been consummated and setting forth the amendment; provided, however, that no such amendment of this Declaration shall be effective without the written approval of the VA having first been obtained without the VA having first waived in writing its right to so approve said amendment.

(b) After consummation of the first sale of a Lot within the Property, subject to the provisions of Article X hereof, this Declaration may only be amended and/or supplemented in any of the following ways:

(i) By an instrument in writing signed by Members of the Association holding not less than seventy-five percent (75%) of the voting power of the membership of the Association and by Members of the Association, other than Declarant, holding not less than seventy-five percent (75%) of the voting power of the Association, excluding Declarant's voting power; provided, however, that so long as the Class B membership within the Association is still in effect, this Declaration may only be amended under this Section 11.2 by an instrument in writing signed by Members entitled to exercise not less than seventy-five percent (75%) of the voting power of each class of membership.

(ii) By an instrument in writing signed by any two officers of the Association certifying that the amendment provided for in such instrument has been approved by the vote or written consent of Members of the Association holding not less than seventy-five percent (75%) of the voting power of the membership of the Association and by Members of the Association, other than Declarant, holding seventy-five percent (75%) of the voting power of the Association, excluding Declarant's voting power; provided, however, that so long as the Class B membership within the Association is still in effect, this Declaration may only be amended under this Section 11.2 by an instrument in writing signed by any two officers of the Association, certifying that the amendment provided

for in such instrument has been approved by the vote or written consent of members entitled to exercise not less than seventy-five percent (75%) of the voting power of each class of membership.

(iii) Notwithstanding any provision to the contrary, the Board of Directors may, after the Declarant has completed construction of the development, has terminated construction activities, and has terminated his or her marketing activities for the sale, lease, or other disposition of separate interests within the development, adopt an amendment deleting from any of the governing documents any provision which is unequivocally designed and intended, or which by its nature can only have been designed or intended, to facilitate the Declarant in completing the construction or marketing of the development. However, provisions of the governing documents relative to a particular construction or marketing phase of the development may not be deleted under the authorization of this subdivision until that construction or marketing phase has been completed.

The provisions which may be deleted by action of the Board shall be limited to those which provide for access by the Declarant over or across the common area for the purposes of (1) completion of construction of the development, and (2) the erection, construction, or maintenance of structures or other facilities designed to facilitate the completion of construction or marketing of separate interests.

At least thirty (30) days prior to taking action pursuant to this Section, the Board of Directors shall mail to all Owners, by first-class mail, (1) a copy of all amendments to the governing documents proposed to be adopted under this Section and (2) a notice of the time, date and place the Board of Directors will consider adoption of the amendments. The Board of Directors may consider adoption of amendments to the governing documents pursuant to this Section only at a meeting which is open to all Owners, who shall be given opportunity to make comments thereon. All deliberations of the Board of Directors on any action proposed under this Section shall only be conducted in such an open meeting.

The Board of Directors may not amend the governing documents pursuant to this section without the approval of the Owners, casting a majority of the votes at a meeting or election of the Association constituting a quorum and conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of, and Section 7613 of, the Corporations Code. For the purposes of this section, "quorum" means more

than 50 percent of the Owners who own more than two separate interests in the development.

Nothing to the contrary set forth in this Section 11.2(b)(iii), no such amendment of this Declaration as provided for in this Section 11.2(b)(iii) shall be effective without the written approval of the VA having first been obtained or without the VA having first waived in writing its right to so approve said amendment.

(c) Notwithstanding the foregoing provisions of this Section 11.2, the percentage of the voting power of members of the Association necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause or provision. To be effective, any amendment of this Declaration must be properly recorded in the Office of the County Recorder for the County in which the Property is located.

(d) Notwithstanding the foregoing provisions of this Section 11.2, this Declaration may only be amended with the prior written approval of the City as reflected by the execution of such an approval by an authorized representative of the City (without limiting others from being designated as authorized representatives, it is understood that either the City Attorney or the Community Development Director shall be deemed an authorized representative of the City for such purpose). If permitted, such approval shall be properly recorded in the Office of the County Recorder for Los Angeles County.

### Section 11.3    Enforcement.

(a) The Association or any Owner shall have the right to enforce, in any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, and in such action shall be entitled to recover reasonable attorneys' fees as ordered by the court. Failure by the Association or by any Owner to enforce any of the covenants or restrictions herein contained shall in no event be deemed a waiver of the right to do so thereafter (unless herein specifically provided). The exercise of any rights or remedies as herein provided with respect to any default shall not preclude or affect the subsequent exercise of such rights or remedies at different times or for different defaults. The respective rights or remedies, whether provided by the Restrictions or by law, or available in equity, shall be cumulative.

(b) Without in any manner limiting or attempting to limit the rights of the parties to a dispute to initiate litigation in state or federal courts in order to promote the



resolution of any controversy, claim or dispute ("Dispute") pertaining to the enforcement of this Declaration, or other management documents of the Association, including, without limitation, the validity, scope and enforceability of this provision, and/or Disputes which relate to the design, character, quality and condition of the Common Area within the Project, the parties are hereby encouraged to resolve the Dispute through alternative dispute resolution, such as an unassisted settlement conference between/among the parties, or participation in mediation or arbitration proceedings with an alternative dispute resolution service ("ADR Service"), such as Judicial Arbitration and Mediation Services, Inc., and the American Arbitration Association ("AAA"). If the parties are unable to agree upon an ADR Service, any mediation shall be conducted by AAA in accordance with AAA's commercial mediation rules, and any arbitration shall be conducted by AAA in accordance with the AAA's commercial arbitration rules. Any up-front and all progress fees paid to the ADR Service shall be paid equally by the parties to such Dispute. The aforesaid requirements shall not apply if an applicable statute of limitations would expire within one hundred twenty (120) days prior to one party informing the other of a Dispute.

