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DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS, AND
RESERVATION OF EASEMENTS FOR
CHARDONNAY HILLS
(A Multi-Phased Residential Master Planned Community)

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EXHIBITS

- | | |
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| EXHIBIT "A" | Description of the Property |
| EXHIBIT "B" | Description of the Annexation Property |
| EXHIBIT "C" | Description and Depiction of the Association
Property |
| EXHIBIT "D" | Depiction of the Maintenance Areas |

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

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS FOR CHARDONNAY HILLS is made this 24th day of April, 1990, by MARLBOROUGH DEVELOPMENT CORPORATION, a California corporation ("Declarant").

R E C I T A L S:

A. Declarant owns that certain real property located in the City of Temecula, County of Riverside, State of California, more particularly described in Exhibit "A" attached hereto (the "Property"). (Various capitalized terms used in this Preamble are defined in Article I hereinbelow);

B. Declarant also owns that certain real property located in the City of Temecula, County of Riverside, State of California, more particularly described in Exhibit "B" attached hereto (the "Annexation Property");

C. Declarant desires that the Property, and any portions of the Annexation Property which are annexed thereto pursuant to this Declaration (the "Project"), be developed as a residential master planned community, and that the Project shall be developed in a manner consistent with the overall plan of development submitted to and approved by the Department of Veteran's Affairs;

D. Declarant deems it desirable to establish a general plan for the development, maintenance, care, improvement, protection, use and management of the Project and in furtherance thereof, to impose protective covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges ("Protective Covenants") on the Project for the purpose of protecting and preserving the value, desirability and attractiveness of the Project;

E. Declarant further deems it desirable for the efficient enforcement of the Protective Covenants and for the protection and preservation of the value, desirability and attractiveness of the Project to create a corporation which shall be delegated and assigned the power and duties of: (i) owning, maintaining and administering the Association Property for the benefit of its Members and authorized guests, and (ii) administering and enforcing the Protective Covenants set forth herein;

F. CHARDONNAY HILLS HOMEOWNERS ASSOCIATION, a California nonprofit, mutual benefit corporation (the "Association") has been or will be incorporated for the purpose of exercising the aforesaid powers and duties; and

G. Declarant intends to convey the Project and any and all portions thereof, subject to the Protective Covenants set forth herein.

NOW, THEREFORE, Declarant declares that it does hereby establish a general plan for the development, maintenance, care, use and management of the Project, and that all of the Project shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved, subject to the Protective Covenants, set forth herein, all of which are for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Project. The Protective Covenants set forth herein shall run with the Project and shall be binding upon and shall inure to the benefit of Declarant and their respective grantees, successors, assigns, heirs, executors, administrators and devisees.

ARTICLE I
DEFINITIONS

Section 1. "Annexation Property" shall mean and refer to that certain real property described in Exhibit "B" attached hereto, including all Improvements constructed thereon, all or any part of which may be annexed from time to time into the Project and made subject to this Declaration and to the jurisdiction of the Association by the Declarant as set forth in the Article herein entitled "Annexation of Additional Property".

Section 2. "Architectural Control Committees" shall mean and refer to the Architectural Control Committees which may be formed by the Board pursuant to the Article herein entitled "Architectural Control."

Section 3. "Articles" shall mean and refer to the Articles of Incorporation of Chardonnay Hills Homeowners Association, as filed in the Office of the Secretary of State of the State of California, as such Articles may be amended, from time to time.

Section 4. "Assessments" shall be used as a generic term which shall mean and refer to the following:

(a) "Regular Assessment" shall mean and refer to the annual charge against each Owner and his respective Lot representing a portion of the Common Expenses of the Association;

(b) "Compliance Assessment" shall mean and refer to the charge against an Owner representing: (i) the costs incurred by the Association in the repair of any damage to the Association Property or Maintenance Areas for which such Owner was responsible; (ii) the costs incurred by the Association in bringing an Owner and his Lot into compliance with this Declaration; and/or (iii) any amount due the Association based upon disciplinary proceedings against an Owner in accordance with this Declaration;

(c) "Special Assessment" shall mean and refer to the charge against an Owner and his respective Lot representing: (i) a portion of the cost of reconstructing any damaged or destroyed portion or portions of the Association Property or Maintenance Areas; (ii) constructing or installing any capital improvements to the Association Property; or (iii) taking any extraordinary action for the benefit of the Association Property, Maintenance Areas or the membership of the Association pursuant to the provisions of this Declaration; and

(d) "Special Benefit Assessment" shall mean and refer to a charge levied by the Association against an Owner and his respective Lot to cover the expenses incurred by the Association in the operation, maintenance, repair and/or funding of reserves for a portion of the Project designated by Declarant as a Special Benefit Area, which expenses are allocable only to the Owners and their Lots within such an Area.

Section 5. "Association" shall mean and refer to Chardonnay Hills Homeowners Association, a nonprofit, mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns. Each Owner of a Lot in the Project shall be a Member of the Association.

Section 6. "Association Documents" shall mean and refer to the Articles, By-Laws, Declaration and the Rules and Regulations of the Association, as such documents may be amended from time to time. The Association Documents shall also include any Supplemental Custom Lot Declaration as described in the Article herein entitled "Annexation of Additional Property."

Section 7. "Association Property" shall mean and refer to all personal property now or hereafter owned by the Association, and all real property (and all Improvements located thereon, which may include, project entry monuments and related entry features [e.g., decorative entry gates, project perimeter

walls and/or fences and project signage], pools, spa, cabana and restrooms, sand volleyball court, tennis courts, tot lot, equestrian trails, sidewalks, parking areas, slopes, greenbelts and other landscaped or natural areas and irrigation systems), now or hereafter owned in fee, by easement or by lease to the Association. As currently planned, the Association Property located in this first Phase of the Project, is described on Exhibit "C" attached hereto. Any Association Property included in any subsequent Phase of the Project shall be designated as such in the Declaration of Annexation annexing such Phase. All Association Property to be owned in fee, by easement or by lease to the Association shall be conveyed free and clear of all liens and encumbrances as provided in this Declaration.

Section 8. "Board" shall mean and refer to the Board of Directors of the Association, elected in accordance with the By-Laws of the Association and this Declaration.

Section 9. "By-Laws" shall mean and refer to the By-Laws of the Association which have been, or will be, adopted by the Board, as such By-Laws may be amended, from time to time.

Section 10. "City" shall mean and refer to the City of Temecula.

