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DECLARATION OF ESTABLISHMENT

OF

CONDITIONS, COVENANTS AND RESTRICTIONS

FOR

BARRINGTON HEIGHTS

A Residential Planned Development

TABLE OF CONTENTS

	Page
ARTICLE 1	DEFINITIONS 1
Section 1.1	Terms 1
Section 1.2	Applicability of Terms 4
ARTICLE 2	PROPERTY RIGHTS IN COMMON AREA 4
Section 2.1	Title to the Common Area 4
Section 2.2	Owner's Easements of Enjoyment 5
Section 2.3	Delegation of Use 6
Section 2.4	Reciprocal Easements 6
Section 2.5	Utility Easements 6
Section 2.6	Fuel Modification Zone Easements 7
Section 2.7	Right of Declarant to Modify Plan of Development 7
ARTICLE 3	MEMBERSHIP AND VOTING RIGHTS IN HOMEOWNERS' ASSOCIATION 7
Section 3.1	Formation 7
Section 3.2	Membership 8
Section 3.3	Voting Rights 8
ARTICLE 4	POWERS OF THE ASSOCIATION AND MEMBERSHIP MEETINGS 8
Section 4.1	Powers of the Association 8
Section 4.2	Fidelity Bond 11
Section 4.3	Membership Meetings 11
ARTICLE 5	ASSESSMENTS 12
Section 5.1	Creation of Lien and Personal Obligation of Assessments 12
Section 5.2	Purpose of Assessments 12
Section 5.3	Maximum Annual Assessment 12
Section 5.4	Special Assessments 13
Section 5.5	Notice and Quorum for Any Action Authorized Under Sections 5.3 and 5.4 14
Section 5.6	Uniform Rate of Assessment 14
Section 5.7	Date of Commencement of Annual Assessments; Due Dates . . . 14
Section 5.8	Effect of Non-Payment of Assessments; Remedies of the Association 15
Section 5.9	Policies for Assessment Collection 17
Section 5.10	Subordination of the Lien to First Deeds of Trust and First Mortgages 17
Section 5.11	Estoppel Certificate 17
Section 5.12	Personal Liability of Owner 17

Section 5.13	Exempt Property	17
Section 5.14	Assessment Limitation Not Applicable	17
Section 5.15	Association Statement at Transfer of Title	18
Section 5.16	Exemption from Assessments to Common Areas	18
ARTICLE 6	ACCOUNTINGS	18
Section 6.1	Books and Records	18
Section 6.2	Budget	20
Section 6.3	Initial Financial Report	22
Section 6.4	Annual Report	22
Section 6.5	Independent Preparation	22
Section 6.6	Copy of Financial Statement To Prospective Buyers	22
Section 6.7	Association Officer Statement	23
Section 6.8	Association's Policies and Practices Statement	23
Section 6.9	Reconciliation of Accounts	23
Section 6.10	Reserve Account	23
Section 6.11	Transfer of Title	24
ARTICLE 7	ARCHITECTURAL CONTROL COMMITTEE	24
Section 7.1	Submissions and Approvals Required	24
Section 7.2	Appointment of Architectural Committee	25
Section 7.3	Views	25
Section 7.4	Fences and Walls	26
Section 7.5	Non-Liability of Architectural Committee Members	26
ARTICLE 8	USE RESTRICTIONS AND OBLIGATIONS OF OWNERS	26
Section 8.1	Leasing of Lots	26
Section 8.2	Use Restrictions	27
Section 8.3	Restrictions Regarding Conservation Property.	30
ARTICLE 9	SCOPE OF ENFORCEMENT	32
Section 9.1	Enforcement	32
ARTICLE 10	DAMAGE TO AND MAINTENANCE OF LOTS AND ASSOCIATION PROPERTY	33
Section 10.1	Repairs	33
Section 10.2	Damage to Association Property	33
ARTICLE 11	INSURANCE	33
Section 11.1	Liability Insurance	33
Section 11.2	Hazard Insurance	34
Section 11.3	Individual Coverage	35
Section 11.4	Board as Trustee	35

	<u>Page</u>
Section 11.5	Other Insurance 35
Section 11.6	Owners' Other Insurance 35
Section 11.7	Right of Mortgagees 35
Section 11.8	Annual Review 35
ARTICLE 12	DESTRUCTION OF IMPROVEMENTS 36
Section 12.1	Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair 36
Section 12.2	Proceeds Less Than Eighty-Five Percent (85%) of Cost to Repair 36
Section 12.3	Additional Contributions From Owner 36
Section 12.4	Association to Contract for Rebuilding 36
Section 12.5	Insufficient Vote to Rebuild 36
Section 12.6	Revival of Right to Partition 37
Section 12.7	Arbitration 37
ARTICLE 13	MORTGAGEE PROTECTION 37
Section 13.1	Mortgagee Protection 37
ARTICLE 14	AMENDMENTS 40
Section 14.1	Amendments 40
Section 14.2	Effectiveness of Amendment 40
Section 14.3	Petition the Superior Court 40
ARTICLE 15	ANNEXATION 41
Section 15.1	Annexation of Additional Property by Declarant 41
Section 15.2	Annexation of Additional Property by Association 41
Section 15.3	Annexation Procedure 41
Section 15.4	Obligations of Annexed Property 42
Section 15.5	De-Annexation 42
ARTICLE 16	PARTY WALLS 42
Section 16.1	Rights and Duties 42
ARTICLE 17	GENERAL PROVISIONS 43
Section 17.1	Extension of Declaration 43
Section 17.2	Encroachment Easement 43
Section 17.3	Ownership Interest 43
Section 17.4	Severability 43
Section 17.5	Liberal Construction 43
Section 17.6	Termination of Declarant's Obligations 43
Section 17.7	Number, Gender 43
Section 17.8	Non-Liability of Declarant 44
Section 17.9	Grantees Subject to this Declaration 44

Section 17.10	Bonded Obligations	44
ARTICLE 18	DISPUTE MECHANISM	44
Section 18.1	Notice to Members Prior to Filing Civil Action	44
Section 18.2	Dispute Resolution	45
Section 18.3	Construction Defect Disputes	45
Section 18.4	Other Disputes	47
Section 18.5	Civil Code Sections 1368.4, 1375, 1375.05, or 1375.1	50
Section 18.6	Use of Damage Award Amounts	50
Section 18.7	Disputes Relating To Enforcement Of Governing Documents ..	50

SUBORDINATION AGREEMENT

EXHIBIT "A" - ANNEXABLE PROPERTY

EXHIBIT "B" - CONSERVATION PROPERTY

EXHIBIT "C" - FUEL MODIFICATION ZONES

**DECLARATION OF ESTABLISHMENT OF
CONDITIONS, COVENANTS AND RESTRICTIONS
FOR
BARRINGTON HEIGHTS**

THIS DECLARATION OF ESTABLISHMENT OF CONDITIONS, COVENANTS AND RESTRICTIONS FOR BARRINGTON HEIGHTS ("Declaration") is made by BARRINGTON HEIGHTS, LLC, a California limited liability company (the "Declarant"), being the owner of that certain real property subject to this Declaration, and hereinafter more particularly described.

W I T N E S S E T H:

WHEREAS, Declarant is the owner of the following real property located in the unincorporated area of the County of Riverside, State of California (the "Properties"), more particularly described as:

Lots 8 through 51, inclusive, of Tract No. 29072-1, in the County of Riverside, State of California, as per Map filed in Book 324, Pages 90 through 93, in the Office of the County Recorder of said County; and

The development of the Properties is the first phase of a four (4) phase planned development. The first phase is planned to be constructed on Lots 8 through 51, inclusive, of Tract 29072-1. Phase I will consist of forty-four (44) residences and no Common Area facilities. There is no guarantee that all phases will be completed, or that the number of Lots will be developed as described above.

WHEREAS, it is the desire and intention of Declarant to sell and convey residential Lots within the Properties to various individuals subject to certain basic protective restrictions, limitations, easements, covenants, reservations, liens and charges between it and the purchasers or users of said Properties, as hereinafter set forth.

NOW, THEREFORE, Declarant hereby declares that all of the real property described above, is, and shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the Properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof. The provisions of this Declaration shall be enforceable by any of the Owners of an interest in the real property above described, against any other Owner or Owners thereof, and shall also be enforceable by the Board of Directors of the Association, which shall be created for the purpose of governing this Project.

**ARTICLE 1
DEFINITIONS**

Section 1.1 Terms. Whenever used in this Declaration, the following terms shall have the following meanings:

1.1.1 Annexation shall mean the addition of real property and all improvements thereto into the scheme created by this Declaration. Upon such annexation, the annexed property shall be governed by, and subject to each and every provision of this Declaration and any amendments thereto. The procedures for annexation of property are set forth in Article 15.

1.1.2 Annexable Property shall mean and refer to the real property which may be annexed to the Project by Declarant without the consent of the Association, in accordance with the provisions of Section 15.1 hereof. The Annexable Property is that certain real property described in Exhibit "A" attached hereto and incorporated herein by this reference.

1.1.3 Articles shall mean and refer to the Articles of Incorporation of the Association as the same may be amended from time to time.

1.1.4 Association shall mean and refer to BARRINGTON HEIGHTS HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

1.1.5 Association Maintenance Areas shall mean and refer to those areas located either outside of the geographical boundaries of the Project, or within the use restricted Conservation Property, for which the Association has the responsibility for the maintenance, repair and replacement of landscaping and related improvements, as provided in Section 10.3 below. The Association Maintenance Areas, consisting primarily of the approximately 106 acres of restricted use Conservation Property. The Association's responsibility for the respective portions of such Association Maintenance Areas shall commence upon the commencement date of the applicable approved Budget for each Phase covered by a separate Final Subdivision Public Report issued by the California Department of Real Estate, which includes the costs of maintenance of such portions of the Association Maintenance Areas. Additional Association Maintenance Areas, for which the Association shall assume the responsibility, in connection with the Phases in the Annexable Property, may be described in the Notices of Annexation and applicable Budgets for such Phases.

1.1.6 Association Property shall mean and refer to those areas of real property for which the Association shall have the power and obligation to operate, manage, maintain, repair, and/or replace the improvements therein, whether by reason of fee title ownership, easement, lease, contract, or pursuant to the Conditions of Approval for the Project, and shall include the Common Area, the Fuel Modification Zones, and the Association Maintenance Areas for which the Association has maintenance responsibility.

1.1.7 Board or Board of Directors shall mean and refer to the governing body of said Association.

1.1.8 Bylaws shall mean the duly adopted Bylaws of the Association as the same may be amended from time to time.

1.1.9 Common Area shall mean all real property (including improvements thereon) owned by the Association for the common use and enjoyment of the Owners. There is no Common Area to be owned by the Association at the time of the conveyance of the first Lot.

1.1.10 Conservation Declaration shall mean and refer to that certain Declaration of Restrictions, recorded by Declarant on February 8, 2002, as Instrument No. 02-071232, for the benefit of the United States of America, acting by and through the U.S. Fish and Wildlife Service, and encumbering and restricting the use of the Conservation Property.

1.1.11 Conservation Property shall mean and refer to those certain open space lots, consisting of a total of approximately 106 acres, that are subject to use restrictions pursuant to the Conservation Declaration, and are more particularly described in Exhibit "B" attached hereto and incorporated herein by this reference.

1.1.12 Declarant shall mean and refer to Barrington Heights, LLC, a California limited liability company, its successors and assigns, if such successors or assigns should acquire more than one (1) undeveloped Lot from Declarant for the purpose of development and are designated by Declarant as the Declarant for the purpose hereof by a duly recorded written instrument.

1.1.13 Declaration shall mean this enabling Declaration of Establishment of Conditions, Covenants and Restrictions, as it may be amended, changed or modified, from time to time.

1.1.14 Fuel Modification Zone shall mean and refer to certain portions of the private residential Lots and the Common Area which is located within the Fuel Modification Zone established from time to time by the County of Riverside in accordance with the requirements and ordinances of the County of Riverside and the Riverside County Fire Department. For the affected residential Lots, the Fuel Modification Zone ("FMZ") is that portion of any Lot which has been designated by the County as within the FMZ. The FMZ within Phase 1 of the Project is depicted on Exhibit "C" attached hereto and incorporated herein by this reference. The FMZ within future Phases of the Project shall be depicted on appropriate exhibits in the Notices of Annexation by which such Phases are annexed into the Project. The Association shall have the exclusive right and duty to maintain the FMZ within the Common Area. The individual Owners shall maintain those portions of their respective Lots within the FMZ, and all fire protection measures therein, in accordance with all the requirements of the County. In the event that any Owner fails to perform such maintenance, the Association shall be responsible for performing such maintenance after giving such Owner written notice of such failure and a reasonable opportunity to take remedial action. The Association shall have easements of access, ingress and egress over the private Lots for such purposes, and shall assess the costs of such maintenance against such Lot as a special assessment. Such maintenance shall include brush clearance and weed abatement, and keeping the FMZ in a good, safe condition, at all times in compliance with such standards as may be adopted by the County from time to time. In addition, the County, and its agents and employees, shall have the right of access, ingress and egress, for the purpose of providing such maintenance in the event that the Association fails to perform such maintenance in accordance with such standards. No building structures are permitted to be constructed or installed within the FMZ unless approved by the Riverside County Fire Department, and the Architectural Control Committee.

1.1.15 Institutional Lender shall mean a Mortgagee which is a bank, savings and loan association, established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

1.1.16 Lot shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties, with the exception of the Common Area.

1.1.17 Member shall mean an Owner with a membership in the Association.

1.1.18 Mortgage shall mean and refer to a deed of trust as well as a Mortgage.

1.1.19 Mortgagee shall mean a person or entity to whom a Mortgage is made, and shall include the beneficiary of a deed of trust.

1.1.20 Mortgagor shall mean a person or entity who mortgages his, her or its property to another, i.e., the maker of a Mortgage, and shall include the trustor of a deed of trust.

1.1.21 Owner shall mean and refer to the record Owners, whether one (1) or more persons or entities, of fee simple title to any Lot which is part of the Properties, including contract sellers, but excluding those having such interests merely as security for the performance of an obligation.

1.1.22 Phase shall mean one of the four (4) phases of development of this residential planned development. Declarant intends to construct certain residential dwelling units and Common Area improvements according to a general plan of development submitted to the California Department of Real Estate.

1.1.23 Project shall mean the Properties and all improvements thereon.

1.1.24 Properties shall mean and refer to that certain real property located in Riverside County, California, hereinbefore described and such additions thereto as may hereafter be brought within the jurisdiction of the Association through the annexation procedures set forth in Article 15.

Section 1.2 Applicability of Terms. The aforesaid definitions shall be applicable to this Declaration and to any supplements or amendments thereto (unless the context shall prohibit) recorded pursuant to the provisions of this Declaration.

ARTICLE 2

PROPERTY RIGHTS IN COMMON AREA

Section 2.1 Title to the Common Area.

2.1.1 Declarant hereby covenants for itself, its successors and assigns, that it will convey title to the Common Area to the Association, free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record, including those set forth in this Declaration. Said conveyance for each Phase shall be made to the Association prior to the conveyance of the first residential Lot in such Phase to an Owner.

2.1.2 The Association's responsibility to maintain the Common Area conveyed to the Association shall commence concurrently with the recordation of the Grant Deed conveying the

Common Area to be maintained. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain or warrant the landscaping or other improvements on the Common Area for a specified period in which said contractors or subcontractors shall perform such maintenance, the Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors shall not serve to postpone the commencement of assessments pursuant to this Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such assessments.

2.1.3 The nature, design, quality and quantity of all improvements in the Common Area shall be determined by Declarant in its sole discretion. The Association shall be obligated to accept title to the Common Area, and shall assume and undertake all maintenance responsibilities for the Common Area when title is conveyed and/or maintenance responsibilities are tendered by Declarant pursuant to subparagraphs 2.1.1 and 2.1.2 above. In the event that a dispute arises between Declarant and the Association with respect to the nature, design, quality or quantity of the improvements in the Common Area, or the acceptance of maintenance responsibilities therefor, the Association shall be obligated to accept title to the Common Area and to assume and undertake maintenance responsibilities pending resolution of the dispute, in accordance with the provisions set forth in the Article herein entitled "Dispute Mechanism."

Section 2.2 Owner's Easements of Enjoyment. Every Owner of a Lot shall have a right and easement of ingress, egress and of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every such Lot, subject to the following provisions:

(a) The right of the Association to suspend the voting rights and right to use of the recreational facilities by an Owner for any period during which any assessment against such Owner's Lot remains unpaid; and for a period not to exceed thirty (30) days for any infraction of its Rules and Regulations (as defined below) after reasonable written notice and an opportunity for a hearing before the Board as set forth in the Bylaws, which notice satisfies the minimum requirements of Section 7341 of the California Corporations Code;

(b) The right of the Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. Notwithstanding any contrary provision in the Articles or Bylaws, so long as there is any Lot for which the Association is obligated to provide management, maintenance, preservation, or control, no such dedication or transfer shall be effective unless approved by the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of both classes of Members of the Association, or following the conversion of Class B to Class A members, by the vote or written assent of sixty-six and two-thirds (66-2/3%) of the members of the Association, other than Declarant, and an instrument executed by both the President and Secretary of the Association affecting such dedication or transfer, has been recorded;

(c) The right of the Association, in accordance with its Articles of Incorporation and Bylaws, to borrow money for the purpose of improving the Common Area and in aid thereof, and with the assent of two-thirds (2/3) of each class of Members, to hypothecate any or all real or personal property owned by the Association. After conversion of the Class B membership to Class

A membership, the action herein requiring membership approval shall require the vote or written consent of (i) two-thirds (2/3) of the voting power of members of the Association and (ii) for so long only as the Declarant holds or directly controls twenty-five percent (25%) or more of the voting power of Members of the Association, two-thirds (2/3) or more of the voting power of the Members of the Association other than Declarant;

(d) Subject to a concomitant obligation to restore, Declarant and its agents shall have:

(i) A nonexclusive easement over the Association Property for the purpose of making repairs to the Association Property or to the residences provided access thereto is otherwise not reasonably available;

(ii) The right to the nonexclusive use of the Common Area for the purpose of maintaining model homes, sales offices and signs reasonably necessary to market the Lots, for a period of not more than three (3) years after conveyance of the Common Area to the Association, or the sale of all residential Lots within the Properties, whichever is first to occur. The use of the Common Area by Declarant and its agents shall not unreasonably interfere with the use thereof by the Class A Members of the Association.

Section 2.3 Delegation of Use. Any Owner may delegate, in accordance with the Bylaws of the Association, such Owner's rights of enjoyment to the Common Area and facilities to the members of such Owner's family, tenants or contract purchasers who reside on such Owner's Lot.

Section 2.4 Reciprocal Easements. Upon the annexation of additional land and improvements into the Project, as provided in Article 15, the Owners of Lots in the annexed areas shall have nonexclusive easements for ingress, egress, and recreational use over the Common Areas within the Project. Similarly, the Owners of Lots within the original scheme of this Declaration, including previously annexed areas, shall have nonexclusive easements for ingress, egress, and recreational use over the Common Areas of the newly annexed areas.

Section 2.5 Utility Easements. Declarant hereby grants, reserves, and establishes nonexclusive easements over, under, and through each and every Lot and the Common Area within the Project (the "Special Easement Area") as necessary for the installation, operation and maintenance of underground utility conduits and lines for the sole purpose of providing utilities to such Lots.

2.5.1 Each Lot which obtains electrical power or other utilities through an underground utility conduit located within a Special Easement Area of another Lot or Lots, is hereby granted and shall have the benefit of a nonexclusive easement through and under such Lot or Lots for the installation, operation and maintenance of such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.5.2 Each Lot containing a Special Easement Area within which there lies an underground utility conduit and utility lines is hereby declared to be, and shall be conveyed subject to, a nonexclusive easement by reservation for the benefit of the Lot or Lots serviced by such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.5.3 Said easements granted and reserved shall include incidental rights of installation, operation and maintenance subject to the following limitations:

(a) Repair and replacement of the utility lines within any such conduit shall be performed only at either end of the conduit;

(b) Excavation of any such conduit for any purpose is expressly prohibited except at either end thereof.

2.5.4 The easements hereinabove described shall bind and inure to the benefit of Declarant's heirs, personal representatives, successors and assigns.

2.5.5 Subject easements shall be construed as covenants running with the land, or equitable servitudes as necessary to achieve Declarant's intent. Declarant hereby acknowledges that it is its express intent to subject each Lot within the Project which contains an underground utility conduit, as described hereinabove, to such restrictions, covenants, easements, and servitudes as are necessary to provide for the continued operation and existence of such utility conduit and utility lines.

Section 2.6 Fuel Modification Zone Easements. Declarant hereby reserves for the benefit of the Association, and hereby grants to the Association, easements of access, ingress and egress for the purpose of maintaining, repairing and replacing any and all improvements located within the Fuel Modification Zone portions of the private Lots in the Project, including any irrigation systems and landscaping. The Association shall have the right and duty to maintain those portions of private Lots within the FMZ in the event that any Owner fails to properly maintain such Owner's FMZ in accordance with all the requirements of the County, after written notice to such Owner and a reasonable opportunity to take remedial action.

