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master

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

J.M. PETERS COMPANY, INC.
1601 Dove Street, Suite 190
Newport Beach, California 92660
Attention: Ms. Nancy Sparks

This is to certify that the attached is a true and correct copy of the covenants, conditions and restrictions
recorred July 6, 1987 as
Instrument No. 87-38394
Official Records.
FIRST AMERICAN TITLE INSURANCE COMPANY
By [Signature]

(Space Above for Recorder's Use Only)

DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
BREA VILLAGE HOMEOWNERS ASSOCIATION
ORANGE COUNTY, CALIFORNIA

Brea Village

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RESERVATION OF EASEMENTS FOR BREA VILLAGE HOMEOWNERS ASSOCIATION
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DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS

FOR

BREA VILLAGE HOMEOWNERS ASSOCIATION
ORANGE COUNTY, CALIFORNIA

THIS DECLARATION is made this 2nd day
of July, 1987, by J.M. PETERS COMPANY, INC., a Nevada
corporation, successor by merger of J.M. Peters Company, Inc., a
California corporation ("Declarant").

R E C I T A L S:

A. Declarant is the fee owner of the real property described in Exhibit "A" to this Declaration, which shall be the initial Covered Property under this Declaration ("Covered Property"), and the real property which hereafter from time to time is annexed pursuant to this Declaration and thereby becomes a part of the Covered Property.

B. Declarant has deemed it desirable to establish covenants, conditions, restrictions and easements upon the Covered Property and each and every portion thereof, which will constitute a general scheme for the management of the Covered Property, and for the use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Covered Property and enhancing the quality of life within the Covered Property.

C. It is desirable for the efficient management of the Covered Property, and the preservation of the value, desirability and attractiveness of the Covered Property to create a corporation to which shall be delegated and assigned the powers of managing the Covered Property, and administering and enforcing these covenants, conditions, restrictions and easements and collecting and disbursing funds pursuant to the assessments and charges hereinafter created and referred to and to perform such other acts as shall generally benefit the residents of the Covered Property.

D. Brea Village Homeowners Association, a nonprofit, mutual benefit corporation, has been incorporated under the laws of the State of California for the purpose of exercising the powers and functions aforesaid.

E. Declarant will hereafter hold and convey title to all of the Covered Property subject to certain protective covenants, conditions, restrictions and easements hereafter set forth.

NOW, THEREFORE, Declarant hereby covenants, agrees and declares that all of its interest as the same may from time to time appear in the Covered Property shall be held and conveyed subject to the following covenants, conditions, restrictions and easements which are hereby declared to be for the benefit of said interests in the Covered Property, and the Owners of said interests, their successors and assigns. These covenants, conditions, restrictions and easements shall run with said interests and shall be binding upon all parties having or acquiring any right or title in said interests or any part thereof, and shall inure to the benefit of each Owner thereof and are imposed upon said interests and every part thereof as a servitude in favor of each and every of said interests as the dominant tenement or tenements.

ARTICLE I

DEFINITIONS

Unless the context clearly indicates otherwise, the following terms used in this Declaration are defined as follows:

Section 1.1 "Architectural Committee" shall mean and refer to the committee or committees provided for in the Article hereof entitled "Architectural and Landscape Control".

Section 1.2 "Articles" and "Bylaws" shall mean and refer to the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended. The Articles, Bylaws and this Declaration may also be referred to herein or in the Articles and Bylaws as "Governing Instruments".

Section 1.3 "Association" shall mean and refer to Brea Village Homeowners Association, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns.

Section 1.4 "Assessments" - The following meanings shall be given to the Assessments hereinafter defined:

(a) "Regular Assessments" shall mean the amount which is to be paid by each Member to the Association for Common Expenses.

(b) "Special Assessments" shall mean a charge against a particular Owner and his Residence, directly attributable to the Owner, to reimburse the Association for costs incurred in bringing the Owner and his Residence into compliance with the provisions of this Declaration, the Articles, Bylaws or Association Rules, or any other charge designated as a Special Assessment in this Declaration, the Articles, Bylaws, or Association Rules, together with attorney's fees and other charges payable by such Owner, pursuant to the provisions of this Declaration, plus interest thereon as provided for in this Declaration.

(c) "Special Benefit Assessments" shall mean a charge against certain Owners in the Covered Property on whose Lots there is a Common Maintenance Area and which Common Maintenance Area is maintained by the Association as set forth below in Section 3.8. Special Benefit Assessments will be assessed against all Owners of Lots in Tract 12563, which lots are described as Annexation Property herein and which lots shall all have a Common Maintenance Area thereon. Special Benefit Assessments shall be that amount which is to be paid by each Member to the Association for Common Maintenance Area expenses.

(d) "Reconstruction Assessment" shall mean a charge against each Member and his Residence representing a portion of the cost to the Association for reconstruction of any portion of portions of the Common Area pursuant to the provisions of this Declaration.

Section 1.5 "Association Rules" shall mean rules adopted by the Association pursuant to the Article hereof entitled "Duties and Powers of the Association".

Section 1.6 "Board" shall mean the Board of Directors of the Association.

Section 1.7 "City" shall mean and refer to the City of Brea, California, a municipal corporation of the State of California.

Section 1.8 "Common Area" shall mean and refer to those certain slopes and landscaping depicted and described in Exhibit "B". Declarant shall convey the Common Area to the Association free of all liens and encumbrances except current real property taxes (which taxes shall be prorated as of the date of conveyance) title exceptions of record and the covenants, conditions, restrictions and reservation of easements contained in this Declaration and the instrument which conveys the Common Area to the Association.

Section 1.9 "Common Expenses" shall include without limitation and shall mean and refer to the actual and estimated:

- (a) costs of maintenance, management, operation and repair of the Common Area, and all other areas on the Covered Property which are maintained by the Association;
- (b) unpaid Assessments;
- (c) costs of management and administration of the Association, including but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;
- (d) costs of utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Covered Property;
- (e) costs of fire, casualty, liability, workmen's compensation and other insurance covering the Common Area;

- (f) costs of any other insurance obtained by the Association;
- (g) reasonable services as deemed appropriate by the Board;
- (h) costs of bonding of the members of the Board, any professional managing agent or any other person handling the funds of the Association;
- (i) taxes paid by the Association;
- (j) amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Area or portions thereof;
- (k) costs incurred by the Architectural Committee or other committees established by the Board; and
- (l) other expenses incurred by the Association for any reason whatsoever in connection with the Common Area.

Section 1.10 "Common Maintenance Area" shall mean and refer to a particular portion of the Covered Property designated as such in Supplementary Declarations of Annexation which will require particular maintenance services for which the Association shall incur expenses which are attributable only to certain Lots identified in Supplementary Declarations of Annexation. It shall include certain plantings, trees, shrubs, grass and other landscaping improvements which are located on said certain Lots identified in Supplementary Declarations of Annexation. Such maintenance shall not include the driveways, walkways, walls or fences.

Section 1.11 "Common Maintenance Area Expenses" shall mean and refer to the actual and estimated costs or expenses incurred by the Association for the exclusive benefit of Owners of certain Lots identified in Supplementary Declarations of Annexation with a Common Maintenance Area on their Lot and may include, without limitation, the following:

- (a) maintenance, operation, repair and replacement of improvements, including but not limited to landscaping and irrigation improvements appurtenant thereto maintained by the Association for the exclusive benefit of the Owners of Lots with said Common Maintenance Area.
- (b) unpaid Special Benefit Assessments.

(c) reasonable reserves as deemed appropriate by the Board for the repair and replacement of any improvements maintained by this Association pursuant to this Section.

Section 1.12 "Covered Property" shall mean and refer to all the real property described on Exhibit "A" hereto and, subsequent to the annexation thereof pursuant to the Article of this Declaration entitled "Annexations", any real property which shall become subject to this Declaration.

Section 1.13 "Declaration" shall mean and refer to this Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Brea Village Homeowners Association.

Section 1.14 "Development" shall mean and refer to all the real property described on Exhibit "A" hereto and all of the annexable real property described on Exhibit "D" hereto.

Section 1.15 "Exhibit" shall mean and refer to those documents so designated herein and attached hereto and each of such Exhibits is by this reference incorporated in this Declaration.

Section 1.16 "Family" shall mean one or more persons related to each other by blood, marriage or legal adoption, or a group of not more than three (3) persons not so related, together with his or their domestic servants, maintaining a common household in a Residence.

Section 1.17 "Federal Agencies" shall mean and refer to collectively one or more of the following agencies: FHA (Federal Housing Administration), FHLMC ("Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), VA (Veterans Administration).

Section 1.18 "Governing Instruments" shall mean the Articles, Bylaws, this Declaration and the Association Rules.

Section 1.19 "Institutional Mortgagee" shall mean and refer to a Mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, any federal or state agency, or any other institution specified by the Board in a recorded instrument.

Section 1.20 "Lot" shall mean and refer to a plot of land as shown upon the recorded subdivision map of the Development which is intended for the construction of one (1) single-family Residence and other related improvements. It shall not include the Common Area.

Section 1.21 "Member" shall mean and refer to every person or entity who holds a membership in the Association, including Declarant so long as Declarant qualifies for membership pursuant to Article II.

Section 1.22 "Mortgage" shall mean and refer to any duly recorded Mortgage or deed of trust encumbering a Residence.

Section 1.23 "Mortgagee" shall mean and refer to the Mortgagee or beneficiary under any Mortgage.

Section 1.24 "Owner" shall mean and refer to one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Residence, including Declarant, or the vendee under an installment land sales contract, but excluding those having any such interest merely as security for the performance of an obligation.

Section 1.25 "Phase" shall mean and refer to each portion of the Property for which the Department of Real Estate of the State of California has issued a Final Subdivision Public Report.

Section 1.26 "Residence" shall mean and refer to a house built on a Lot shown on any final map filed for record or a parcel shown on any parcel map filed to record to the extent such Lots or parcels are part of the Covered Property; provided, however, "Residence" shall not include any Common Area. "Residence" shall include the residential dwelling unit together with garages, structures and other improvements on the same Lot or parcel.

Section 1.27 "Supplementary Declaration" shall mean those certain declarations of annexation, or similar instruments, annexing additional property extending the plan of this Declaration to such additional property as provided in the Article of this Declaration entitled "Annexations".

ARTICLE II

MEMBERSHIP

Section 2.1 Membership. Every Owner shall be a Member of the Association. The terms and provisions set forth in this Declaration, which are binding upon all Owners, are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Residence. Ownership of a Residence shall be the sole qualification for membership; provided, however, a Member's voting rights, may be regulated or suspended as provided in this Declaration, the Bylaws or the Association Rules. Not more than one membership shall exist based upon ownership of a single Residence.

Section 2.2 Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association shall have the right to record the transfer upon the books of the Association without any further action or consent by the transferring Owner.

Section 2.3 Voting Rights. An Owner's right to vote shall vest immediately upon the date Regular Assessments commence upon such Owner's Residence as provided in this Declaration. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules.

Section 2.4 Classes of Voting Membership. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners with the exception of the Declarant during such time that it shall have Class B Membership. Each Class A Member shall be entitled to one (1) vote for each Residence in which such Member holds the interest required for membership. When more than one person owns a portion of the interest in a Residence required for membership, each such person shall be a Member and the vote for such Residence shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Residence.

Class B. The Class B Member shall be Declarant who shall be entitled to three (3) votes for each Residence in which it holds the interest required for membership, provided that the Class B Membership shall be converted to Class A Membership and shall forever cease to exist on the occurrence of whichever of the following is first in time:

(a) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report issued by the California Department of Real Estate for a Phase of the Development; or

(b) The fourth anniversary of the original issuance of the Final Subdivision Public Report issued by the California Department of Real Estate for the first Phase of the Development.