If so chosen by the parties, the alternative dispute resolution process shall be initiated by serving a Request for Resolution. The party receiving such Request for Resolution shall have thirty (30) days either to accept or reject the request to resolve the Dispute by ADR Service. If not accepted within the thirty (30) day period, such Request for Resolution shall be deemed rejected. If accepted, the alternative dispute resolution process shall be initiated not later than forty-five (45) days following acceptance of the Request for Resolution and shall be completed as expeditiously as possible thereafter. In addition, if a civil action has been filed to enforce any provisions of the governing documents, on stipulation of the parties, the action may be stayed upon agreement of the parties and referred to the ADR Service.

Section 11.4 Declarant's Right to Cure Alleged Defects. In the event of a Dispute or claim made by an Owner and/or the Association against Declarant, it is Declarant's intent to resolve all such Disputes and claims regarding "Alleged Defects" in any portion of the Common Area in an amicable fashion and without the necessity of time-consuming and costly litigation. Accordingly, the Association and all Owners (individually and/or collectively "Claimant") shall be bound by the following claim resolution procedures:

(a) Notice to Declarant. In the event that a Claimant discovers any Alleged Defect, Claimant shall, within thirty (30) calendar days after discovery of such Alleged Defect, notify Declarant, in writing, at:

SCH Housing No. 4, LLC  
3 Corporate Plaza, Suite 100  
Newport Beach, CA 92660

of the specific nature of such Alleged Defect ("Notice of Alleged Defect");

(b) Right to Inspect and Cure. Within a reasonable period of time after receipt by Declarant of the Notice of Alleged Defect, which period shall not exceed sixty (60) days, Declarant and Declarant's agents and representatives shall have the irrevocable right, upon reasonable notice to Claimant, to enter onto or into the Common Area and shall be provided full access for the purposes of inspecting the Alleged Defect and, if deemed necessary by Declarant, taking and completing appropriate repair, replacement or other corrective action as Declarant shall deem reasonable and appropriate under the circumstances; and

(c) Legal Actions. If Declarant denies responsibility for the claim, or if the parties cannot in good faith agree on an appropriate remedy or alternative dispute forum as provided in Section 11.3(a) above, the Claimant may institute litigation in any court of competent jurisdiction to restore the claim.

Section 11.5 Notices. Any notice permitted or required to be delivered as provided for herein shall be in writing and may be delivered either personally or by mail. If delivery is made by certified or registered mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of same has been deposited in the United States mail in the State of California, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of notice, or to the Lot owned by such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

Section 11.6 No Rights Given to Public. Nothing contained in this Declaration shall be deemed to be a gift or dedication of any portion of the Property to the general public or for any public use or purpose whatsoever.

Section 11.7 Termination of Any Responsibility of Declarant. In the event Declarant shall convey fee title to all of the Property to any individual or individuals, entity or entities, then and in such event Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such individual or individuals, entity or entities shall be obligated to perform all such duties and obligations of Declarant.

Section 11.8 Special Provisions Relating to Enforcement of Declarant's Obligation to Complete Common Area Improvements. Where a particular phase within the Property includes Common Area

improvements which have not been completed prior to close of escrow for the sale of the first Lot within the Property and where the Association is the obligee under a bond or other arrangement to secure performance of the commitment of Declarant to complete said improvements, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the bond with respect to any 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 Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after expiration of the extension. A special meeting of Members of the Association for the purpose of voting to override a decision of 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 not less 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%) or more of the total voting power of the Association. At such special meeting a vote of a majority of the Members of the Association other than Declarant shall be required to take action to enforce the obligations under the bond, and a vote of a majority of the voting power of the Association, excluding 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.

Section 11.9 Severability. Invalidation of any one of these covenants, conditions or restrictions by judgment or court order shall in no wise affect any other provisions, which shall remain in full force and effect.

Section 11.10 Headings. Section headings are inserted for convenience only and are not intended to be a part of this document or in any way to define, limit or describe the scope or intent of the particular section to which they refer.

Section 11.11 Number and Gender. Whenever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine and neuter, and vice versa.

Section 11.12 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community with Common Areas for the use and benefit of the Lot Owners, and to the extent provided for herein of their tenants, servants and guests, and for the maintenance of such areas.

Section 11.13 Certain Requirements as a Condition to the Association's Filing Any Civil Action Against Declarant or an Action for Damages Against Declarant for Defects in Design or Construction of the Project.

(a) Not later than thirty (30) days prior to the filing of any civil action by the Association against the Declarant or other developer of the Property or any of the improvements located thereon for alleged damage to the Common Areas, alleged damage to any portion of the Lots that the Association is obligated to maintain or repair, or alleged damage to the Lots that arises out of, or is integrally related to, damage to the Common Areas or Lots that the Association is obligated to maintain or repair, the Board of Directors of the Association shall provide written notice to each Member of the Association who appears on the records of the Association when the notice is provided. This notice shall specify all of the following:

(i) That a meeting will take place to discuss problems that may lead to the filing of a civil action.