Section 2.7 Right of Declarant to Modify Plan of Development. Declarant hereby reserves the right to modify, amend, change, or eliminate altogether, the four (4) Phase plan of development hereinbefore described. Such right shall include, without limitation, the right to delete any and all subsequent Phases of development, and to divide the subsequent Phases into additional Phases. There is no guarantee by, or obligation of, Declarant to complete all four (4) Phases of development or to annex same into the Properties. Any change or modification of the general plan of development shall, however, require the prior approval of the Department of Real Estate.

ARTICLE 3

MEMBERSHIP AND VOTING RIGHTS IN HOMEOWNERS' ASSOCIATION

Section 3.1 Formation. Declarant has, at its sole expense, formed an incorporated homeowners' association known as the Barrington Heights Homeowners' Association, a California nonprofit mutual benefit corporation (the "Association"). The Association shall be primarily responsible for the management and maintenance of the Association Property and for the maintenance of the landscaping and other items as set forth in this Declaration.

Section 3.2 Membership. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 3.3 Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. Class B Member shall be Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur:

(a) Two (2) years from the date of the first conveyance of a subdivision interest in the most recent Phase of the overall development; or

(b) Four (4) years from the date of the first conveyance of a subdivision interest in the first Phase of the overall development.

Any provision in the Articles, Bylaws, or this Declaration calling for membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of the Declarant under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Any requirement elsewhere in the Articles of Incorporation, Bylaws, and Declaration, except provisions with respect to the action to enforce the obligations of Declarant under any completion bond, that the vote of Declarant shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B Members to Class A Members, and the same shall be read as requiring the vote of the prescribed percentage of the Class A members and the vote of the prescribed percentage of the Class A Members other than Declarant. The voting rights attributed to any given Lot in the Project as provided for herein, shall not vest until the assessments provided for hereinbelow have been levied by the Association as against said Lot.

ARTICLE 4

POWERS OF THE ASSOCIATION AND MEMBERSHIP MEETINGS

Section 4.1 Powers of the Association. The management and complete control of the Association's affairs and the Project itself will be the direct responsibility of the Board of Directors, which is to consist of Members of the Association who will be elected by the total membership of the Association. The Association, in its sole and absolute discretion, and as more fully set forth in its Bylaws, shall have the power to perform the following acts:

4.1.1 The Association shall have the sole and exclusive right and duty to manage, operate, control, repair, replace, or restore the Association Property, including, without limitation, all the

improvements, trees, shrubbery, plants and grass, Project perimeter block walls and wrought iron fences, retaining walls (if any), interim debris basin(s) and "first flush basin (each as originally constructed by Declarant and as the same may be relocated), drainage and flood control improvements, and wetland basins habitat, within the Common Area, the Fuel Modification Zones, and the Association Maintenance Areas.

4.1.2 The Association shall have the right and power to levy and collect assessments.

4.1.3 The Association shall pay the taxes and assessments, if any, which may be levied by any governmental authority on the Common Area of the Project or any part thereof.

4.1.4 The Association shall maintain a bank account or accounts for funds coming under the control of the Association.

4.1.5 The Association shall have the right and power to adopt and enforce architectural guidelines ("Architectural Guidelines") for the Project.

4.1.6 The Association shall adopt rules and regulations ("Rules and Regulations") not inconsistent with the provisions of this Declaration, including, but not limited to, Rules and Regulations relating to the use of the Association Property and of the Project.

4.1.7 The Association shall have the right and power to enforce the provisions of this Declaration, and the Bylaws, Articles of Incorporation, the Conservation Declaration, and Rules and Regulations of the Association; provided, however, nothing contained in this Section shall be construed to prohibit enforcement of same by any Owner.

4.1.8 The Association has the right and power to contract for and maintain fire, casualty, liability, worker's compensation, medical, hospital, and other insurance insuring Owners, members of the Board, and other persons.

4.1.9 The Association has the right and power to contract, provide and pay for (i) maintenance, utility, gardening and other services benefitting the Project; (ii) payment of persons necessary to accomplish the obligations of the Association; and (iii) legal and accounting services.

4.1.10 Notwithstanding any of the foregoing, the Association, acting through its Board, may not enter into any contract binding for a term longer than one (1) year from the effective date thereof without the vote or written consent of a majority of the voting power of the Members of the Association other than the Declarant, except as specifically authorized herein or in the Articles or Bylaws.

4.1.11 The Association has the right and power to contract for the purchase of tools, equipment, materials, supplies and other personal property and services for the maintenance and repair of the facilities and improvements of the Project.

4.1.12 The Association has the right and power to contract for and pay for reconstruction of any portion or portions of the Project damaged or destroyed.

4.1.13 The Association has the right and power to delegate its powers to others where such delegation is proper.

4.1.14 The Association has the right and power to prosecute or defend, and to perform any act reasonably necessary to resolve by alternative dispute resolution proceedings, under the name of the Association, any action affecting or relating to the Project or the personal property thereon, or any action in which all of the Owners have an interest in the subject matter of the action.

4.1.15 Subject to the vote or written consent therefor from sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership, excluding the vote of the Declarant, the Association may borrow money, and may mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

4.1.16 The Association may do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do, and generally may do and perform any and all other acts which may be either necessary for, or incidental to, the exercise of any of the foregoing powers, and any other such powers as are granted to a corporation by the provisions of the laws of the State of California.

4.1.17 The Association may acquire by gift, purchase or otherwise own, hold, enjoy, lease, operate, maintain, convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real and/or personal property in connection with the business of the Association; provided, however, that the Association shall not acquire or sell any real or personal property having an individual or aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year by purchase or lease without first obtaining the vote or written consent therefor from a majority of the voting power of the membership, excluding the vote of the Declarant, except as is provided pursuant to the annexation of subsequent phases to this Project.

4.1.18 Notwithstanding the foregoing paragraph, in the event that a special district or other public entity is ever to be established to maintain the Conservation Property, or any part thereof, or any other appropriate nonprofit conservation entity desires to maintain such property, the Association shall have the power and authority to consent to the establishment of such district or entity on behalf of all the Owners and their Mortgagees, and to convey fee title to or otherwise transfer such real property, and/or the improvements thereon, and the maintenance responsibility therefor, to the such district or entity, and to reduce the Owners' annual assessments accordingly. Each Owner, by acceptance of a Grant Deed to a Lot within the Properties, hereby irrevocably appoints the Board of Directors of the Association, acting through the Board's duly authorized and designated signatory, as such Owner's attorney-in-fact for the giving of all necessary consents to the formation of any such district and any other matters related to the formation, authorization, financing and operations of any such district, and the conveyance of fee title to such property, or appropriate easements other transfer for such purposes.

4.1.19 The Association shall have the right and power to suspend a Member's voting rights and the right to use the recreational facilities for any period during which any assessment against such Member's Lot remains unpaid and delinquent; and for a period not to exceed thirty (30) days for any single infraction of the Rules and Regulations of the Association, provided that any suspension of such voting rights or right to use the recreational facilities, except for failure to pay assessments, shall be made only by the Association or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws of the Association.

4.1.19.1 The Association may not cause a forfeiture of an Owner's right to use and enjoy such Owner's Lot for failure of such Owner to comply with the provisions of this Declaration, or the Bylaws of the Association or the Rules and Regulations of the Association, except (1) by judgment of a court or decision arising out of arbitration, or (2) on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association, as set forth in Article 5 hereof.

4.1.20 The Association may take any and all lawful action which may be advisable, proper, authorized or permitted by the Association under and by virtue of any condition, covenant, restriction, reservation, charge or assessment affecting the Project, or any portion thereof, and to do and perform any and all acts which may be either necessary for or incidental to the exercise of any of the foregoing powers, or for the peace, health, comfort, safety or general welfare of its Members.

4.1.21 The Association may impose monetary penalties upon Owners as a disciplinary measure (1) for failure of an Owner to comply with the Bylaws, the Declaration or the Rules and Regulations of the Association, or (2) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to the Association Properties and facilities thereon for which the Owner is allegedly responsible, or (3) to bring an Owner or its Lot into compliance with the Declaration, Bylaws, or Rules and Regulations of the Association.

Section 4.2 Fidelity Bond. The Association shall maintain a fidelity bond or insurance in an amount at least equal to the sum of three months' assessments on all Lots in the Project, which names the Association as obligee and insures against loss by reason of acts of members of the Board of Directors, officers and employees of the Association and any management agent and its employees, whether or not such persons are compensated for their services.

Section 4.3 Membership Meetings.

4.3.1 Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Members shall specify those matters the Board intends to present for action by the Members but, except as otherwise provided by Law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters that relate to the

formation of contracts with third parties, Member discipline or personnel matters. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of a Member, the Board of Directors shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session.

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

4.3.3 Members of the Association shall be notified in writing at the time that the Budget required in Section 6.2 below is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained, and the cost of obtaining such copies.

ARTICLE 5

ASSESSMENTS

Section 5.1 **Creation of Lien and Personal Obligation of Assessments.** Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of a Lot by acceptance of a grant deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (a) annual assessments or charges, which shall include an adequate reserve fund for the periodic maintenance, repair and replacement of the Association Property and (b) special assessments as provided in Section 5.4 below, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such assessment is made, the lien to be effective upon recordation of a Notice of Delinquent Assessment. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for the delinquent assessments shall not pass to an Owner's successors in title, unless expressly assumed by them.

Section 5.2 **Purpose of Assessments.** The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties, for the improvement and maintenance of the Association Property, including the Common Area, the FMZ, the Association Maintenance Areas, and the homes situated upon the Lots, and such other purposes as set forth in this Declaration, the Conservation Declaration and the Bylaws.

Section 5.3 **Maximum Annual Assessment.** Until January first of the year immediately following the conveyance of the first Lot to an Owner, or until the first day of the month following an earlier sale of the first Lot in a new Phase of the Project, the maximum annual assessment for each Lot in the Project shall be as provided for in the budget approved by the California Department of Real

Estate and disclosed in the Final Subdivision Public Report, for the particular Phase of the Project in which such sale occurred, and any amendments thereto. Thus, notwithstanding the limitation on increases in the maximum annual assessments and related time periods contained in this Article, whenever a new Phase is annexed to the Properties, upon the first closing of a sale in such new Phase the amount of the maximum annual assessment for all Lots in the Properties will increase or decrease to the amount stated in the budget approved by the California Department of Real Estate for such new Phase. The Association shall maintain an adequate reserve fund for maintenance, repairs and replacement of those elements of the Association Property that must be replaced on a periodic basis, and such reserve shall be funded by annual assessments.

5.3.1 From and after January first of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased effective January first of each year by the Board without a vote of the membership, provided that (i) any such increase shall not be more than twenty percent (20%) of the previous year's most recent assessment level (including any increase in such assessment resulting from new Phases being annexed to the Properties during such year), and (ii) the Board of Directors has complied with Section 6.2 below with respect to that fiscal year, including, but not limited to, the preparation and distribution of a pro forma operating budget to all members of the Association as provided in Section 6.2 below, or has obtained the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. Such annual assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period.

5.3.2 From and after January first of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the amount provided in subparagraph 5.3.1 by the vote or written assent of at least a majority of Owners in the Association constituting a quorum (as defined below), provided that the Board of Directors has prepared and distributed a pro forma operating budget to all members of the Association as provided in Section 6.2 below. For purposes of this Article 5, "quorum" means more than fifty percent (50%) of the Owners of the Association. The Association shall provide notice by first-class mail to each Owner of any increase in the regular assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

5.3.3 Said maximum assessment may be reduced by maintenance or subsidy agreements approved by the California Department of Real Estate and reflected in the Final Subdivision Public Report.

5.3.4 The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5.4 Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Association Property, including fixtures and personal

property related thereto, or otherwise, provided that any such assessment for capital improvements to the Association Property which total more than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year shall have the vote or written assent of a majority of the Owners constituting a quorum. The Association may also levy a special assessment against any Member to reimburse the Association for costs incurred in bringing the Member and such Member's Lot into compliance with the provisions of the Declaration, any amendments thereto, the Articles, the Bylaws, and the Rules and Regulations, which special assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code, as set forth in the Bylaws. The above provisions requiring the requisite vote of the membership with respect to special assessments do not apply in the case where a monetary penalty is imposed against an Owner as a disciplinary measure by the Association for the following reasons: (1) for failure of an Owner to comply with the Declaration, Bylaws or Rules and Regulations, or (2) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to Association Property and facilities for which the Owner is allegedly responsible, or (3) to bring an Owner or its Lot into compliance with provisions of this Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and any amendments thereto. The Association shall provide notice by first-class mail to each Owner of any increase in the special assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

Section 5.5 Notice and Quorum for Any Action Authorized Under Sections 5.3 and 5.4. Any action authorized under Sections 5.3 and 5.4 shall be taken at a meeting called for that purpose, written notice of which shall be sent to all Members not less than ten (10) nor more than ninety (90) days in advance of the meeting. A quorum for such meeting shall be fifty-one percent (51%) of each class of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting. If the proposed action is favored by a majority of the votes cast at such meeting but such vote is less than the requisite fifty-one percent (51%) of each class of Members, Members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by the appropriate officer of the Association not later than thirty (30) days from the date of such meeting.

Section 5.6 Uniform Rate of Assessment. Both annual and special assessments, except as may be otherwise provided in Sections 5.4 and 12.3, shall be fixed at a uniform rate for all Lots and shall be collected on a monthly basis.

Section 5.7 Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots in a Phase on the first day of the month following the conveyance of the first Lot in such Phase to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period, and such amount is subject to change upon closing of the sale of the first Lot within any newly annexed Phase in accordance with the approved budget for such Phase. Written notice of the annual assessment shall be sent to the Owner of each Lot within the Project. All Lots within the real property annexed into the Project under the procedure hereinafter set forth in Article

15 shall be obligated to pay annual assessments to the Association as hereinbefore provided. The annual assessments shall automatically commence as to all Lots within the annexed areas on the first day of the first month following the conveyance of the first Lot within such annexed area to an Owner. The due dates for assessments shall be established by the Board of Directors.

5.7.1 Notwithstanding any other provision of this Declaration, conveyance of a Lot which is being used by Declarant for model home, sales office, design center, construction office or similar purposes (any of which uses are referred to herein as "Model Home") shall not commence the annual assessments against such Lot or the other Lots within the same Phase of development until discontinuance of such use of such Lot as a Model Home, or conveyance of any other Lot in such Phase not being used as a Model Home to a member of the general public, whichever occurs first. During the period of time commencing on the first day of the calendar month following the sale of a Lot being used by Declarant as a Model Home, and ending on the date annual assessments commence against such Lot, Declarant shall be responsible for the maintenance of all portions of such Phase of development in which such Model Home Lot is located.

Section 5.8 Effect of Non-Payment of Assessments; Remedies of the Association. Any assessment made in accordance with this Declaration shall be a debt of the Owner of a Lot from the time the assessment is levied. With respect to each assessment not received by the Association within fifteen (15) days after its due date, the Board may, at its election, require the Owner to pay a late charge in a sum to be determined by the Board, but not to exceed ten percent (10%) or Ten Dollars (\$10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent assessment, but it shall not eliminate or supersede any charges imposed on prior delinquent assessments. If any such assessment is not paid within thirty (30) days after the date said assessment is due, the assessment shall bear interest from the due date at the rate of twelve percent (12%) per annum. The Association may bring an action at law against the Owner personally obligated to pay same, and in addition thereto, or in lieu thereof, after the expiration of thirty (30) days following recordation thereof, may foreclose the lien provided herein below against the Lot.

5.8.1 Any assessment not received by the Association within fifteen (15) days after the due date shall be delinquent. Before the Association may place a lien upon the Lot of an Owner as provided herein, the Association shall notify such Owner in writing by certified mail of the fee and penalty procedures of the Association, provide an itemized statement which indicates the principal amount owed, any late charges and the method of calculation, any attorney's fees, and the collection practices used by the Association, including the right of the Association to the reasonable costs of collection. The amount of any such delinquent assessment or installment, together with any accompanying late charges, interest, costs (including reasonable attorneys' fees), and penalties, as provided for in this Declaration, shall be and become a lien on the Lot against which the assessment is levied when the Association causes to be recorded a Notice of Delinquent Assessment (herein the "Notice") in the office of the County Recorder of the County in which the Lot is located. The Notice shall describe the amount of such delinquent assessment or installment and such other charges thereon as may be authorized by this Declaration, a legal description of the Lot against which the same has been assessed, the name of the Owner, and, if the lien is to be enforced by the power of sale under nonjudicial foreclosure proceedings, the name and address of the trustee authorized by the Association to enforce the lien by sale. Such Notice shall be signed by the president or vice-presi-

dent, and the secretary or assistant secretary of the Association or any employee or agent of the Association authorized to do so by the Board and shall be mailed in the manner set forth in Civil Code Section 2924b to all record owners of the Owner's interest in the Lot no later than ten (10) calendar days after recordation. Unless the Board considers the immediate recording of the Notice to be in the best interests of the Association, the Notice shall not be recorded until fifteen (15) calendar days after the Association has delivered the above-described required written notice of default. Any payments received by the Association on account of such a debt shall first be applied to the principal amount owed, and only after the principal amount owed is paid in full shall such payments be applied to interest or collection expenses. If the delinquent assessment or installment and related charges are paid or otherwise satisfied, the Association shall record a notice of satisfaction and release of lien.

5.8.2 The Board may, after the expiration of thirty (30) days following recordation thereof, enforce any assessment lien provided for in Section 5.9 hereinabove, by filing an action for judicial foreclosure or, if the Notice contained the name and address of the trustee authorized by the Association to enforce the lien by nonjudicial foreclosure, by recording a notice of default in the form described in Civil Code Section 2924c(b)(1) to commence a nonjudicial foreclosure. Any nonjudicial foreclosure shall be conducted in accordance with the requirements of Civil Code Sections 2924, 2924b, 2924c, 2924f, 2924g, and 2924h that apply to nonjudicial foreclosures of Mortgages or deeds of trust. The sale shall be conducted by the trustee named in the Notice of Delinquent Assessment or by a trustee substituted in accordance with the provisions of the California Civil Code. The Association may bid on the Lot at the sale, and may hold, lease, mortgage, and convey the acquired Lot. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Association, the Association shall record a Notice of Satisfaction and Release of Lien, and on receipt of a written request by the Owner, a Notice of Rescission of the Declaration of Default and Demand for Sale. Suit to recover a money judgment for unpaid assessments, rent and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same.

5.8.3 A monetary penalty imposed by the Association as a disciplinary measure for (a) failure of an Owner to comply with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association, or (b) as a means of reimbursing the Association for costs incurred by the Association in the repair of damages to the Association Property and facilities for which the Owner or the Owner's guests or tenants is allegedly responsible, or (c) to bring an Owner or its Lot into compliance with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association shall not be treated as an assessment which may become a lien against the Owner's Lot enforceable as provided in Section 1356 of the California Civil Code. This Section shall not apply to charges imposed against an Owner which are reasonable late payment penalties for delinquent assessments nor 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.

5.8.4 In addition to the lien power described hereinabove, each Owner vests in the Association or its assigns, the right and power to bring all actions at law against such Owner or other Owners for the collection of delinquent assessments. In lieu of bringing an action at law to collect delinquent assessments, the Association may submit the matter to arbitration pursuant to the Rules

of the American Arbitration Association. The decision of the arbitrator on such delinquent assessment shall be binding on both the Association and the delinquent Owner and may be enforced in any court of competent jurisdiction. The fee to initiate such arbitration shall be paid by the Association and shall be recoverable as part of the arbitration award, in addition to the late charges and interest on the delinquent assessment as provided above.

Section 5.9 Policies for Assessment Collection. The Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices for enforcing its remedies against Members for defaults in the payment of annual and special assessments, including the recording and foreclosing of liens against Members' Lots.

Section 5.10 Subordination of the Lien to First Deeds of Trust and First Mortgages. The lien for the assessments provided for herein shall be subordinate to the lien of any first Mortgage upon any Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage or any conveyance in lieu thereof 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 Lot from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of Record or other purchaser of a Lot obtains title to the same as a result of foreclosure or conveyance in lieu thereof, such acquirer of title, including successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Lots including such acquirer, its successors and assigns.

Section 5.11 Estoppel Certificate. The Association shall furnish or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 5.12 Personal Liability of Owner. No Member may be exempted from personal liability for assessments, nor any part thereof, levied by the Association, nor release the Lot owned by such Member from the liens and charges hereof by waiver of the use and enjoyment of the Common Area and facilities thereon, or by abandonment of such Member's Lot.

Section 5.13 Exempt Property. All Properties dedicated to and accepted by a local public authority, and all Properties owned by a charitable nonprofit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessments created herein. However, no real property or improvements devoted to dwelling use shall be exempt from said assessments.

Section 5.14 Assessment Limitation Not Applicable. The limitation on percentage increases of annual assessments shall not limit assessment increases by the Board for the following emergency situations:

- (a) An extraordinary expense required by an order of court;
- (b) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered; or
- (c) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro-forma operating budget pursuant to Article 6 hereof. However, prior to the imposition or collection of an assessment under this subparagraph (c), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolutions shall be distributed to the members with the notice of assessment.

Section 5.15 Association Statement at Transfer of Title. At the request of any Owner transferring title to such Owner's Lot, the Association shall provide (i) a true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special assessments and fees, as well as any assessments levied upon the Owner's Lot which are unpaid on the date of the statement, and (ii) any change in the Association's current regular and special assessments and fees which have been approved by the Association's Board of Directors, but have not become due and payable as of the date disclosure is provided pursuant to this Section.