Section 11. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Association for the following: (a) owning, maintaining, managing, operating, repairing and replacing the Association Property and any and all Maintenance Areas, as provided herein; (b) managing and administering the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and any Association employees; (c) providing utilities and other services to the Association Property and Maintenance Areas; (d) providing insurance as provided for herein; (e) paying that portion of any Assessment not paid by the Owner responsible for payment; (f) paying taxes for the Association; (g) paying all reasonable out-of-pocket costs incurred by the Delegates in

performing their duties as provided herein (e.g. postage and photocopying); and (h) paying for all other goods and services as reasonably required by the Association to perform its powers and duties as set forth herein. Additionally, the Common Expenses shall include adequate reserves as the Board shall determine to be appropriate for the repair and replacement of those elements of the Association Property and Maintenance Areas which must be repaired or replaced on a periodic basis.

Section 12. "Custom Lot" shall mean and refer to a plot of land as shown upon a recorded subdivision map of any portion of the Project, and to the Improvements thereto which are caused to be constructed by the Owner rather than by the Declarant.

Section 13. "Declarant" shall mean and refer to Marlborough Development Corporation, a California corporation, and to any person or entity acquiring all of Declarant's interest in the Project (including all of Declarant's rights and obligations as created and established herein) pursuant to a written assignment from Declarant which is recorded in the Office of the County Recorder for Riverside County. Any such assignment may include only certain specific rights of the Declarant and may be subject to such conditions as Declarant may impose, in its sole discretion.

Section 14. "Declaration" shall mean and refer to this "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Chardonnay Hills Homeowners Association" as same may be amended, from time to time.

Section 15. "Declaration of Annexation" shall mean and refer to a document recorded by Declarant for the purpose of annexing a Phase into the Project in accordance with the provisions of this Declaration, thereby subjecting such Phase to the jurisdiction of the Association and to the provisions of this Declaration.

Section 16. "Delegate" shall mean and refer to the person selected by the Owners of Lots in a Delegate District to represent all of such Owners within the Delegate District to vote on their behalf as provided in this Declaration and in the By-Laws.

Section 17. "Delegate District" shall mean and refer to the Property and to all subsequent Phases of the Project in which all Owners of Lots therein shall elect a Delegate to represent the collective voting power of such Owners as provided herein.

Section 18. "DRE" shall mean and refer to the California Department of Real Estate, which administers the sale of subdivided lands pursuant to Sections 11000, et seq., of the California Business and Professions Code, or any similar California statute hereafter enacted.

Section 19. "FHLMC" shall mean and refer to the Federal Home Loan Mortgage Corporation (The Mortgage Corporation) created by Title III of the Emergency Home Finance Act of 1970, as amended from time to time, including any successors thereto.

Section 20. "FNMA" shall mean and refer to the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, as amended from time to time, including any successors thereto.

Section 21. "GNMA" shall mean and refer to the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, including any successors thereto.

Section 22. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind whatsoever, including, but not limited to, Residences, out-buildings, swimming pools, spas, garages, parking areas, driveways, street lights, bike paths, hiking, riding, jogging and/or equestrian trails, sidewalks, pavements, retaining walls, walls, fences,

decorative or informative signs, mail kiosks, private utility lines and connections, private storm drains and bench drains, sewer lines and laterals, common trash receptacles and all irrigation systems. Improvements shall also mean any and all additions and/or exterior modifications to any Lot, including, but not limited to, (a) painting the exterior of any Residence; (b) changing the roof material of any Residence; and/or (c) building, constructing, installing or planting, as the case may be, any swimming pools, spas, patio covers, decks, gazebos, stairs, trellises, sunshades, screening walls or fences, fences, awnings, screen doors, skylights, poles, signs, solar heating, air conditioning and/or water softening or refining fixtures or systems, and all trees and any other landscaping.

Section 23. "Lot" shall mean and refer to a plot of land as shown upon a recorded subdivision map of any portion of the Project, and to all Improvements constructed thereon. For purposes of this Declaration, all plots of land which are designed and intended to be improved with a Residence (either by Declarant or by an Owner in the case of a Custom Lot) shall be deemed "Lots." Except as otherwise provided herein, a "Lot" shall not mean or refer to any plot of land owned by the Association.

Section 24. "Maintenance Areas" shall mean and refer to any real property (and to all Improvements constructed thereon) other than the Association Property, which the Association is obligated to maintain pursuant to a license, encroachment permit or other similar document, including, but not limited to, that certain "Agreement for Maintenance of Parkway" ("Agreement") by and between the Declarant and the City, or as a condition required by any Public Agency even though it may be located outside the boundary of the Property and Annexation Property. The Maintenance Areas may include, but are not limited to, rights-of-way, parkways, medians, entry monuments, the structural integrity and exterior surface of any project perimeter wall and/or fence not actually located on the Association Property. The Maintenance

Areas included within the Property are depicted on Exhibit "D" attached hereto. Any Maintenance Areas included within any subsequent Phase of the Project shall be designated as such in the Declaration of Annexation annexing such Phase.

Section 25. "Maintenance District" shall mean and refer to the Temecula Community Services District which may perform various services as the District shall deem appropriate (e.g. maintaining various landscaped areas, natural areas and slopes, and providing street lighting and rubbish disposal, etc.).

Section 26. "Member" shall mean and refer to every person or entity who holds membership in the Association, as more particularly set forth in the Article herein entitled "The Association," and shall be synonymous with the term "Owner".

Section 27. "Mortgage" shall mean and include any mortgage or deed of trust, or other conveyance of a Lot to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance, including an installment land sales contract (as defined in Section 2985 through 2985.6 of the California Civil code, as same may be amended from time to time). The term "Deed of Trust," when used herein, shall be synonymous with the term "Mortgage."

Section 28. "Mortgagee" shall mean and refer to a person or entity to whom a Mortgage is made, and shall include the beneficiary of a Deed of Trust or the vendor under an installment land sales contract, as the case may be, and the assignees of a Mortgage, beneficiary or vendor.

Section 29. "Mortgagor" shall mean and refer to a person or entity who mortgages his or its Lot to another, i.e. the maker of a Mortgage, and shall include a trustor of a Deed of Trust and the vendee under an installment land sales contract.

Section 30. "Notice and Hearing" shall mean and refer to written notice and the opportunity for a hearing before the Board of the Association, or other tribunal created by the Board

in the manner provided in the By-Laws, at which the affected Owner(s) shall have an opportunity to be heard in person or by counsel at such Owner's expense, in the manner provided herein and in the By-Laws.

Section 31. "Owner" shall mean and refer to the record owner, or owners if more than one (1), or the purchaser under a conditional sales contract of fee title to, or an undivided interest in, any Lot in the Project. The term "Owner" shall include the Declarant, the vendee under an installment land sales contract (as described in Section 2985 through 2985.6 of the California Civil Code, as same may be amended, from time to time), and the holder of a leasehold estate having a term of ten (10) or more years, including renewal periods. The foregoing does not include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation.