Section 2.5 Special Voting Rights of Members Other Than Declarant. Notwithstanding the provisions of this Article, from the first election of the Board, and thereafter for so long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two outstanding classes of membership in the Association, not less than twenty percent (20%) of the directors on the Board shall have been elected solely by the votes of Members other than Declarant.

Section 2.6 Approval of All Members. Unless elsewhere otherwise specifically provided in this Declaration, any provision of this Declaration which requires the vote or written assent of the voting power of the Association or any class or classes of membership shall be deemed satisfied by the following:

(a) The vote in person or by proxy of the specified percentage of all of the votes which are entitled to be cast by the entire membership of the Association. Said vote shall be at a meeting duly called and noticed pursuant to the provisions of the Bylaws dealing with annual or specified meetings of the Members.

(b) Written consents signed by the specified percentage of all of the votes which are entitled to be cast by the entire membership of the Association. Said vote by written consent shall be solicited pursuant to the procedures provided in the Bylaws.

ARTICLE III

COVENANT FOR ASSESSMENTS

Section 3.1 Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned by it, hereby covenants and agrees to pay, and each Owner of any Lot by acceptance of a deed or other conveyance creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association Assessments to be fixed, established and collected from time to time as provided in this Declaration. The Assessments, together with interest thereon, late charges, attorneys' fees, and court costs, and other costs of collection thereof, as hereinafter provided, shall be a continuing lien upon the Lot against which each such Assessment is made. Each such Assessment, together with such interest, late charges, costs and attorneys' fees, shall also be the personal obligation of the Owner of such Lot at the time when the Assessment becomes due. The personal obligation shall not pass to the successors in title of an Owner unless expressly assumed by such successors.

Section 3.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the Members, the management of the Covered Property, including, without limitation, the improvement and maintenance of the Covered Property, or in furtherance of any other duty or power of the Association.

Section 3.3 Regular Assessments. The Board shall prepare or cause to be prepared a budget for the forthcoming fiscal year not less than forty-five (45) days and not more than sixty (60) days before the beginning of each fiscal year of the Association. The budget shall be prepared each year regardless of the number of Members or the amount of assets of the Association. A copy of the budget shall be distributed to each Owner and to each Mortgagee which has requested in writing that copies be sent to it. The budget shall at least include the following information:

(a) Estimated revenue and expenses on an accrual basis;

(b) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area and for contingencies;

(c) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Common Area and any other facilities for which the Association is responsible; and

(d) A general statement setting forth 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 Area and any other facilities for which the Association is responsible.

A balance sheet (as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of a Lot in the Development) - and an operating statement (for the period from the date of the first closing to the 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 the address of the Residence and the name of the individual or entity assessed.

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

- (a) A balance sheet as of the end of the fiscal year;
- (b) An operating (income) statement for the fiscal year;
- (c) A statement of changes in financial position for the fiscal year.

For any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00), a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy shall also be distributed. If said report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

In addition to financial statements, the Association shall annually distribute a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Regular, Special and Special Benefit (if applicable) Assessments including the recording and foreclosing of liens against Members' Residences. This statement shall be distributed within sixty (60) days prior to the beginning of each fiscal year.

Not more than sixty (60) days nor less than forty-five (45) days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of establishing the Regular Assessment and the Special Benefit Assessment for the forthcoming fiscal year. At such meeting the Board shall review the budget, any written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, without a vote of the Members of the Association, shall establish the Regular Assessment and the Special Benefit Assessment for the forthcoming fiscal year; provided, however, that the Board may not establish a Regular Assessment for any fiscal year of the Association which is more than twenty percent (20%) greater than the Regular Assessment for the immediately preceding fiscal year, without the vote or written consent of a majority of each class of Members during the time of the two-class voting structure, and after termination of the two-class voting structure, the vote or written assent of a majority of the voting power of the Association and a majority of Members other than the Declarant.

Unless the Association or its assessment income shall be exempt from federal or state income taxes, to the extent possible, all reserves shall be accounted for and handled as contribution to the capital of the Association and as trust funds segregated from the regular income of the Association or in such other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board as will prevent such funds from being taxed as income of the Association.

Section 3.4 Uniform Assessment. Reconstruction and Regular Assessments shall be fixed at an equal amount for each Lot and may be collected at intervals selected by the Board. Special Benefit Assessments levied against all Residences on which Assessments have commenced shall be fixed at an equal amount for each Residence subject to Special Benefit Assessments.

Section 3.5 Certificate of Payment. The Association shall, upon demand, furnish to any Member liable for Assessments, a certificate in writing signed by an officer or authorized agent of the Association setting forth whether the Assessments on a specified Residence have been paid, and the amount of delinquency, if any. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid as to any third party who relies thereupon in good faith.

Section 3.6 Exempt Property. All properties dedicated to and accepted by, or otherwise owned or acquired by, a public authority shall be exempt from the Assessments created herein.

Section 3.7 Special Assessments. If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs, or replacements of capital improvements on the Common Area, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the Board it shall become a Special Assessment. Provided however any capital improvements or Reconstruction Assessments (Special Assessments) which exceed five percent (5%) shall be approved in accordance with Section 6.4 herein. The Board may, in its discretion, pro rate such Special Assessment over the remaining months of the fiscal year or levy the Assessment immediately against each Residence. Unless exempt from federal or state income taxation, all proceeds from any Special Assessment shall be segregated and deposited into a special account and shall be used solely for the purpose or purposes for which it was levied or it shall be otherwise handled and used in a manner authorized by law or regulations of the Internal Revenue Service or the California Franchise Tax Board in order to avoid, if possible, its taxation as income of the Association.

Section 3.8 Special Benefit Assessments. In addition to Regular Assessments and any other applicable assessments provided for above, Special Benefit Assessments shall be levied against an Owner with a Common Maintenance Area on his Lot, as identified in Supplementary Declarations of Annexation. Only those Owners with Common Maintenance Areas on their Lot shall be assessed this Special Benefit Assessment. All other Owners in the Development shall not be assessed said Special Benefit Assessment. All Lots within Tract 12563 shall

have a Common Maintenance Area thereon and accordingly all Owners of Lots within Tract 12563 shall be assessed this Special Benefit Assessment. The Special Benefit Assessment shall represent those certain Owners' proportionate share of the Special Benefits Expenses for the forthcoming fiscal year. The Board shall distribute to each such Owner a pro forma operating statement or budget for the upcoming fiscal year which shall estimate the total Special Benefit Expenses to be incurred for such fiscal year, and shall determine the amount of the Special Benefit Assessment, and the installments thereof, to be paid by each such Owner all in the same manner as provided herein for the determination and payment of Regular Assessments.

Section 3.9 Date of Commencement of Assessments.

The Regular Assessments shall commence as to all Residences on the first day of the month following the first conveyance of a Residence within that Phase; provided, however, the Regular Assessments, as to Residences in annexed areas shall commence with respect to all Residences within each such annexed area on the first day of the month following the first conveyance of a Residence within that Phase. Special Benefit Assessments shall commence as to those certain Residences subject thereto, as identified in Supplementary Declarations of Annexation on the first day of the month following the first conveyance of a Residence subject to Special Benefit Assessments within that Phase; provided however, the Special Benefit Assessments, as to Residences within annexed areas, shall commence with respect to all Residences subject to Special Benefit Assessments within each such annexed area on the first day of the month following the first conveyance of a Residence subject to Special Benefit Assessments within that Phase. The first Regular Assessments and Special Benefit Assessments shall be adjusted according to the number of months remaining in the fiscal year.

Section 3.10 No Offsets. All Assessments shall be payable in the amount specified by the Assessments and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in this Declaration.

Section 3.11 Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect or in effect from time to time hereafter.

Section 3.12 Subordination of the Lien to Mortgages.

The lien of the Regular, Special Benefit and Special Assessments provided for herein shall be subordinate to the lien of the first Mortgage. Sale or transfer of any Residence shall not affect the Assessment lien. However, the sale or transfer of any Residence pursuant to foreclosure of the first Mortgage or as the result of the exercise of a power of sale shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such new Residence Owner from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 3.13 Reserves.

The Regular Assessments and Special Benefit Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Area and the Common Maintenance Area, or any other purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members.

ARTICLE IV

NONPAYMENT OF ASSESSMENTS

Section 4.1 Delinquency. Any Assessment provided for in this Declaration which is not paid when due shall be delinquent on said due date (the "delinquency date"). If any such Assessment is not paid within thirty (30) days after the delinquency date, a late charge as determined by the Board but in no event to exceed the maximum permitted by law shall be levied and the Assessment shall bear interest from the delinquency date at the highest rate of interest authorized under California law. The Association may, at its option, and without waiving the right to judicially foreclose its lien against the Residence (any foreclosure right for nonpayment of Assessments under this or any other Article contained within this Declaration shall be for nonpayment of Regular Assessments and Special Benefit Assessments only, there shall be no foreclosure right for nonpayment of any type of Special Assessment, and all reference to foreclosure rights is for nonpayment of Regular Assessments and Special Benefit Assessments only), pursue any available remedies, including, without limitation, bringing an action at law against the Member personally obligated to pay the same, and/or upon compliance with the notice provisions set forth in the Section entitled "Notice of Lien" of this Article, to foreclose the lien against the Residence. If action is commenced, there shall be added to the amount of such Assessment the late charge, interest, the costs of such action, and attorney's fees, together with the costs of action. Each Member vests in the Association or its assigns the right and power to bring all actions at law or lien foreclosure against such Member or other Members for the collection of such delinquent Assessments. However, a monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the Governing Instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas for which the Member was allegedly responsible or in bringing the Member and his Residence into compliance with the Governing Instruments may not be characterized nor treated as an Assessment which may become a lien against the Member's Residence enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the Civil Code. The above statement does not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent Assessments.

Section 4.2 Notice of Lien. No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein provided until thirty (30) days after the date a notice of claim of lien is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said Residence, and a copy thereof is recorded by the Association in the Office of the Orange County Recorder; said notice of claim of lien must recite a good and sufficient legal description of any such Residence, the record Owner or reputed Owner thereof, the amount claimed (which shall include interest on the unpaid Assessment at the highest rate of interest authorized under California law, a late charge, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant.

Section 4.3 Foreclosure Sale. Said Assessment lien may be enforced by sale by the Association, its attorney or any other person authorized by the Board to make the sale after failure of the Owner to make the payments specified in the notice of claim of lien within said thirty (30) day period. Any such sale provided for above is to be conducted in accordance with the provisions of Section 2924, 2924(b), 2924(c), 2924(f) and 2924(h) of the Civil Code of the State of California, as said statutes may from time to time be amended, 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 Residence using Association funds or funds borrowed for such purpose, at the sale, and to acquire and hold, lease, mortgage and convey the same.

Section 4.4 Curing of Default. Upon the timely payment or other satisfaction of (i) all delinquent Assessments specified in the notice of claim of lien; (ii) all other Assessments which have become due and payable with respect to the Residence as to which such notice of claim of lien was recorded; and (iii) interest, late charges, attorneys' fees and other costs of collection pursuant to this Declaration and the notice of claim of lien which have accrued, officers of the Association or any other persons designated by the Board are hereby authorized to file or record, as the case may be, an appropriate release of such notice, upon payment by the defaulting Owner of a fee, to be determined by the Association, but not to exceed Twenty-Five Dollars (\$25.00) to cover the costs of preparing and filing or recording such release.

Section 4.5 Cumulative Remedies. 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 and by law, including a suit to recover a money judgment for unpaid Assessments, as above provided.

ARTICLE V

ARCHITECTURAL AND LANDSCAPE CONTROL

Section 5.1 Appointment of Architectural Committee.