(ii) the options, including civil actions, that are available to address the problems.

(iii) The time and place of this meeting.

Notwithstanding the foregoing provisions of this Section 11.13(a), if the Association has reason to believe that the applicable statute of limitations will expire before the Association files the civil action, the Association may give the notice, as described above, within thirty (30) days after the filing of the action.

(b) Before the Association commences any action for damages against Declarant or other Developer of the Property or any improvements located thereon based upon a claim for defects in the design or construction of the Property or any of the improvements located thereon, all of the requirements set forth in Section 1375 of the California Civil Code as such Section is from time to time amended, shall be met, except as otherwise provided in such Section.

ARTICLE XII.

DAMAGE AND DESTRUCTION TO IMPROVEMENTS  
LOCATED WITHIN THE PROPERTY

Section 12.1 Alternatives in the Event of Damage and Destruction to Common Area Improvements. In the case of damage by casualty to the improvements located in the Common Areas:

(a) If the insurance proceeds available to the Association are sufficient to effect total restoration, then the Association shall cause the damaged or destroyed improvements to be repaired and reconstructed substantially as they previously existed.

(b) If the insurance proceeds available to the Association are within Five Thousand Dollars (\$5,000) or less of being sufficient to effect total restoration of the damaged or destroyed improvements, then the Association shall cause such improvements to be repaired and reconstructed substantially as they previously existed, and the difference between the insurance proceeds and the actual cost of reconstruction shall be levied as a reconstruction assessment equally against the Lots and the Owners thereof as provided for in Article V hereof.

(c) If the insurance proceeds available to the Association are insufficient by more than Five Thousand Dollars (\$5,000) to effect total restoration of the damaged or destroyed improvements, then the Association shall rebuild and restore any damaged or destroyed improvements in substantially the same manner as said improvements existed prior to the damage or destruction and raise any amount necessary to complete restoration over the amount of available insurance proceeds, if any, by levying reconstruction assessments equally against the Lots and the Owners thereof as provided for in Article V hereof, unless, by vote or written consent, at least two-thirds (2/3rds) of the Owners other than Declarant determine either:

(i) To rebuild and restore the damaged or destroyed improvements in a way which is less expensive than replacing said improvements in substantially the same manner as they existed prior to being damaged or destroyed and which utilizes all insurance proceeds available to the Association, if any, and an additional amount not in excess of Five Thousand Dollars (\$5,000).

Any amount in excess of insurance proceeds utilized in performing such restoration shall be assessed equally against all Lots and the Owners thereof by levying reconstruction assessments as provided for in Article V hereof; or

(ii) To not rebuild, in which event all net insurance proceeds, if any, paid on account of the damage or destruction of the Common Area and remaining after expenses of clearing debris and making the damaged or destroyed area aesthetically pleasing, shall be retained by the Association for use in performing its functions under the Restrictions, or in the discretion of the Association, and subject to the rights of mortgagees of record, such net insurance proceeds shall be distributed

in equal shares to the Owners of . . . within the Property.

Section 12.2 Method of Paying Reconstruction Assessments for Reconstruction of the Common Areas. Reconstruction assessments assessed as contemplated in Section 12.1 above may be due in a lump sum or in installments, on such date or dates as the Association may designate over a period of not to exceed twenty (20) years. The Association may borrow money to pay the difference between the cost of restoring the damaged or destroyed improvements and the insurance proceeds available to the Association, and may secure such borrowing by an assignment of its right to collect such assessments, or by a pledge of its interest in and to any of its assets.

Section 12.3 Damage to and Destruction of Dwelling Unit Structures and other Improvements Located on Lots within the Property. In the event of damage to or destruction of the dwelling unit structure or other improvements located on any Lot within the Property, the Owner(s) of such Lot shall, at his or their own cost and expense, in good and workmanlike manner, promptly (a) repair and restore such dwelling unit structure or other improvements to substantially the condition thereof immediately prior to the damage or destruction, or (b) clear all debris and make the damaged or destroyed area aesthetically pleasing.

#### ARTICLE XIII.

##### EMINENT DOMAIN - COMMON AREA

Section 13.1 Condemnation. The term "taking" as used in this Article XIII shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the Common Area, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members of the Association in connection with the taking. No Member shall challenge the good faith exercise of the discretion of the Board in fulfilling its duties under this Article. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid to the Association. In the event of a taking of less than all of the Common Area, the rules as to restoration and replacement of the Common Area and the improvements thereon shall apply as in the case of destruction of improvements upon the Common Area. In the event of a total taking or a partial taking where all of the net condemnation award is not used for restoration of the remaining Common Area, the Association shall in its discretion deal with, use and/or distribute any such net condemnation award in accordance with the same alternatives as are available under the provisions of Section 12.1(c)(ii) above. Notwithstanding anything to the contrary in this Article XIII, the

distribution of any award or awards for a taking of all or any portion of the Common Area shall be subject to the prior rights of mortgagees under deeds of trust of record.