Section 5.16 Exemption from Assessments to Common Areas. Notwithstanding any other provisions of this Declaration, Declarant or any other Owner shall not be obligated to pay any portion of any assessments, which is for the purpose of defraying expenses and establishing reserves directly attributable to the existence and use of a Common Area improvement that is not complete at the time assessments commence. Any such exemption for the payment of assessments shall be in effect only until a Notice of Completion of the Common Area improvement has been recorded or the Common Area improvement has been placed into use, whichever shall first occur.

ARTICLE 6

ACCOUNTINGS

Section 6.1 Books and Records. The Association shall maintain books of account of all its receipts and expenditures. Each Owner shall be entitled at reasonable times to inspect the books of the Association, and to have such books examined at such Owner's expense by an attorney or an accountant representing such Owner, and may make excerpts or copies of such books or portions thereof, and each such Owner, at such Owner's own expense, shall have the right to have such books independently audited by an accountant.

6.1.1 Commencing not later than ninety (90) days after the close of escrow for the sale of the first Lot, copies of the documents listed below, as soon as readily obtainable, shall be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the listed documents shall apply to any documents obtained by

Declarant no matter when obtained, provided, however, that such obligation shall terminate upon the earlier of (a) the conveyance of the last Lot covered by a subdivision public report or (b) three years after the expiration of the most recent public report, on the Project:

- (1) The recorded subdivision map or maps for the Project.
- (2) The deeds and easements executed by Declarant conveying the Common Area or other interest to the Association, to the extent applicable.
- (3) The recorded Declaration, including all amendments and annexations thereto.
- (4) The Association's bylaws and all amendments thereto.
- (5) The Association's filed Articles of Incorporation, if any, and all amendments thereto.
- (6) All Architectural Guidelines and all other rules regulating the use of an Owner's interest in the Project or use of the Common Area which have been promulgated by the Association.
- (7) The plans approved by the local agency or county where the Project is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.
- (8) All notice of completion certificates issued for Common Area improvements (other than residential structures).
- (9) Any bond or other security device in which the Association is the beneficiary.
- (10) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements.
- (11) Any insurance policy procured for the benefit of the Association, the Board or the Common Area.
- (12) Any lease or contract to which the Association is a party.
- (13) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, of the Board, and of committees of the Board.
- (14) Any instrument referred to in Business and Professions Code Section 11018.6(d) but not described above which establishes or defines common, mutual or reciprocal rights or responsibilities of Members.

6.1.2 Commencing not later than ninety (90) days after the annexation of additional Phases to the Project, copies of those documents listed above, which are applicable to that Phase, shall, as soon as readily obtainable, be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the listed documents shall apply to any documents obtained by Declarant no matter when obtained, provided, however, that such obligation shall terminate upon the earlier of (a) the conveyance of the last Lot covered by a subdivision public report or (b) three years after the expiration of the most recent public report, on the Project.

Section 6.2 Budget.

6.2.1 Except as provided in Section 6.2.2, a pro forma operating statement ("Budget") for each fiscal year shall be prepared and distributed to each Owner not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year. The Budget shall contain the following information:

(a) The estimated revenue and expenses of the Association for the upcoming fiscal year on an accrual basis;

(b) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 6.2.4 below, which shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component within the Association Property;

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

A. The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components within the Association Property;

B. The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components within the Association Property;

(iii) The percentage that the amount determined for purposes of clause B. of subparagraph (ii) above is of the amount determined for purposes of clause A. of subparagraph (ii) above;

(c) A statement as to whether the Board of Directors of the Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component within the Association Property or to provide adequate reserves therefor;

(d) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions

to major components of the Association Property and facilities for which the Association is responsible.

6.2.2 In its sole discretion, and in lieu of the procedure set forth in Section 6.2, the Board of Directors may elect to distribute a written summary of the Budget ("Summary") to all Owners not less than forty-five (45) days nor more than sixty (60) days before the beginning of the fiscal year. In addition to the Summary, the Board of Directors shall include a written Notice, in at least 10 point bold type on the front page of the Summary stating that: a) the Budget is available for review at a location within the Project or at the office of the management company for the Association; and b) upon the written request of an Owner, the Association shall mail one copy of the Budget to an Owner. Such Budget shall be mailed at the Association's expense by pre-paid first class mail and shall be delivered within five (5) days from the date of the receipt of such Owner's written request.

6.2.3 The summary of the Association's reserves disclosed pursuant to paragraph 6.2.1 shall not be admissible in evidence to show improper financial management of the Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision.

6.2.4 At least once every three (3) years the Board of Directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Project if the current replacement value of the major components within the Association Property which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half ($\frac{1}{2}$) of the gross Budget of the Association which excludes the Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required hereunder shall at a minimum include:

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

(b) Identification of the probable remaining useful life of the components identified in Section 6.2.4(a) as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in Section 6.2.4(a) during and at the end of its useful life;

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

6.2.5 As used in this Article, "reserve accounts" means moneys that the Association's Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

6.2.6 As used in this Article, "reserve account requirements" means the estimated funds which the Association's Board of Directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

Section 6.3 Initial Financial Report. A balance sheet, as of the accounting date which is the last day of the month closest in time to six (6) months from the date of the closing of the first sale of a Lot in the Project, and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable, identified by the number of the Lot and the name of the record Owner so assessed.

Section 6.4 Annual Report. An annual report consisting of the following shall be distributed to each Owner within one hundred 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;
- (d) Any information required to be reported under Section 8322 of the Corporations Code; and
- (e) A review of the annual report for the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy, (hereinafter "Independent Accountant"), for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000).

6.4.2 A statement of policies and procedures employed by the Board of Directors to enforce the collection of delinquent assessments.

Section 6.5 Independent Preparation. Ordinarily the annual report referred to in Section 6.4 above shall be prepared by an Independent Accountant for each fiscal year.

Section 6.6 Copy of Financial Statement To Prospective Buyers. Within ten (10) days of receipt of any written request therefor, the Board of Directors shall furnish any Owner or prospective Owner with a copy of this Declaration, the Articles of Incorporation, Bylaws and Rules and Regulations of the Association, as amended to date, together with a copy of the Association's most recent annual financial report as described in Section 6.4 hereof, and a true statement of any delinquent assessments, penalties, late charges, attorneys' fees or other charges under this Declaration on such Owner's Lot as of the date the statement is issued. The Board of Directors may charge a reasonable fee for providing documents and reports not to exceed the reasonable cost to prepare and reproduce same.

Section 6.7 Association Officer Statement. If the report referred to in Section 6.5 above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the report was prepared without audit from the books and records of the Association.

Section 6.8 Association's Policies and Practices Statement. A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

Section 6.9 Reconciliation of Accounts. The Board of Directors shall do the following not less frequently than quarterly:

- (a) Cause a current reconciliation of the Association's operating accounts to be made and review the same;
- (b) Cause a current reconciliation of the Association's reserve accounts to be made and review the same;
- (c) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (d) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts; and
- (e) Review an income and expense statement for the Association's operating and reserve accounts.

Section 6.10 Reserve Account.

6.10.1 Withdrawal of funds from the Association's reserve account shall require the signatures of either: (1) two members of the Board of Directors, or (2) one member of the Board of Directors and an officer of the Association who is not also a member of the Board of Directors.

6.10.2 The Board of Directors shall not expend funds designated as reserve funds for any purpose other than:

- (a) the repair, restoration, replacement, or maintenance of major components which the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established, or
- (b) litigation involving the purposes set forth in (a) above.

6.10.3 Notwithstanding Section 6.10.2 above, the Board:

(a) may authorize the temporary transfer of money from the reserve account to the Association's operating account to meet short term cash flow requirements or other expenses, provided that the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve account.

(b) shall cause the transferred funds to be restored to the reserve account within one (1) year of the date of initial transfer; however, the governing body may, upon making a documented finding that a temporary delay of restoration of the funds to the reserve account would be in the best interests of the development, temporarily delay the restoration until such time it reasonably determines to be necessary.

(c) shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits specified in (b) above. Any such special assessments shall be subject to the five percent (5%) limitation specified in Section 5.4 above. The Board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve account to pay for litigation, the Board shall notify the Members of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of the expenses related to litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office.

Section 6.11 Transfer of Title. The Board of Directors shall not impose or collect any assessment, penalty or fee in connection with the transfer of title or any other interest except the Board of Directors' actual costs to change its records and the fee for providing documents pursuant to Section 6.6.

ARTICLE 7

ARCHITECTURAL CONTROL COMMITTEE

Section 7.1 Submissions and Approvals Required. No building, fence, wall, stable or other structure, landscaping or improvement (collectively "Improvement") shall be commenced, erected, placed or altered upon any Lot until the location and full, complete and legible plans and specifications, in form acceptable to the Board or the Architectural Control Committee, showing the nature, kind, shape, height and materials, including the color scheme, have been submitted by personal delivery or certified mail, return receipt requested, to and approved in writing as to harmony of external design and location of surrounding structures and topography by the Board of Directors of the Association, or by an architectural committee appointed by the Board of Directors and composed of three (3) or more, but not to exceed five (5) representatives ("Architectural Control Committee"). The Architectural Control Committee may designate an agent (i.e. an architect) for the purpose of assisting in the review of such location, plans and specifications or other requests and may charge

the Owner making a submission its reasonable costs of such agent's review. Approval shall be by majority vote of the Board or its designated committee. In the event the Board or its designated committee fails to approve or disapprove such location, plans and specifications or other requests within thirty (30) days after receipt of the submission thereof to it of a complete application with all required documents in acceptable form, then such approval will not be required; provided that any structure or Improvement so erected or altered, conforms to all of the conditions and restrictions herein contained, and is in harmony with similar structures erected within the Properties. Grade, level or drainage characteristics of the Lot or any portion thereof, shall not be altered without the prior written consent of the Board or its designated committee. This approval requirement shall not apply to the original construction of Declarant. Each Owner shall be responsible for obtaining all necessary approvals or permits from applicable governmental entities or agencies and shall comply with all laws, codes and regulations concerning the construction of any such Improvement.

Section 7.2 Appointment of Architectural Committee. Declarant may appoint all of the original members of the Architectural Control Committee and all replacements until the first anniversary of the original issuance of the Final Subdivision Public Report for the Project. Thereafter, Declarant may appoint a majority of the members of the Architectural Control Committee until ninety percent (90%) of the Lots in the Project have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the Project, whichever first occurs. After one year from the date of the original issuance of the Final Subdivision Public Report for the Project, the Board of Directors of the Association shall have the power to appoint one member to the Architectural Control Committee until ninety percent (90%) of the Lots in the Project have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the Project, whichever first occurs. Thereafter, the Board of Directors of the Association shall have the power to appoint all of the members of the Architectural Control Committee. Members appointed to the Architectural Control Committee need not be Members of the Association.

Section 7.3 Views. In granting or denying the architectural approvals required hereunder, the Architectural Control Committee shall consider the effect of any Improvement on the views of adjacent Lots. No vegetation or other obstruction shall be approved in any location of such height as to unreasonably obstruct the view from any other Lot in the vicinity thereof; nor will any vegetation be allowed to grow to such a height or density as to unreasonably obstruct such views. In the event of a dispute between Owners as to the obstruction of a view from a Lot, such dispute shall be submitted to the Architectural Control Committee whose decision in such matters shall be binding. Any such obstruction shall, upon request of the Architectural Control Committee, be removed or otherwise altered to the satisfaction of the Architectural Control Committee, by the Owner upon whose Lot said obstruction is located. If said Owner fails to take such action as required, the Association, Architectural Control Committee, or their authorized agents or employees, may, but is not obligated to, enter upon such Lot, rectify the condition, and charge such Owner the cost thereof. Declarant makes no assurance whatsoever concerning the impact on views of any construction of Improvements by anyone after completion of Declarant's original construction, whether such construction is approved by the Architectural Control Committee or constructed on property contiguous to the Properties.

Section 7.4 Fences and Walls. To the extent that Declarant has not already constructed and installed such fences and/or walls, each Owner shall construct and maintain fences and walls along the side and rear perimeters of such Owner's Lot in conformance with the requirements shown on the "Fencing, Landscaping and Irrigation Plan" submitted by Declarant to and approved by the County in compliance with the Conditions of Approval for the Project. Such fences and walls shall be built so as to straddle the boundary lines of a Lot, and only one fence or wall shall be constructed on the boundary lines of adjoining Lots. Each Owner shall obtain all necessary permits for such construction and shall comply with all local laws and ordinances in connection with such construction. The cost of construction and maintenance of the fences and walls shall be borne by the Owner thereof, except that the cost of construction and maintenance for fences and walls which straddle boundary lines of adjoining Lots shall be borne equally by such adjoining Lots as required by California Civil Code Section 841. In the event any Owner fails to maintain the fences and walls as required hereunder, then the Association or the Architectural Control Committee may, after due notice to the Owner involved and opportunity to be heard, shall have the right of access to such Owner's Lot to conduct such maintenance as may be necessary and said Owner shall be liable for all costs incurred by the party conducting such activities.

Section 7.5 Non-Liability of Architectural Committee Members. Neither Declarant, the Association, the Board or the Architectural Control Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Project affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the Architectural Control Committee. The Architectural Control Committee's approval or disapproval of a submission shall be based solely on the consideration set forth in this Article, and in such rules and regulations as may be promulgated by the Architectural Control Committee, and the Architectural Control Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes.

ARTICLE 8

USE RESTRICTIONS AND OBLIGATIONS OF OWNERS

Section 8.1 Leasing of Lots. Any Owner may lease such Owner's Lot subject to the following:

8.1.1 No Owner shall be permitted to lease such Owner's Lot for transient or hotel purposes.

8.1.2 No Owner may lease less than the entire Lot.

8.1.3 Any lease agreement is required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration, the Bylaws and any Rules and Regulations adopted by the Association and that any failure by the lessee to comply with the terms of such documents shall constitute a default under the lease.

8.1.4 All leases are required to be in writing and copies shall be submitted to the Association.

Section 8.2 Use Restrictions. In addition to all other covenants contained herein, the use and enjoyment of the Properties and each Lot therein shall be subject to the following:

8.2.1 No Lot shall be occupied and used except for residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein, except that Declarant, its successors or assigns, may use any Lot or Lots in the Project owned by Declarant for a model home site or sites and display and sales office until the last Lot is sold by Declarant or seven (7) years following the date of the sale of the first Lot in the Project, whichever shall first occur. No tent, shack, trailer, garage, outbuilding or structure of a temporary character shall be used at any time as a residence, either temporarily or permanently.

8.2.2 No part of the Project shall ever be used or caused to be used directly, or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purposes. However, the provisions of this Section shall not preclude professional and administrative occupations within the Project, or other reasonable business activity, which have no signs or other external evidence thereof, for so long as such occupations are in conformance with all applicable governmental ordinances, are merely incidental to the use of the Lot as a residential home, and do not in any manner disturb other occupants or generate pedestrian traffic, deliveries or other nuisance.

8.2.3 No sign or billboard of any kind shall be displayed by any Owner on any portion of the Project or Lot, except one sign of reasonable size, advertising that the particular Lot is for sale or rent, or except by Declarant in connection with initial sales of the Lots, during the sales period set forth in Section 8.2.1, hereinabove.

8.2.4 No noxious or offensive activity shall be carried on in any Lot or any part of the Project, 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 such Owner's respective Lot or which shall in any way increase the rate of insurance.

8.2.5 No trailer, camper, boat, recreational vehicle, or similar equipment or inoperative automobile shall be permitted to remain upon the Project unless placed and maintained entirely within a Lot and obscured from the view of the adjoining Lots and streets. The foregoing restriction shall not be deemed to prevent washing and polishing of such motor vehicle, boat, trailer, camper or motor-driven cycle, together with those activities normally incident and necessary to such washing and polishing.

8.2.6 An Owner may keep and maintain in such Owner's Lot domesticated pets such as dogs, cats or other usual and ordinary household pets, provided that such pets shall not be allowed in the Association Property or recreational areas except as may be permitted by the Rules and Regulations which may be promulgated from time to time by the Board. Except as hereinabove provided, no animals, livestock, birds or poultry shall be brought within the Project or kept in any

Lot thereof. Owners keeping pets shall be accountable to the other Owners for the acts of such pets, and should any Owner be unable to control barking or other noise or acts of such Owner's pets which disturb any neighbors such Owner shall be required to remove such pet from the Project. Each Owner of a pet shall forthwith clean up and remove any animal waste such pet may deposit on the Association Property or the property of another Owner. No dog will be allowed on the Common Area or recreational areas without being supervised and on a leash. Any Owner (including such Owner's family, guests and invitees) who maintains any pet, animal, reptile, livestock or other living creature of any kind, within the Project, whether in compliance with this Declaration and the Rules and Regulations or otherwise, shall indemnify, defend and hold the Association harmless from and against any damages, claims, causes of action or losses of any kind or nature, including reasonable attorney's fees and costs, incurred by the Association as a result of any alleged damage or injury caused by such living creature to the Association, to its property, to the Association Property, or to the Members, their family, guests or invitees, or their property.

8.2.7 No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind, shall be permitted within the Project, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of or within five hundred (500) feet below the surface of the Project. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted within the Project.

8.2.8 All rubbish, trash and garbage shall be regularly removed from the Project, and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, wood-piles, storage areas, machinery and equipment shall be prohibited within the Project unless obscured from the view of adjoining Lots and streets.

8.2.9 Owners are prohibited from installing any antenna on the exterior of a residence for any purpose, except for an "Authorized Antenna" which may be installed so long as the proposed location for such installation is reviewed and approved by the Architectural Control Committee prior to its installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The Architectural Control Committee may require that the location of the Authorized Antenna be moved, and the Board may impose additional restrictions on installation or use of an Authorized Antenna, so long as such review by the Architectural Control Committee, or such additional restrictions, do not (a) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (b) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (c) preclude reception of an acceptable quality signal. The Board may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents or employees of the Association and other Owners, or for any other safety related reason established by the Board. The Board may also prohibit the installation of an Authorized Antenna on property to which an Owner does not hold fee title or is not entitled to exclusively use under this Declaration, or may allow an Owner to install an antenna other than an Authorized Antenna subject to the Architectural Guidelines and review and approval by the Architectural Control Committee. An "Authorized Antenna" means an antenna that is (a) designed to receive direct broadcast satellite service, including direct-to-home satellite service and that is one meter or less in diameter, and, (b) that is designed to receive video programming service, including multichannel multipoint distribution service, instructional television

fixed service, and local multipoint distribution service, and that is one meter or less in diameter, or (c) an antenna that is designed to receive television broadcast signals. Each Owner may maintain individual radio or television antennae systems if located entirely within such Owner's dwelling and if such system is not visible from other Lots or the Common Area, and provided that such system does not interfere with radio and television reception of other Owners within the Project.

8.2.10 Easements for surface water drainage and for installation and maintenance of utilities, sewer pipelines and facilities and drainage facilities over, under and across each of the Lots, and all pipelines and other facilities located and to be located in said easements, are reserved for the benefit of the Declarant, the Association, and the other Lots within the Project, where such facilities are installed and as may be shown on the recorded Maps of the Project. Within such easements, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or which may change the direction of the flow of drainage channels, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Lot and all improvements therein shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or a utility is responsible. In addition, all sewer pipelines and other sewer facilities located or to be located within public roads, streets and highways abutting each of the Lots are reserved.

8.2.11 Each Owner of a Lot has the responsibility and duty to maintain the appearance and integrity of such Owner's Lot and of all slope areas, fuel modification areas, and drainage devices located within such Owner's Lot. In the event any Owner fails to maintain the slope areas, fuel modification areas, and drainage devices, as required hereunder, the Association shall have the right but not the obligation, after due notice to the Owner involved and opportunity to be heard, to access such Owner's Lot and conduct such maintenance and remedial work as may be necessary, and may levy a special assessment against such Owner's Lot for all costs incurred in conducting such activities.

8.2.12 Each grantee of a Lot within the Project covenants for such Owner, such Owner's heirs, successors and assigns, that such Owner will permit free access by Owners of adjacent or adjoining Lots and by the Association, its agents and employees, to all slope areas or drainageways located on such Owner's Lot, which affect said adjacent or adjoining Lots, which access is essential for the maintenance or permanent stabilization of said slopes, or maintenance of the drainage facilities for Lots other than the Lot on which the slope or drainageway is located.

8.2.13 Each grantee of a Lot within the Project covenants for such Owner, such Owner's heirs, successors and assigns, that such Owner will not in any way interfere with the established drainage patterns or create erosion or sliding problems over such Owner Lot from adjoining or other Lots within the Project, and that such Owner will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over such Owner's Lot. For the purposes hereof, "established drainage" is defined as the drainage which occurred at the time the overall grading of the Project was completed by Declarant.

8.2.14 Each grantee of a Lot within the Project shall maintain the slopes within such Owner's Lot at the slope and pitch fixed by the finished grading thereof, including watering and

planting of the slopes. Within slope areas no structure, planting, or other material shall be placed or permitted to remain or other activities undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow of drainage channels or obstruct or retard the flow of water through drainage channels. The slope areas of each Lot and all improvements thereto shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible. In the event any Owner fails to maintain the slopes, as required hereunder, the Association shall have the right but not the obligation, after due notice to the Owner involved and opportunity to be heard, to access such Owner's Lot and conduct such maintenance and remedial work as may be necessary, and may levy a special assessment against such Owner's Lot for all costs incurred in conducting such activities. Declarant shall, for a period of one (1) year following sale and deed of any particular Lot have the right but not the obligation to enter upon the said Lot and alter or maintain the slope areas. An easement of reasonable access for said purpose is reserved to Declarant, and the purchaser, by the acceptance of a deed from Declarant, shall take title subject to such easement for said period of one (1) year.