The Architectural Committee shall consist of not less than three (3) not more than five (5) persons as fixed from time to time by resolution of the Board. The Declarant shall initially appoint all of the Architectural Committee. The Declarant shall retain the right to appoint, augment or replace all members of the Architectural Committee until three (3) years after the date of the issuance of a Final Subdivision Public Report for the Covered Property from the California Department of Real Estate, or until ninety percent (90%) of the Residences within the Covered Property have been conveyed by Declarant, whichever shall first occur, provided that Declarant may, at its sole option, transfer this right to the Board by written notice thereof prior to the end of such period. Notwithstanding the foregoing, commencing one (1) year following the first conveyance by Declarant of a Residence, the Board shall have the right but not the obligation to appoint one (1) person to the Architectural Committee. Three (3) years after the date of the issuance of said Subdivision Public Report or when ninety percent (90%) of the Residences within the Covered Property have been conveyed by Declarant, whichever shall first occur, the right to appoint, augment or replace all Members of the Architectural Committee shall automatically be transferred to the Board. Persons appointed by the Board to the Architectural Committee must be Members; however, persons appointed by Declarant to the Architectural Committee need not be Members, in Declarant's sole discretion.

Section 5.2 General Provisions.

(a) The Architectural Committee may establish reasonable procedural rules in connection with review of plans and specifications, including, without limitation, the number of sets of plans to be submitted. Unless any such rules regarding submission of plans are complied with, such plans and specifications shall be deemed not submitted.

(b) The address of the Architectural Committee shall be determined by said Committee. Such address shall be the place for the submittal of plans and specifications and the place where the current Architectural Standards, if any, shall be kept.

(c) The establishment of the Architectural Committee and the systems herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain, repair, alter or modify, or otherwise have control over the Residences as may otherwise be specified in this Declaration, in the Bylaws or in the Association Rules.

(d) In the event the Architectural Committee fails to approve or disapprove such plans and specifications within forty-five (45) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Architectural Committee, such plans and specifications will be deemed approved.

Section 5.3 Approval and Conformity of Plans. No building, fence, wall or other structure, or landscaping shall be commenced, erected, maintained or planted upon the Covered Property or to or upon any Lot, nor shall there be any addition to or change in the exterior of any Residence, structure or other improvement, or landscaping unless plans and specifications therefor have been submitted to and approved by the Architectural Committee. The Board shall, from time to time, adopt and promulgate Architectural Standards to be administered through the Architectural Committee.

Section 5.4 Painting of Residence. No Residence, building, fence, wall or other structure shall be painted without the prior approval of the Architectural Committee.

Section 5.5 Nonliability for Approval of Plans. Plans and specifications shall be approved by the Architectural Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances, and by approving such plans and specifications neither the Architectural Committee, the members thereof, the Association, the Members, the Board nor Declarant assumes liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications.

Section 5.6 Inspection and Recording of Approval. Any member of the Architectural Committee or any officer, director, employee or agent of the Association may at any reasonable time enter, without being deemed guilty of trespass, upon any Residence after notice to the Owner in order to inspect improvements constructed or being constructed on such Residence to ascertain that such improvements have been or are being built in compliance with plans and specifications approved by the Architectural Committee and in accordance with the Architectural

Standards. The Architectural Committee shall cause such an inspection to be undertaken within thirty (30) days of a written request therefor from any Owner as to his Residence, and if such inspection reveals that the improvements located on such Residence have been completed in substantial compliance with this Article, the President and the Secretary of the Association shall provide to such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Article as to the improvements described in such recorded notice, but as to such improvements only.

Section 5.7 Nonapplicability to Declarant. In no event shall the provisions of this Article apply to the construction by Declarant of any improvements intended to be conveyed to the Association, or to any Residence intended to be conveyed to an Owner by Declarant.

Section 5.8 Front and Rear Yard Landscaping:
180 Days. Each Owner shall landscape his front and rear yard within 180 days from the close of escrow for said Residence, according to plans approved by the Architectural Committee pursuant to Section 5.3 above. For those Lots which have a Common Maintenance Area on a portion of their front yard, front yard as used herein shall mean that area of the front yard which is not a part of the Common Maintenance Area

ARTICLE VI

DUTIES AND POWERS OF THE ASSOCIATION

Section 6.1 General Duties and Powers of the Association. In addition to the duties and powers enumerated in its Articles and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall have the specific duties and powers specified in this Article.

Section 6.2 General Duties of the Association. The Association through the Board shall have the duty and obligation to:

- (a) Enforce the provisions of this Declaration, the Articles, the Bylaws and the Association Rules by appropriate means and carry out the obligations of the Association hereunder;
- (b) Maintain and otherwise manage the following:
 - (i) all Common Area improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association;
 - (ii) all personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association; and
 - (iii) all property, real or personal, which the Association is obligated to repair or maintain pursuant to this Declaration, including, without limitation, the Article of this Declaration entitled "Repair and Maintenance".
- (c) Pay any real and personal property taxes and other charges, or other charges assessed to or payable by the Association;
- (d) Obtain, for the benefit of the Common Area and Common Maintenance Areas, all necessary utility services and other services as required;
- (e) Prepare budgets and financial statements for the Association as prescribed in the Bylaws;
- (f) Formulate rules of operation of the Common Area, owned or controlled by the Association;

(g) Initiate and execute disciplinary proceedings against Members for violations of provisions of the Articles, Bylaws, Declaration and Association Rules in accordance with procedures set forth in such documents;

(h) Elect officers of the Board;

(i) Fill vacancies on the Board, except vacancies created by the removal of a Director;

(j) Subject to the limitations imposed under this Article, contract for casualty, liability and other insurance on behalf of the Association;

(k) Subject to the limitations imposed under this Article, contract for goods and/or services for the property owned or controlled by the Association;

(l) Grant easements where necessary for utilities over the Common Area.

Section 6.3 General Powers of the Association. The Association through the Board shall have the power but not the obligation to:

(a) Delegate to committees, officers, employees or agents any of its duties and powers under this Declaration, the Articles and Bylaws, provided however, no such delegation to a professional management company, the Architectural Committee or otherwise shall relieve the Association of its obligations to perform such delegated duty;

(b) Employ a manager or other persons and contract with independent contractors or managing agents who have professional experience in the management of residential developments similar to the Covered Property to perform all or any part of the duties and responsibilities of the Association, provided that any contract not approved by FHA or VA with a person or firm appointed as a manager or managing agent shall be terminable for cause on not more than thirty (30) days' written notice by the Association and without cause upon ninety (90) days' written notice by either party without payment of a termination fee, and shall have a term of not more than one (1) year with successive one (1) year renewal periods upon mutual agreement of the parties;

(c) Acquire interests in real or personal property for offices or other facilities that may be necessary or convenient for the management of the Covered Property, the administration of the affairs of the Association, or for the benefit of the Members;

(d) Borrow money as may be needed in connection with the discharge by the Association of its powers and duties;

(e) Negotiate and enter into contracts with Institutional Mortgagees and mortgage insurers and guarantors as may be necessary or desirable to facilitate the availability of loans secured by Mortgages within the Covered Property.

Section 6.4 General Limitations and Restrictions on the Powers of the Board. In addition to the limitations and restrictions enumerated in the Articles and Bylaws or elsewhere provided for herein, and without limiting the generality thereof, the Board shall be prohibited from taking any of the following action without the approval of a majority of the voting power of each class of Members during the time of the two-class voting structure and after the termination of the two-class voting structure the vote of a majority of the voting power of the Association and a majority of Members other than the Declarant:

(a) Enter contracts for materials or services which have a term in excess of one (1) year, with the following exceptions:

(i) A management contract, the terms of which have been approved by the FHA or VA;

(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 price; and

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the applicable policy permits short rate cancellation by the insured.

(b) Incur aggregate expenditures for capital improvements to the Covered Property in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for the fiscal year as set forth in the Sections entitled "Regular Assessments" "Special Benefit Assessments" and "Special Assessments" of the Article hereof entitled "Covenant for Assessments".

(c) Sell any real or personal property of the Association with an aggregate fair market value in excess of five percent (5%) of said estimated Common Expenses during any fiscal year.

(d) Pay compensation to directors or officers of the Association for services performed in the conduct of the Association's business; provided however, the Board may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

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

Section 6.5 Association Rules. The Board shall also have the power to adopt, amend and repeal such rules and regulations as it deems reasonable (the "Association Rules"), which may include the establishment of a system of fines and penalties enforceable as Special Assessments, all as provided in the Bylaws. The Association Rules shall govern such matters in furtherance of the purposes of the Association; provided however, that the Association Rules may not discriminate among Owners, and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed, or a notice setting forth the adoption, amendment or repeal of specific portions of the Association Rules shall be delivered to each Owner in the same manner established in this Declaration for the delivery of notices. Upon completion of the notice requirements, said Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner and Institutional Mortgagee upon request. In the event of any conflict between any such Association Rules and any provisions of this Declaration, or the Articles or Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such conflict.

Section 6.6 Emergency Powers. The Association or any person authorized by the Association may enter any Residence in the event of any emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Association unless covered by insurance carried by the Owner.

ARTICLE VII

REPAIR AND MAINTENANCE

Section 7.1 Repair and Maintenance by the Association. Without limiting the generality of the statement of duties and powers contained in this Declaration, the Articles, the Bylaws, or Association Rules, the Association shall have the duty to accomplish the following upon the Common Area, slopes or other land in such manner and at such times as the Board shall prescribe:

(a) Maintain, repair, restore, replace and replant the Common Area landscaping and slopes identified in Exhibit "B".

(b) Pursuant to requirements of the City, maintain, repair, replant and replace the following: landscaping on certain offsite slopes, an offsite fire road, offsite retaining walls and an offsite private storm drain system, all of which are identified on Exhibit "C".

(c) Maintain, repair, replace, replant and make improvements to the Common Maintenance Area of certain Lots as identified in Supplementary Declarations of Annexation. Every Lot in Tract 12563 shall have a Common Maintenance Area on it.

(d) Maintain, replant and replace the landscaping and structural integrity of those certain slopes and the structural integrity and exterior side of those retaining walls located on Owner's Lots as identified in Exhibit "E".

(e) Maintain and repair that certain art monument (sculpture) and surrounding landscaping and irrigation system located offsite which are described on Exhibit "F" attached hereto.

(f) Maintain, repair and replace the clustered mailboxes located on Tract 12563.

Section 7.2 Repair and Maintenance by Owner. Except as the Association shall be obligated to repair and maintain as may be provided in this Declaration, every Owner shall:

(a) Maintain the exterior of his Residence, walls, driveways, walkways, fences and roof of such Residence in good condition and repair;

(b) Maintain in attractive condition front and rear yard landscaping in accordance with the provisions of this Declaration except for that portion of a front yard which is Common Maintenance Area and maintained by the Association as set forth above in 7.1(c).

(c) Maintain, repair and repaint the interior side of all perimeter walls and fences on his Lot and maintain and repair the structural integrity thereof. The exterior side of all of said perimeter walls and fences on each Lot which are on a corner or not adjacent to another Owner's Lot shall be maintained, repaired and repainted by the Owner of the Lot on which it is located.

(d) Maintain in good repair the mailbox on his Lot, if any. (The Owners in Tract 12562 shall have mailboxes on their Lots. The Owners in Tract 12563 shall not have a mailbox on their Lot; they shall share clustered mailboxes.) The mailbox stand on which the mailbox is situated shall be maintained by the Owners which share said mailbox stand. The maintenance and repair expenses associated therewith shall be divided evenly except in the event an Owner is wholly responsible for damaging said mailbox stand, intentionally or unintentionally, then said Owner causing the damage shall bear all costs associated with said repair.

Section 7.3 Standards for Maintenance and
Installation.

(a) All slopes or terraces on any Lot shall be maintained so as to prevent any erosion thereof upon adjacent streets or adjoining property.