Section 32. "Phase" shall mean and refer to the Property and to any portion of the Annexation Property which is annexed into the Project in accordance with a Declaration of Annexation recorded in the Office of the County Recorder for Riverside County, and which is subject to a Final Subdivision Public Report issued by the DRE.

Section 33. "Project" shall mean and refer to the Property and to all portions of the Annexation Property which are annexed to the Property in accordance with the provisions of this Declaration.

Section 34. "Property" shall mean and refer to all of that certain real property described on Exhibit "A" attached hereto, and to all Improvements constructed thereon.

Section 35. "Public Agencies" shall mean and refer individually and/or collectively to any of the various local and state governmental agencies having jurisdiction over all or any portion of the Project, (including, but not limited to, the City, the County of Riverside, the DRE and the VA).

Section 36. "Residence" shall mean and refer to the individual dwelling (and all other related Improvements) which are intended for use and occupancy as a single family residence, and constructed on a Lot.

Section 37. "Rules and Regulations" shall mean and refer to the Rules and Regulations adopted by the Board pursuant to the By-Laws and this Declaration, as they may be amended, from time to time.

Section 38. "VA" shall mean and refer to the United States Department of Veterans Affairs, and any department or agency of the United States government as shall succeed to the VA.

Section 39. Application of Definitions. The aforesaid definitions shall be applicable throughout this Declaration, and to any supplements or amendments hereto filed or recorded pursuant to the provisions of this Declaration, and to any Declaration of Annexation for a subsequent Phase, unless otherwise indicated or the context shall prohibit such application.

ARTICLE II

GENERAL PLAN OF DEVELOPMENT

Section 1. Introduction to Chardonnay Hills.

(a) General Plan of Development. Chardonnay Hills has been designed as a residential planned development, and as presently planned, will be developed by Declarant in a series of Phases over several years. The Property constitutes the first Phase of the Project. All or any portions of the Annexation Property may be developed as additional Phases and annexed to the Property and made subject to this Declaration and to the jurisdiction of the Association as provided in the Article herein entitled "Annexation of Additional Property". This Declaration (and the other Association Documents) impose Protective Covenants and other

terms, provisions and regulations which establish the general plan for the development, maintenance, care, improvement, use, occupancy and management of the Project.

(b) Types of Residences. The Residences within the Project may include, but are not limited to, detached single family homes. As presently planned, two (2) primary production types of Residences are planned (e.g. the "Chateau" homes and the "Vintage" homes). Although both product types will be included in the Project and be subject to this Declaration and to the jurisdiction of the Association, each product type will be subject to its own Architectural Control Committee, as more particularly set forth in the Article herein entitled "Architectural Control." Additionally, Declarant presently plans that certain Lots may be designated as Custom Lots whereby an Owner will purchase an unimproved Lot and construct his own Residence. The Custom Lots may be included in the Project and subject to this Declaration and to the jurisdiction of the Association. Additionally, the Custom Lots will be subject to a separate Supplemental Custom Lot Declaration and to their own Architectural Control Committee. Each Owner will receive title to his respective Lot, all easements appurtenant thereto and an appurtenant membership in the Association.

(c) The Association. The Association will be the management body for the Project, and in furtherance thereof, will be responsible for owning, maintaining and administering the Association Property and administering and enforcing the Protective Covenants, terms, provisions and regulations set forth in the Association Documents. The Association Property located in this first Phase of the Project is more particularly described in Exhibit "C" attached hereto. Additional Association Property may be annexed as part of any additional Phase and shall be designated in the Declaration of Annexation as additional Association Property.

(d) Membership in the Association. Each Owner of a Lot in the Project shall automatically become a member of the Association, and shall be obligated for the payment of Assessments to the Association. In addition, each Owner, his family members, lessees, tenants and their respective guests and invitees, will be entitled to the use and enjoyment of the Association Property within the Project, in accordance with the Association Documents.

Section 2. Development Control. Subject only to the prior approval of the Public Agencies, nothing in this Article or elsewhere in this Declaration shall limit the right of Declarant to: (a) install, construct, modify, alter or remove any Improvements in the Project; (b) redesign or otherwise alter the style, size, color or appearance of any Improvements in any portion of the Project owned by Declarant; (c) construct such additional Improvements on any portion of the Project owned by Declarant; (d) subdivide, re-subdivide, grade or regrade any portion of the Property and/or Annexation Property owned by Declarant; and/or (e) otherwise control all aspects of the design and construction of Improvements in the Project, and of regulating the marketing of Lots in the Project. In furtherance thereof, Declarant hereby reserves, unto itself, and its successors and assigns, a non-exclusive easement for ingress and egress on, over and across the Project as necessary to construct Improvements, and further reserves for itself the right: (i) until all Lots in the Project have been sold by Declarant; or (ii) ten (10) years from the recordation of this Declaration, whichever occurs first, to maintain an information office, to carry on normal sales activity, including the operation of model complexes and sales offices, and to display reasonable signs on any portion of the Project owned by or controlled by Declarant, and a nonexclusive right to utilize the Association Property in connection with the sale or leasing of Lots in the Project.

Section 3. Non-Liability. Nothing in this Article or elsewhere in this Declaration shall be understood or construed to compel Declarant to cause any subsequent Phase of the Project to be constructed or annexed into the Project. The purpose of this Article is merely to describe the legal relationship between the first and any subsequent Phases of the Project in the event all or any of such Phases shall be constructed and annexed into the Project.

Section 4. Maintenance District. Each Owner acknowledges that his respective Lot is within the boundaries of the Maintenance District which may, at the discretion of the District, perform various services (e.g., maintaining various landscaped areas and related irrigation systems, natural areas and slopes, providing street lighting and rubbish disposal services within the Maintenance District, etc.). If the District does perform any of such services and levies an assessment ("Maintenance Assessment") against the Lots in the Project, such Maintenance Assessment will be collected through the real property tax bill issued by the County of Riverside for each Lot (and other properties) within the Maintenance District. The amount of the Maintenance Assessment will depend, among other things, upon the nature of the landscaping and related improvements maintained by the Maintenance District, the cost of performing such maintenance, and the cost of providing street lighting rubbish and other services.

Section 5. City Requirement. Notwithstanding any provision in this Declaration to the contrary, the following provision shall apply:

The Association established herein shall, if dormant, be activated, by incorporation or otherwise, at the request of the City of Temecula, and the Association shall unconditionally accept from the City of Temecula, upon the City's demand, title to all or any part of the Maintenance Areas, more particularly described on Exhibit "D" attached

hereto. The decision to require activation of the Association and the decision to require that the Association unconditionally accept title to the Maintenance Areas shall be at the sole discretion of the City of Temecula.