8.2.15 Conveyance of a substantial number of the Lots is essential to the establishment and welfare of said Project as a residential community. In order that all work necessary to complete the Project and establish a substantially occupied residential community be completed as rapidly as possible, no Owner shall and nothing in this Declaration shall be understood or construed to:

8.2.15.1 Prevent Declarant, its contractor or subcontractors, from doing work on said Project or any part thereof whenever it determines such work to be reasonably necessary or advisable in connection with the completion of the Project; or

8.2.15.2 Prevent Declarant, or its representatives from erecting, constructing and maintaining on any part or parts of said property owned or controlled by Declarant, its contractors, or subcontractors, such structures as may be reasonably necessary for the conduct of its business of completing said work and establishing the Project as a residential community and disposing of the same by sale, lease, or otherwise.

8.2.15.3 Declarant, in exercising its rights hereunder, shall not unreasonably interfere with the Members' use of the Common Area.

8.2.16 All structures and improvements within the Project shall at all times be maintained by their respective Owners in a clean, first-class and properly painted condition.

8.2.17 No Owner or the Association shall permit trees, shrubs, hedges or any other vegetation to shade, block or interfere with the solar access of any solar collector or other solar absorption device on any Lot, including the Lot on which the vegetation is also located.

Section 8.3 Restrictions Regarding Conservation Property. The Conservation Property contains Riversidean sage scrub and habitat for the California Coastal Gnatcatcher, a species that has been listed as "threatened" by the United States. These species are extremely rare and considered being valuable biological and environmental resources by the United States and the State of California.

Portions of the Conservation Property will be conveyed in fee to the Association, subject to an easement to the U.S. Fish and Wildlife Service or another resource agency or qualified nonprofit conservation organization, in order give such agency or conservation organization the right to access, monitor, maintain and, under certain circumstances, alter the vegetation, habitat and topography of the Conservation Property.

8.3.1 Substantial portions of the Conservation Property will be permanently fenced with chain-link, wrought iron or other fencing to prevent trespassing by the public and owners and occupants of the Barrington Heights community. In addition, the area will be posted with warning signs stating: "Endangered Species, Access Prohibited By Federal Law, Violation Punishable By \$5,000 Fine Or Imprisonment Or Both, 16 U.S.C. §1538," or similar language. Such penalties for activities incompatible with the protection of sensitive resources and for the violation of federal and state endangered species laws, will be strictly enforced.

8.3.2 The provisions of the Conservation Declaration and the Biological Opinion restrict access to and detrimental uses of the Conservation Property, and includes specific restrictions on the type, location and amount of landscaping, watering, fertilizer use, and pesticide and chemical use that might affect the habitat for endangered species. Those Lots with rear slopes that drain toward the Conservation Property are subject to the most stringent restrictions. No runoff from the developed portions of the Project is permitted to reach the habitat areas, and alteration of the slope grades and drainage patterns established by the builder is prohibited. Any Owner who introduces foreign substances into the habitat area, including pesticides, herbicides, rodenticides, or unseasonal watering with treated (i.e. tap) water will be financially responsible for correction of any resulting damage.

8.3.3 Among the uses and activities that are prohibited in the Conservation Property are: construction of structures, grading, use of off-road vehicles, grazing, clearing of vegetation (including fuel modification), development of any trails, cutting, trampling or removal of any trees, shrubs or other vegetation, dumping of any materials, trash or foreign substances, and permitting cats and dogs to enter the Conservation Property.

8.3.4 The Conservation Property will be managed and maintained by the Association or by specialized experts and consultants hired by the Association, pursuant to requirements imposed by the Conservation Declaration. The Association is required by the Biological Opinion to pay up to \$1,500 of the annual cost of a management entity or consultant to perform periodic monitoring of the habitat areas in the Conservation Property and to make periodic reports to the Association and to the United States Army Corps Of Engineers, the United States Fish and Wildlife Service, and the California Regional Water Quality Control Board with respect to its condition, to assure the continued viability of the habitat.

Section 8.4 Restrictions Regarding Water Quality and Storm Drainage . Nothing other than natural rainwater is permitted to be discharged into the Project's storm drainage system. The National Pollutant Discharge Elimination System ("N.P.D.E.S."), the state Regional Water Quality Control Board regulations, and the policies and ordinances of the County prohibit the discharge of anything other than natural rain water into the storm drainage system, including gutters and streets

which drain into the storm drains. In addition, each Owner is subject to the restrictions and requirements of the Water Quality Control Plan for the Santa Ana River Basin (1995).

8.4.1 The Water Quality Control Plan requires Declarant and its successors and assigns, including the Association and all Owners, to comply with all federal, state, county, municipal and local environmental, water quality and contamination laws; regulations, requirements and restrictions, including, but not limited to the N.P.D.E.S. and other provisions of the federal Clean Water Act and its implementing regulations, as well as the provisions of California's Porter-Cologne Water Quality Control Act. Toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, antifreeze, solvents, paints, paint thinners, wood preservatives and other such materials shall not be discharged into any street, public or private, gutters, or into storm drains or storm water conveyance systems. Use and disposal of pesticides, fungicides, herbicides, insecticides, fertilizers and other such chemicals shall meet Federal, State, County and local requirements.

8.4.2 The wetland basins habitat in the Association Property shall be maintained in accordance with the "Water Quality Pond and Wetlands System 5 Year Mitigation Monitoring Plan for TT29072-1" approved by the California Regional Water Quality Control Board, and the interim debris basin and the "first flush" basin (each as originally constructed by Declarant and as the same may be relocated) shall be maintained in accordance with the standards of the County of Riverside.

ARTICLE 9

SCOPE OF ENFORCEMENT

Section 9.1 **Enforcement.** The Declarant, the Association and any Owner shall have the right, but not the obligation, to enforce by any proceeding at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration. Failure by Declarant, the Association or any Owner to enforce any covenants or restrictions herein contained shall, in no event, be deemed a waiver of the right to do so thereafter.

The limitations, restrictions, conditions and covenants set forth in this Declaration constitute a general scheme for (i) the maintenance, protection and enhancement of the value of the Project and (ii) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be. Each remedy provided for in this Declaration shall be cumulative and not exclusive. The result of or condition caused by any violation of any of the provisions of this Declaration is and shall be a nuisance, and every remedy in law or equity now or hereafter available against public or private nuisance may be exercised by any person affected thereby. Any of the foregoing to the contrary notwithstanding, no action to enforce this Declaration shall be instituted unless and until a written notice of such breach setting forth the facts of such breach has been delivered by certified mail to the Owner of such Lot. In the event the Association or any Owner(s), should commence litigation to enforce any of the provisions of this Declaration, that party, if such Owner should prevail, shall be entitled to have judgment against and recover from any defendant in such litigation, such attorneys' fees (other than nominal) as the court may adjudge reasonable and proper. Each Owner shall have a right of action against the Association for any failure of the Association to comply with the provisions of the Declaration, Articles of Incorporation, Bylaws, or Rules and Regulations of the Association.

ARTICLE 10
DAMAGE TO AND MAINTENANCE OF LOTS AND ASSOCIATION PROPERTY

Section 10.1 Repairs. In the event that an Owner fails to maintain or repair such Owner's Lot or the improvements thereon or otherwise comply with the provisions of this Declaration, the Bylaws or the Rules and Regulations, the Association, or their agents or employees shall have the right, but not the obligation, to bring the Lot into compliance with the provisions of this Declaration and the cost incurred therefor shall be assessed to that Owner as a special assessment as set forth in this Declaration.

Section 10.2 Damage to Association Property. In the event the need for repair of the Common Area or the Association Maintenance Areas is caused through the willful or negligent acts of a Member or such Member's guests or invitees, the Association, or their agents or employees shall have the right, but not the obligation, to make such repairs and the liability of the Member and the cost of repair shall be assessed to that Member as a special assessment as set forth in this Declaration.

Section 10.3 Association Maintenance. Except as otherwise provided in this Declaration, from and after the date of conveyance of fee title or appropriate easements thereto to the Association, the Association shall be responsible for the maintenance, repair, replacement, irrigation, brush clearance and preservation of the appearance of the Association Property, including, but not limited to, the interim debris basin(s), "first flush" basin, storm drainage lines, improvements and facilities, wetland basins habitat, Fuel Modification Zones, open space areas, lighting (excluding street lighting being maintained by a public entity), landscaping, fences, walls, irrigation systems, boundary walls and other walls not part of a Lot. The Association shall maintain the open space areas of the Conservation Property in accordance with the mitigation measures required by the Conservation Declaration and by that certain Biological Opinion for the Project, by the U.S. Department of the Interior, Fish and Wildlife Service, dated December 14, 2001, as amended by the Amendment, dated January 16, 2002 (the "Biological Opinion"). The Association shall pay up to the sum of \$1,500 per year for the cost of a consultant to perform the monitoring of the Gnatcatcher and the Riversidean sage scrub habitat within the Conservation Property required by the U.S. Fish and Wildlife Service. The Association shall enforce the use restrictions applicable to the Conservation Property as described in the Biological Opinion.

ARTICLE 11
INSURANCE

Section 11.1 Liability Insurance. A general public liability and property damage insurance policy covering the Association Property shall be purchased by the Board of Directors as promptly as possible following its election and shall be maintained in force at all times, the premium thereon to be paid out of the monies collected from the assessments. The minimum amount of coverage shall be Two Million Dollars (\$2,000,000) combined single limit liability for bodily injury to any one person, or property damage for any one occurrence; provided, however, that if the Project consists of more than 100 separate interests, such coverage shall be at least Three Million Dollars (\$3,000,000.00). The policy shall name the Association and all Owners as insureds, including

Declarant, during such time as Declarant shall remain the Owner of one or more Lots. The manager, if any, shall also be a named insured on such policy, during such time as such manager's agency shall continue. The insurance shall also contain a cross-liability endorsement to cover negligent injury by one Owner to another, if reasonably available. The Association shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, which shall be distributed within sixty (60) days preceding the beginning of the Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of the insurance, and (d) the amount of deductibles, if any. The Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies described in this paragraph have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Association receives any notice of nonrenewal of a policy described in this paragraph, the Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent that any of the information required to be disclosed pursuant to this paragraph is specified in the insurance policy declaration page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Members. The summary distributed pursuant to this paragraph shall contain in at least 10-point boldface type, the statement required by Civil Code Section 1365(e)(4).

Section 11.2 Hazard Insurance. The Board of Directors shall purchase a "Special Form Causes of Loss" property insurance policy (commonly referred to as all-risk or special perils coverage issued by a Qualified Insurer, as defined herein, providing coverage equal to one hundred percent (100%) of the current replacement cost of all Association Property improvements to the Project then subject to assessments under Article 5 of the Declaration (including all service and mechanical equipment in the Project). "Qualified Insurer" means any insurance company having a Best's Insurance Reports rating of (a) a B general policyholder's rating and a III financial size category, or (b) an A general policyholder's rating and a II financial size category, and licensed in the State of California. Replacement cost may exclude land, foundations, excavation, and other items normally excluded from coverage. All hazard insurance required to be maintained by the Board hereunder shall be maintained strictly in accordance with the provisions contained in the FHLMC Seller/Service Guide. The premiums for said insurance policy shall be paid by the Board out of the monies collected from the assessments. The policy may also contain an agreed amount endorsement, a special form endorsement, and a clause to permit cash settlement covering the full value of the improvements in the event of partial destruction and a decision not to rebuild. The policy shall name as insureds all Owners and Declarant, so long as Declarant is the Owner of any Lot within the Project, and all Mortgagees of record, as their respective interests may appear. The proportionate interest of each Owner in any insurance proceeds in relation to the other Owners, shall be based upon a ratio of each Lot's "fair market value" to the "fair market value" of the entire Project. The "fair market value" in both instances, shall be determined by an independent appraiser. In the event that the insurer under said hazard insurance policy shall cease to be licensed in the State of California, or shall cease to be approved by the Federal Home Loan Mortgage Corporation (so long as insurers continue to be so approved), the Association shall exercise its best efforts to obtain from another Qualified Insurer, a replacement hazard policy comparable to the prior hazard policy, including all required endorsements.

11.2.1 Personal property of a Lot Owner and additional fixtures added by a Lot Owner should be insured separately by the Lot Owner.

Section 11.3 Individual Coverage. If available, underlying coverage for individual Lots shall be written as part of or in conjunction with, said master policy where necessary to protect individual lenders. If such coverage is not available, each Owner shall purchase, at such Owner's own expense, and maintain fire and hazard insurance coverage as may be required by such Owner's individual lender. Any such underlying coverage shall contain a replacement cost endorsement, and to the extent available, such other endorsements as may be a part of the master policy. Such insurance shall also contain a loss-payable endorsement to the Mortgagees of individual Lots, as their interests shall appear.

Section 11.4 Board as Trustee. All insurance proceeds payable pursuant to Section 11.2 of this Article and subject to the rights of Mortgagees under Section 11.7 hereof shall be paid to the lending institutions holding first Mortgages on Lots within the Project, to the extent of their interests therein, and shall be applied only to the repair and restoration of the damaged premises or to the reduction of the aggregate principal amounts of the mortgage loans secured by such damaged or destroyed premises. Insurance proceeds shall be paid out in accordance with Article 12. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work, as provided in Article 12 hereof.

Section 11.5 Other Insurance. The Board may purchase and maintain in force at all times, demolition insurance in adequate amounts to cover demolition in the event of destruction and a decision not to rebuild. The premium therefor shall be paid out of the monies collected from the assessments. Such policy, if purchased, shall contain a determinable demolition clause or similar clause, to allow for the coverage of the cost of demolition in the event of destruction and a decision not to rebuild. The Board of Directors shall also purchase and maintain Worker's Compensation Insurance to the extent that the same shall be required by law for employees of the Association. The Board of Directors may also purchase and maintain insurance on commonly owned personal property and such other insurance as it deems necessary, the premium thereof to be paid out of the monies collected from the assessments, including, but not limited to, umbrella or excess liability coverage.

Section 11.6 Owners' Other Insurance. An Owner may carry such additional personal liability and property damage insurance respecting individual Lots as such Owner may desire.

Section 11.7 Right of Mortgagees. With respect to insurance coverage under Sections 11.2 and 11.3 hereof, any Mortgagee of record shall have the option to apply insurance proceeds payable to it to reduce the obligation secured by the Mortgage.

Section 11.8 Annual Review. The Board shall review the insurance carried by the Association at least annually for the purpose of determining the amount of the casualty and property insurance referred to in Section 11.1 above. The Board shall obtain current appraisal of the full replacement value of the improvements in the Association Property and of the Lots, except for foundations and footings, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such annual review.

ARTICLE 12
DESTRUCTION OF IMPROVEMENTS

Section 12.1 Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair. In the event of total or partial destruction of the improvements in the Common Area and if the available proceeds of the insurance carried pursuant to Article 11 are sufficient to cover not less than eighty-five (85%) percent of the cost of repair or reconstruction thereof, the same shall be promptly repaired and rebuilt, unless, within ninety (90) days from the date of such destruction, seventy-five (75%) percent of each class of membership present and entitled to vote in person or by proxy, at a duly constituted meeting, determine that such reconstruction shall not take place. If reconstruction is to take place, the Board of Directors shall be required to execute, acknowledge, file and record, not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Association to rebuild.

Section 12.2 Proceeds Less Than Eighty-Five Percent (85%) of Cost to Repair. If the proceeds of such insurance are less than eighty-five (85%) percent of the cost of reconstruction, such reconstruction may, nevertheless, take place, if within ninety (90) days from the date of said destruction, at least sixty-six and two-thirds percent (66-2/3%) of each class of membership elect to rebuild.

Section 12.3 Additional Contributions From Owner. If the Association determines to rebuild, pursuant to either Sections 12.1 or 12.2, each Owner shall be obligated to contribute such funds as shall be necessary to pay such Owner's proportionate share of the cost of reconstruction over and above the insurance proceeds, and the proportionate share of each Owner shall be based upon the ratio of the fair market value of such Owner's Lot to the fair market value of all the Lots. In the event of failure or refusal by any Owner to pay such Owner's proportionate share, after notice to such Owner, should such failure or refusal continue for a period of sixty (60) days, the Board of Directors may levy a special assessment against such Owner, which may be enforced under the lien provisions, hereinbefore contained.

Section 12.4 Association to Contract for Rebuilding. If the Owners determine to rebuild, the Board of Directors shall obtain bids from at least two (2) reputable contractors and shall award construction work to the lowest bidder. The Board of Directors shall have the authority to enter into a written contract with said contractor for such reconstruction and the insurance proceeds held by the Board shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to insure the commencement and completion of such reconstruction at the earliest possible date.

Section 12.5 Insufficient Vote to Rebuild. If the vote of the Owners shall be insufficient to authorize rebuilding, either pursuant to Sections 12.1 or 12.2 above, the following shall apply:

12.5.1 Any insurance proceeds available for such rebuilding shall be distributed among the Owners and their individual lenders by the Board, as their respective interests may appear. The proportionate interests of each Owner in said proceeds in relation to other Owners shall be based upon a ratio of each Lot's "fair market value," just prior to destruction. "Fair market value" shall be determined by an independent appraiser.

12.5.2 The Board shall have the duty, within one hundred twenty (120) days of the date of such loss, to execute, acknowledge and record a certificate setting forth the determination of the Association not to rebuild, and shall promptly cause to be prepared and filed, such revised maps and other documents as may be necessary to show the conversion of the Common Area to the status of unimproved land.

Section 12.6 Revival of Right to Partition. Upon recordation of such certificate, referred to in Section 12.5.2, above, the right of any Owner to partition such Owner's Lot through legal action, shall forthwith revive.

Section 12.7 Arbitration. In the event of a dispute among the Owners, with respect to the provisions of this Article, any Owner may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to the Members of the Board and all Owners as promptly as possible after reference to arbitration is made, giving all Owners an opportunity to appear in such arbitration proceedings. The decision of such arbitrator in this matter shall be final and conclusive upon all Owners. The arbitrator may include in the decision an award for costs and/or attorneys' fees against any one or more of the parties to the arbitration.

ARTICLE 13 **MORTGAGEE PROTECTION**

Section 13.1 Mortgagee Protection. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce lenders and investors to participate in the financing of the sale of Lots in the Project, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions in this Declaration, these added provisions shall control):

13.1.1 No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any first Mortgage (meaning a Mortgage with first priority over any other Mortgage) on any Lot made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

13.1.2 Each holder of a first Mortgage encumbering any Lot is entitled upon request to timely written notification from the Association of any default by the Mortgagor of such Lot in the performance of such Mortgagor's obligations under this Declaration, the Bylaws or Rules and Regulations of the Association which is not cured within sixty (60) days. Any Institutional Lender holding a first Mortgage on any Lot within the Project shall be entitled to prior written notice of certain proposed actions of the Association as hereinafter set forth in Sections 13.1.5.1 through 13.1.5.8, inclusive, provided that such Institutional Lender furnishes the Association with a written request for notice which request sets forth the particular Institutional Lender's mailing address and identifies the Lot on which it holds an encumbrance.

13.1.3 Each holder of a first Mortgage encumbering any Lot which obtains title to such Lot pursuant to: (a) remedies provided in such Mortgage, or (b) by accepting a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, shall be exempt from any "right of first

refusal," if any, contained in the Declaration or the Bylaws of the Association. Further, any such "right of first refusal" shall not impair the rights of a first Mortgagee or interfere with a subsequent sale or lease of a Lot so acquired by the Mortgagee.

13.1.4 Each holder of a first Mortgage or third party foreclosure purchaser which obtains title to a Lot pursuant to foreclosure of the first Mortgage, shall take the Lot free of any claim for unpaid dues, assessments or charges against the Lot which accrue prior to the time such holder obtains title to such Lot (except for claims for a share of such assessments or charges resulting from a reallocation of such dues, assessments or charges among all Lots, including the mortgaged Lot). The lien assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter placed upon a Lot subject to assessment; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to a decree of foreclosure or trustee sale. Such sale or transfer shall not release such Lot from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

13.1.5 Unless at least two-thirds (2/3) of the Institutional Lenders holding a first Mortgage on a Lot within the Project (based upon one vote for each first Mortgage owned), or at least two-thirds (2/3) of the Owners (other than the Declarant) have given their prior written approval, the Association and its Members shall not be entitled to:

13.1.5.1 By act or omission, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or the exterior appearance of Lots, the exterior maintenance of Lots, the maintenance of the Association Property, party walks or common fences and driveways, or the upkeep of lawns and plantings in the Project;

13.1.5.2 Change the pro rata interest or obligations of any Lot for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

13.1.5.3 Partition or subdivide any Lot;

13.1.5.4 By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Common Area or partition the Common Area except as provided for herein. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Area and the Project shall not be deemed a transfer within the meaning of this clause;

13.1.5.5 Use hazard insurance proceeds for losses to any Common Area for other than repair, replacement or reconstruction of such Common Area, except as provided by statute in case of substantial damage to the Common Area of the Project;

13.1.5.6 Fail to maintain fire and extended coverage on insurable planned development common property within the Project on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost);

13.1.5.7 Effectuate any decision of the Association to terminate professional management and assume self management of the Project; and

13.1.5.8 Amend any part of this Article 13.

13.1.6 First Mortgagees shall have the right to examine the books and records of the Association during normal business hours.