(b) The Association shall maintain any landscaped areas which it owns or controls under this Declaration or which are owned in common by its Members in an attractive condition according to any rules promulgated by the Board and shall maintain any slopes and terraces which are its responsibility so as to prevent erosion thereof upon adjacent streets or adjoining property.

Section 7.4 Right of Entry. The Association, after reasonable notice to an Owner, shall have the right to enter upon any Lot, including its slopes and terraces, in connection with any maintenance, repair or construction in the exercise of the powers and duties of the Association specifically but not limited to maintaining said slopes and other items described in Sections 7.1(a), 7.1(b) and 7.1(d) above and maintaining said Common Maintenance Areas described in Section 7.1(c) above.

SECTION VIII

INSURANCE

Section 8.1 Types. The Association, to the extent available, shall obtain and continue in effect in its own name the following types of insurance so long as such amounts or types of insurance coverage are not, in the good faith judgment of the Board, prohibitively expensive or no longer necessary or appropriate for the protection of the Covered Property, the Association and the Members:

(a) A comprehensive policy of public liability insurance covering the Common Area and Common Maintenance Areas and any other property maintained, controlled or managed by the Association, including, without limitation, the slope areas located on Lots within the Covered Property and that property located outside of the Covered Property which is being maintained by the Association. Such policy shall have a limit of not less than One Million Dollars (\$1,000,000) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage liability, liability for non-owned and hired automobile and liability for property of others, and such other risks as shall customarily be covered with respect to similar planned unit developments in the area of the Covered Property, and shall contain a "severability of interest" endorsement or the equivalent which shall preclude the insurer from denying the claim of an Owner because of negligent acts or omissions of the Association or other Owners;

(b) A policy of fire and casualty insurance with extended coverage for the full replacement value of the Common Area without deduction for depreciation, with an "agreed amount endorsement" or its equivalent and clauses waiving subrogation against Members and the Association and persons upon the Covered Property with the permission of a Member, such insurance to afford protection against at least loss or damage by fire and other hazards covered by the standard extended coverage endorsement and vandalism and malicious mischief coverage.

(c) Fidelity coverage against dishonest acts on the part of directors, officers, employees or volunteers who handle or who are responsible to handle the funds of the Association, and such fidelity bonds shall name the Association as obligee, shall be written in an amount equal to one hundred fifty percent (150%) of the estimated annual operating expenses of the Association, including reserves, and shall contain waivers of any defense based on the exclusion of persons who serve without compensation or from any definition of "employee" or similar expression.

Section 8.2 Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims against the Association, the Board, other Owners, the Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 8.3 Other Insurance; Annual Review. The Association may purchase such other insurance as it may deem necessary, or as may be required by law, including, but not limited to, worker's compensation, officers' and directors' liability, and errors and omission insurance. The Board shall annually determine whether the amounts and types of insurance it has obtained provide adequate coverage for the Common Area and other property it maintains in light of increased construction costs, inflation, practice in the area in which the Covered Property is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interests of the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 8.4 Premiums, Proceeds and Settlement. Insurance premiums for any such insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Casualty insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Common Area". The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any three (3) directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and the Members.

Section 8.5 Federal Requirements. Notwithstanding the foregoing provisions of this Article, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for planned unit development projects established by FNMA, GNMA, FHLMC, FHA and VA, so long as either is a Mortgagee or Owner within the Covered Property, or insures or guarantees a Mortgage, as the case may be, except to the extent such coverage is not available or has been waived in writing by the foregoing entities.

ARTICLE IX

DESTRUCTION OF COMMON AREA

In the event of partial or total destruction of the Common Area, it shall be the duty of the Association to restore and repair the same as promptly as practical pursuant to this Article. The proceeds of any casualty insurance maintained pursuant to this Declaration shall be used for such purpose, subject to the prior rights of Mortgagees whose interest may be protected by said policies.

ARTICLE X

EMINENT DOMAIN

Section 10.1 Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation of all or any portion of the Common Area.

Section 10.2 Appointment of Board. 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 in connection with the taking. 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.

Section 10.3 Procedure on Taking. Any awards received on account of the taking shall be paid to the Association. The Board may in its sole discretion retain any award in the general funds of the Association or distribute pro rata all or a portion thereof to the Members. The rights of an Owner and the Mortgagee of his Residence as to any such pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Residence.

Section 10.4 Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

ARTICLE XI

USE RESTRICTIONS

Section 11.1 Commercial Use. Subject to the Section entitled "Construction and Sales" of the Article hereof entitled "Easements", no part of a Lot shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or any non-residential purposes; provided however, that the Association shall have the right to provide or authorize such services on the Common Area as it deems appropriate for the benefit of the Members.

Section 11.2 Signs. Until the Development is sold out and/or improvements to the Residences are completed, but in no event longer than five (5) years from the date of issuance of the original final public report by the Department of Real Estate, Declarant or its designees may display signs of reasonable dimensions and size to the public view for the purpose of developing, selling and improving Residences within the Development on or from any Lot or Residence without the approval of the Board. No other signs shall be installed within the Development, or on any Lot or Residence, without the prior approval of the Board.

Section 11.3 Nuisance. No noxious or offensive trade or activity shall be carried on or upon any Residence, or any part of the Covered Property nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Residence, or which shall in any way increase the rate of insurance. The Board shall have the right to determine if any noise, odor, interference or activity producing such noise, odor or interference constitutes a nuisance.

Section 11.4 Temporary Structures. No structure of a temporary character, trailer, tent, shack, garage, barn or other out-building shall hereafter be used on any Lot at any time, either temporarily or permanently, except by Declarant during the construction of the Development.

Section 11.5 Recreational Vehicles. No recreational vehicles, including but not limited to trailers, campers, motorhomes or boats, shall be permitted on an Owner's Lot except in a closed garage. All recreational vehicles, including but not limited to trailers, campers, motorhomes or boats, shall be permitted within the public streets of the Development in accordance with the ordinances and regulations of the City of Brea.

Section 11.6 Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept upon the Covered Property, except that dogs, cats or other household pets may be kept on the Lots, provided they are not kept, bred or maintained for any commercial purpose, or in numbers deemed unreasonable by the Board. Notwithstanding the foregoing, no animals or fowl may be kept on the Lots which, in the good faith judgment of the Board or a committee selected by the Board for this purpose, result in an annoyance or are obnoxious to residents in the vicinity. All animals permitted to be kept by this Section shall be kept on a leash when on any portion of the Covered Property except within a Lot. It shall be the absolute duty of each such Owner to clean up after such animals which have used any portion of the Common Area, another's Lot or the Development.

Section 11.7 Oil and Mineral Rights. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in the Covered Property nor, subsequent to the recording of this Declaration, shall oil wells, tanks, tunnels or mineral excavations or shafts be installed upon the surface of the Covered Property or within five hundred (500) feet below the surface of such properties. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Covered Property.

Section 11.8 Unsightly Items. All weeds, rubbish, debris or unsightly materials or objects of any kind shall be regularly removed from the Lots and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, woodpiles, storage areas, machinery and equipment shall be prohibited from any Lot unless obscured from view of adjoining Lots, streets or portions of the Covered Property. Any fence or screen required by this Section shall comply with the Architectural Standards or any other standards promulgated by the Board as to type, size, color or other qualification for permitted fences or screens.

Section 11.9 Antennas. No television, radio, or other electronic antenna or antenna device of any type shall hereafter be erected, constructed, placed or permitted to remain on the Covered Property, unless and until the same shall have been approved in writing by the Architectural Committee, or unless the same be totally contained within a building.

Section 11.10 Drainage. Each Owner agrees for himself and his successors in interest that he will not in any way interfere with the established drainage pattern over his Lot from adjoining or other Lots, or that he will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over his Lot. For the purposes hereof, "established" drainage is defined as the drainage which occurred at the time the overall grading of the Covered Property was completed by Declarant.

Section 11.11 Garages. No garage doors shall be permitted to remain open except for a temporary purpose, and the Board may adopt rules for the regulation of the opening of garage doors, including the assessment of charges to Owners who violate or whose invitees violate such rules. Any charges so assessed shall be Special Assessments. No automobile or other vehicle shall be parked or stand outside of a garage if there is space for such automobile or vehicle in such garage and no garage shall be used for any purpose which would preclude parking of at least two (2) automobiles therein.

Section 11.12 Window Covers. Windows can be covered only by drapes, shades, blinds or shutters and cannot be painted or covered by aluminum foil, cardboard, or other similar materials.

Section 11.13 Commercial Vehicles. No commercial vehicles may be parked or stored on any Lot at any time.

Section 11.14 Single-Family Residential. All Residences shall be used only for the residential purposes of a family.

Section 11.15 Repair of Vehicles. No painting, repairing or mechanical work, other than minor maintenance work and minor emergency repairs, shall be done to a vehicle upon any Lot except in any enclosed garage with the garage door closed.

Section 11.16 Pests. No Owner shall permit any thing or condition to exist upon any portion of the Covered Property which shall induce, breed or harbor infectious plant diseases or noxious insects or vermin.

Section 11.17 Solar Systems. All solar system collector units shall be integrated into the design of the dwelling in which each is installed and shall be subject to approval by the Architectural Committee in accordance with Article V entitled "Architectural and Landscape Control".

Section 11.18 Slopes. Although the Association shall be responsible for maintaining certain slopes as set forth in Section 7.1 (a) and (d) of Article VII, all Owners of land adjoining said slopes shall continuously maintain and properly water the land so as to prevent damage or interference with established slope ratios and to prevent erosion or sliding problems. No improvements or structural additions including but not limited to decking, pools, spas or otherwise shall be allowed within the slope portion of each Owner's Lot. Only landscaping shall be allowed on said slope areas of an Owner's Lot and any other improvements are prohibited.

Section 11.19 Rubbish Removal. All garbage and trash shall be placed and kept in sanitary, covered containers. In no event shall such containers be maintained so as to be visible from neighboring property except when set out for a reasonable period of time before and after scheduled trash pickup times.

Section 11.20 Clothes Drying Facilities. Outside clothes lines or other outside facilities for drying or airing clothes shall not be erected, placed or maintained on any Lot, unless they are erected, placed and maintained so as not to be visible from neighboring property.

ARTICLE XII

EASEMENTS

Section 12.1 Amendment to Eliminate Easements. This Declaration cannot be amended to modify or eliminate the easements reserved to Declarant herein without prior written approval of Declarant and any attempt to do so shall have no effect. Any attempt to modify or eliminate this Section shall likewise require the prior written approval of Declarant.

Section 12.2 Nature of Easements. Unless otherwise set forth herein, any easement reserved to Declarant herein shall be non-exclusive.

Section 12.3 Rights and Duties: Utilities and Cable Television. Wherever sanitary sewer house connections, water hose connections, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, the Owners of any Residence served by said connections, lines or facilities, or the Association if said connections, lines or facilities serve the Common Area, shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to Owners and the Association, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service his Residence, or the Common Area, as the case may be, and to enter upon the Common Area and the Residences owned by others, or to have utility companies enter upon the Common Area and Residences owned by others, in or upon which said connections, lines or facilities, or any portion thereof lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below, provided that such Owner or the Association or utility company shall promptly repair any damage to a Residence or the Common Area caused by such entry as promptly as possible after completion of work thereon.

Section 12.4 Utilities. Easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities as are needed to service the Covered Property are hereby reserved by Declarant, together with the right to grant and transfer the same; provided however, such easements shall not unreasonably interfere with the use and enjoyment by the Members of their Residences or the Common Area.

Section 12.5 Cable Television. There is hereby reserved to Declarant, over the Covered Property, together with the right to grant and transfer the same, the right to emplace on, under or across the Covered Property transmission lines and other facilities for a community antenna television system and thereafter to own and convey such lines and facilities and the right to enter upon the Covered Property to service, maintain, repair, reconstruct and replace said lines or facilities; provided however, that the exercise of such rights shall not unreasonably interfere with any Owner's reasonable use and enjoyment of his Residence.