In the event that the Maintenance Areas, or any part thereof, are conveyed to the Association, the Association shall thereafter own such Maintenance Areas, shall manage and continuously maintain such Maintenance Areas and Association Property, and shall not sell or transfer such Maintenance Areas or Association Property, or any part thereof, without the prior written consent of the Planning Director of the County of Riverside or the City. The Association shall have the right to assess the Owners of each individual Lot or unit for the reasonable cost of maintaining such Maintenance Areas and Association Property, 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. Notwithstanding the foregoing, the City is allowed to: (a) maintain the Maintenance Areas and place a special assessment on the tax bills of the individual Lot Owners in the event the Association fails to maintain said Areas; and/or (b) remove any or all of the landscaping or irrigation system if the Association fails to do so upon request by the City, and to place a special assessment on the tax bills of the individual Lot Owners for the cost thereof.

This Declaration shall not be terminated, "substantially" amended or property deannexed therefrom without the prior written consent of the Planning Director of the County of Riverside or the City. A proposed amendment shall

be considered "substantial" if it affects the extent, usage or maintenance of the Maintenance Areas or Association Property.

In the event of any conflict between this Declaration and the Articles of Incorporation, the Bylaws or the Association's Rules and Regulations, if any, this Declaration shall control.

ARTICLE III
PROPERTY RIGHTS REGARDING THE
ASSOCIATION PROPERTY AND
RESERVATION OF EASEMENTS

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Association Property. Said right and easement shall be appurtenant to and shall pass with title to every Lot, subject to the limitations set forth in Section 2 below.

Section 2. Limitations on Owners' Easement Rights. The rights and easements of access, use and enjoyment set forth in Section 1 hereinabove shall be subject to the provisions of this Declaration, including, but not limited to, the following:

(a) The right of the Association to reasonably limit the number of guests of Owners using the Association Property and facilities located thereon;

(b) The right of the Association to establish and enforce reasonable Rules and Regulations pertaining to the use of the Association Property and all facilities located thereon;

(c) The right of the Association to suspend the voting rights and rights and easements of use and enjoyment of the Association Property of any Member, and all persons deriving such rights and easements from any Member (as provided herein) for any period during which any Assessment against such Member's Lot remains unpaid and delinquent; and

after Notice and Hearing, to impose monetary penalties or suspend such use rights and easements for a period not to exceed thirty (30) days for any noncontinuing violation of the Association Documents, it being understood that any suspension for either nonpayment of any Assessments or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligations to pay Assessments as provided herein;

(d) The right of the Association, in accordance with the Association Documents, to borrow money for the purpose of improving the Association Property and Improvements located thereon with the assent of sixty-seven percent (67%) of the voting power of the Association, and/or, subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," to mortgage, pledge, deed in trust or otherwise hypothecate any or all of its real or personal property, as security for money borrowed or debts incurred;

(e) Subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," the right of the Association to dedicate or transfer all or any part of the Association Property to any Public Agency, or any utility for such purposes and subject to such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless approved by sixty-seven percent (67%) of the voting power of the Association, and a certificate executed by the President and the Secretary of the Association evidencing such approval shall be recorded in the Office of the County Recorder for Riverside County; provided, however, that the dedication or transfer of Association Property and/or easements to the Maintenance District and/or to utility companies for public purposes consistent with the existing use of such Association

Property and/or easements shall not require the prior approval of the Members of the Association;

(f) The right of Declarant (and its sales agents, representatives and prospective purchasers) to the nonexclusive use of the Association Property, and the facilities located thereon, without charge for sales, display access and exhibit purposes; provided, however, that such use shall cease upon the date that Declarant no longer owns any Lot in the Project, nor any Annexation Property, or ten (10) years from the recordation of this Declaration, whichever occurs first. Such use shall not unreasonably interfere with the rights of enjoyment of other Owners as provided herein;

(g) The right of Declarant to designate additional Association Property, pursuant to the terms of the Article herein entitled "Annexation of Additional Property";

(h) The right of the Association to enact uniform and reasonable architectural guidelines for the respective Architectural Control Committees, in accordance with the Article herein entitled "Architectural Control";

(i) The right of the Association to reasonably restrict access to the Association Property;

(j) The right of the Association to perform and exercise its duties and powers as set forth herein;

(k) Other rights of the Association, the Board, the Owners and Declarant with respect to the Association Property as may be provided for in this Declaration; and

(l) Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of the Association Property imposed by Declarant or by any Public Agency having jurisdiction to impose any such limitations, restrictions or conditions, including, but not limited to, the rights of any and all Public Agencies to use their vehicles or appropriate equipment as reasonably necessary over

those portions of the Association Property designed for vehicular movement to perform municipal functions or emergency or essential public services.

Section 3. Delegation of Association Property Use Rights. Subject to the rights reserved as set forth above, any Owner who resides within the Project may delegate his rights of use and enjoyment to the Association Property, and any recreational facilities thereon, to the members of his immediate family and any other persons residing within his Residence. In the event an Owner has rented or leased his Lot, his rights of use and enjoyment to the Association Property, and any recreational facilities thereon, shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner's rights of use and enjoyment to the Association Property, and any recreational facilities thereon, shall be deemed suspended for the duration of such tenancy except such rights as may be reasonably required to perform the necessary functions of a landlord. The seller under an installment sales contract shall be deemed to have delegated any rights of use and enjoyment to the Association Property, and any recreational facilities thereon, to the purchaser under the contract.

Section 4. Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Association, nor release his Lot from the liens and charges imposed by the Association by waiver of the use and enjoyment of the Association Property, and any facilities thereon, or by abandonment of his Lot or any other property in the Project.

Section 5. Easements for Parking. Temporary guest or recreational area parking shall be permitted within the Association Property only within spaces and areas clearly marked for such purpose. The Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Association Property in accordance with Section 22658.2 of the California Vehicle Code, or any similar

statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement on public streets, including the removal of any violating vehicle by those so empowered. The Board is authorized and empowered to request the City to enforce the California Vehicle Code on any private streets within the Project, including the Association Property, pursuant to applicable City ordinances and provisions of the California Vehicle Code permitting City enforcement thereof.

Section 6. Easements for Vehicular and Pedestrian Traffic. In addition to the general right and easements for access, use and enjoyment granted herein, there shall be, and Declarant hereby covenants, for itself and its successors and assigns, that each and every Owner shall have a nonexclusive easement appurtenant to his Lot for vehicular and pedestrian traffic over all streets, drives and walkways within the Association Property. Declarant hereby reserves unto itself the right to grant similar easements to Owners in the Annexation Property.

Section 7. Easements for Unintentional Encroachments. In the event any Improvement to a Lot is constructed, reconstructed or altered in accordance with the terms and provisions of this Declaration in such a manner that the Improvement encroaches upon an adjacent Lot by not more than six inches (6") due to the unintentional placement, settling or shifting of the Improvement, there shall be an easement appurtenant to such Lot on and over such adjacent Lot for purposes of the encroachment.