13.1.7 The annual assessments shall include an adequate reserve fund for maintenance, repair and replacement of the improvements to the Association Property and those portions thereof that must be replaced on a periodic basis, and shall be payable in annual assessments rather than by special assessments.

13.1.8 All taxes, assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Lots, and not to the Project as a whole.

13.1.9 In the event of substantial damage to or destruction of any Lot or any element of the Common Area or possible condemnation or eminent domain procedure, the Institutional Lender under any first Mortgage on a Lot is entitled to timely written notice of any such damage, destruction or proposed acquisition and no provision in the Bylaws, nor in this Declaration shall be interpreted to entitle any Owner or any other party to priority over any first Mortgagee with respect to the distribution to such Owner of any insurance proceeds or condemnation awards for losses to, or a taking of, Lots and/or Common Areas.

13.1.10 Any agreement for professional management of the Project, or any other contract providing for services by the Declarant shall provide for termination by either party without cause or payment of a termination fee upon thirty (30) days' written notice, and that the term of any such contract shall not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods.

13.1.11 The Association shall, upon the request of any Institutional Lender under a first Mortgage on a Lot: (i) give written notice of all meetings of the Association and permit the Institutional Lender to designate a representative to attend all such meetings, and (ii) transmit to such Institutional Lender an annual audited financial statement of the Project within ninety (90) days following the end of any fiscal year of the Project.

13.1.12 No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, or the Association, or any Owner may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation, and/or to recover damages; provided, that any such violation shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to said Lot or any part thereof. Said covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee's sale or otherwise.

13.1.13 First Mortgagees of Lots may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Common Area and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all first Mortgagees and upon request of any first Mortgagee the Association shall execute and deliver to such first Mortgagee a separate written Agreement embodying this provision.

ARTICLE 14

AMENDMENTS

Section 14.1 Amendments. During the period of time prior to conversion of the Class B membership to Class A membership, this Declaration may be amended only by an affirmative vote of at least seventy-five percent (75%) of the voting power of each class of Members of the Association. After the conversion of Class B membership in the Association to Class A membership, the Declaration may be amended only by an affirmative vote of (i) at least seventy-five percent (75%) of the total voting power of the Association, and (ii) at least seventy-five percent (75%) of the voting power of the Association other than Declarant. In no event shall the percentage of the voting power necessary to amend a specific provision of this Declaration be less than the percentage of affirmative votes prescribed for action to be taken under said provision. An Amendment hereto shall be effective after (a) the approval of the percentage of Owners required in this Section has been given, (b) that fact has been certified in a writing executed and acknowledged by the officer designated by the Association for that purpose, or if no one is designated, by the president of the Association and (c) that writing has been recorded in the county in which the Project is located. Any amendment of this Declaration which would defeat the obligation of the Association to maintain the Association Property and facilities as described in Article 4 hereof, must receive the written approval of the California Department of Real Estate prior to the recordation thereof.

Notwithstanding any other provision of this Section, for so long as Declarant owns any portion of the Properties or the Annexable Property, Declarant may unilaterally amend this Declaration by recording an instrument in writing, signed by Declarant, without the consent of the Association or any other Owner, provided that such amendment is made in order to conform this Declaration to the requirements of the DRE, the United States Department of Veterans Affairs, FHA, FNMA, GNMA, FHLMC, or any other governmental entity.

Section 14.2 Effectiveness of Amendment. From and after its effective date, each amendment made pursuant to the preceding paragraph shall be as effective as to all Lots within the Project, the Owners thereof and their successors in interest.

Section 14.3 Petition the Superior Court. Nothing in this Declaration shall restrict the ability of any Owner at any time to petition the Superior Court in the county in which the Project is located to amend this Declaration as provided under California Civil Code Section 1356.

ARTICLE 15

ANNEXATION

Section 15.1 Annexation of Additional Property by Declarant. All or portions of the Annexable Property described in Exhibit "A" hereto may be annexed into the Project by the Declarant without the consent of the Members of the Association, provided, however, that the Commissioner of the Department of Real Estate makes the following determinations:

- (a) That the proposed annexation will not result in an overburdening of the Common Areas;
- (b) That the proposed annexation will not result in a substantial increase in the assessments of the existing Lots which was not disclosed in the Final Subdivision Public Report under which the existing Owners purchased their respective Lots;
- (c) That the real property and the total number of residential units proposed to be annexed were adequately identified; and
- (d) That Declarant executes a written commitment concurrently with the closing of escrow for the first sale of a Lot in the annexed property to pay to the Association appropriate amounts for reserves for replacement or deferred maintenance of Association Property improvements in the annexed property necessitated by, or arising out of the use and occupancy of Lots under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrows for the first sale of a Lot in the annexed property.

Said conditions shall be deemed to be satisfied upon issuance by the Department of Real Estate of a Final Subdivision Public Report with respect to the real property proposed to be annexed.

Section 15.2 Annexation of Additional Property by Association. Upon approval in writing by the Association, pursuant to the vote of at least two-thirds (2/3) of the voting power of its Members or the written assent of such Members, excluding the voting power or written assent of Declarant, the Owner of any real property who desires to add such property to the scheme of this Declaration and to subject same to the jurisdiction of the Association, may file of record a Notice of Annexation which shall extend the scheme of this Declaration to such property.

Section 15.3 Annexation Procedure. The annexation of additional real property authorized under Sections 15.1 and 15.2 shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional real property, which Notice of Annexation shall expressly provide that the scheme of this Declaration shall extend to such additional real property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Declaration as are necessary to reflect the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Declaration.

Section 15.4 Obligations of Annexed Property. The obligation of Owners in the annexed property to pay assessments levied by the Association and the right of such Owners to exercise voting rights in the Association in such annexed property shall not commence until the first day of the month following close of the first sale of a Lot by Declarant in that particular Phase of development.

Section 15.5 De-Annexation. Declarant hereby reserves the right to de-annex any Lot or Lots within the Project and to delete said Lot or Lots from the scheme of this Declaration and from the jurisdiction of the Association, provided and on condition that the de-annexation shall be made prior to the closing date of the sale of the first Lot in the annexed property within the Project.

ARTICLE 16

PARTY WALLS

Section 16.1 Rights and Duties. The rights and duties of the Owners of Lots with respect to party walls shall be governed by the following:

16.1.1 Each wall which is constructed as a part of the original construction and located between separate Lots, shall constitute a party wall, and with respect to such wall, each of the adjoining Owners shall jointly assume the burdens and share the cost of reasonable maintenance and repair in proportion to such use. Each Lot shall be subject to an easement for that portion of the party wall which is necessary for support, and each such Owner shall be liable for all property damage due to negligence or willful acts or omissions in connection with such wall.

16.1.2 If any such party wall is damaged or destroyed through the act of one of the adjoining Owners, any member of such Owner's family, a guest, agent (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, the Owner responsible for the damage or destruction thereon shall be required to make any and all necessary repairs thereto, without cost to the adjoining Owner.

16.1.3 If any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, such Owner's agents, or family (including, but not limited to, earthquake damage), each adjoining Owner shall be required to make any and all necessary repairs thereto at their joint and equal expense.

16.1.4 Any Owner proposing to modify, make additions to, or rebuild such Owner's Lot in any manner which requires the extension or alteration of any party wall, shall be required to first obtain the written consent of the adjoining Owner. Such Owner must also comply with all dictates of this Declaration which may be relevant.

16.1.5 The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

16.1.6 In the event of a dispute between Owners with respect to the repair of a party wall or with respect to the sharing of the cost thereof, the matter shall be submitted to the Board for resolution upon the written request of either Owner. Any decision of the Board of Directors shall be final and conclusive upon the parties.

ARTICLE 17

GENERAL PROVISIONS

Section 17.1 Extension of Declaration. The provisions of this Declaration shall run with the land and bind the Project, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time the provisions of this Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by at least seventy-five percent (75%) of the then Owners of Lots, has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Declaration as it may be supplemented in whole or in part.

Section 17.2 Encroachment Easement. In the event any improvement to a Lot encroaches upon the Common Area as a result of the initial construction, or as the result of repair, shifting, settlement or movement of any portion thereof, an easement for the encroachment and for the maintenance of same, shall exist so long as the encroachment exists. Further, each Owner within the Properties is hereby granted an easement over all adjoining Lots for the purpose of accommodating any minor encroachment, due to engineering errors, errors in original construction, settlement or shifting of the building, roof overhang, architectural or other appendants for so long as any such encroachment continues to exist.

Section 17.3 Ownership Interest. An ownership interest in a Lot within the Project may pass from the estate of a deceased person to more than one person; provided, however, that only one living individual shall be entitled to have membership privileges in the Association derived from such ownership.

Section 17.4 Severability. In the event any limitation, restriction, condition, covenant or provision contained in this Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

Section 17.5 Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community.

Section 17.6 Termination of Declarant's Obligations. In the event Declarant shall convey all of its right, title and interest in and to the Project to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

Section 17.7 Number, Gender. The singular shall include the plural and the plural the singular unless the context requires to the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

Section 17.8 Non-Liability of Declarant. Each Owner, by acceptance of a deed, shall be deemed to have agreed that Declarant shall have no liability whatsoever resulting from any term or provision hereof having been held to be unenforceable in whole or in part.

Section 17.9 Grantees Subject to this Declaration. Each grantee of a conveyance or purchaser under a contract or agreement of sale, by accepting the deed or contract of sale or agreement of purchase, accepts the same subject to all of the limitations, restrictions, conditions and covenants, and agreements set forth in this Declaration, and agrees to be bound by the same.

Section 17.10 Bonded Obligations. If any improvements to the Project have not been completed prior to the issuance of the Final Subdivision Public Report for the Project, and the Association is obligee under a bond or other security (hereinafter "Bond") to secure performance of the commitment of the Declarant to complete such improvements, the following provisions shall apply:

17.10.1 The Board of Directors shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such improvements in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any 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.

17.10.2 In the event that the Board of Directors 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, 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 a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

17.10.3 The only Members entitled to a 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 this decision by initiating and pursuing appropriate action in the name of the Association.

17.10.4 The Association shall act in a reasonably prompt manner to exonerate Declarant and its surety under any Bond in favor of the Association upon completion of the improvements.

ARTICLE 18

DISPUTE MECHANISM

Section 18.1 Notice to Members Prior to Filing Civil Action. Not later than thirty (30) days prior to the filing of any civil action by the Association against the Declarant or other developer of the Project for alleged damage to the Common Area, alleged damage to the Lots that the Association

is obligated to maintain or repair, or alleged damage to the Lots that arises out of, or is integrally related, to damage to the Common Area or Lots that the Association is obligated to maintain or repair, the Board shall provide written notice to each Member who appears on the records of the Association at the time notice is given, specifying (a) that a meeting of Members will be held to discuss problems that may lead to the filing of a civil action, (b) the options, including civil actions, that are available to address the problems, and (c) the time and place of the meeting. If the Association has reason to believe that the applicable statute of limitations will expire before the association files the civil action, the Association may give the foregoing notice not later than thirty (30) days after the filing of the action.

Section 18.2 Dispute Resolution. Any disputes between all or any of the Association, Owner(s), the Declarant, a Merchant Builder, or any director, officer, partner, employer, contractor, design professional, consultant, subcontractor or agent of the Declarant or a Merchant Builder (collectively "Declarant Parties"), arising under this Declaration or relating to the Properties, shall be subject to the following provisions of this Section 18.2 and the following Sections 18.3, 18.4 and 18.5.

Section 18.3 Construction Defect Disputes.

18.3.1 Notice of Construction Claims Statute. California Civil Code Section 895 et seq., as hereafter amended ("Construction Claims Statute"), delineates standards for how various components of residential dwelling units should be constructed and function, limits the time frames for bringing various claims against the builder to anywhere from one year to ten years (as listed in the Construction Claims Statute) from the close of escrow for the residential dwelling unit, imposes an obligation on all Owner's to follow Declarant's maintenance recommendations and schedules, or other applicable maintenance guidelines, and establishes a non-adversarial claims resolution procedure that must be followed by an Owner before the Owner can initiate an adversarial claim and proceed to binding arbitration, as described in Section 18.3.2 below. THE CONSTRUCTION CLAIMS STATUTE AFFECTS EACH OWNER'S LEGAL RIGHTS. OWNERS ARE ADVISED TO READ THE STATUTE CAREFULLY AND SEEK LEGAL ADVICE IF OWNER HAS ANY QUESTIONS REGARDING ITS AFFECT ON OWNER'S LEGAL RIGHTS. PURSUANT TO CALIFORNIA CIVIL CODE SECTION 914, DECLARANT IS PERMITTED TO ELECT TO USE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES INSTEAD OF USING THE STATUTORY PRE-LITIGATION PROCEDURES PROVIDED IN THE CONSTRUCTION CLAIMS STATUTE, AND DECLARANT HAS ELECTED TO DO SO.

18.3.2 Owners' Construction Defect Claims. Prior to the commencement of any legal proceeding by any Owner against Declarant, a Merchant Builder or any other Declarant Party based upon a claim for defects in the design or construction of any Lot, Residence or Common Area, or any improvements thereon, the Owner must first comply with the provisions of this paragraph. If at any time during the ten (10) year period following the close of escrow for the original Owner's purchase of such Owner's Lot from a Declarant Party, as such period may be extended by any applicable tolling statute or provision, or any shorter period as provided by applicable law, such Owner believes the Declarant Party has violated any of the standards set forth the Construction Claims Statute ("Claimed Defect"), which such Owner feels may be the responsibility of the Declarant Party, such Owner shall promptly notify the Declarant Party in writing at the Declarant Party's address as an Owner listed in the records of the Association, or, if none, at the address of

Declarant Party's agent for service of process registered with the California Secretary of State. Such notice shall be deemed a notice of intention to commence a legal proceeding and shall include: (a) a detailed description of the Claimed Defect, (b) the date upon which the Claimed Defect was first discovered, and (c) dates and times when Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by the Declarant Party can be scheduled. The Declarant Party shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect, within the sixty (60) day period following receipt of such notice. Nothing contained in this Section shall obligate Declarant or any Declarant Party to perform any such inspection or repair, nor shall this Section be deemed to increase any Declarant Party's legal obligations to Owner. Owner's written notice delivered to the applicable Declarant Party shall be a condition precedent to Owner's right to institute any legal proceeding and to proceed to binding arbitration as set forth in this Section 18.3.2, and Owner shall not pursue any other remedies available to it, at law or otherwise, including without limitation the initiation of any legal proceeding or action, until the Declarant Party has had the reasonable opportunity to inspect and cure the Claimed Defect. In addition, during the term of the 2-10 Home Buyers Warranty ("Limited Warranty") provided to the original Owner of the Lot by HBW Insurance Services, LLC, ("HBW") should the Declarant Party not cure a Claimed Defect within sixty (60) days of receipt of notice of such Claimed Defect, Owner shall submit a claim to HBW Section III or Section V of the Limited Warranty, as applicable. Submission of the requisite claim form to HBW is also a condition precedent to Owner's right to institute any legal proceeding and to proceed to binding arbitration as set forth in this Section. During the term of the Limited Warranty, any conflict between the provisions of this Section and the Limited Warranty shall be resolved in favor of the Limited Warranty. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Owner may suffer as a result of any Claimed Defect in the Lot, which might have been avoided had Owner given the Declarant Party the timely notice and opportunity to cure as described above. Except as otherwise provided in the written Limited Warranty, if any, provided to Owner, nothing contained herein shall establish any contractual duty or obligation on the part of any Declarant Party to repair, replace or cure any Claimed Defect. If Owner sells or otherwise transfers ownership of the Lot to any other person during the effective period of this Section, Owner covenants and agrees to give such person written notice of these procedures by personal delivery. Owner's continuing obligation under this covenant shall be binding upon Owner and Owner's successors and assigns.

18.3.2.1 All Owners, who originally purchased a Lot from Declarant, were provided copies of certain documents through escrow in conjunction with the purchase of the Lot, including copies of this Declaration, maintenance recommendations from Declarant, maintenance recommendations for manufactured products or appliances included with the Lot, a limited warranty, claim forms, and other documentation relating to the Construction Claims Statute. All Owners are required by the Construction Claims Statute to retain these documents and provide copies of such documents to Owner's successors in interest upon the sale or transfer of such Owner's Lot.

18.3.2.2 All Owners are obligated by Section 907 of the Construction Claims Statute to follow Declarant's maintenance recommendations and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided with the Property, as well as all commonly accepted maintenance practices (collectively, "Maintenance Recommendations"). Per Section 945.5 of the Construction Claims Statute, failure to follow the

Maintenance Recommendations may reduce or preclude Owner's right to recover damages relating to such Owner's Property, which could have been prevented or mitigated had the Maintenance Recommendations been followed.

18.3.3 Association's Construction Defect Claims. DECLARANT ELECTS TO USE THE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES CONTAINED IN CIVIL CODE SECTION 1375, EXCEPT AS OTHERWISE PROVIDED HEREIN, RATHER THAN THE STATUTORY PRE-LITIGATION PROCEDURES OF THE CONSTRUCTION CLAIMS STATUTE, WITH RESPECT TO CLAIMS BY THE ASSOCIATION. Prior to the commencement of any legal proceeding by the Association against Declarant or any Declarant Party based upon a claim for defects in the design or construction of the Common Area, or any improvements thereon, or any other area within the Project which the Association has standing to make a claim for defects in the design or construction thereof, the Association must first comply with all of the applicable requirements of Civil Code Section 1375, as the same may be amended from time to time, or any successor statute thereto. In addition to the requirements of said Section 1375, Declarant shall have an absolute right, but not an obligation, to repair any alleged defect or condition claimed by the Association to be in violation of the standards set forth in the Construction Claims Statute, within a reasonable period of time after completion of the inspection and testing provided for in such Section and prior to submission of builder's settlement offer under such Section. If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the alternative dispute resolution provisions of Section 18.5 below and the parties to the dispute shall each be responsible for their own attorneys' fees. The Association shall have the power to initiate claims against a Declarant Party for violations of Construction Claims Statute, as soon as the Association has one (1) Class A Member other than Declarant. Upon the written request of any Class A member to the Board of Directors, the Board shall establish a committee consisting exclusively of Class A Member(s) other than Declarant to investigate claimed violations of the standards of the Construction Claims Statute. Upon the committee's determination that cause exists to initiate a claim, the decision of whether to initiate a claim shall be made by a vote of the Class A members other than Declarant. A majority of the votes cast shall be deemed to be the decision of the Association, which the board shall carry out by submitting the necessary claim to Declarant or the appropriate Declarant Party; provided, however, that the vote is either conducted at a properly convened meeting with the requisite quorum in accordance with the provisions of the Bylaws relating to meetings and voting, or the vote was conducted without a meeting in accordance with California Corporations Code Section 7513, as authorized by the Bylaws.

Section 18.4 Other Disputes. Any other disputes arising under this Declaration, or otherwise, between the Association or any Owner and Declarant or any Declarant Party (except for any action taken by the Association against Declarant for delinquent assessments, and any action involving enforcement of any completion bonds) shall be resolved in accordance with the alternate dispute resolution provisions of Section 18.5 below. The dispute resolution procedure in Section 18.5, as it applies solely to disputes under this Section 18.4, shall be deemed to satisfy the alternative dispute requirements of Civil Code Section 1354, or any successor statute, as applicable.

18.4.1 Judicial Reference. Subject to compliance with the provisions of Sections 18.2 through 18.4, to the extent applicable, it is the intention of Declarant that, except as otherwise expressly provided herein, any and all disputes, based upon which litigation is filed, shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Declaration (such as the collection of delinquent assessments, or disputes subject to Section 18.3.2 above), any dispute, between the Association or any Owner(s) and the Declarant, a Merchant Builder, or other developer of the Project, or between the Association and any Owner with respect to the interpretation of any of the provisions of this Declaration, or with respect to any alleged breach hereof, or with respect to any other claim related to a Lot or the Common Area, including, without limitation, any alleged latent or patent construction or design defect in the Project, or any part thereof, any alleged violation of the standards set forth in the Construction Claims Statute, any judicial determination to be made under California Civil Code Section 1375(h), or for alleged damage to the Common Area, alleged damage to the Lots that the Association is obligated to maintain or repair, or any alleged damage to Lots that arises out of, or is integrally related to the Common Area or Lots that the Association is obligated to maintain or repair, shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure Sections 638 through 645.1. Notwithstanding any other provision of this Declaration, this Article shall not be amended without the written consent of Declarant. In the event litigation is filed based upon any such dispute, the following shall apply:

18.4.1.1 The proceeding shall be brought and held in the County in which the Project is located, unless the parties agree to an alternative venue.

18.4.1.2 The parties shall use the procedures adopted by JAMS/ENDISPUTE ("JAMS") for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties).

18.4.1.3 The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters.

18.4.1.4 The parties to the litigation shall agree upon a single referee who shall have the power to try any and all of the issues raised, whether of fact or of law, which may be pertinent to the matters in dispute, and to issue a statement of decision thereon to the court. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction in accordance with California Code of Civil Procedure Sections 638 and 640.

18.4.1.5 The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of the controversy.

18.4.1.6 The referee may require one or more pre-hearing conferences.

18.4.1.7 The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

18.4.1.8 A stenographic record of the trial shall be made.

18.4.1.9 The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable.

18.4.1.10 The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

18.4.1.11 The parties shall promptly and diligently cooperate with each other and the referee and perform such acts, as may be necessary for an expeditious resolution of the dispute.