Section 12.6 Utilities Shown on Tract Map. There is hereby reserved to Declarant together with the right to grant and transfer the same, easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities as shown on the recorded tract maps covering the Covered Property.

Section 12.7 Construction and Sales. Nothing in this Declaration shall limit the right of Declarant to commence and complete construction of improvements to the Covered Property or to alter the foregoing or the Lots or Common Area or to construct such additional improvements as the Declarant deems advisable prior to the completion and sale of all of the Covered Property.

Section 12.8 Slopes. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association, an easement to enter upon the Lot owned by each Owner, or to have agents enter upon said Owner's Lot to generally maintain and repair the slopes and retaining wall located on or adjoining said Owner's Lot as provided in Section 7.1 (a) (b) and (d) above.

Section 12.9 Association Rights. There is hereby reserved to the Declarant easements over the Covered Property, together with the right and obligation to grant and transfer the same to the Association, for the purpose of permitting the Association to discharge its obligations as described in this Declaration.

Section 12.10 Sideyard Easements. There is hereby created by the Declarant, together with the right to grant and transfer the same, sideyard easements, which are depicted in Supplementary Declarations of Annexation, which easements shall be appurtenant to certain Lots as "Dominant Tenements", and which easements shall burden certain Lots as "Servient Tenement" as set forth in Supplementary Declarations of Annexation and incorporated herein by this reference. Such easements shall be subject to the following terms and conditions:

(a) Such easement shall be in favor of the Dominant Tenement over the Servient Tenement for the purposes set forth herein. The sideyard easement shall be used only as a general recreational and garden area by the Owner of the Dominant Tenement Lot, and each such Owner shall have the right to enter upon such sideyard easement for such purpose. Such purpose shall include the right of each Owner to plant vegetation and establish an irrigation system thereon, provided such system shall be first approved by the Architectural Committee. The sideyard easement and every part thereof, including the fence enclosing the sideyard easement and the drainage system established by Declarant as part of the grading and original construction upon the adjacent Lot, shall be repaired, replaced and maintained continuously in a neat and orderly condition by the Owner of the Dominant Tenement Lot; and

(b) The Owner of the Servient Tenement shall have the right at all reasonable times to enter upon the easement area, including the right to cross over the Dominant Tenement for such entry, in order to perform work related to the use and maintenance of the Servient Tenement including the structure thereon; and

(c) The Servient Tenement shall have the right of drainage over, across and upon the easement area for water draining from any structure upon the Servient Tenement, or for drainage into and through the subsurface drainage facilities located within the easement area, the right to maintain eaves and appurtenances thereto and the portions of any structure upon the Servient Tenement as originally constructed or as constructed pursuant to the terms of the Declaration; and

(d) The Owner of the Dominant Tenement shall have the right to construct fencing across the easement area, provided that the Owner of the Dominant Tenement shall not attach any object or structure to a wall or structure belonging to the Servient Tenement or disturb the grading of the easement area or otherwise act with respect to the easement area in any manner which would damage the Servient Tenement and provided further, that any such fencing shall comply with the architectural standards as provided by this Declaration; and

(e) In exercising the right of entry upon the easement area as provided above, the Owner of the Servient Tenement agrees to utilize reasonable care not to damage any landscaping or other items existing in the sideyard easement area; provided, however, the Owner of the Servient Tenement shall not be responsible for damage to such landscaping or other items to the extent such damage could not be reasonably avoided in connection with such entry upon the sideyard easement area for authorized purposes; and

(f) As additional property is annexed pursuant to the Article of this Declaration entitled "Annexations", the Supplementary Annexations provided for in such Article shall incorporate, as appropriate, additional exhibits pertaining to the property being annexed showing such sideyard easements as to such property.

Section 12.11 Common Maintenance Area. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association and its agents, an easement to enter upon the Lot owned by an Owner with a Common Maintenance Area on it to generally maintain the Common Maintenance Area as provided herein.

Section 12.12 Off-site Maintenance. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association and its agents, an easement to enter upon the Lot owned by each Owner to access those off-site areas for which the Association is responsible to maintain in accordance with Section 7.1 (b) above.

ARTICLE XIII
ANNEXATIONS

The real property described on Exhibit "D" (hereinafter in this Article referred to as the "Annexation Property") and/or any other real property may be annexed to and become subject to this Declaration by any of the methods set forth hereinafter in this Article, as follows:

Section 13.1 Development of the Covered Property.

Declarant intends to sequentially develop the Annexation Property on a phased basis; however, Declarant may elect not to develop all or any part of such real property, to annex such real property to this Declaration in increments of any size whatsoever, or to develop more than one such increment at any given time and in any given order. Moreover, Declarant reserves the right to subject all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said property to the jurisdiction and powers of a homeowners association or other entity with powers and obligations similar to the Association and which is not subject to the provisions of this Declaration. Although Declarant shall have the ability to annex the Annexation Property as provided in this Article, Declarant shall not be obligated to annex all or any portion of such property, and such property shall not become subject to this Declaration unless and until a Supplementary Declaration shall have been so executed and recorded.

Section 13.2 Supplementary Declarations. A

Supplementary Declaration shall be a writing in recordable form which annexes real property to the plan of this Declaration and which incorporates by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration and shall contain such other provisions as set forth in this Declaration relating to Supplementary Declarations. Such Supplementary Declarations contemplated above may contain such complementary additions 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 annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, or any merger or consolidation, revoke, modify, or add to the covenants established by this Declaration with respect to the existing Property.

Section 13.3 Annexation Without Approval and Pursuant to General Plan. All or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the Association or its Members, provided that a Supplementary Declaration covering the portion of the Annexed Property to be annexed shall be executed and recorded by Declarant; provided however, no Supplementary Declaration shall be so executed and recorded pursuant to this Section more than three (3) years (i) subsequent to the recordation of this Declaration; or (ii) subsequent to the last recordation of a Supplementary Declaration, whichever of (i) or (ii) shall have later occurred. The recordation of said Supplementary Declaration shall constitute and effectuate the annexation of the said real property described therein making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter said annexed real property shall be part of the Covered Property and all of the Owners of Residences in said annexed real property shall automatically be Members.

Section 13.4 Annexation Pursuant to Approval. Upon approval in writing of the Association, pursuant to two-thirds (2/3) majority of the voting power of each class of its Members, or the written assent of such Members, excluding the voting power or written assent of the Owner of any of the real property sought to be annexed, any person who desires to add real property, other than the annexation Property, to the plan of this Declaration and to subject such property to the jurisdiction of the Association, may file or record a Supplementary Declaration. The provisions of this Section shall also apply to the Annexation Property subsequent to the expiration of the power of Declarant to annex such property without the approval of the Members as provided in this Article. The certificate of the President and the Secretary of the Association attached to any Supplementary Declaration recorded pursuant to this Section certifying that the required two-thirds (2/3) majority of the voting power of each class of members has approved the recordation of such Supplementary Declaration shall be deemed conclusive proof thereof.

Section 13.5 Expansion of Association Membership. Membership shall be expanded to include Owners within annexed Phases of the Development.

Section 13.6 Improvements on Future Phases of Development. Declarant expressly makes no representations or warranties in connection with Residences constructed on Lots within future Phases of the Development. Declarant makes no guarantee that it will build similar or comparable Residences on Lots within future Phases of the Development. Declarant expressly reserves the right to change the style, quality, size and cost of said Residences from those constructed in the first Phase of the Development, or any other Phase.

ARTICLE XIV

PROTECTION OF MORTGAGEES

Section 14.1 Mortgage Permitted. Any Owner may encumber his Residence with a Mortgage.

Section 14.2 Subordination. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of the first Mortgage that encumbers all or a portion of the Development, or any Residence, 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.

Section 14.3 Amendment. The prior written consent of seventy-five percent (75%) of the holders of first Mortgages (based upon one vote for each Mortgage held) shall be required for any material amendment to this Declaration, to the Articles or to the Bylaws. As used in this Section 14.3, the term "any material amendment" is defined to mean amendments to provisions of this Declaration, to the Articles or to the Bylaws governing the following subjects:

- (a) The purpose for which the Development may be used;
- (b) Voting;
- (c) Assessments, collection of Assessments, creation and subordination of Assessment liens;
- (d) Reserves for repair and replacement of Common Area improvements;
- (e) Maintenance of Common Area, and improvements thereon;
- (f) Casualty and liability insurance;
- (g) Rebuilding or reconstruction of Common Area and improvements thereon, in the event of damage or destruction;
- (h) Annexation of additional property not referred to in Exhibit "D".
- (i) Any provisions, which by their terms, are specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

Section 14.4 Right to Examine Books and Records.

Institutional first Mortgagees can examine the books and records of the Association and can require the submission to them of financial data concerning the Association or the Development, including annual audit reports and operating statements as furnished to the Owners.

Section 14.5 Distribution of Insurance and Condemnation Proceeds. No Owner, or any other party, shall have priority over any rights of Institutional Mortgagees or Residences pursuant to their Mortgages in case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of Common Area. Any provision to the contrary in this Declaration or in the Bylaws or other documents relating to the Development is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected Institutional Mortgagees naming the Mortgagees, as their interests may appear.

Section 14.6 Common Area. All Common Area shall be owned in fee by the Owners in undivided interests or by the Association free of encumbrances except for any easements granted for public utilities or for other public purposes consistent with the intended use of such property by the Owners or by the Association.

Section 14.7 Notices to Mortgagees of Record. Upon any loss to any Residence covered by a Mortgage, if such loss exceeds One Thousand Dollars (\$1,000), or on any loss to the Common Area, if such loss exceeds Ten Thousand Dollars (\$10,000), or on any taking of the Common Area, notice in writing of such loss or taking shall be given to each Mortgagee of record. If any Owner of a Residence is in default under any provision of these covenants, conditions and restrictions, or under any provision of the Bylaws or the Association Rules, which default is not cured within thirty (30) days after written notice to such Owner, the Association shall give to the Mortgagee of record of such Owner written notice of such default and of the fact that said thirty (30) day period has expired.

Section 14.8 Effect of Breach. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any Mortgage in good faith and for value, and all of these covenants, conditions and restrictions shall be binding on any Owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

Section 14.9 Foreclosure. If any Residence is encumbered by a first Mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth herein for Assessments, or installments of Assessments, shall not operate to affect or impair the lien of the first Mortgage. On foreclosure of a first Mortgage, the lien for Assessments on installments that have accrued up to the time of foreclosure shall be subordinate to the lien of the first Mortgage, with the foreclosure-purchaser taking the title to the Residence free of the lien for Assessments on installments that have accrued up to the time of the foreclosure sale. On taking title to the Residence the foreclosure-purchaser of a first Mortgage shall only be obligated to pay Assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the Residence. 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 in this Section.

Section 14.10 Non-Curable Breach. Any Mortgagee who acquires title to a Residence by foreclosure or by deed-in-lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

Section 14.11 Loan to Facilitate. Any Mortgage given to secure a loan to facilitate the resale of a Residence after acquisition by foreclosure or by a deed-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article XIV.

ARTICLE XV

GENERAL PROVISIONS

Section 15.1 Enforcement. The Association, or any Owner, shall have the right to enforce by proceedings at law or in equity, all easements, restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration or any amendment hereto, including the right to prevent the violation of any such easements, restrictions, conditions, covenants or reservations and the right to recover damages or other dues for such violation. The Association or any Owner shall also have the right to enforce by proceedings at law or in equity the provisions of the Articles or Bylaws and any amendments thereto. With respect to Assessment liens or any other liens or charges and Association Rules, the Association shall have the exclusive right to the enforcement thereof.