Section 8. Easements for Utilities. The rights and duties of the Owners of Lots within the Project with respect to sanitary sewer, water, electricity, gas and telephone lines, cable television (or CATV) lines, security system lines and other facilities shall be governed by the following:

(a) Regulations governing the installation of antennas are more particularly set forth in the Article entitled "Use Restrictions" hereinbelow.

(b) Each respective utility company and private purveyor shall maintain all utility facilities and connections on the Project owned by such utility company; provided, however, that if any company shall fail to do so, it shall be the obligation of each Owner to maintain those facilities and connections located upon such Owner's Lot, and it shall be the obligation of the Association to maintain those facilities and connections located upon the Association Property.

(c) Wherever sanitary sewer, water or gas connections, television cables, electricity, security system or telephone lines are installed within the Project, and it becomes necessary to gain access to said connections, cables and/or lines through a Lot owned by someone other than the Owner of the Lot served by said connections, cables and/or lines, the Owner of the Lot served by said connections, cables and/or lines shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon such other Lot or to have the utility companies and private purveyors enter upon such other Lot to repair, replace and generally maintain said connections, cables and/or lines.

(d) Whenever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project, and said connections, cables and/or lines serve more than one (1) Lot, the Owner of each Lot served by said connections, cables and/or lines shall be entitled to the full use and enjoyment of such portions of same as service his Lot.

(e) In the event of a dispute between Owners regarding the repair or rebuilding of the aforesaid connections, cables and/or lines, or the sharing of the cost thereof, said Owners shall first contact the appropriate utility company in an effort to resolve the dispute; pro-

vided, however, if said dispute remains unresolved, upon written request of one (1) of such Owners addressed to the Association, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

(f) Easements over the Project for the installation and maintenance of electric and telephone lines, water, gas, drainage and sanitary sewer connections and facilities, and television antenna cables and facilities, all as shown on the recorded map(s) of the Project and as may be hereafter required or needed to service the Project, are hereby reserved by Declarant, for itself, together with the right to grant and transfer the same.

Section 9. Easements for Maintenance of the Association Property. There is hereby created and reserved a non-exclusive easement in favor of the Association for ingress, egress and access on, over and across those portions of the Project as reasonably required by the Association to perform its maintenance obligations for the Association Property and Maintenance Areas, as more particularly set forth in the Article herein entitled "Powers and Duties of the Association." In the event it becomes necessary for the Association to enter upon any Lot for purposes of: (a) maintaining the Association Property and/or Maintenance Areas; or (b) bringing an Owner and/or his Lot into compliance with the Association Documents, in accordance with the provisions set forth herein, the Association, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon such Owner's Lot for the performance of such work. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by such entry, the Association shall repair the same at its expense. Notwithstanding the foregoing, in the event of an emergency, such right of entry shall be immediate.

Section 10. Easements for Maintenance by the Maintenance District. There is hereby created and reserved a nonexclusive easement in favor of the Maintenance District for ingress, egress and access on, over and across such portions of the Project, as reasonably required by the Maintenance District to perform its functions. In the event it becomes necessary for the Maintenance District to enter upon any Lot to perform its functions, the District may do so in accordance with applicable City ordinances.

Section 11. Easements for Clustered Mailboxes. In order to comply with the various requirements of the City and the United States Postal Service, clustered mailboxes may be installed within the Project. Easements are hereby created on and over the affected portions of the Project in favor of all Owners and the United States Postal Service for delivery, deposit and retrieval of mail.

Section 12. Easements Over Sidewalks. Declarant hereby covenants for itself, its successors and assigns, that each and every Owner, the members of his family, his lessees and tenants and their respective guests and invitees shall have nonexclusive reciprocal easements appurtenant on, over and across all sidewalks located on portions of Lots immediately adjacent to all streets within the Project for pedestrian access, use and enjoyment.

Section 13. Easements for Drainage. There are hereby created and reserved over each Lot in the Project easements for drainage according to the patterns for drainage created by the approved grading plans for the Project, as well as according to the actual, natural and existing patterns for drainage. In the event the approved grading plans provide for "cross-Lot drainage," whereby water runoff from one (1) or more contiguous Lots drains across another Owner's Lot either by the contour of the Lots, natural topography or installed bench drains, all Lots affected by such "cross-Lot drainage" shall be noted on the

approved grading plans or on "as-built" plans on file in the principal office of the Association. Each Owner covenants and agrees that he shall not obstruct or otherwise interfere with "cross-Lot drainage" or other drainage patterns of waters from adjacent Lots in the Project over his Lot. In the event it is necessary for any Owner to alter the approved drainage patterns for the protection and use of his Lot, such Owner shall make provision to preserve proper drainage according to the approved grading plans for the Project. Easements created and reserved herein shall at all times be subject to the Protective Covenants created in this Declaration, and such Rules and Regulations as may be adopted, from time to time, by the Board.

Section 14. Transfer of Association Property to the Association.

(a) Conformance with Plan of Development. Declarant hereby covenants for itself, and its successors and assigns, to convey to the Association fee simple title to, or an easement over, the Association Property, subject to the Protective Covenants set forth in this Declaration, and to any other matters of record as may be set forth in the instrument of conveyance. Such conveyances shall be made prior to or concurrently with the first close of an escrow for the sale of a Lot in a Phase of the Project, and shall be made in conformity with Declarant's general plan for the development of the Project, as such general plan may be modified, from time to time, by Declarant, in its sole discretion. Declarant will similarly convey to the Association, from time to time, fee simple title to, or an easement over, any additional Association Property which is located in the Annexation Property and is designated as such in the applicable recorded Declaration of Annexation.

(b) Completion of Association Property. As more particularly set forth in the Article herein entitled "Enforcement of Bonded Obligations," in the event that Improve-

ments proposed to be constructed within the Association Property have not been completed as of the recordation of this Declaration and/or the recordation of a Declaration of Annexation for a subsequent Phase, as evidenced by a valid Notice of Completion recorded in the Official Records of the County, the completion of such Improvements shall be assured in accordance with Section 11018.5 of the California Business and Professions Code, or any similar statute hereinafter enacted, and the applicable regulations of the DRE.

(c) Commencement of Association Responsibilities.

The Association's responsibility to maintain the Association Property conveyed to the Association and for the Maintenance Areas shall commence concurrently with the recordation of the Grant Deed conveying the Association Property or of the Declaration of Annexation designating the Maintenance Areas to be maintained, as the case might be. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant are contractually obligated to maintain or warrant the landscaping or other Improvements on the Association Property or Maintenance Areas for a specified period in which said contractors or sub-contractors 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.