#### ARTICLE XIV.

##### ANNEXATION

Section 14.1 Annexation of Additional Property. Additional Property may be from time to time annexed to the Original Property initially covered by this Declaration and may become subject to this Declaration by any of the methods set forth hereinafter:

(a) Declarant or its successors and assigns as defined in Section 1.11 above may at any time, and from time to time, add to the Property which is covered by this Declaration all or any portion of the Additional Property, without the approval of the Owners, the Association, and/or its Board; provided, that the proposed annexation of Additional Property is in substantial conformance with a detailed plan of phased development submitted to the Commissioner ("Commissioner") of the California Department of Real Estate with the application of a public report for the Original Property and to the VA with the VA having approved same. Such plan for phased development must include, but not be limited to, the following:

(i) Proof satisfactory to the Commissioner that no proposed annexation will result in an overburdening of Common Facilities.

(ii) Proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in assessments against existing owners which was not disclosed in subdivision public reports under which pre-existing owners purchased their interest.

(iii) Identification of the land proposed to be annexed and the total number of residential Lots then contemplated by the subdivider for the overall subdivision development.

(iv) Provisions requiring that annexation of a new phase be effected prior to the third anniversary of the issuance of the original public report for the immediately preceding phase.

(v) A written commitment by the subdivider to pay to the Association, concurrently with the closing of the escrow for the first sale of a subdivision interest in an annexed phase, appropriate amounts for reserves for replacement or deferred maintenance of common area improvements in the annexed phase necessitated by or

arising out of the use and occupancy of residential units under a rental program conducted by the subdivider which has been in effect for a period of at least one year as of the date of closing of the escrow for the first sale of a residential unit in the annexed phase.

(b) In addition to the provisions for annexation specified in Section 14.1(a) above, additional real property may be annexed to become a part of the overall development and be brought within the general plan and scheme of this Declaration upon approval by vote or written consent of not less than two-thirds (2/3rds) of the voting power of the Association residing in Members other than Declarant, in accordance with Section 4.6 of this Declaration.

Upon the recording of a Notice of Addition of Territory containing the provisions set forth herein (which Notice may be contained within a Supplemental Declaration affecting such property), the covenants, conditions and restrictions contained in this Declaration (or such portion thereof as may be reasonably specified in the Notice and Supplemental Declaration) shall apply to the added land in the same manner as if it were originally covered by this Declaration; and thereafter the rights, privileges and duties and liabilities of Declarant with respect to the added land shall be the same as with respect to the Original Property.

Section 14.2 Contents of Notice of Addition of Territory and Supplemental Declaration. The Notice of Addition of Territory and Supplemental Declaration referred to herein shall contain the following provisions:

(a) Reference to this Declaration, which reference shall state the date of recordation and recording information pertaining to this instrument as contained in the Official Records of the county in which this instrument has been recorded and in which the Property is located.

(b) A statement that provisions of this Declaration (or such portions thereof as may be specified therein) shall apply to the annexed real property.

(c) An exact description of the portion of the real property to comprise the annexed real property.

(d) The Supplemental Declaration may contain such additions to and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property, or as Declarant may deem appropriate in the development of such property, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Supplemental Declaration revoke, modify or add to the covenants and restrictions established by this



Declaration as the same shall pertain to the Original Property, except as herein otherwise provided.

Section 14.3 Conveyance of Common Areas. Prior to the consummation of the sale of any Lots within the annexed real property to individual purchasers under the auspices of a final subdivision public report, fee simple title or an easement (as appropriate) to the Common Areas, if any, within said annexed real property shall be conveyed to the Association, free and clear of any and all encumbrances and liens, except current real property taxes and reservations, easements, covenants, conditions and restrictions then of record, including those set forth or provided to be reserved in this Declaration.

Section 14.4 Declarant Under No Obligation to Continue Development; Effect of Annexation. Declarant shall be under no obligation to develop and/or annex additional real property to the Property. Upon annexation of additional real property to the overall development as provided for in this Article XIV above, the Supplemental Declaration for such area shall provide that upon the consummation of the first sale of a Lot within such annexed property to a third party purchaser, the Owners of Lots located in the area so annexed shall become Members of the Association, and the Association shall then manage, administer, operate and maintain the Common Areas within the annexed area to the extent provided for in this Declaration and in any applicable Supplemental Declaration. On becoming a member of the Association, as aforesaid, each Owner of a Lot located within the area so annexed shall thereafter be assessed his pro rata share of the Association's aggregate Common Expenses pertaining to all projects within the Property then being administered by the Association and arising during and/or applicable to periods following the commencement of such membership.

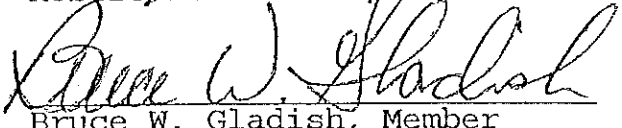
Section 14.5 Association's Merger or Consolidation. Upon the merger or consolidation of the Association with another homeowners' association as permitted by law and upon approval by vote or written assent of Owners entitled to exercise not less than two-thirds (2/3rds) of the voting power of the Association residing in Members other than Declarant in accordance with Section 4.6, the real properties, rights and obligations of the Association may be transferred to another surviving or consolidated homeowners' association or alternatively, the properties, rights and obligations of another homeowners' association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association shall then administer, to the extent reasonably possible, the easements, covenants, conditions, and restrictions established by this Declaration within the existing Property together with the easements, covenants, conditions, and restrictions established on any other property as a uniform plan.