Section 15.2 No Waiver. Failure by the Association or by any Member to enforce any easement, covenant, condition or restriction herein contained, or the Articles, Bylaws or Association Rules, in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same easement, covenant, condition or restriction.

Section 15.3 Cumulative Remedies. All rights, options and remedies of Declarant, the Association, the Owners or Mortgagees under this Declaration are cumulative, and no one of them shall be exclusive of any other, and Declarant, the Association, the Owners and the Mortgagees shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in this Declaration.

Section 15.4 Severability. Invalidation of any one or a portion of these easements, covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 15.5 Covenants to Run With the Land; Term. The easements, covenants, conditions and restrictions of this Declaration shall run with and bind the Covered Property and shall inure to the benefit of and be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Declaration is recorded, after which time said easements, covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners and a majority of the Mortgagees, based on one (1) vote for each Mortgage held, has been recorded at least six (6) months prior to the end of any such period, agreeing to change said easements, covenants, conditions and restrictions in whole or in part.

Section 15.6 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract and for the maintenance of the Covered Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 15.7 Singular Includes Plural. Whenever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

Section 15.8 Nuisance. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Association or any Member. Such remedy shall be deemed cumulative and not exclusive.

Section 15.9 Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, actual attorneys' fees and costs of such suit.

Section 15.10 Notices. Any notice to be given to an Owner or a Mortgagee or Mortgage servicing contractor under the provisions of this Declaration shall be in writing and may be delivered as follows:

(a) Notice to an Owner shall be deemed to have been properly delivered when delivered personally or placed in the United States mail, first class postage prepaid, to the most recent address furnished by such Owner in writing to the Association for the purpose of giving notice, or if no such address shall have been furnished, then to the street address of such Owner's Residence. Any such notice deposited in the mail within Orange County, California, shall be deemed delivered forty-eight (48) hours after such deposit. In the case of co-Owners, any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall constitute delivery on all such co-Owners.

(b) Notice to a Mortgagee or its Mortgage servicing contractor shall be deemed to have been properly delivered when placed in the United States mail, first class postage prepaid, to the address furnished to the Association by such Mortgagee or such contractor or, if no such address is furnished, to any office of the Mortgagee in Orange County, California, or, if no such office is located in said County, to any office of such Mortgagee.

(c) The affidavit of an officer or authorized agent of the Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, to any Mortgagee or Mortgagees, or to all Members or all Mortgagees, to the address or addresses shown on the records of the Association, shall be deemed conclusive proof of such mailing, whether or not such notices are actually received.

Section 15.11 Obligation of Declarant. So long as Declarant is utilizing the easement described in the Section entitled "Construction and Sales" of the Article in this Declaration entitled "Easements", Declarant shall not be subject to the provisions of the Article entitled "Architectural and Landscape Control" or the provisions of the Article entitled "Use Restrictions".

Section 15.12 Effect of Declaration. This Declaration is made for the purposes set forth in the Recitals to this Declaration and Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

Section 15.13 Personal Covenant. To the extent the acceptance of a conveyance of a Residence creates a personal covenant between the Owner of such Residence and Declarant or other Owners, such personal covenant shall terminate and be of no further force or effect from and after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Association.

Section 15.14 Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Officers, the Architectural Committee, nor any other committee of the Association or any member of such Board or committee shall be liable to the Association or any Member for any damage or loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission or error, negligence or the like made in good faith within the scope of their duties.

Section 15.15 Enforcement of Bonded Obligations
the event that the improvements to the Common Area have not been completed prior to the issuance of a Final Subdivision Plat Report covering the Covered Property by the Department of Public Estate of the State of California, and the Association is the obligee under a bond or other arrangement (hereinafter referred to as "Bond") to secure performance of the commitment of Declarant to complete such improvements, the following provisions shall apply:

- (a) The Board shall consider and vote on the proposed course 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 in the plans appended to the Bond. If the Association has not filed a Notice of Completion within the Planned Construction 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 the expiration of such extension.

(b) In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, then on the petition in writing to the Board signed by Members of the Association representing not less than five percent (5%) of the total voting power of the Association, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the Bylaws dealing with meetings of the Members, but in any event such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of said petition.

(c) The only Members entitled to vote at such meeting of Members shall be the Owners other than Declarant. A vote at such meeting of a majority of the voting power of such Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the name of the Association.

Section 15.16 Construction by Declarant. Nothing in this Declaration shall limit the right of Declarant to alter the Common Area or the Residences, or to construct such additional improvements as Declarant deems advisable prior to completion of improvements upon and sale of the entire Covered Property. Such right shall include but shall not be limited to erecting, constructing and maintaining on the Covered Property such structures and displays as may be reasonably necessary for the conduct of the business or completing the work and disposing of the same by sale, lease or otherwise. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title by a purchaser from Declarant to establish on the Covered Property additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the property development and disposal of the Covered Property. Declarant reserves the right to alter its construction plans and designs as it deems appropriate. The rights of Declarant hereunder may be assigned to any successor or successors to all or part of said entity's respective interest in the Covered Property, by an express assignment incorporated in a recorded deed or lease, as the case may be, transferring such interest to such successor. Declarant shall exercise its rights contained in this provision in such a way as not to unreasonably interfere with the Members' rights to use and enjoy the Covered Property.

Section 15.17 Amendments. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees pursuant to the Articles hereof entitled "Insurance" and "Protection of Mortgagees", or otherwise, this Declaration may be amended as follows:

(a) Until such time as there is a Class A membership, this Declaration may be cancelled or amended by Declarant. Thereafter, as long as there is a Class B membership, any amendments shall require the affirmative vote or written assent of fifty-one percent (51%) of each class of Members. After the Class B membership has been converted to Class A membership, amendments to the Declaration may be enacted by the vote or written assent of seventy-five percent (75%) of the total voting power of the Association; and a bare majority of the votes of Members other than Declarant.

(b) However, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. For example, if it is provided that seventy-five percent (75%) of the voting power must agree to an increase in the maximum annual Assessment, then seventy-five percent (75%) of the voting power is necessary to amend that provision regardless of the percentage prescribed in paragraph (a) above.

(c) An amendment or modification that requires the vote and written assent of the Members as hereinabove provided shall be effective when executed by the President and Secretary of the Association who shall certify that the amendment or modification has been approved as hereinabove provided, and when recorded in the Official Records of Orange County, California.

(d) Notwithstanding the foregoing, any provision of this Declaration, or the Articles, Bylaws or Association Rules which expressly requires the approval of a specified percentage of the voting power of the Association for action to be taken under said provision can be amended only with the affirmative vote or written assent of not less than the same percentage of the voting power of the Association.

(e) Notwithstanding any provision herein, the Declaration shall not be amended, nor shall any amendment be effective, without the prior consent of the Director of Development Services of the City of Brea.

ARTICLE XVI

AUTOMATIC AMENDMENTS AND OTHER EFFECTS
OF FEDERAL PROGRAMS

Section 16.1 Amendments to Conform with Mortgagee Requirements. It is the intent of Declarant that this Declaration and the Articles and Bylaws of the Association, and the Development in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure or subsidize any Mortgage of a Residence in the Development by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Veterans' Administration. In furtherance of that intent, Declarant expressly reserves the right and shall be entitled by unilateral amendment of the Declaration so long as Declarant owns more than twenty-five percent (25%) of the Lots in the Development to amend this Declaration in order to incorporate any provisions or to enter into any agreement on behalf and in the name of the Association that are, in the opinion of any of the cited entities or governmental agencies, required to conform the Declaration, the Articles, the Bylaws or the Development to the requirements of any of the entities or governmental agencies, including without limitation, the execution on behalf of and in the name of the Association of a regulatory agreement between the Association and the Federal Housing Commissioner and any other agreement sufficient to satisfy the requirements for Mortgage purchase, guarantee or insurance by any of said entities or agencies. Declarant is hereby granted an irrevocable power of attorney to execute any such amendment or agreement by and in the name of the Association. Any such provision shall first be approved by the California Department of Real Estate in connection with its issuance of a final subdivision public report or amendment to it with respect to the Development. Each Owner of a Lot and each Mortgagee of a Lot by acceptance of a deed or encumbrance of a Lot consents to the incorporation in this Declaration of any such provision and to the execution of any amendment or regulatory agreement and agrees to be bound by any such provisions as if they were incorporated in this Declaration. The Board and each Owner shall take any action or shall adopt any resolutions required by Declarant or any Mortgagee to conform this Declaration or the Development to the requirements of any of said entities or agencies.

ARTICLE XVII

VIEWS

As originally constructed, certain of the Lots have a partial view. A view is defined as that line of sight (which may include single family homes and future single family homes and landscaping) within the prolongation of the side property lines of a Lot. A view does not include any diagonal or side view and is restricted to that air space directly in line with the prolongation of the side property lines of a Lot. Notwithstanding the above, after the sale of the Lots by Declarant to homeowners, a view may be impeded or impacted by improvements or landscaping of another Lot. However, any alteration or landscaping of a Lot within the Development after the initial construction of the Lot by Declarant, must be approved by the Architectural Committee in accordance with Article V. No statements or assurances can be made by Declarant with respect to said construction of future improvements or landscaping that may have an impact upon the view of a Lot and which are approved by said Architectural Committee or are constructed on contiguous property (to that described on Exhibit "A") not owned by Declarant.

IN WITNESS WHEREOF, the undersigned has executed this Declaration as of the date first set forth above.

J.M. PETERS COMPANY, INC.,
A Nevada corporation

By: [Signature]
Its: Vice President

By: [Signature]
Its: Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On July 2, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert J. Trapp and Robert C. Liewer, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as Vice President and Vice President on behalf of J.M. PETERS COMPANY, INC., the corporation therein named, and acknowledged to me that the corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.



[Signature]
Notary Public in and for said State

EXHIBIT "A"

LEGAL DESCRIPTION OF THE COVERED PROPERTY

Lots 1 through 22 and 38 through 43, inclusive, and
Lots C through F, inclusive, of Tract 12562, as shown
on a Subdivision Map recorded in Book 579, Pages 4
through 9, inclusive, of Miscellaneous Maps, in the
Office of the Orange County Recorder.