(d) Character of Improvements to Association Property; Disputes. The nature, design, quality and quantity of all Improvements to the Association Property and Maintenance Areas shall be determined by Declarant in its sole discretion. The Association shall be obligated to accept title to the Association Property, and undertake all maintenance responsibilities for the Association Property and

Maintenance Areas when title is conveyed and/or maintenance responsibilities are tendered by Declarant pursuant to subparagraphs (a) and (c) 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, or the acceptance of maintenance responsibilities therefor, the Association shall be obligated to accept title to the Association Property and to undertake maintenance responsibilities pending resolution of the dispute, in accordance with the provisions set forth in the Article herein entitled "General Provisions."

(e) Transfer of Association Property. Without limiting the generality of Article XV below entitled "Mortgagee Protection," the Association may not sell the Association Property, or any portion thereof absent the prior written consent of the Planning Director of the County of Riverside and/or the City.

Section 15. Easements for Construction and Sales. Declarant hereby reserves for itself for a period of ten (10) years from the recordation of this Declaration or until all Lots in the Project have been sold by Declarant, whichever occurs first, nonexclusive easements for access, ingress and egress on and over the Project to maintain an information office, to carry on normal sales activity, including the operation of model complexes and sales offices, to display promotional signs and exhibits in connection with the sale or lease of Lots in the Project, and to utilize the Association Property in connection with the sale or lease of Lots in the Project.

Section 16. Easements for Master Antennae, Cable Television and Alarm System Cabling. There are hereby reserved for the benefit of Declarant, and its successors and assigns, non-exclusive easements of access, ingress and egress to the Project for purposes of installation, operation, maintenance, repair, inspection, replacement and removal of master antennae, cable

television service lines, alarm system cabling and all related facilities and equipment. Such easements shall be freely transferable to any other person or entity for the purpose of providing such services. All such master antennae, cable television service lines and alarm system cabling shall remain the property of Declarant, or its successors and assigns. The exercise of all rights reserved hereunder shall not unreasonably interfere with the reasonable use and enjoyment of the Project. Declarant or its successors and assigns, shall be responsible for any damage in any way arising out of, or in connection with, the rights and activities reserved hereunder.

Section 17. Reservation of Construction Rights. Without limiting the rights of Declarant set forth in Article II hereinabove, nothing in this Declaration shall limit the right of Declarant to establish additional licenses, easements and rights-of-way in favor of Declarant, the Maintenance District, utility companies, private purveyors of utility services or others as may, from time to time, be reasonably necessary for the development, maintenance and proper operation of the Project. The foregoing rights established and reserved by Declarant shall be subject only to the applicable regulations and requirements of the Public Agencies.

Section 18. Reservation of Easements Over Association Property. Declarant hereby reserves the right to grant nonexclusive easements over the Association Property in favor of Owners of Lots in any Annexation Property which is annexed to the Project pursuant to this Declaration, and upon the recordation of a Declaration of Annexation affecting all or any portion of the Annexation Property, the Owners of Lots described in this Declaration shall automatically obtain nonexclusive easements over all Association Property which is a part of said Annexation Property.

Section 19. No Easements for View Purposes; Disclaimer. Each Owner expressly acknowledges and agrees that neither the City, Declarant, the Board, nor the members,

employees or consultants of the foregoing, have made any representation or warranty whatsoever concerning the view, if any, that a particular Lot may enjoy. There are no express or implied easements whatsoever appurtenant to any Lot for view purposes, or for the passage of light and air across any other Lot, or any property not within the Project, regardless of whether such Lot is owned by Declarant. Each Owner, by accepting a deed to a Lot hereby expressly acknowledges and agrees that further construction within the Project and/or on any property adjoining the Project in accordance with City ordinances and regulations, and/or any Improvements approved by the respective Architectural Control Committee as provided herein may partially or totally obstruct the view from such Owner's Lot, and each Owner hereby expressly consents to any such obstruction.

ARTICLE IV

THE ASSOCIATION

Section 1. Membership. Every Owner (including Declarant) of a Lot in the Project shall be a Member of the Association. All memberships in the Association shall be appurtenant to the Lot owned by each Member, and memberships in the Association shall not be assignable, except to the person or entity to whom the title to the Lot has been transferred. Ownership of a Lot shall be the sole qualification for membership in the Association.

Section 2. Classes of Membership. The Association shall have two (2) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners, excepting Declarant. Each Class A Member shall be entitled to one (1) vote for each Lot owned. Declarant shall become a Class A member with respect to Lots which are owned by Declarant upon the conversion of the Class B Membership, as provided below. The vote for such Lot shall be exercised as

Class A Members among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot it owns. As to each Phase annexed to the Project, the Class B membership shall cease as to only that Phase and shall be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

- (a) The second (2nd) anniversary of the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Project;
- (b) The fifth (5th) anniversary of the original issuance by the DRE of a Final Subdivision Public Report for the first Phase of the Project; or
- (c) December 31, 1995.

As more particularly set forth in Section 9 below, any action taken by the Association which must have the approval of the membership of the Association before being undertaken shall require the vote or written assent of Delegates representing both a majority of the Class B membership as well as a majority of the Class A membership, so long as there are two (2) outstanding classes of membership, unless a specific provision of this Declaration or the By-Laws or Articles of the Association requires the approval of a greater percentage of the voting membership. Notwithstanding the foregoing, any action by the Association, pursuant to the Article contained herein entitled "Enforcement of Bonded Obligations," shall only require approval of Delegates representing a majority of the voting power of Members, other than Declarant.

Section 3. Special Voting Procedures for Election of the Board. Notwithstanding any other provision in this Declaration to the contrary, the Declarant shall be entitled to solely

elect a majority of the members of the Board until the first to occur of the following events:

(a) The election of the Board immediately following the sale by Declarant of at least four hundred fifty (450) Lots in the Project; or

(b) December 31, 1994; provided, however, if as of said date Declarant has not sold at least four hundred fifty (450) Lots in the Project, Declarant may extend the period during which it may solely elect a majority of the members of the Board to December 31, 1996.

Delegates representing the Class A Members shall be entitled to elect at least twenty percent (20%) of the members of the Board, so long as there are two (2) classes of membership outstanding in the Association.

Section 4. Record Dates. For the purpose of determining Members entitled to notice of any meeting, and voting power, the Board may fix, in advance, record dates as provided in the By-Laws.

Section 5. Vesting of Voting Rights. The voting rights attributable 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 against said Lot.

Section 6. The Delegate District System.

(a) Establishment of the Delegate District System. In order to provide for the efficient and effective management of the Association, Declarant hereby establishes a Delegate District system of voting as set forth herein and in the By-Laws.