18.4.1.12 Except as otherwise agreed by the parties or as required by applicable law, neither the Association nor any Owner shall be required to pay any fee of the judicial reference proceeding except to the extent of the cost that would be imposed upon the Association or Owner if the dispute had been resolved as a dispute in court. The referee may not award against the Association or any Owner any expenses in excess of those that would be recoverable as costs if the dispute had been litigated to final judgment in court. Each party to the judicial reference proceeding shall bear its own attorney fees and costs in connection with such proceeding.

18.4.1.13 The statement of decision of the referee upon all of the issues considered by the referee shall be binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action that may be brought by any of the parties. Declarant and Owners, by accepting a deed to a Lot within the Project, acknowledge and accept that they are waiving their right to a jury trial.

18.4.2 Binding Arbitration. If for any reason the judicial reference procedures in Section 18.5.1 are legally unavailable at the time a dispute would otherwise be referred to judicial reference, then such dispute shall be submitted to binding arbitration under the rules and procedures in this Section 18.5.2. Any dispute submitted to binding arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the AAA's Construction Industry Arbitration Rules in effect on the date of the submission. If such entity is not then in existence, then the dispute shall be submitted to JAMS, and administered in accordance with either the Streamlined Arbitration Rules and Procedures, or (if applicable) the Comprehensive Arbitration Rules of JAMS. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such dispute. If the claimed amount exceeds \$250,000.00 or includes a demand for punitive damages, the dispute shall be heard and determined by three arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one arbitrator. Arbitrators shall have expertise in the area(s) of dispute, which may include legal expertise if legal issues are involved. All decisions concerning the arbitrability of any dispute shall be decided by the arbitrator(s). At the request of any party, the award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

18.4.3 Applicability of Federal Arbitration Act. The binding arbitration procedures contained in Sections 18.5.2 are implemented for the Project in accordance with the philosophy and intent of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) ("FAA"), which is designed to encourage the use of alternative methods of dispute resolution and avoid costly and potentially lengthy traditional court proceedings. The binding arbitration procedures in said Section are to be interpreted and enforced as authorized by the FAA. Parties interpreting this Section shall follow the federal court rulings, which provide among other things that: (1) the FAA is a congressional declaration of liberal federal policy favoring alternate dispute resolution notwithstanding substantive or procedural state policies or laws to the contrary, (2) alternate dispute resolution agreements are to be rigorously enforced by state courts; and (3) the scope of issues subject to alternate dispute resolution are to be interpreted in favor of alternate dispute resolution.

Section 18.5 Civil Code Sections 1368.4, 1375, 1375.05, or 1375.1. Nothing contained herein shall be deemed a waiver or limitation of the provisions of California Civil Code Sections 1368.4, 1375, 1375.05, or 1375.1.


Section 18.6 Use of Damage Award Amounts. Any and all amounts awarded to a claimant on account of a claimed construction or design defect in the Project, or damage suffered as a result thereof, shall be expended by such claimant for the attorney fees and costs of the proceeding and the repair, rehabilitation, or remediation of the claimed defect or damage.

Section 18.7 Disputes Relating To Enforcement Of Governing Documents. In the event of a dispute between the Association and an Owner, or between an Owner and another Owner, relating to the enforcement of the governing documents of the Association, the parties shall comply with the provisions of California Civil Code Section 1354(b) through (j), prior to filing of any civil action.

IN WITNESS WHEREOF, the undersigned hereunto executed this Declaration this 3RD day of MARCH, 2003.

"DECLARANT"

BARRINGTON HEIGHTS, LLC,
a California limited liability company

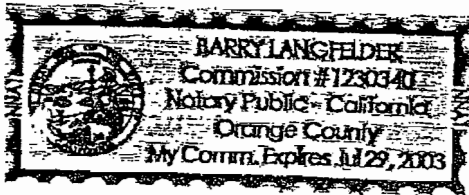
By: 
Its: MANAGER

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On March 3, 2003, before me, Barry Langfelder, personally appeared Robert W. Love, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) ~~is~~ are subscribed to the within instrument, and acknowledged to me that ~~he~~ she/they executed the same in ~~his~~ her/their authorized capacity(ies), and that by ~~his~~ her/their signatures on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.



Barry Langfelder
NOTARY PUBLIC

SUBORDINATION AGREEMENT

The undersigned, ALFRED F. BARILLARO and ANNE C. BARILLARO, husband and wife, Beneficiary under that certain Deed of Trust recorded January 18, 2002, as Instrument No. 02-032803, Official Records, Riverside County, California, does hereby consent to each and all of the provisions contained in the within instrument, the Declaration of Establishment of Conditions, Covenants and Restrictions for Barrington Heights, and all amendments and annexations thereto and does hereby agree that the lien and charge of said Deed of Trust shall be, and is hereby made, subordinate to, junior to and subject to said within instrument and all amendments and annexations thereto and the entire effect thereof.

Date: 8/30, 2002 BENEFICIARY:

Alfred F. Barillaro
ALFRED F. BARILLARO

Anne C. Barillaro
ANNE C. BARILLARO

ACKNOWLEDGMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF Riverside)

On August 30th, 2003, before me, Deborah Teresa Gagnon, personally appeared Alfred F. Barillaro and Anne C. Barillaro, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument, and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signatures on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Deborah Teresa Gagnon
NOTARY PUBLIC

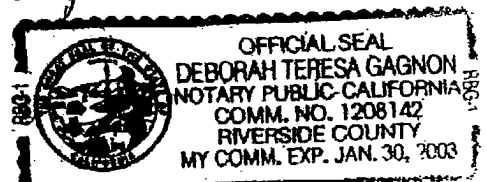


EXHIBIT "A"

ANNEXABLE PROPERTY

Parcels 2, 3, 4, 5, 6, 7, and 8 of Parcel Map No. 18445, in the County of Riverside, State of California, recorded January 24, 1985, in Book 126, Pages 81 and 82, of Parcel Maps, Records of Riverside County, California; and

Parcel 5 of Parcel Map No. 13118, in the County of Riverside, State of California, as per Map recorded in Book 80, Pages 90 through 94, inclusive, of Parcel Maps, Records of Riverside County, California; and

Parcel 1 of Parcel Map No. 18445, in the County of Riverside, State of California, recorded January 24, 1985, in Book 126, Pages 81 and 82, of Parcel Maps, Records of Riverside County, California.

EXCEPT THEREFROM, Lots 8 through 51 of Tract No. 29072-1, in the County of Riverside, State of California, as per Map filed in Book 324, Pages 90 through 93, in the Office of the County Recorder of said County.

The Common Area parcels described in the following attached legal descriptions and in Exhibit "B" hereto.

EXHIBIT "B"

CONSERVATION PROPERTY

ORANGE COAST TITLE CO.

COPY of Document Recorded	
on <u>2-8-02</u> as No <u>92-071232</u>	
has not been compared with original.	
RIVERSIDE COUNTY CALIFORNIA	

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Barrington Heights, LLC
22861 Tindaya
Mission Viejo, CA 92692

M	S	U	PAGE	SIZE	DA	PCOR	NOCOR	SMF	MISC.
A	R	L			COPY	LONG	REFUND	NCHG	EXAM

(Space Above Line for Recorder's Use)

DECLARATION OF RESTRICTIONS

This DECLARATION OF RESTRICTIONS ("Declaration") is made this 31st day January, 2002 by Barrington Heights, LLC (herein "Declarant"), for the benefit of the UNITED STATES OF AMERICA, acting by and through the U.S. Fish and Wildlife Service ("Service") and the U.S. Army Corps of Engineers ("ACOE") with reference to the following facts:

RECITALS

1. Declarant is the sole owner in fee simple of certain real property located in the County of Riverside, State of California, consisting of 3 parcels totaling approximately 106 acres legally described in Exhibit "A" and depicted on Exhibits "B" attached hereto and incorporated by this reference (the "Property").
2. The Property contains coastal sage scrub and other wildlife habitat and biological values (collectively, "Conservation Values") of great importance to the Service and ACOE;
3. The Property provides habitat for various species, including the coastal California gnatcatcher, a federally protected songbird.
4. This Declaration provides compensatory mitigation for impacts to gnatcatchers and gnatcatcher habitat, and is granted to satisfy Special Condition No.3 of Section 404 Permit Authorization No. 200000094YJC issued to Barrington Heights, LLC on 1-14-02 by ACOE pursuant to its authority under the federal Clean Water Act (33 U.S.C. 1344), and Conservation Measure No. 3 of the Service's Biological Opinion No. 2000000941-YJC dated December 14, 2001, as amended on 1-16-02.

5. Declarant, the Service and ACOE hereby agree that the third-party right of enforcement shall be held by the appropriate enforcement agencies of the United States.

COVENANTS, TERMS, CONDITIONS AND RESTRICTIONS

In consideration of the above recitals, Declarant hereby voluntarily places the following covenants and restrictions in perpetuity over the Property; such restrictions shall run with the land and be binding on Declarant's heirs, successors, administrators, assigns, lessees, or other occupiers and users.

1. Purpose. The purpose of this Declaration is to ensure the Property will be retained forever in a natural condition, and to prevent any use of the Property that will impair or interfere with the Conservation Values of the Property. Declarant intends that this Declaration will confine the use of the Property to activities consistent with the habitat conservation purposes of this Declaration.

(1) The term natural condition shall mean the condition of the protected property at the time of this grant. Declarant certifies there are no structures or other man-made improvements existing on the Property. Declarant further certifies there are no previously granted easements existing on the Property which interfere or conflict with the purpose of this Declaration of Restrictions.

2. The Rights of ACOE and the Service. To accomplish the purposes of this Declaration, Declarant hereby grants the following rights to ACOE and the Service by this Declaration:

(1) To enter upon the Property at reasonable times in order to monitor Declarant's compliance with and to otherwise enforce the terms of this Declaration and for scientific research and interpretive purposes by ACOE, the Service or their designees, provided that neither ACOE nor the Service shall unreasonably interfere with Declarant's use and quiet enjoyment of the Property;

(2) To prevent any activity on or use of the Property that is inconsistent with the purposes of this Declaration and to require the restoration of such areas or features of the Property that may be damaged by any act, failure to act, or any use that is inconsistent with the purposes of this Declaration;

3. Prohibited Uses. Any activity on or use of the Property inconsistent with the purposes of this Declaration is prohibited. Without limiting the generality of the foregoing, the following uses by Declarant, Declarant's agents, and third parties, are expressly prohibited:

(1) Unseasonal watering, use of herbicides, rodenticides, or weed abatement activities, incompatible fire protection activities and any and all other uses which may adversely affect the purposes of this Deed Restriction;

(2) Use of off-road vehicles;

(3) Grazing;

- (4) Erecting of any building, billboard, sign;
- (5) Depositing of soil, trash, ashes, garbage, waste, bio-solids or any other material;
- (6) Excavating, dredging or removing of loam, gravel, soil, rock, sand or other material;
- (7) Otherwise altering the general topography of the Property, including but not limited to building of roads and flood control work;
- (8) Removing, destroying, or cutting of trees, shrubs or other vegetation, except as required by law for (1) fire breaks, (2) maintenance of existing foot trails or roads, or (3) prevention or treatment of disease;
- (9) Establishment of any easement, for any purpose (without the written consent of ACOE and the Service), within the boundaries of the Property not already in existence as of the date this Declaration is executed; or
- (10) Surface entry for exploration or extraction of minerals.

4. Declarant's Duties. Declarant shall undertake reasonable actions (as discussed with the Service) to prevent the unlawful entry and trespass by persons whose activities may degrade or harm the Conservation Values of the Property.

5. Reserved Rights. Declarant reserves to itself, and to its personal representatives, heirs, successors, and assigns, all rights accruing from its ownership of the Property, including the right to engage in or to permit or invite others to engage in all uses of the Property that are consistent with the purposes of this Declaration.

6. Remedies of ACOE and the Service. If ACOE and the Service determine that Declarant is in violation of the terms of this Declaration or that a violation is threatened, ACOE and/or the Service shall give written notice to Declarant of such violation and demand in writing the cure of such violation. If Declarant fails to cure the violation within fifteen (15) days after receipt of said written notice and demand, or said cure reasonably requires more than fifteen (15) days to complete and Declarant fails to begin the cure within the fifteen (15) day period or fails to continue diligently to complete the cure, ACOE and/or the Service may bring an action at law or in equity in a court of competent jurisdiction to enforce compliance by Declarant with the terms of this Declaration, to recover any damages to which ACOE and/or the Service may be entitled for violation by Declarant of the terms of this Declaration, to enjoin the violation, *ex parte* as necessary, by temporary or permanent injunction without the necessity of proving either actual damages or the inadequacy of otherwise available legal remedies, or for other equitable relief, including, but not limited to, the restoration of the Property to the condition in which it existed prior to any such violation or injury. Without limiting Declarant's liability therefore, ACOE and/or the Service may apply any damages recovered to the cost of undertaking any corrective action on the Property.

If ACOE and the Service, in their discretion, determine that circumstances require immediate action to prevent or mitigate significant damage to the Conservation Values of the Property, ACOE and the Service may pursue their remedies under this paragraph without prior notice to Declarant or without waiting for the period provided for cure to expire. ACOE's and the Service's

rights under this paragraph apply equally to actual or threatened violations of the terms of this Declaration. Declarant agrees that ACOE's and the Service's remedies at law for any violation of the terms of this Declaration are inadequate and that ACOE and the Service shall be entitled to the injunctive relief described in this section, both prohibitive and mandatory, in addition to such other relief to which ACOE and/or the Service may be entitled, including specific performance of the terms of this Declaration. ACOE's and the Service's remedies described in this section shall be cumulative and shall be in addition to all remedies now or hereafter existing at law or in equity, including but not limited to, the remedies set forth in California Civil Code Section 815, *et seq.*, inclusive.

If at any time in the future Declarant or any subsequent transferee uses or threatens to use such lands for purposes inconsistent with this Declaration, notwithstanding California Civil Code Section 815.7, the Department of Justice has standing to enforce this Declaration.

6.1 Costs of Enforcement. Any costs incurred by ACOE and/or the Service in enforcing the terms of this Declaration against Declarant, including, but not limited to, costs of suit and attorneys' fees, and any costs of restoration necessitated by Declarant's violation or negligence under the terms of this Declaration shall be borne by Declarant.

6.2 ACOE's and the Service's Discretion. Enforcement of the terms of this Declaration shall be at the discretion of the ACOE and the Service, and any forbearance by ACOE and/or the Service to exercise its rights under this Declaration in the event of any breach of any term of the Declaration shall not be construed to be a waiver by ACOE or the Service of such terms or of any subsequent breach of the same or any other term of this Declaration or of any of ACOE's or the Service's rights under this Declaration. No delay or omission by ACOE and/or the Service in the exercise of any right or remedy upon any breach by Declarant shall impair such right or remedy or be construed as a waiver. Further, nothing in this Declaration creates non-discretionary duty upon the ACOE or the Service to enforce its provisions, nor shall deviation from these terms and procedures, or failure to enforce its provisions give rise to a private right of action against ACOE and/or the Service by any third parties.

6.3 Acts Beyond Declarant's Control. Nothing contained in this Declaration shall be construed to entitle ACOE or the Service to bring any action against Declarant for any significant injury to or change in the Property resulting from causes beyond Declarant's control, including: fire, flood, storm, and earth movement, trespassing or from any prudent action taken by Declarant under emergency conditions to prevent, abate, or mitigate significant injury to the Property or immediately adjacent property resulting from such causes. Such excuse from performance by Declarant shall only be allowed if such Catastrophic Event (or emergency event beyond Declarant's control) has caused a substantial failure of or degradation of the Conservation and Environmental values on the Property. Notwithstanding the foregoing, even actions undertaken during emergency conditions must receive prior authorization from the Department of Army (through expedited procedures, if appropriate) if the action involves discharge of dredged or fill material into jurisdictional "waters of the United States" and must comply with the Endangered Species Act.

6.4 Right of Enforcement. All rights and remedies conveyed to ACOE and the Service under this Declaration shall extend to and are enforceable by the Corps, the Service, the U.S. Department of Justice, and the United States Attorneys Office.

7. Access. This Declaration does not convey a general right of access to the public.

8. Costs and Liabilities. Declarant retains all responsibilities and shall bear all costs and liabilities of any kind related to the ownership, operation, upkeep, and maintenance of the Property.

8.1 Taxes. Declarant shall pay before delinquency all taxes, assessments, fees, and charges of whatever description levied on or assessed against the Property by competent authority (collectively "taxes"), including any taxes imposed upon, or incurred as a result of, this Declaration, and shall furnish ACOE and the Service with satisfactory evidence of payment upon request.

8.2 Condemnation. The purposes of the Property for conservation purposes are presumed to be the best and most necessary public use as defined at California Civil Procedure Code Section 1240.680 notwithstanding California Civil Procedure Code Sections 1240.690 and 1240.700.

9. Assignment. This Declaration is transferable, but ACOE and the Service may assign its rights under this Declaration only to an entity or organization authorized to acquire and hold Declarations pursuant to California Civil Code Section 815.3, or a bonafide land trust. ACOE and the Service shall require the assignee to record the assignment in the county where the Property is located.

10. Subsequent Transfers. Declarant agrees to incorporate the terms of this Declaration in any deed or other legal instrument by which Declarant divests itself of any interest in all or a portion of the Property, including, without limitation, a leasehold interest. Declarant further agrees to give written notice to ACOE and the Service of the intent to transfer of any interest at least fifteen (15) days prior to the date of such transfer. ACOE shall have the right to prevent subsequent transfers in which prospective subsequent claimants or transferees are not given notice of the covenants, terms, conditions and restrictions of this Declaration. The failure of Declarant or ACOE to perform any act provided in this section shall not impair the validity of this Declaration or limit its enforceability in any way.

11. Notices. Any notice, demand, request, consent, approval, or communication that either party desires or is required to give to the other shall be in writing and be served personally or sent by first class mail, postage prepaid, addressed as follows:

To Declarant: Barrington Heights, LLC
22861 Tindaya
Mission Viejo, CA 92692
Attn: Robert W. Love

To ACOE: U.S. Army Corps of Engineers
District Counsel
U.S. Army Corps of Engineers
911 Wilshire Blvd, Room 1535
Los Angeles, CA 90017-3401

To the Service: U.S. Fish and Wildlife Service
Carlsbad Fish and Wildlife Office
2730 Loker Avenue West
Carlsbad, CA 92008

or to such other address as either party shall designate by written notice to the other. Notice shall be deemed effective upon delivery in the case of personal delivery or, in the case of delivery by first class mail, five (5) days after deposit into the United States mail.

12. Extinguishment. This Declaration may be extinguished by Declarant only after receiving written concurrence from ACOE.

13. Amendment. This Declaration may be amended by Declarant only after written concurrence by ACOE. Any such amendment shall be consistent with the purposes of this Declaration and, except as provided in Section 12, shall not affect its perpetual duration. Any such amendment shall be recorded in the official records of Orange County, State of California.

14. General Provisions.

(1) Controlling Law. The interpretation and performance of this Declaration shall be governed by the laws of the State of California.

(2) Liberal Construction. Any general rule of construction to the contrary notwithstanding, this Declaration shall be liberally construed in favor of the deed to effect the purpose of this Declaration and the policy and purpose California Civil Code Section 815, *et seq.* If any provision in this instrument is found to be ambiguous, an interpretation consistent with the purposes of this Declaration that would render the provision valid shall be favored over any interpretation that would render it invalid.

(3) Severability. If a court of competent jurisdiction voids or invalidates on its face any provision of this Declaration, such action shall not affect the remainder of this Declaration. If a court of competent jurisdiction voids or invalidates the application of any provision of this Declaration to a person or circumstance, such action shall not affect the application of the provision to other persons or circumstances.

(4) Entire Agreement. This instrument sets forth the entire agreement of the parties with respect to the Declaration and supersedes all prior discussions, negotiations, understandings, or agreements relating to the Declaration. No alteration or variation of this instrument shall be valid or binding unless contained in an amendment in accordance with Section 13.

(5) No Forfeiture. Nothing contained herein will result in a forfeiture or reversion of Declarant's title in any respect.

(6) Successors. The covenants, terms, conditions, and restrictions of this Declaration shall be binding upon, and inure to the benefit of, the parties hereto and their respective personal representatives, heirs, successors, and assigns and shall continue as a servitude running in perpetuity with the Property.

(7) Termination of Rights and Obligations. A party's rights and obligations under this Declaration terminate upon transfer of the party's interest in the Declaration or Property, except that liability for acts or omissions occurring prior to transfer shall survive transfer.

(8) Captions. The captions in this instrument have been inserted solely for convenience of reference and are not a part of this instrument and shall have no effect upon construction or interpretation.

IN WITNESS WHEREOF Declarant has executed this Declaration.

"Declarant"

BARRINGTON HEIGHTS, LLC

By:



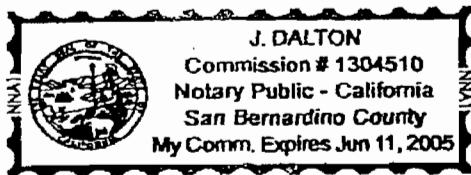
ROBERT W. LOVE

175: MANAGER

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California
County of San Bernardino
On Feb 7, 2002 before me, J. Dalton
Date Name and Title of Officer (e.g., "Jane Doe, Notary Public")
personally appeared Robert W. Lane
Name(s) of Signer(s)

☐ personally known to me – OR – ☒ proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by (his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.