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

SCH HOUSING NO 4, LLC, a Delaware  
limited liability company

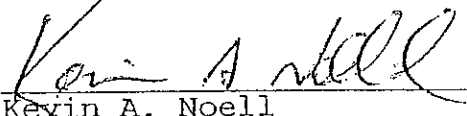
By: SEA COUNTRY HOMES, LLC, a Delaware  
limited liability company, its  
managing member

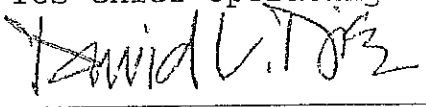
By:   
Robert S. Bennett, Member

By:   
Bruce W. Gladish, Member

SEA COUNTRY CARSON, LLC, a Delaware  
limited liability company

By: SCH, INC., a California  
corporation, its managing member

By:   
Kevin A. Noell  
Its Chief Operating Officer

By:   
David L. Dick  
Its Secretary

"DECLARANT"

STATE OF CALIFORNIA )

COUNTY OF Orange )

ss.

On May 19, 1999, before me, MARY E. Fitzpatrick  
personally appeared Robert S. Bennett and Bruce W. Gladish

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.



Mary E. Fitzpatrick  
Notary Public

[SEAL]

STATE OF CALIFORNIA )

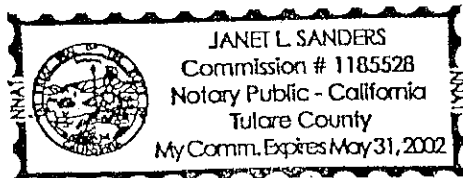
COUNTY OF TULARE )

ss.

On May 21, 1999, before me, Janet L. Sanders,  
personally appeared Kevin A. Noell

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.



Janet L. Sanders  
Notary Public

[SEAL]

STATE OF CALIFORNIA )

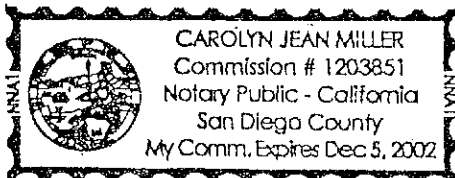
COUNTY OF San Diego )

ss.

On May 20, 1999, before me, Carolyn Jean Miller,  
personally appeared David L. Dick

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.



Carolyn Jean Miller  
Notary Public

[SEAL]

STATE OF CALIFORNIA )

COUNTY OF )

ss.

On \_\_\_\_\_, before me, \_\_\_\_\_,  
personally appeared \_\_\_\_\_

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.

\_\_\_\_\_  
Notary Public

[SEAL]

CONSENT OF LIENHOLDER AND SUBORDINATION AGREEMENT

[CC&Rs]

BANKERS TRUST COMPANY, a New York banking corporation, being the beneficiary under certain deeds of trust recorded May 18, 1998 as Instrument Numbers 98-829286 and 98-829287 and September 4, 1998 as Instrument Nos. 98-1598547 and 98-1598548 in the Official Records of Los Angeles, California (as such deeds of trust may be amended from time to time, the "Deeds of Trust") hereby declares that the liens and charges of the Deeds of Trust are and shall be subject to the attached Master Declaration of Covenants, Conditions and Grant of Easements (the "Declaration"); provided however, that nothing contained herein will be deemed to subordinate the liens and charges of the Deeds of Trust to any liens assessed pursuant to the Declaration.

BANKERS TRUST COMPANY,  
a New York banking corporation

By:  
Its:

Connie L. Emmitt-Stern  
Vice President

STATE OF California )  
COUNTY OF Los Angeles )

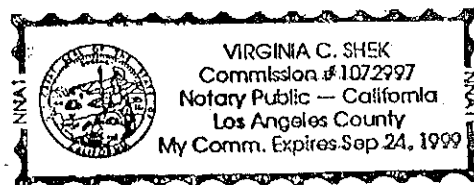
VIRGINIA

On 10/4, 1999, before me, SHEK, a Notary Public in and for said State, personally appeared CONNIE L. EMMITT-STERN, 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

Virginia C. Shek (Seal)  
Notary



My Commission expires September 24, 1999

APPROVAL OF RECORDING AND SUBORDINATION BY LENDER

SCH HOUSING NO. 4, LLC, a Delaware limited liability company, as Beneficiary, under a deed of trust recorded on September 4, 1998 as Instrument No. 98-1598549 in the Official Records of Los Angeles County, California, and as secured party under a financing statement and fixture filing included in said deed of trust, hereby approves and consents to the recording of this Declaration, and subordinates the lien of the aforementioned deed of trust and financing statement/fixture filing to the Declaration to which this instrument is attached, and to each and every provision thereof and to all easements provided for thereunder, however and whenever granted.

SCH HOUSING NO 4, LLC, a Delaware  
limited liability company

By: SEA COUNTRY HOMES, LLC, a  
Delaware limited liability  
company, its managing member

By:   
Robert S. Bennett, Member

By:   
Bruce W. Gladish, Member

"BENEFICIARY"

STATE OF CALIFORNIA

COUNTY OF Orange

)  
) SS.  
)

On 5/25/99, before me, Kimberly Pierce,  
personally appeared Robert S. Bennett and Bruce W. Gholish

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.