(b) Formation of Delegate Districts. The Property and each Phase subsequently annexed into the Project shall constitute a separate Delegate District; provided, however, that Declarant may from time to time combine, enlarge, or otherwise change the size of any or all of the Delegate Districts by recording a written instrument signed by De-

clarant containing a legal description of any revised Delegate Districts, and from and after the date of recordation any such described area shall constitute a Delegate District for purposes of this Declaration. Except as otherwise provided in Section 7 hereinbelow, the Delegate and the Alternate Delegate to represent any Delegate District established as set forth in this subparagraph (b) shall be elected by Members holding a majority of the voting power in the Delegate District, in accordance with the voting procedures set forth in the By-laws. The Delegate and Alternate Delegate representing any District which is changed as provided above, shall be entitled to serve the balance of their terms of office.

(c) Delegate and Alternate Delegates. Each Delegate District shall have one (1) Delegate to represent the Members in that Delegate District (other than Declarant), at all Membership meetings and to cast all votes attributable to such Delegate District. Each District shall also have one (1) Alternate Delegate to exercise the powers and duties of the Delegate when the Delegate is absent, disabled or otherwise unable to act.

(d) Declarant's Delegate. Declarant shall be entitled to appoint one (1) Delegate ("Declarant's Delegate") to represent Declarant at all Association meetings and to cast all of Declarant's votes. Declarant may change the person which it has appointed to serve as the Declarant's Delegate from time to time, at its sole discretion. Declarant shall give written notice to the Board of any such change.

Section 7. Initial Selection of Delegates and Alternate Delegates by Declarant. The Declarant shall have the sole right and power to appoint the initial Delegate and Alternate Delegate for each Delegate District. Such appointments shall be made as soon as reasonably possible after the formation of each

Delegate District and in all events, prior to the Association's regular annual meeting. In the event the first close of an escrow for the sale of a Lot within a new Delegate District is within sixty (60) days prior to the Association's regular annual meeting, the initial Delegate and Alternate Delegate shall serve in office at such annual meeting and remain in office until the Members of such Delegate District elect a Delegate and an Alternate Delegate as provided in Section 8 hereinbelow.

If the first close of an escrow for the sale of a Lot within a new Delegate District is more than sixty (60) days prior to the Association's regular annual meeting, such Delegate and Alternate Delegate shall serve only until such annual meeting. Thereafter, the Members in such Delegate District shall elect their own Delegate and Alternate Delegate as provided in Section 8 hereinbelow.

Declarant shall have the sole right at any time, with or without cause, to remove and replace the Delegate and/or Alternate Delegate that Declarant has appointed in each Delegate District until the Members in that Delegate District have elected their own Delegate and Alternate Delegate.

Section 8. Election of Delegates and Alternate Delegates.

(a) Nominating Committee. At least ninety (90) days prior to the Association's regular annual meeting following the expiration of the term of office of the Delegate and Alternate Delegate appointed by Declarant and/or elected by the Members of such District for the preceding year, the Board shall appoint a nominating committee for each Delegate District to solicit candidates from among the Members of such District willing to serve as the Delegate (and Alternate Delegate). The Board shall adopt procedures that provide for a reasonable opportunity for nominees to communi-

cate their qualifications and reasons for candidacy to Class A Members within their respective District, and to solicit votes.

(b) Election of Delegates. The Delegates may be elected either at a meeting of the Members of such District by a majority of a quorum of such Members, or by written ballot without a meeting of the Members of such District if conducted in accordance with the following procedures:

(i) Board Distributes Ballots. The Board shall cause the election ballots to be distributed in accordance with the provisions of Section 7513 of the California Corporations Code (as it may be amended from time to time) to each Class A Member within the Delegate District who is entitled to vote.

(ii) Method of Distribution. The election ballot shall be delivered to each Class A Member personally or by first class mail (either registered or certified) addressed to the Member at the latest address shown in the Association's records, or to such other address as that Member may specify from time to time.

(iii) Contents of Ballot. Each election ballot shall set forth: (i) the proposed action, (ii) an opportunity to specify the Member's choice among the listed nominees or to write in a name not already listed, and (iii) the time by which the Board must receive the ballot for it to be counted.

(iv) No Revocation. A written election ballot may not be revoked.

(c) Votes Required for Election. Each Class A Member shall have the number of votes specified in Section 2 above. Election by written ballot shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be

present at a meeting of the Members of a Delegate District. The presence in person or by proxy of Members, other than Declarant, of at least thirty-three percent (33%) of the voting power of the Delegate District shall constitute a quorum. In the case where both the Delegate and the Alternate Delegate are to be elected, the nominee receiving the greatest number of votes cast shall be elected as the Delegate for that Delegate District, and the nominee receiving the second greatest number of votes cast shall be elected as the Alternate Delegate for that Delegate District. In the case where the Delegate or Alternate Delegate is being elected at a special meeting or election of the Members of such District, the nominee receiving the highest number of votes shall be elected.

(d) Certification to the Association. The chairman of any Delegate District meeting or the person counting the ballots for any election without a meeting at which the Delegate and/or Alternate Delegate is/are elected, shall certify in writing to the Board, the name and address of the Delegate and/or Alternate Delegate elected, the time and place of the meeting or election, and the Delegate District which the Delegate and Alternate Delegate represent. The Association shall not be obligated to recognize any Delegate or Alternate Delegate, or the votes or written assents cast by any person unless the Association has first received written confirmation of such appointment or election from the chairman of the meeting at which such person was elected, or the person responsible for counting the ballots for an election without a meeting.

(e) Qualifications for Election. Only Members of the Association in good standing shall be eligible for election by the Members as a Delegate or as an Alternate Delegate. Upon termination of any Delegate's or Alternate Delegate's membership in the Association, that Delegate's or

Alternate Delegate's term of office shall immediately terminate and a new Delegate or Alternate Delegate shall be elected in his place by the Members of that Delegate District as provided above.

(f) Term of Office. Each Delegate and Alternate Delegate elected by the Members of each Delegate District shall continue in office for one (1) year or until he: (1) becomes unqualified to serve as provided in subsection (e) above, or (2) resigns or is removed as provided in the By-Laws, whichever occurs first; provided, however, that the Delegate and Alternate Delegate representing any Delegate District that is enlarged or otherwise changed by Declarant as provided hereinabove may complete his term of office.

Section 9. Voting of Delegates.

(a) Representative System. All Association meetings shall be attended by Delegates (or Alternate Delegates, as applicable) representing and casting the votes of the Members of their respective Delegate Districts (other than Declarant) and by Declarant's Delegate representing and casting the votes of Declarant. Members who are not Delegates may attend any such Association meeting (to the extent of the permissible capacity of the meeting room) but may not participate in any of the deliberations of the Delegates at that meeting or in the voting by the Delegates on any such matter.