WITNESS my hand and official seal.

J. Dalton
Signature of Notary Public

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: _____

Document Date: _____ Number of Pages: _____

Signer(s) Other Than Named Above: _____

Capacity(ies) Claimed by Signer(s)

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer

Title(s): _____

- ☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

Signer's Name: _____

- ☐ Individual
☐ Corporate Officer

Title(s): _____

- ☐ Partner — ☐ Limited ☐ General
☐ Attorney-in-Fact
☐ Trustee
☐ Guardian or Conservator
☐ Other: _____

Signer Is Representing: _____

RIGHT THUMBPRINT
OF SIGNER
Top of thumb here

EXHIBIT "A"
DEED RESTRICTED AREA
FOR CONSERVATION PURPOSES

APN: Portion of: 334-220-016
GRANTOR: KHALDA DEVELOPMENT, LLC
 A CALIF. LIMITED LIABILITY COMPANY

LEGAL DESCRIPTION

AN EASEMENT ACROSS PORTIONS OF PARCEL 5 OF PARCEL MAP NO.13118, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 80, PAGES 90 THROUGH 94, INCLUSIVE, OF PARCEL MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID EASEMENT BEING A PORTION OF SECTION 26, TOWNSHIP 5 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE WEST QUARTER-CORNER OF SAID SECTION 26, SAID POINT BEING ON THE WEST LINE OF SAID PARCEL 5 AS SHOWN ON SAID PARCEL MAP;

THENCE ALONG THE WESTERLY LINE OF SAID PARCEL 5 NORTH 0° 26' 51" WEST 355.99 FEET TO THE **TRUE POINT OF BEGINNING**;

THENCE NORTH 83°22'59" EAST 165.41 FEET;

THENCE SOUTH 48°54'09" EAST 37.88 FEET;

THENCE SOUTH 09°07'10" EAST 249.52 FEET;

THENCE SOUTH 49°13'24" EAST 45.97 FEET;

THENCE NORTH 86°49'29" EAST 92.45 FEET;

THENCE SOUTH 66°31'18" EAST 33.00 FEET;

THENCE SOUTH 41°21'51" EAST 26.64 FEET;

THENCE NORTH 61°28'24" EAST 108.93 FEET;

THENCE SOUTH 68°43'40" EAST 34.40 FEET;

THENCE SOUTH 22°52'45" EAST 89.02 FEET;

THENCE NORTH $81^{\circ}34'46''$ EAST 34.99 FEET;

THENCE SOUTH $71^{\circ}12'16''$ EAST 63.65 FEET;

THENCE SOUTH $23^{\circ}49'35''$ EAST 238.45 FEET TO A POINT ON THE NORTHERLY LINE OF A 60-FOOT WIDE ROAD EASEMENT AS SHOWN ON SAID PARCEL MAP;

THENCE ON A LINE PARALLEL WITH AND 30 FEET FROM THE SOUTHERLY, EASTERLY, AND NORTHEASTERLY LINE OF SAID PARCEL 5 THE FOLLOWING COURSES:

THENCE NORTH $74^{\circ}37'22''$ EAST 265.05 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 190.00 FEET;

THENCE NORTHEASTERLY ALONG SAID CURVE 72.95 FEET THROUGH A CENTRAL ANGLE OF $22^{\circ}00'00''$ TO THE BEGINNING OF A COMPOUND CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 145.00 FEET WITH A RADIAL BEARING OF SOUTH $37^{\circ}22'38''$ EAST;

THENCE NORTHEASTERLY AND NORTHERLY ALONG SAID CURVE 120.85 FEET THROUGH A CENTRAL ANGLE OF $47^{\circ}45'16''$ TO THE BEGINNING OF A COMPOUND CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 120.00 FEET WITH A RADIAL BEARING OF SOUTH $85^{\circ}07'54''$ EAST;

THENCE NORTHERLY AND NORTHWESTERLY ALONG SAID CURVE 188.50 FEET THROUGH A CENTRAL ANGLE OF $90^{\circ}00'00''$ TO THE BEGINNING OF A REVERSE CURVE CONCAVE NORTHEASTERLY HAVING A RADIUS OF 180.00 FEET WITH A RADIAL BEARING OF SOUTH $04^{\circ}52'06''$ WEST;

THENCE NORTHWESTERLY ALONG SAID CURVE 56.55 FEET THROUGH A CENTRAL ANGLE OF $17^{\circ}59'58''$;

THENCE NORTH $67^{\circ}07'56''$ WEST 463.93 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHEASTERLY HAVING A RADIUS OF 230.00 FEET;

THENCE NORTHWESTERLY ALONG SAID CURVE 139.53 FEET THROUGH A CENTRAL ANGLE OF $34^{\circ}45'32''$;

THENCE NORTH $32^{\circ}22'24''$ WEST 164.70 TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHWESTERLY HAVING A RADIUS OF 370.00 FEET;

THENCE NORTHWESTERLY ALONG SAID CURVE 155.06 FEET THROUGH A CENTRAL ANGLE OF $24^{\circ}00'43''$;

THENCE NORTH $56^{\circ}23'07''$ WEST 239.85 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHEASTERLY HAVING A RADIUS OF 180.00 FEET;

THENCE NORTHWESTERLY AND NORTHERLY ALONG SAID CURVE 70.31 FEET THROUGH A CENTRAL ANGLE OF $22^{\circ}22'49''$ TO A POINT ON SAID WEST LINE OF SAID PARCEL 5 AS SHOWN ON SAID PARCEL MAP;

THENCE LEAVING SAID PARALLEL LINE, SOUTH $00^{\circ}26'51''$ EAST, ALONG SAID WEST LINE OF SAID PARCEL 5 OF SAID PARCEL MAP, 462.64 FEET TO THE **TRUE POINT OF BEGINNING.**

THE ABOVE-DESCRIBED PARCEL CONTAINS 392,142 SQUARE FEET (9.002 ACRES) PLUS OR MINUS.

SEE ATTACHED EXHIBIT 'B'.

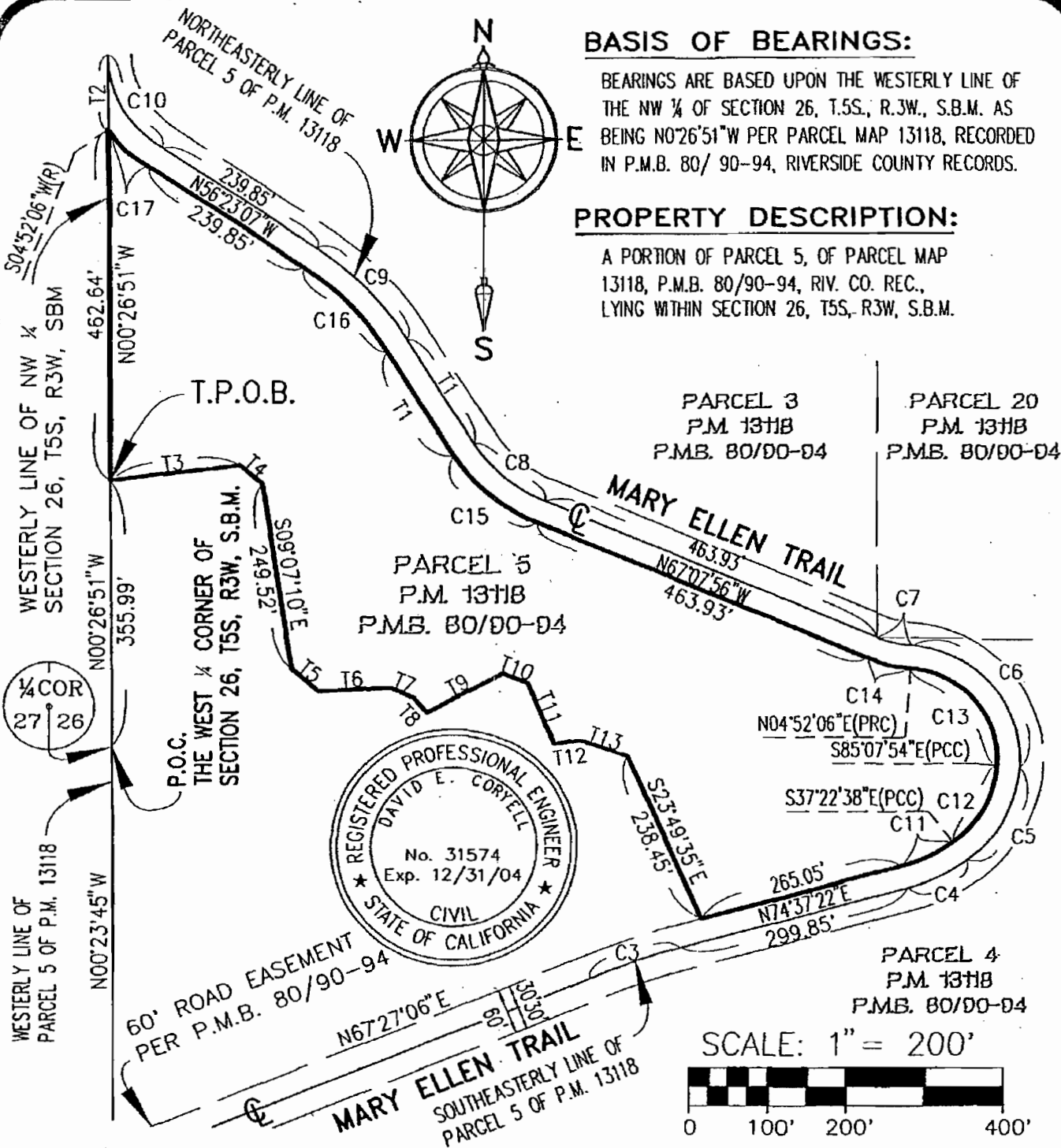
PREPARED UNDER THE SUPERVISION OF

[Handwritten signature of David E. Coryell]

DAVID E. CORYELL, R.C.E. 31574

DATE: 2-01-02 EXPIRES: DEC. 31, 2004





PROPERTY OWNER:

KHALDA DEVELOPMENT, LLC
 22861 TINDAYA
 MISSION VIEJO, CALIFORNIA 92692-1326

PLAT PREPARED BY:

David E. Coryell

DAVID E. CORYELL, R.C.E. 31574 EXP. 12/31/04

CSL Engineering, Inc.

11651 Sterling Avenue, Suite 'E'
 Riverside, CA 92503-4933
 (909) 785-5122 FAX: (909) 785-5180

EXHIBIT "B"
COUNTY OF RIVERSIDE
CONSERVATION EASEMENT

DATE: JANUARY, 2002

SCALE: 1" = 200'

PAGE 1 OF 2

TANGENT DATA

NO.	BEARING	DISTANCE
T1	N 32°22'24"W	164.70'
T2	N 00°26'51"W	99.50'
T3	N 83°22'59"E	165.41'
T4	S 48°54'09"E	37.88'
T5	S 49°13'24"E	45.97'
T6	N 86°49'29"E	92.45'
T7	S 66°31'18"E	33.00'
T8	S 41°21'51"E	26.64'
T9	N 61°28'24"E	108.93'
T10	S 68°43'40"E	34.40'
T11	S 22°52'45"E	89.02'
T12	N 81°34'46"E	34.99'
T13	S 71°12'16"E	63.65'



CURVE DATA

NO.	ANGLE	RADIUS	LENGTH	TANGENT
C1	29°39'10"	200.00'	103.51'	52.94'
C2	90°00'33"	150.00'	235.64'	150.02'
C3	7°10'16"	1000.00'	125.16'	62.66'
C4	22°00'00"	220.00'	84.47'	42.76'
C5	47°45'16"	175.00'	145.86'	77.47'
C6	90°00'00"	150.00'	235.62'	150.00'
C7	17°59'58"	150.00'	47.12'	23.76'
C8	34°45'32"	200.00'	121.33'	62.60'
C9	24°00'43"	400.00'	167.63'	85.07'
C10	55°56'16"	150.00'	146.44'	79.65'
C11	22°00'00"	190.00'	72.95'	36.93'
C12	47°45'16"	145.00'	120.85'	64.19'
C13	90°00'00"	120.00'	188.50'	120.00'
C14	17°59'58"	180.00'	56.55'	28.51'
C15	34°45'32"	230.00'	139.53'	71.99'
C16	24°00'43"	370.00'	155.06'	78.69'
C17	22°22'49"	180.00'	70.31'	35.61'

PROPERTY OWNER:

KHALDA DEVELOPMENT, LLC
22861 TINDAYA
MISSION VIEJO, CALIFORNIA 92692-1326

PLAT PREPARED BY:

DAVID E. CORYELL, R.C.E. 31574 EXP. 12/31/04

CSL Engineering, Inc.

11651 Sterling Avenue, Suite 'E'
Riverside, CA 92503-4933
(909) 785-5122 FAX: (909) 785-5180

EXHIBIT "B" COUNTY OF RIVERSIDE CONSERVATION EASEMENT

DATE: JANUARY, 2002

SCALE: 1" = 200'

PAGE 2 OF 2

EXHIBIT "A"
DEED RESTRICTED AREA
FOR CONSERVATION PURPOSES

APN: Portions of: 334-100-016
334-100-017
334-100-018
GRANTOR: KHALDA DEVELOPMENT, LLC
A CALIF. LIMITED LIABILITY COMPANY

LEGAL DESCRIPTION

AN EASEMENT ACROSS PORTIONS OF PARCELS 2, 3, AND 4 OF PARCEL MAP NO.18445, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 126 PAGES 81 THROUGH 82, INCLUSIVE, OF PARCEL MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID EASEMENT BEING A PORTION OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWEST CORNER OF SAID PARCEL 4;

THENCE ALONG THE SOUTHERLY LINE OF PARCEL 1 OF SAID PARCEL MAP NORTH $72^{\circ}12'15''$ EAST 821.35 FEET TO THE SOUTHWEST CORNER OF SAID PARCEL 2 OF SAID PARCEL MAP;

THENCE ALONG THE WESTERLY LINE OF SAID PARCEL 2 NORTH $00^{\circ}51'30''$ EAST 164.53 FEET;

THENCE LEAVING SAID WESTERLY LINE SOUTH $72^{\circ}32'08''$ EAST 223.57 FEET;

THENCE SOUTH $89^{\circ}08'30''$ EAST 235.76 FEET;

THENCE SOUTH $60^{\circ}23'38''$ EAST 388.46 FEET;

THENCE SOUTH $25^{\circ}13'54''$ EAST 70.65 FEET;

THENCE SOUTH $07^{\circ}45'07''$ WEST 153.33 FEET;

THENCE SOUTH $21^{\circ}14'57''$ EAST 250.00 FEET;

THENCE SOUTH $66^{\circ}36'38''$ WEST 124.81 FEET;

THENCE SOUTH $46^{\circ}13'16''$ WEST 169.96 FEET;

THENCE NORTH $79^{\circ}51'38''$ WEST 214.27 FEET;

THENCE SOUTH $83^{\circ}37'02''$ WEST 231.78 FEET;

THENCE SOUTH $55^{\circ}31'49''$ WEST 587.37 FEET TO A POINT ON THE WESTERLY LINE OF SAID

PARCEL 4 OF SAID PARCEL MAP;

THENCE ALONG THE WESTERLY LINE OF SAID PARCEL 4 NORTH $05^{\circ}35'57''$ WEST 336.09 FEET;

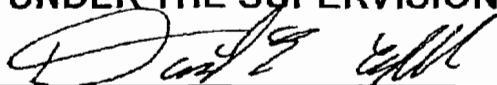
THENCE NORTH $49^{\circ}19'33''$ WEST 569.45 FEET;

THENCE NORTH $29^{\circ}23'33''$ WEST 89.33 FEET TO THE POINT OF BEGINNING.

THE ABOVE-DESCRIBED PARCEL CONTAINS 1,048,872 SQUARE FEET (24.079 ACRES) PLUS OR MINUS.

SEE ATTACHED EXHIBIT 'B'.

PREPARED UNDER THE SUPERVISION OF



DAVID E. CORYELL, R.C.E. 31574

DATE: 2-01-02 EXPIRES: DEC. 31, 2004

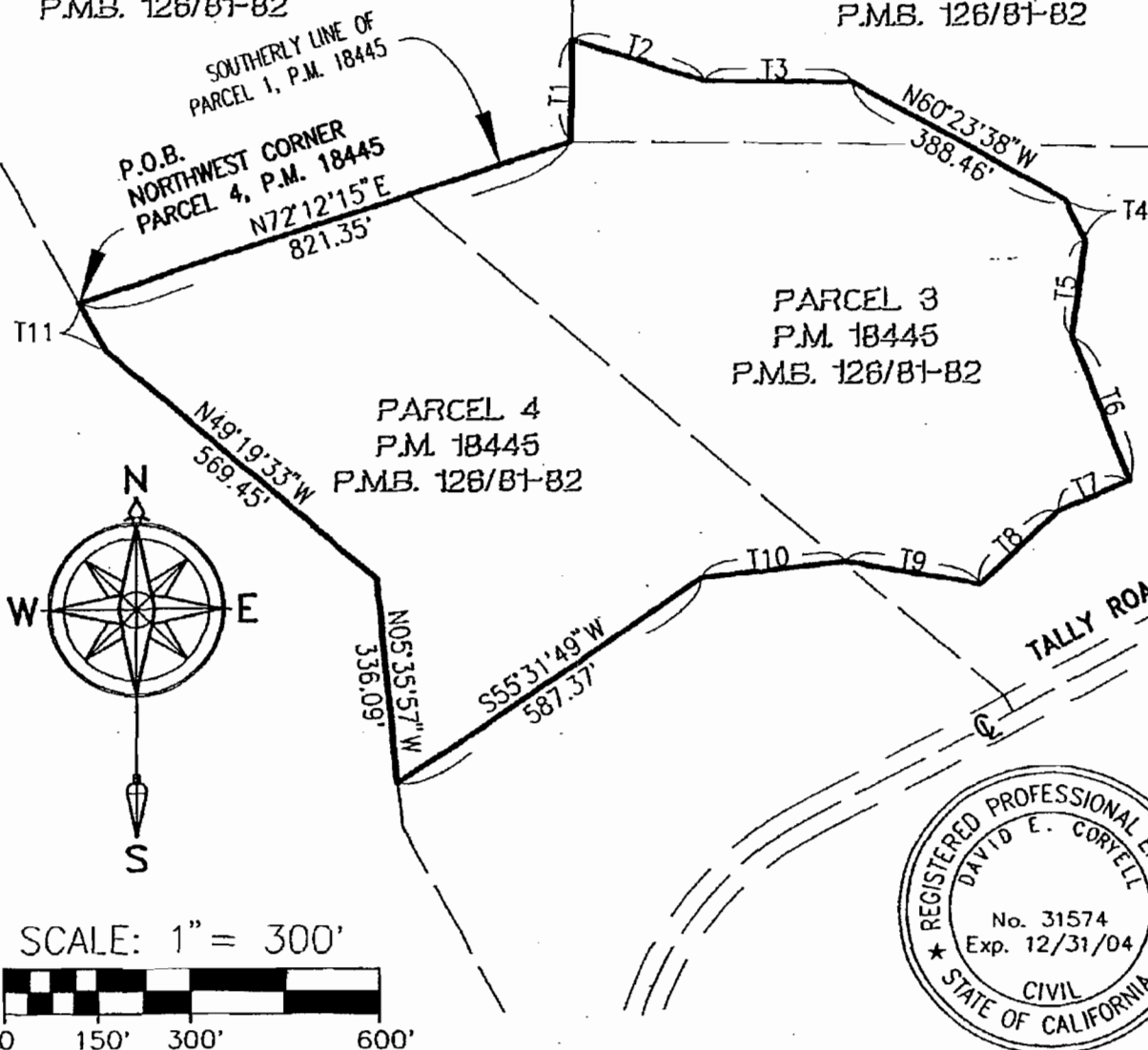


PARCEL 1
P.M. 18445
P.M.B. 126/81-82

PARCEL 2
P.M. 18445
P.M.B. 126/81-82

PARCEL 3
P.M. 18445
P.M.B. 126/81-82

PARCEL 4
P.M. 18445
P.M.B. 126/81-82



BASIS OF BEARINGS:

BEARINGS ARE BASED UPON THE SOUTHERLY LINE
OF PARCEL 1 OF PARCEL MAP 18445 AS BEING
N72°12'15"E PER PARCEL MAP 18445, RECORDED IN
P.M.B. 126/81-82, RIVERSIDE COUNTY RECORDS.

PROPERTY DESCRIPTION:

A PORTION OF PARCELS 2, 3, & 4 OF PARCEL
MAP 18445, P.M.B. 126/81-82, RIV. CO. REC.,
LYING WITHIN SECTION 26, T5S, R3W, S.B.M.

PROPERTY OWNER:

KHALDA DEVELOPMENT, LLC
22861 TINDAYA
MISSION VIEJO, CALIFORNIA 92692-1326

PLAT PREPARED BY:

David E. Coryell
DAVID E. CORYELL, R.C.E. 31574 EXP. 12/31/04

CSL Engineering, Inc.