EXHIBIT "B"

COMMON AREA

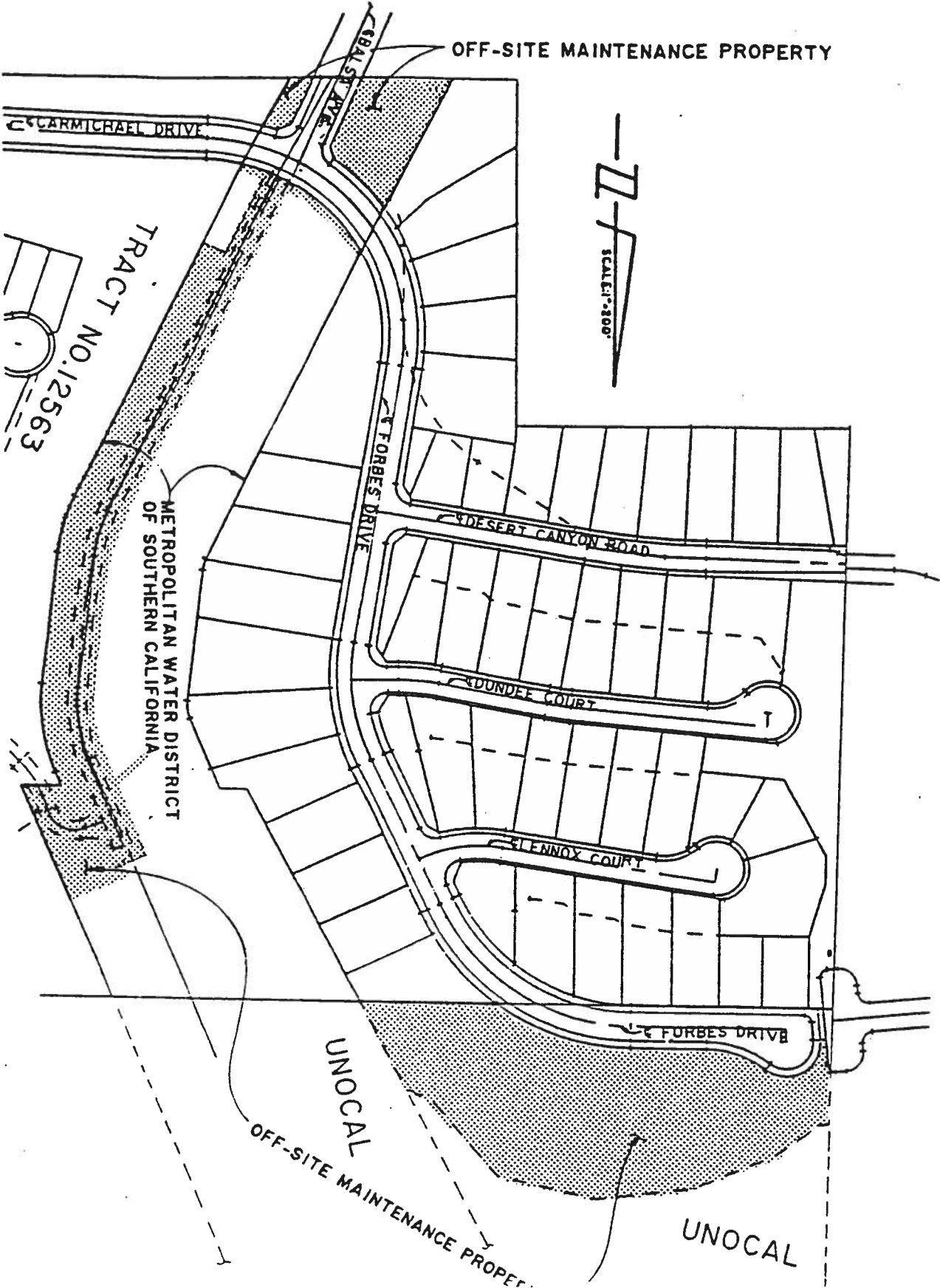
Lots C through F inclusive, of Tract 12562,
as shown on a Subdivision Map recorded in
Book 579, Pages 4 through 9 inclusive, of
Miscellaneous Maps, in the Office of the
Orange County Recorder.

EXHIBIT "C"

OFFSITE PROPERTY WHICH THE ASSOCIATION
IS MAINTAINING

OFF-SITE MAINTENANCE PROPERTY EXHIBIT

TRACT NO. 12562



OFF-SITE MAINTENANCE PROPERTY EXHIBIT

TRACT NO. 12563

TRACT NO. 12562

METROPOLITAN WATER DISTRICT
OF SOUTHERN CALIFORNIA

UNOCAL

OFF-SITE MAINTENANCE PROPERTY

OFF-SITE MAINTENANCE PROPERTY

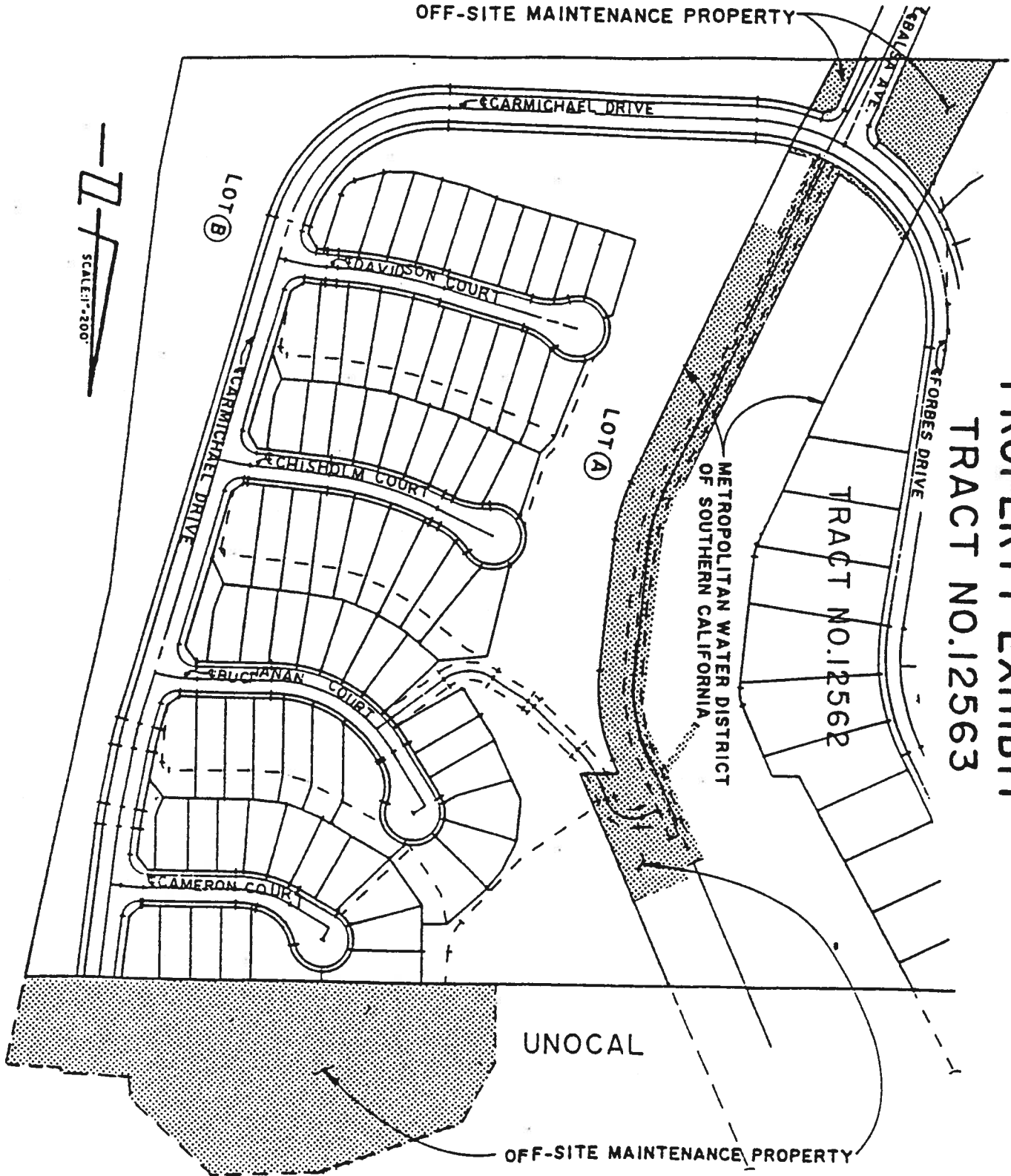


EXHIBIT "D"
PROPERTY SUBJECT TO ANNEXATION

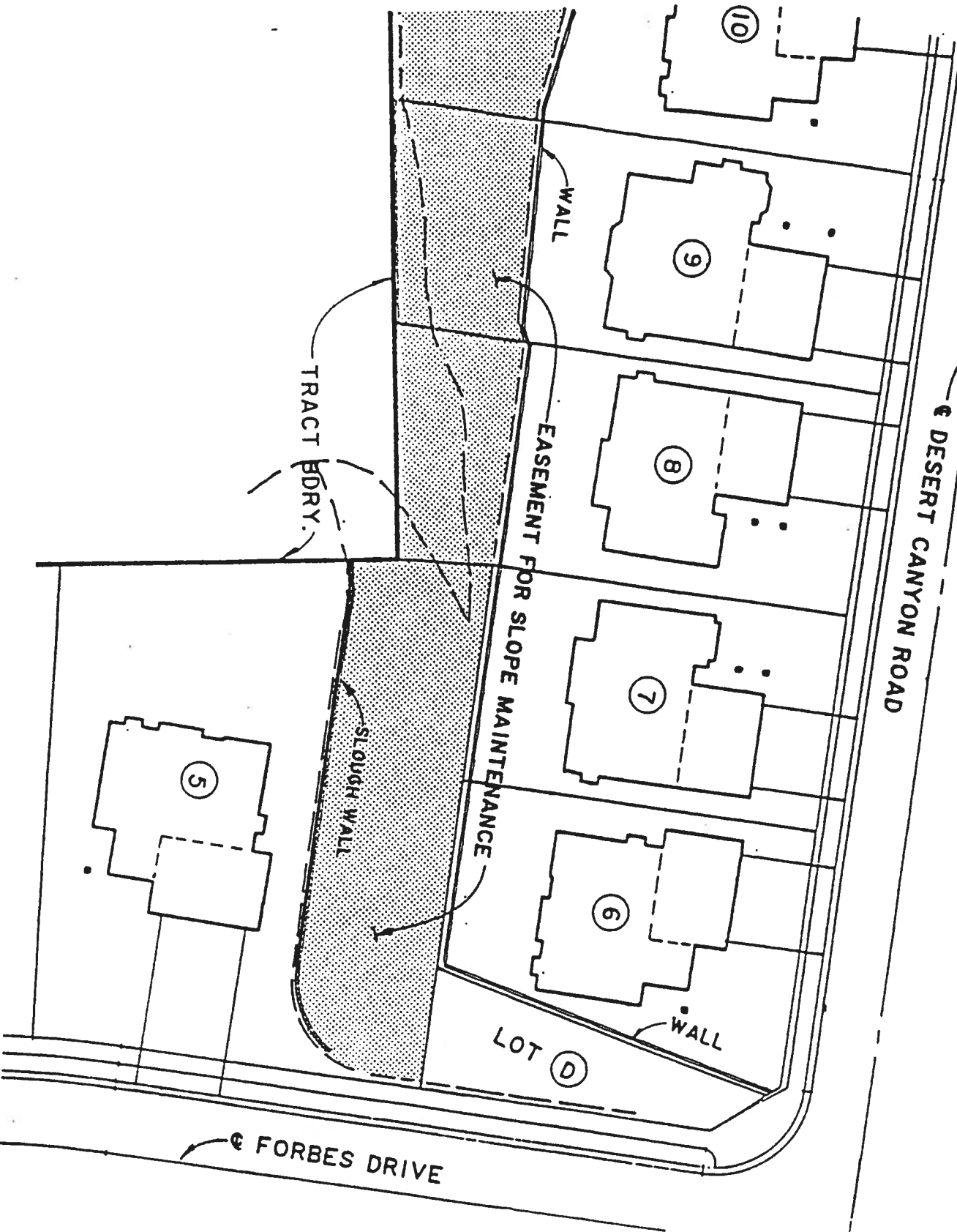
Lots 23 through 37, and 44 through 48, inclusive, and Common Area lots A and B, inclusive of Tract 12562, as shown on a Subdivision Map recorded in Book 579, Pages 4 through 9 inclusive, of Miscellaneous Maps in the Office of the Orange County Recorder.

Lots 1 through 73, inclusive, and Common Area lots A through E, inclusive, of Tract 12563, as shown on a Subdivision Map recorded in Book 579, Pages 10 through 15 of Miscellaneous Maps in the Office of the Orange County Recorder.