  
Notary Public

[SEAL]

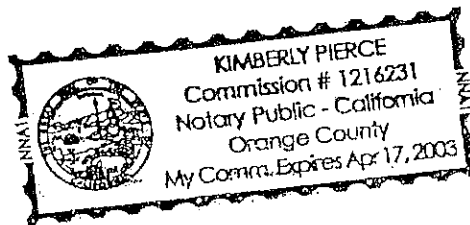
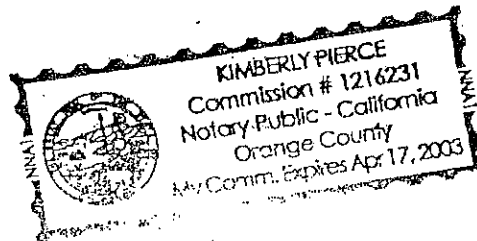


EXHIBIT "A"

LEGAL DESCRIPTION OF THE ORIGINAL PROPERTY

The Original Property is located in the City of Carson, County of Los Angeles, State of California, and is more particularly described as follows:

Lots 42 through 46, inclusive, 76 through 80, inclusive, as shown on a Map of Tract No. 52281 recorded in Book 1235, Pages 64 through 74, inclusive, of Maps in the Office of the County Recorder of said County.

A non-exclusive "Landscape and Maintenance Easement" in favor of the Association over that portion of Lot 46 of Tract No. 52281 shown on the Plot Plan attached as Exhibit "C" to the Declaration to which this Exhibit "A" is attached.

EXHIBIT "A"  
TO DECLARATION

Page 1 of 1



EXHIBIT "B"

LEGAL DESCRIPTION OF THE ADDITIONAL PROPERTY

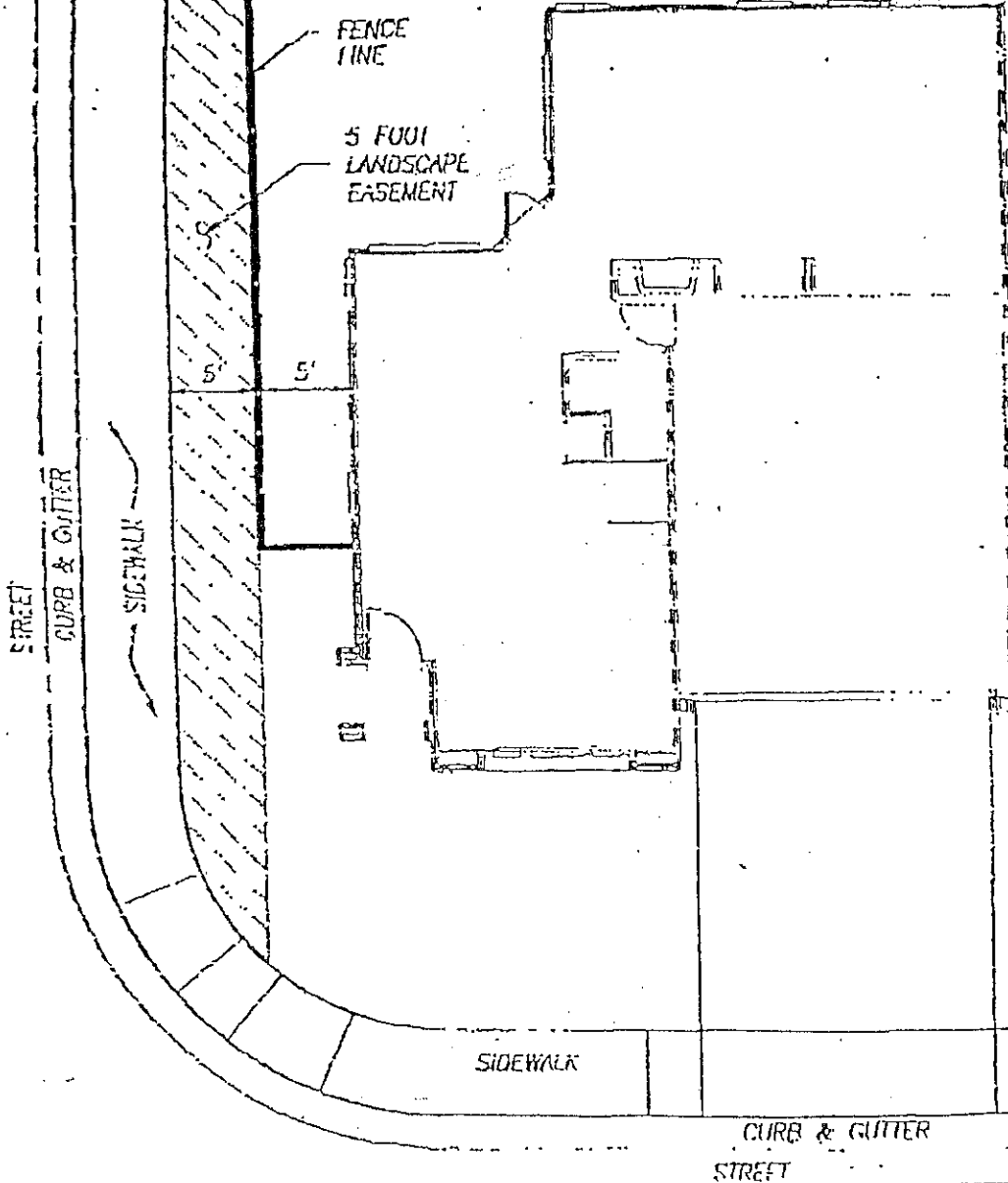
The Additional Property is located in the City of Carson, County of Los Angeles, State of California, and is more particularly described as follows:

Lots 1 through 41, inclusive, 47 through 75, inclusive, 81 through 185, inclusive, as shown on a Map of Tract No. 52281 recorded in Book 1235, Pages 64 through 74, inclusive, of Maps in the Office of the County Recorder of said County. [If annexed, Lots 163 through 185 are intended to be Common Area Lots and the remaining Lots described in this Exhibit "B", are intended to be Residential Lots.]

EXHIBIT "B"  
TO DECLARATION

Page 1 of 1

Lot 46 of Tract No. 52281



DATE 2-3-93  
SCALE 1"=10'



THE COMPANY, INC.  
Land Survey Division

1000 Alhambra Avenue  
P.O. Box 1000  
Newport Beach, CA 92659

PREPARED FOR:

SEA COUNTRY HOMES  
3 CORPORATE PLAZA  
SUITE 100  
NEWPORT BEACH, CA 92659

LANDSCAPE  
EASEMENT  
EXHIBIT

EXHIBIT "D"

STORM DRAIN FACILITIES, SYSTEMS AND IMPROVEMENTS  
ON LOTS TO BE MAINTAINED BY THE ASSOCIATION  
[See Section 8.15(a)(iii)]

Pursuant to the provisions of Section 8.15(a)(iii) of the Declaration to which this Exhibit "D" is attached, the Association shall maintain the following:

The culvert drain facilities and systems located on Lot 42 of Tract No. 52281 as established by the final grading plans for the Property and as originally installed by Declarant together with any modifications of such originally installed culvert drain facilities and systems as may be hereafter approved in writing by the Architectural Committee pursuant to the provisions of Section 9.5 and/or Article VI of the Declaration.

EXHIBIT "D"  
TO DECLARATION

EXHIBIT "E"

CONDITIONS OF APPROVAL  
[See Section 8.24]

The following enumerated resolutions, conditions of approval and related items are on file with the City of Carson and they are by this reference incorporated into this Declaration and made a part hereof as if set forth in full herein:

1. City of Carson Planning Commission Resolution No. 97-1693; a Resolution of the Planning Commission of the City of Carson recommending approval to the City Council of General Plan Land Use Element No. 59-97 and Zone Change Case No. 125-97 adopted October 14, 1997, together with conditions of approval and other items attached thereto.
2. City of Carson Planning Commission Resolution No. 97-1694; a Resolution of the Planning Commission of the City of Carson granting vesting tentative tract map no. 52281 and vesting tentative tract map no. 24763 together with the conditions of approval and related matters attached thereto, adopted October 14, 1997.
3. Ordinance No. 97-1124; an Ordinance of the City Council of the City of Carson adopting Cambria Pines Specific Plan (Specific Plan No. 7-97), together with the conditions of approval and other items attached thereto, adopted November 18, 1997;
4. Chapter One, pages 1 through 7 of the Cambria Pines Specific Plan.

EXHIBIT "E"  
TO DECLARATION

EXHIBIT "F"

DISCLOSURE STATEMENT RELATING TO PRESENT USES  
OF ADJOINING PROPERTY  
[See Section 8.25]

The Original Property is located in the interior of the overall project proposed by Declarant. The overall project proposed by Declarant ("Proposed Overall Project") encompasses the Original Property and the Additional Property; provided, however, Declarant has no obligation to proceed with annexation and/or development of any portion of the Proposed Overall Project after the Original Property, except as may be otherwise specifically set forth in the Declaration (e.g., Declarant's obligation to furnish the Park and Access Easement to the Association and to the Owners of Lots from time to time located within the Property and to their respective successors and assigns, as provided in Section 8.34 of the Declaration).

The northern boundaries of the Proposed Overall Project front on 228th Street, and the real property to the north of 228th Street has been developed and is being used for residential purposes.

A portion of the east boundary of the Proposed Overall Project fronts on Main Street, and the real property located to the east of Main Street at that point have been developed as a church in part and for residential purposes in part.

The real property adjacent to the remainder of the east boundary of the Proposed Overall Project has been developed for residential purposes.

The real property adjacent to the southern boundaries of the Proposed Overall Project has been developed for residential purposes.

Neither the Seller nor the City makes any representations that the existing uses comply with zoning or that future zoning will be consistent with existing uses.