11651 Sterling Avenue, Suite 'E'
Riverside, CA 92503-4933
(909) 785-5122 FAX: (909) 785-5180

EXHIBIT "B" COUNTY OF RIVERSIDE CONSERVATION EASEMENT

DATE: JANUARY, 2002

SCALE: 1" = 300'

PAGE 1 OF 2

TANGENT DATA		
NO.	BEARING	DISTANCE
T1	N 00°51'30"E	164.53'
T2	S 72°32'08"E	223.57'
T3	S 89°08'30"E	235.76'
T4	S 25°13'54"E	70.65'
T5	S 07°45'07"W	153.33'
T6	S 21°14'57"E	250.00'
T7	S 66°36'38"W	124.81'
T8	S 46°13'16"W	169.96'
T9	N 79°51'38"W	214.27'
T10	S 83°37'02"W	231.78'
T11	N 29°23'33"W	89.33'



PROPERTY OWNER:
 KHALDA DEVELOPMENT, LLC
 22861 TINDAYA
 MISSION VIEJO, CALIFORNIA 92692-1326

PLAT PREPARED BY:

David E. Coryell
 DAVID E. CORYELL, R.C.E. 31574 EXP. 12/31/04

CSL Engineering, Inc.
 11651 Sterling Avenue, Suite 'E'
 Riverside, CA 92503-4933
 (909) 785-5122 FAX:(909) 785-5180

EXHIBIT "B"
 COUNTY OF RIVERSIDE
 CONSERVATION EASEMENT

DATE: JANUARY, 2002

SCALE: 1" = 300'

PAGE 2 OF 2

EXHIBIT "A"
DEED RESTRICTED AREA
FOR CONSERVATION PURPOSES

APN: Portions of: 334-100-017
334-100-019
334-100-020
334-100-021
334-100-016

GRANTOR: KHALDA DEVELOPMENT, LLC
A CALIF. LIMITED LIABILITY COMPANY

LEGAL DESCRIPTION

AN EASEMENT ACROSS PORTIONS OF PARCELS 3, 5, 6, 7, AND 8 OF PARCEL MAP No.18445, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS SHOWN BY MAP ON FILE IN BOOK 126 PAGES 81 THROUGH 82, INCLUSIVE, OF PARCEL MAPS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, SAID EASEMENT BEING A PORTION OF SECTION 27, TOWNSHIP 5 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE SOUTHEAST CORNER OF SAID SECTION 27, SAID POINT ALSO BEING ON THE SOUTHEAST CORNER OF SAID PARCEL 7 AS SHOWN ON SAID PARCEL MAP;

THENCE ALONG THE SOUTHERLY LINE OF SAID SECTION 27 NORTH 89°11'50" WEST 2091.19 FEET;

THENCE LEAVING SAID SOUTHERLY LINE NORTH 01°41'57" WEST 354.35 FEET;

THENCE NORTH 44°07'28" WEST 153.66 FEET;

THENCE NORTH 69°08'19" WEST 282.10 FEET;

THENCE NORTH 20°51'41" EAST 129.53 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE SOUTHEASTERLY HAVING A RADIUS OF 570.00 FEET;

THENCE NORTHEASTERLY ALONG SAID CURVE 447.68 FEET THROUGH A CENTRAL ANGLE OF 45°00'00";

THENCE NORTH 65°51'41" EAST 300.00 FEET TO THE BEGINNING OF A TANGENT CURVE CONCAVE NORTHWESTERLY HAVING A RADIUS OF 630.00 FEET;

THENCE NORTHEASTERLY ALONG SAID CURVE 454.10 FEET THROUGH A CENTRAL ANGLE OF 41°17'55";

THENCE SOUTH 34°20'52" EAST 90.87 FEET;

THENCE SOUTH 56°12'04" EAST 195.77 FEET;

THENCE SOUTH 86°48'12" EAST 143.30 FEET;

THENCE NORTH 42°04'43" EAST 80.20 FEET;

THENCE NORTH 30°58'36" EAST 88.91 FEET;

THENCE SOUTH 82°02'13" EAST 93.41 FEET;

THENCE NORTH 19°45'11" EAST 96.27 FEET;

THENCE SOUTH 70°14'49" EAST 144.34 FEET;

THENCE NORTH 29°23'32" EAST 37.67 FEET;

THENCE NORTH 16°47'37" EAST 122.20 FEET;

THENCE NORTH 45°10'11" EAST 61.76 FEET;

THENCE NORTH 67°54'54" EAST 248.34 FEET;

THENCE NORTH 45°13'44" EAST 195.77 FEET;

THENCE SOUTH 62°48'33" EAST 162.61 FEET;

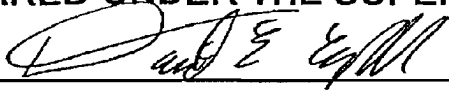
THENCE SOUTH 87°22'49" EAST 196.42 FEET TO A POINT ON THE EASTERLY LINE OF SAID SECTION 27;

THENCE ALONG SAID EASTERLY LINE OF SAID SECTION 27 SOUTH 00°23'45" EAST 1782.25 FEET TO THE TRUE POINT OF BEGINNING.

THE ABOVE-DESCRIBED PARCEL CONTAINS 3,180,186 SQUARE FEET (73.007 ACRES) PLUS OR MINUS.

SEE ATTACHED EXHIBIT 'B'.

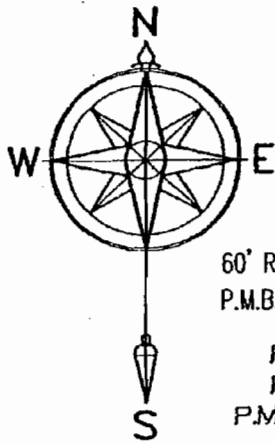
PREPARED UNDER THE SUPERVISION OF



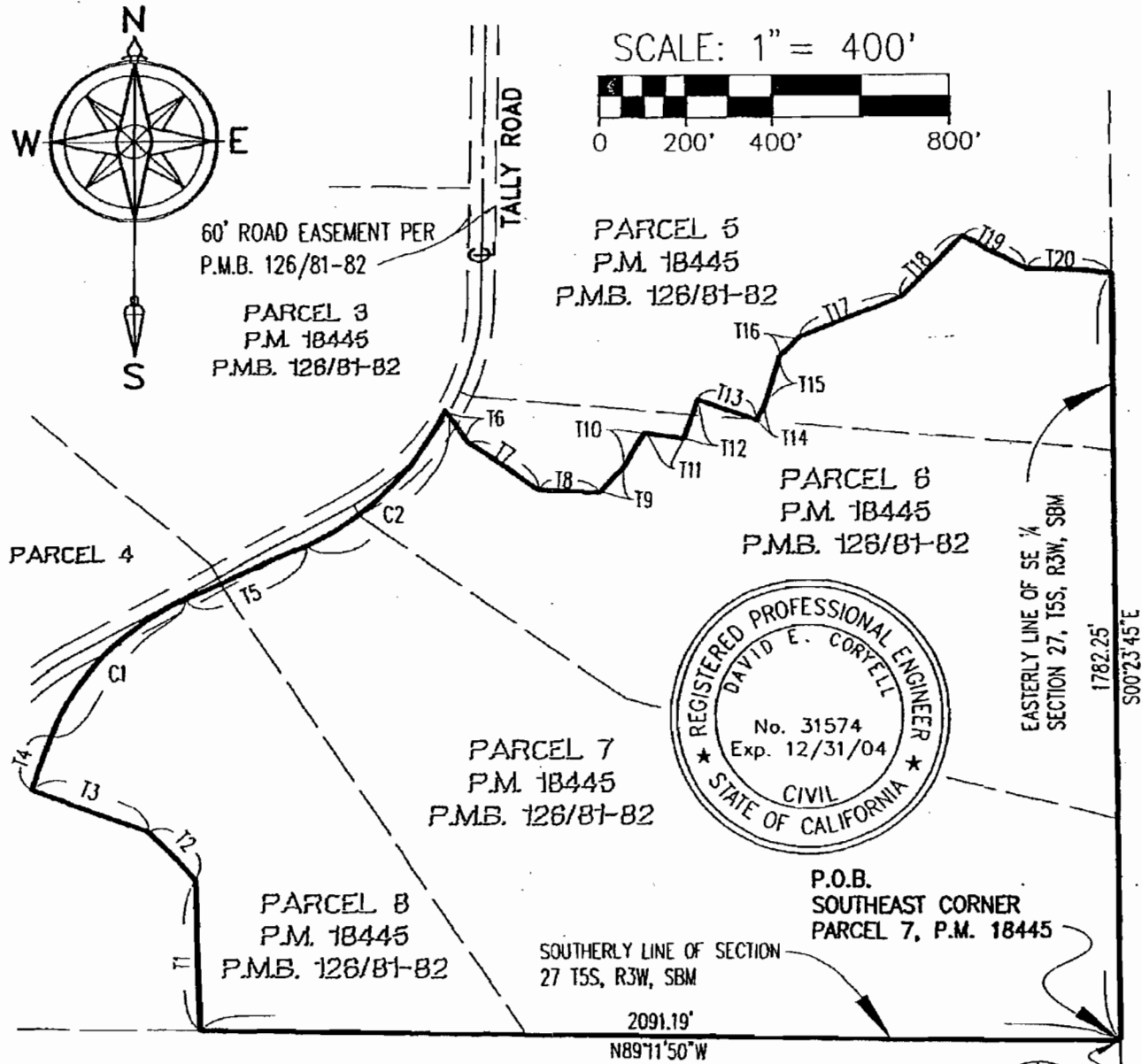
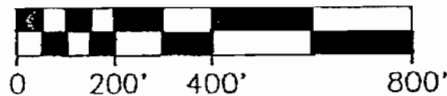
DAVID E. CORYELL, R.C.E. 31574

DATE: 2-1-02 EXPIRES: DEC. 31, 2004





SCALE: 1" = 400'

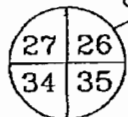


BASIS OF BEARINGS:

BEARINGS ARE BASED UPON THE EASTERLY LINE OF THE SE 1/4 OF SECTION 27, T5S., R3W., S.B.M. AS BEING N0°23'45\"/>

PROPERTY DESCRIPTION:

PORTIONS OF PARCELS 3, 5, 6, 7, & 8 OF PARCEL MAP 18445, P.M.B. 126/81-82, RIV. CO. REC., LYING WITHIN SECTION 26, T5S, R3W, S.B.M.



PROPERTY OWNER:

KHALDA DEVELOPMENT, LLC
22861 TINDAYA
MISSION VIEJO, CALIFORNIA 92692-1326

PLAT PREPARED BY:

DAVID E. CORYELL, R.C.E. 31574 EXP. 12/31/04

CSL Engineering, Inc.

11651 Sterling Avenue, Suite 'E'
Riverside, CA 92503-4933
(909) 785-5122 FAX:(909) 785-5180

EXHIBIT "B"
COUNTY OF RIVERSIDE
CONSERVATION EASEMENT

DATE: JANUARY, 2002

SCALE: 1" = 400'

PAGE 1 OF 2

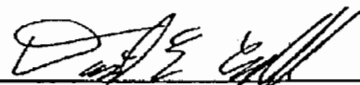
TANGENT DATA		
NO.	BEARING	DISTANCE
T1	N 01°41'57"W	354.35'
T2	N 44°07'28"W	153.66'
T3	N 69°08'19"W	282.10'
T4	N 20°51'41"E	129.53'
T5	N 65°51'41"E	300.00'
T6	S 34°20'52"E	90.87'
T7	S 56°12'04"E	195.77'
T8	S 86°48'12"E	143.30'
T9	N 42°04'43"E	80.20'
T10	N 30°58'36"E	88.91'
T11	S 82°02'13"E	93.41'
T12	N 19°45'11"E	96.27'
T13	S 70°14'49"E	144.34'
T14	N 29°23'32"E	37.67'
T15	N 16°47'37"E	122.20'
T16	N 45°10'11"E	61.76'
T17	N 67°54'54"E	248.34'
T18	N 45°13'44"E	195.77'
T19	S 62°48'33"E	162.61'
T20	S 87°22'49"E	196.42'



CURVE DATA				
NO.	ANGLE	RADIUS	LENGTH	TANGENT
C1	45°00'00"	570.00'	447.68'	236.10'
C2	41°17'55"	630.00'	454.10'	237.42'

PROPERTY OWNER:
 KHALDA DEVELOPMENT, LLC
 22861 TINDAYA
 MISSION VIEJO, CALIFORNIA 92692-1326

PLAT PREPARED BY:


 DAVID E. CORYELL, R.C.E. 31574 EXP. 12/31/04

CSL Engineering, Inc.
 11651 Sterling Avenue, Suite 'E'
 Riverside, CA 92503-4933
 (909) 785-5122 FAX:(909) 785-5180

EXHIBIT "B"
 COUNTY OF RIVERSIDE
 CONSERVATION EASEMENT

DATE: JANUARY, 2002

SCALE: 1" = 400'

PAGE 2 OF 2

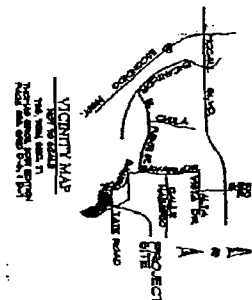



Exhibit C

	TO: SAC, NEW YORK	FROM: SAC, NEW YORK	DATE: 5/17/72	BY: [Signature]
	SUBJECT: [Redacted]	RE: [Redacted]	DATE: 5/17/72	BY: [Signature]
	TO: SAC, NEW YORK	FROM: SAC, NEW YORK	DATE: 5/17/72	BY: [Signature]
	SUBJECT: [Redacted]	RE: [Redacted]	DATE: 5/17/72	BY: [Signature]
	TO: SAC, NEW YORK	FROM: SAC, NEW YORK	DATE: 5/17/72	BY: [Signature]



**FRANK
RADMACHER
ASSOCIATES, INC.**
Landscape Architects
1475 BAY (749-424-4242)
LOS ANGELES, CA 90047
FRANK@FRANKRADMACHER.COM

BARRINGTON HEIGHTS
TRACT 29072-1 COUNTY OF RIVERSIDE, CALIFORNIA
R.K.E. / BARRINGTON HEIGHTS L.L.C.
2801 YENDAYA, MURBURN CIRCLE, CALIFORNIA 92502

FUEL MODIFICATION F

EXHIBIT "C"

FUEL MODIFICATION ZONES

RECORDING REQUESTED BY:

WHEN RECORDED RETURN TO:

Exhibit
only

(Tract 29072-1, Phase 1)

GRANT DEED

The undersigned Grantor declares:

- (1) The documentary transfer tax is \$_____, which is computed on full value of the property conveyed, County of Riverside;
- (2) The property is located in the unincorporated area of the County of Riverside.

FOR VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, BARRINGTON HEIGHTS, LLC, a California limited liability company ("Grantor"), hereby grants to Mr. & Mrs. Sample Buyer, ("Grantee") the following described real property in the unincorporated area of the County of Riverside, State of California: AS PER EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF.

Dated: _____, 200__

BARRINGTON HEIGHTS, LLC,
a California limited liability company

By: _____
Its: _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF)

On _____, before me, _____, personally
appeared _____, personally known to me (or proved to
me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed
to the within instrument, and acknowledged to me that he/she/they executed the same in
his/her/their authorized capacity(ies), and that by his/her/their signatures on the instrument
the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

NOTARY PUBLIC

Exhibit

Exhibit

EXHIBIT "A"

PARCEL 1: LOT NO. _____ OF TRACT NO. 29072-1, IN THE COUNTY OF RIVERSIDE, STATE OF CALIFORNIA, AS PER MAP FILED IN BOOK _____, PAGES _____ THROUGH _____, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

RESERVING FROM SAID LAND, FOR THE BENEFIT OF GRANTOR, ITS SUCCESSORS IN INTEREST, AND OTHERS, EASEMENTS FOR ACCESS, USE, ENJOYMENT, MAINTENANCE, REPAIRS, AND FOR OTHER PURPOSES, ALL AS DESCRIBED IN THAT CERTAIN DECLARATION OF ESTABLISHMENT OF CONDITIONS, COVENANTS AND RESTRICTIONS FOR BARRINGTON HEIGHTS ("DECLARATION"), RECORDED _____, 200____, AS INSTRUMENT NO. _____, OF OFFICIAL RECORDS, AS AMENDED.

PARCEL 2: NONEXCLUSIVE EASEMENTS FOR ACCESS, INGRESS, EGRESS, USE, ENJOYMENT, DRAINAGE, ENCROACHMENT, SUPPORT, MAINTENANCE, REPAIRS, AND FOR OTHER PURPOSES, ALL AS DESCRIBED IN THE DECLARATION.

SUBJECT TO:

1. TAXES FOR THE FISCAL YEAR.
2. COVENANTS, CONDITIONS, RESTRICTIONS, RESERVATIONS, RIGHTS, RIGHTS OF WAY, EASEMENTS OF RECORD, IF ANY.

GRANTEE, BY ACCEPTANCE AND RECORDATION OF THIS DEED, HEREBY (A) ACCEPTS AND APPROVES ALL OF THE FOREGOING IN THIS DEED, (B) GRANTS TO GRANTOR AND BARRINGTON HEIGHTS HOMEOWNERS' ASSOCIATION, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION, SUCH POWERS AND RIGHTS AS ARE SET FORTH IN THE DECLARATION, AND (C) ACCEPTS, APPROVES, ADOPTS, RATIFIES AND AGREES TO BE BOUND BY, AND TO ASSUME PERFORMANCE OF, ALL OF THE APPLICABLE REQUIREMENTS, COVENANTS, CONDITIONS, RESERVATIONS, RESTRICTIONS, EASEMENTS AND OTHER MATTERS SET FORTH IN THE DECLARATION, AND ALL AMENDMENTS THERETO, ALL OF WHICH PROVISIONS ARE INCORPORATED HEREIN BY REFERENCE THERETO WITH THE SAME FORCE AND EFFECT AS THOUGH FULLY SET FORTH HEREIN AT LENGTH, AND AGREES TO PAY PROMPTLY WHEN DUE, ANY AND ALL ASSESSMENTS AS REQUIRED UNDER THE DECLARATION.

ACT MAP Tract #: TR29593

Parcel: 957-350-002

50. PRIOR TO MAP RECORDATION

50.PLANNING. 36 MAP -CC&R RES CSA COM. AREA (cont.)

INEFFECT

submitted documents; and

1. One (1) copy AND one (1) original, wet signed, notarized and ready for recordation declaration of covenants, conditions and restrictions; attached to these documents there shall be included a legal description of the property included within the covenants, conditions and restrictions and a scaled map or diagram of such boundaries, both signed and stamped by a California registered civil engineer or licensed land surveyor; and

2. A sample document conveying title to the purchaser of an individual lot or unit which provides that the declaration of covenants, conditions and restrictions is incorporated therein by reference; and,

3. A deposit equaling three (3) hours of the of the current hourly fee for Review of Covenants, Conditions and Restrictions established pursuant to County Ordinance No. 671 at the time the above referenced documents are submitted to the Office of the County Counsel review and approval.

The declaration of covenants, conditions and restrictions submitted for review shall a) provide for a minimum term of 60 years, b) provide for the establishment of a property owners' association comprised of the owners of each individual lot or unit as tenants in common, and c) contain the following provisions verbatim:

"Notwithstanding any provision in this Declaration to the contrary, the following provisions shall apply:

The property owners' association established herein shall, if dormant, be activated, by incorporation or otherwise, at the request of the County of Riverside, and the property owner's association shall unconditionally accept from the County of Riverside, upon the County's demand, title to all or any part of the 'common area', more particularly described on Exhibit '_____', attached hereto. The decision to require activation of the property owners' association and the decision to require that the association unconditionally accept title to the 'common area' shall be at the sole discretion of the County of Riverside.

Exhibit

CT MAP Tract #: TR29593

Parcel: 957-350-002

0. PRIOR TO MAP RECORDATION

50.PLANNING. 36 MAP -CC&R RES CSA COM. AREA (cont.) (cont.) INEFFECT

In the event that the 'common area', or any part thereof, is conveyed to the property owners' association, the association, thereafter, shall own such 'common area', shall manage and continuously maintain such 'common area', and shall not sell or transfer such 'common area', or any part thereof, absent the prior written consent of the Planning Director of the County of Riverside or the County's successor-in-interest. The property owners' association shall have the right to assess the owner of each individual lot or unit for the reasonable cost of maintaining such 'common area', and shall have the right to lien the property of any such owner who defaults in the payment of a maintenance assessment. An assessment lien, once created, shall be prior to all other liens recorded subsequent to the notice of assessment or other document creating the assessment lien.

This Declaration shall not be terminated, 'substantially' amended, or property deannexed therefrom absent the prior written consent of the Planning Director of the County of Riverside or the County's successor-in-interest. A proposed amendment shall be considered 'substantial' if it affects the extent, usage or maintenance of the 'common area' established pursuant to the Declaration.

In the event of any conflict between this Declaration and the Articles of Incorporation, the Bylaws, or the property owners' association Rules and Regulations, if any, this Declaration shall control."

Once approved, the copy and the original declaration of covenants, conditions and restrictions shall be forwarded by the Office of the County Counsel to the Planning Department. The Planning Department will retain the one copy for the case file, and forward the wet signed and notarized original declaration of covenants, conditions and restrictions to the County Transportation Department - Survey Division - for safe keeping until the final map is ready for recordation. The County Transportation Department - Survey Division - shall record the original declaration of covenants, conditions and restrictions in conjunction with the recordation of the final map.

Exhibit