EXHIBIT "E"
SLOPES WITHIN OWNER'S LOTS

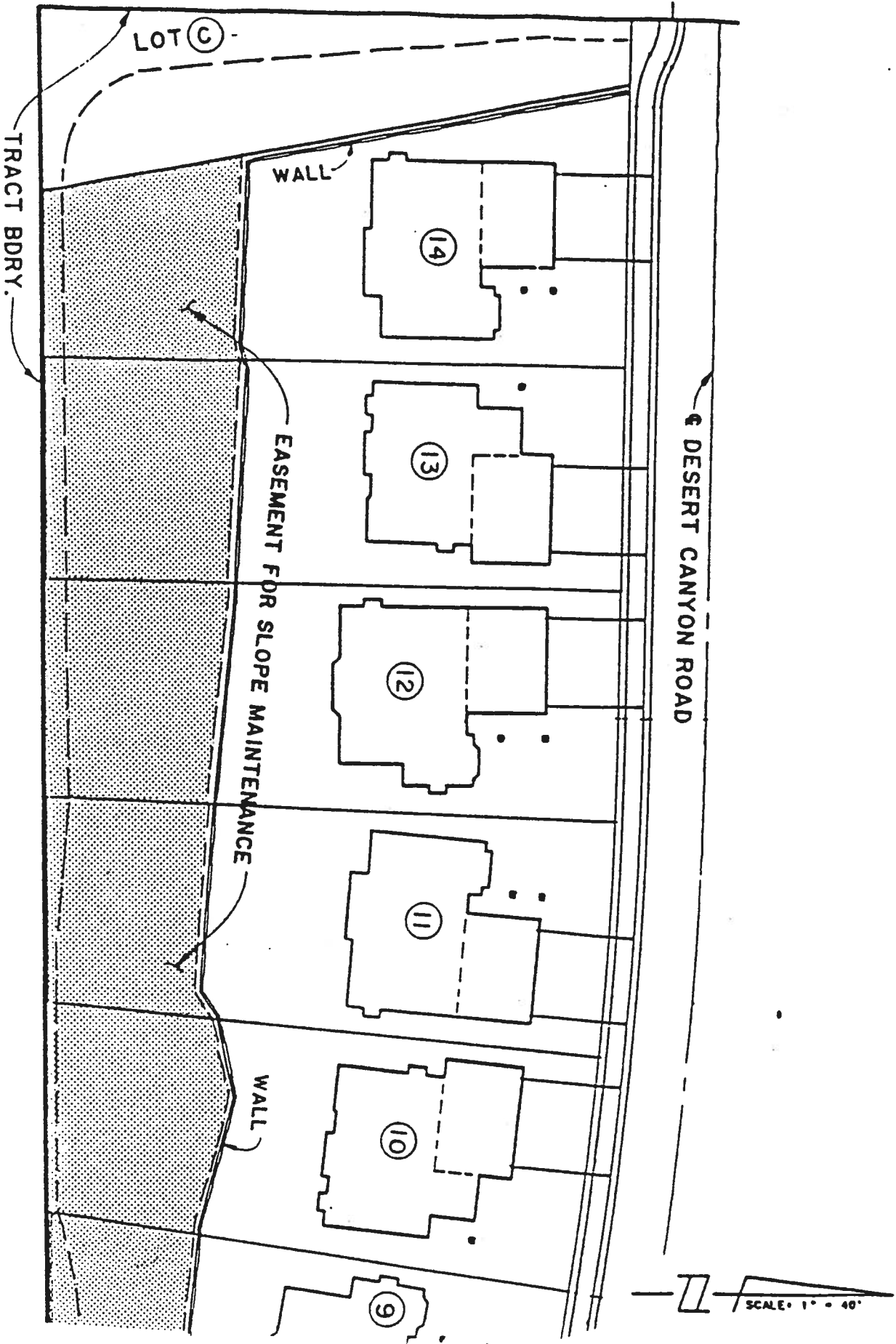
MAINTENANCE EXHIBIT FOR SLOPES WITHIN OWNER'S LOTS

TRACT NO. 12562

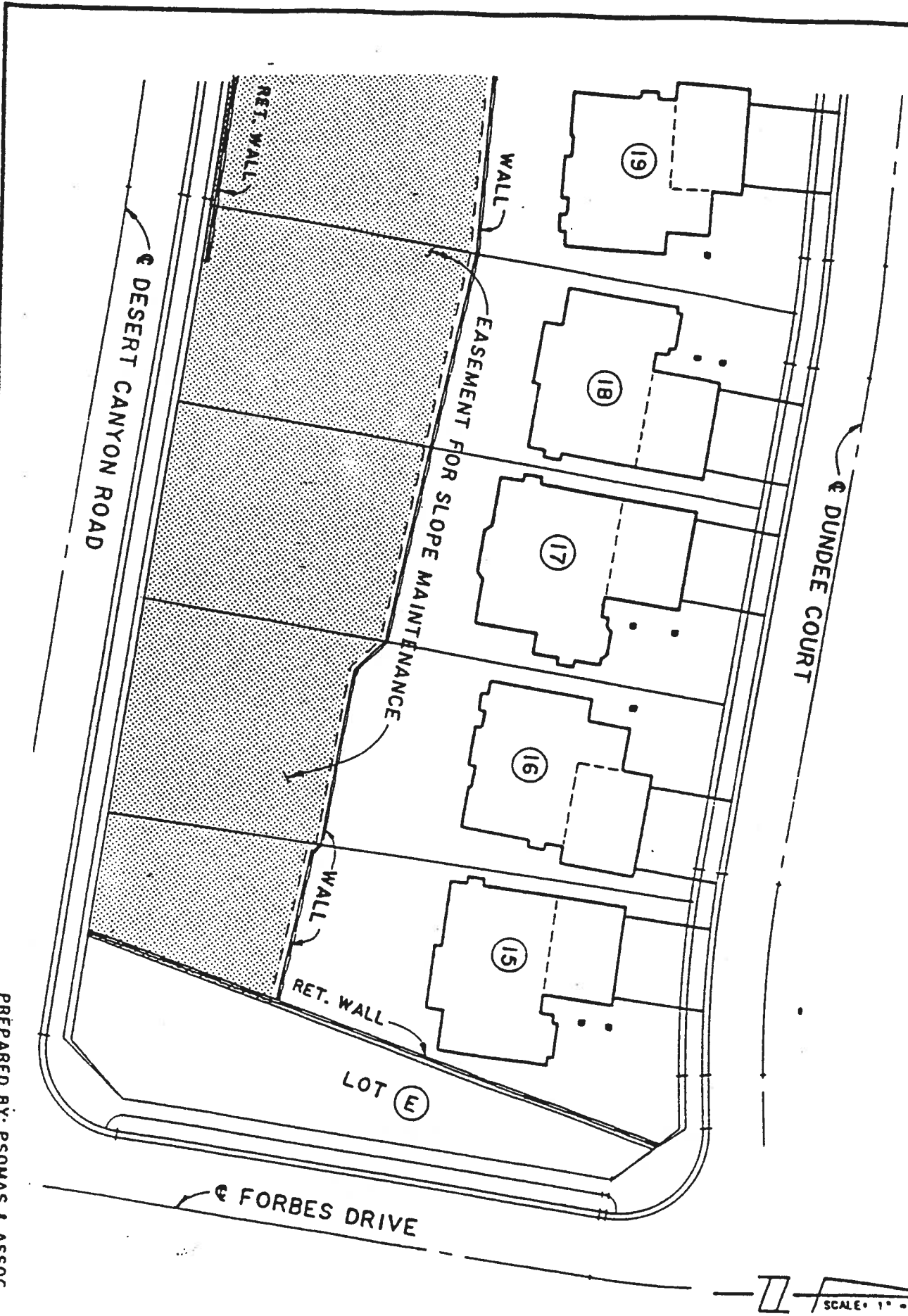


MAINTENANCE EXHIBIT FOR SLOPES WITHIN OWNER'S LOTS

TRACT NO. 12562



**MAINTENANCE EXHIBIT
FOR SLOPES WITHIN OWNER'S LOTS
TRACT NO. 12562**



PREPARED BY: PSOMAS & ASSOC.



**MAINTENANCE EXHIBIT
FOR SLOPES WITHIN OWNER'S LOTS
TRACT NO. 12562**

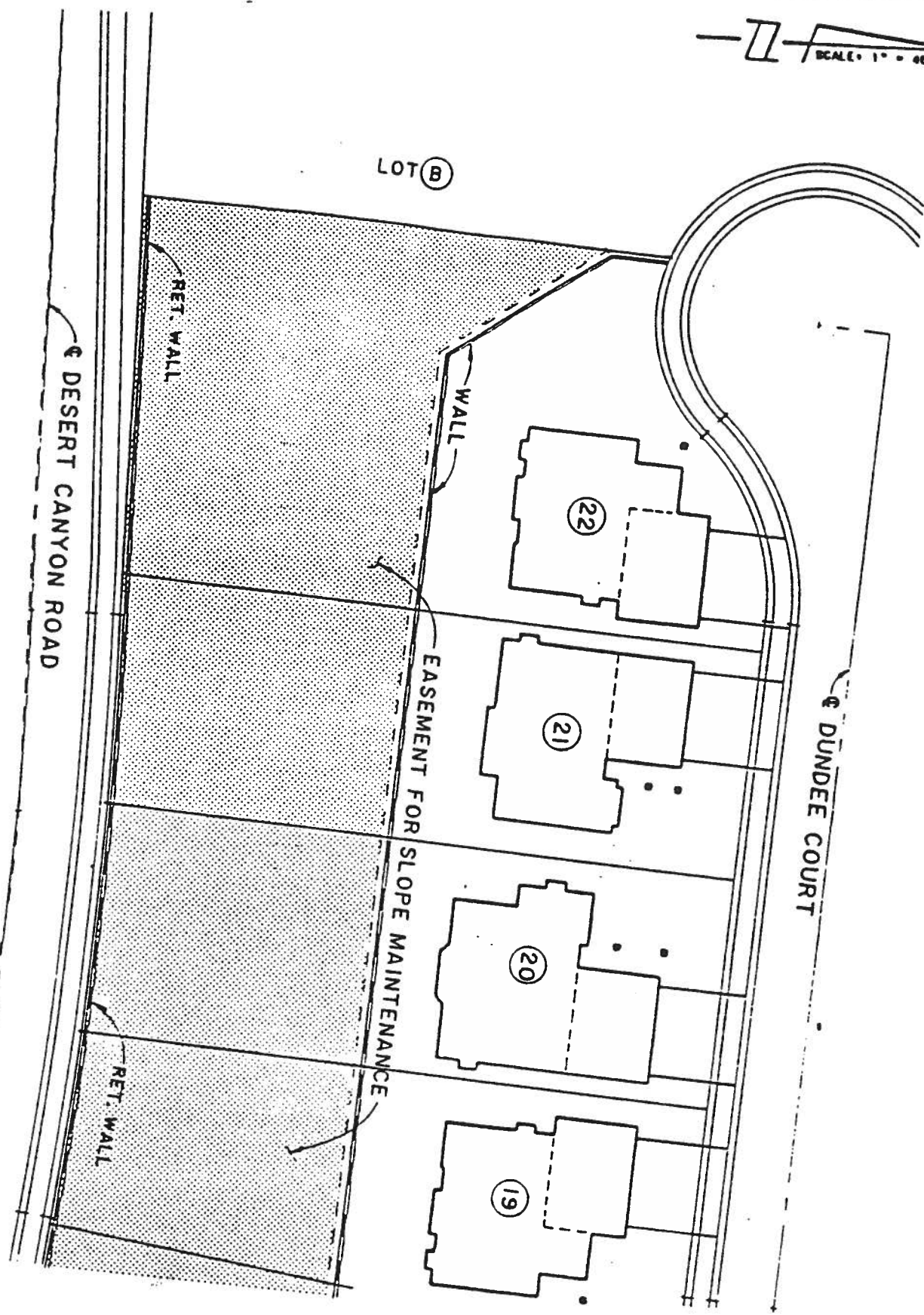


EXHIBIT "F"
ART MONUMENT

ART MONUMENT EXHIBIT