Before acquiring any interest in the Original Property and/or any portion of the Proposed Overall Project, all Persons are urged to:

(a) Check thoroughly with the City as to all land use matters in any way involving the Original Property and/or the Proposed Overall Project and/or any surrounding property (including, without limitation, the status of zoning and the general plan for such properties), and

EXHIBIT "F"  
TO DECLARATION

Page 1 of 2

(b) Consider how the Proposed Overall Project and each phase thereof (including the Original Property as Phase 1) might be affected by future development, including, without limitation, the future development of the Additional Property and its annexation into the Property as permitted by the Declaration, the future redevelopment of the surrounding properties, and the future development of the Additional Property and its annexation into the Property as permitted by the Declaration. Any such future development, uses and/or annexation may or may not occur and development and uses as now contemplated may change. Subject to third-party approvals that might be required, if any, Declarant reserves the right to make changes in its proposed land use, improvement plans, street pattern or type, style, or price of dwellings to be built. No statement by Declarant or Declarant's representatives or agents as to a present intended use of any portion of the Proposed Overall Project not previously annexed into the Property shall affect Declarant's right to make changes in the future. It is understood that Declarant has no control over any properties not owned by Declarant and that Declarant makes no warranty or representation as to the future development and/or use of any such properties.

EXHIBIT "F"  
TO DECLARATION

EXHIBIT "G"

ENVIRONMENTAL CONDITIONS DISCLOSURE  
[See Section 8.32]

Declarant or its predecessors in interest retained an environmental consultant or consultants to conduct an investigation as to the soil conditions and potential contamination on the Overall Property as such term is defined in Section 8.32 of the Declaration to which the Exhibit "G" is attached, and discovered that hazardous waste and hazardous substances, including various types of petroleum, petroleum byproducts and/or PCB's, were released at several locations on or beneath the Overall Property. Said consultant(s) have prepared several reports pertaining to such contamination, and during the sales period these reports will be available for review at the Sales Office.

Under the oversight of the California Regional Water Quality Control Board - Los Angeles Region ("RWQCB"), pursuant to agreement with the City of Carson, the Overall Property has been remediated pursuant to standards established by the RWQCB for unrestricted residential development and occupation. Declarant's remediation activities included excavation and remediation of contaminated soils, removal of underground tanks, removal or relocation of underground pipes and pipelines, and other activities.

Consultants of Declarant or its predecessors-in-interest have determined that remediation activities have resulted in a reduction of the petroleum and other contamination to background levels. As a result, the RWQCB has issued a certification of closure indicating that based on the information provided and past work completed, RWQCB has determined that all work associated with the approved Remedial Action Plan was completed satisfactorily and that no further action is required for the soil and ground water investigation involving the Overall Property.

Except as may be otherwise expressly agreed in writing by Declarant after the date of recordation of this Declaration, any Person acquiring any interest in all or any portion of the Property shall thereby be deemed to have acknowledged and agreed that such Person is accepting the environmental condition of said real property, in "as-is" condition and "with all faults," and assumes the risk of any contamination or hazardous materials that may at any time be located on, within or emanating from such real property and/or affecting its soils or ground water.

EXHIBIT "G"  
TO DECLARATION

EXHIBIT "H"

DISCLOSURE STATEMENT RELATING TO PIPELINES AND  
TRANSMISSION FACILITIES LYING UNDER CERTAIN OF  
THE LOTS WITHIN THE PROPERTY  
[See Section 8.35]

The Tract Map for Tract No. 52281 identifies a number of easements and/or licenses for pipeline, transmission facilities and incidental purposes affecting the Original Property and/or the Additional Property (collectively the "Overall Property") herein or specific portions thereof, including without limitation such an easement in favor of Mobil Oil Corporation ("Mobil Pipeline Easement") affecting a portion of the Private Street Area known as Shell Drive and portions of Lots 3, 4, 16 and 17 as shown and identified on said Tract Map. Pipelines and transmission facilities are located within the Mobil Pipeline Easement and are currently being used for the transmission of petroleum and/or petroleum byproducts. The other pipeline and transmission facility easements and licenses identified on said Tract Map have or may have pipelines or transmission facilities located therein which may or may not be currently active and which may or may not be filled or partially filled with petroleum, petroleum byproducts or other contaminants which may or may not cause harm or damage to soil, groundwater, improvements and/or persons, if released.

Additionally, prior to recordation of this Declaration, Declarant has on several occasions discovered underground pipes, pipelines and/or transmission facilities which were not identified within the limits of any locatable easements identified on the Tract Map for Tract No. 52281. It is, therefore, certainly possible that there are other pipes, pipelines and/or transmission facilities which are located under the Overall Property and not known to Declarant at this time. The aforementioned pipes, pipelines and transmission facilities, to the extent they exist, may or may not be currently active and may or may not be filled or partially filled with petroleum, petroleum byproducts or other contaminants which might or might not cause harm or damage to the soil, groundwater, improvements and/or persons, if released.

The Association and each Owner, by acceptance of a deed for the conveyance of title to a portion of the Property, and each subsequent Owner of any portion of the Property, acknowledges and understands or is presumed to have acknowledged and understood that any excavation at any time hereafter conducted by the Association, the Owners and/or their respective agents, representatives and contractors shall be conducted at the risk of the Person authorizing and/or conducting such excavation, and at no risk or expense to the Declarant or its successors and assigns. All such excavation risks being assumed by the Association and the Owners for their own respective activities (and those of their respective agents, representatives and contractors), including without

EXHIBIT "H"  
TO DECLARATION



limitation the risk that such excavation may damage or sever an underground pipe, pipeline and/or transmission facility and result in the release of petroleum, petroleum byproducts and/or other contaminants into the soil and/or groundwater and/or may prevent temporarily or permanently the use and operation of such pipe, pipeline and/or transmission facility to the detriment of its owner or user (for which the Person authorizing and/or conducting such excavation may have liability).