(b) Number of Delegate Votes. At a meeting of Delegates, each Delegate shall be entitled to cast the voting power for all of the Lots subject to this Declaration and located in the Delegate District represented by such Delegate, except for those votes attributable to Owners who have been disciplined by the Board as provided in this Declaration. Declarant's Delegate shall cast the votes attributable to the Declarant as provided in this Declaration. The Board shall have the right, before the vote on any mat-

ter to seek verification from each Delegate of the voting power of the Members within his Delegate District, including, without limitation the total voting power of each class of Association voting membership in his Delegate District as of the record date for that vote.

(c) Allocation of Delegate Votes. At a meeting of Delegates, each Delegate personally, or by written ballot, (but not by proxy, except as provided in subparagraph (f) below) shall cast the votes which he represents in the manner as he may, in his sole discretion, deem appropriate, acting on behalf of all the Members owning Lots in his Delegate District; provided, however, that in the event that at least a majority of the voting power of the Members in any Delegate District shall determine at any duly constituted meeting of the Members in the Delegate District to instruct their Delegate as to the manner in which he is to vote on any issue to be voted on by the Delegates at the meeting of the Delegates, then the Delegate representing the Delegate District shall cast all of the votes for such Delegate District in the same proportion, as nearly as possible without counting fractional votes, as the Members in the Delegate District shall have cast "for" and "against" such issue, in person or by proxy. A Delegate shall have the authority, in his sole discretion, to call a special meeting of the Members in his Delegate District, pursuant to the procedures adopted by the Board, for the purpose of obtaining instructions as to the manner in which he is to vote on any issue to be voted on by the Delegates. When a Delegate is voting in his own discretion, without instruction from the Members whom he represents, the Delegate may cast all of the votes which he represents as a unit, or the Delegate may apportion the votes and cast some votes in favor of a given proposition and some votes in opposition to the proposition. It will be conclusively presumed, for all purposes of Associ-

ation business, that any Delegate casting votes on behalf of the Members in his Delegate District, has acted with the authority and consent of all the Members. All agreements and determinations lawfully made by the Association, in accordance with the voting procedures established herein and in the By-laws, shall be deemed to be binding on all Members, and their successors and assigns.

Upon receipt of a petition signed by the Owners of not less than ten percent (10%) of the Lots in a Delegate District, the Delegate shall have the duty to call a special meeting of the Members in his Delegate District, pursuant to the procedures adopted by the Board, for the purpose of obtaining instructions as to the manner in which he is to vote on any issue to be voted on by the Delegates.

(d) Voting Reports. Except for the provisions in this Declaration regarding the enforcement of bonded obligations, and unless otherwise expressly provided, so long as Declarant possesses its Class B Membership, any provision in this Declaration, the Articles or By-Laws which expressly requires the vote or written consent of a majority or other specified percentage of the voting power of the Association before being undertaken, shall require the approval of: (i) the specified percentage of the voting power by the Delegates representing Lots owned by Members, other than Declarant, and (ii) the specified percentage of the voting power by Declarant's Delegate representing Lots owned by Declarant. In order to determine whether these requirements have been satisfied, each Delegate and the Declarant's Delegate shall deliver to the chairman of the meeting of the Delegates, a written notice listing: (i) the number of votes cast by the Declarant's Delegate in favor of the matter being voting upon, (ii) the number of votes cast by the Declarant's Delegate against the matter being voted upon, (iii) the number of votes cast by a Delegate in favor of the

matter being voted upon, which votes are attributable to Lots owned by Members, other than Declarant, and (iv) the number of votes cast by a Delegate against the matter being voted upon, which votes are attributable to Lots owned by Members, other than Declarant. The chairman of the meeting shall then tabulate the total number of votes cast by all Delegates (and Declarant's Delegate) in each of the categories to determine whether the necessary approvals have been obtained.

(e) Cumulative Voting. The election of directors may be by cumulative voting, as described herein. All Delegates shall have the right to cumulate their voting power for any candidate nominated for election to the Board. Each Delegate may cast for a single candidate the number of votes entitled to be cast by the Delegate, multiplied by the number of directors to be elected, or the Delegate may distribute these cumulated votes among any two (2) or more candidates, as the Delegate desires. The candidates receiving the highest number of votes up to the number of Board members to be elected shall be elected. Unless the entire Board is removed by a vote of the Delegates, an individual director may not be removed prior to the expiration of his or her term if the votes against removal would have been sufficient to elect that director if cast cumulatively at an election at which the same total number of votes were cast and all directors authorized at the time of the most recent election of that Director were being elected.

(f) Declarant's Voting Rights. Notwithstanding any other provision in this Article, Delegates shall not be empowered to cast any votes attributable to Lots owned by Declarant, unless such Delegate shall have received a written proxy conferring such right. In the absence of any such proxy or proxies, the voting power of Declarant shall be cast by a Declarant's Delegate only. Declarant's Delegate

shall have all the rights, privileges, powers and duties as other Delegates, including the right to attend and vote at all meetings of the Delegates and the right to receive notices. Where applicable, all references to the term "Delegate" contained in the Association Documents shall be deemed to include Declarant's Delegate.

Section 10. Transfer. The Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Lot. In the event of such sale, the Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot, or to the Mortgagee (or third party purchaser) of such Mortgage upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association may levy a reasonable transfer fee against new Owners (which fee may be chargeable to such new Owners as a Compliance Assessment) to reimburse the Association for the actual administrative cost of transferring the memberships to the new Owners on the records of the Association.

Section 11. Adjustment of Voting Rights. The voting rights in the Association shall be adjusted upon the annexation of a subsequent Phase, as provided herein. Such adjustment shall become effective upon the first close of an escrow for the sale of a Lot in such Phase.

ARTICLE V POWERS AND DUTIES OF THE ASSOCIATION

Section 1. Management Body. The Association is hereby designated as the management body of the Project, and the affairs of the Association shall be managed by the Board, as more particularly set forth in the By-Laws of the Association. The initial Board shall be appointed by the incorporators or their

successors. Thereafter, the Board shall be elected as provided herein and in the By-Laws.

Section 2. Powers. The Board, for and on behalf of the Association, shall have the right and power to perform all lawful acts which may be necessary to conduct, manage and control the affairs and business of the Association. Subject to the provisions of the Association Documents, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations, and shall have the specific powers to perform the following:

(a) Enforce the provisions of this Declaration, and all contracts or any agreements to which the Association is a party;

(b) Acquire title, in fee or by easement, manage, maintain, repair and replace all Association Property and Maintenance Areas, in a neat, clean, safe and attractive condition at all times, and to pay all utilities, gardening and other necessary services for the Association Property and Maintenance Areas, all as more specifically set forth in the Article herein entitled "Repair and Maintenance" and in accordance with the terms and provisions of the Agreement;

(c) Obtain, for the benefit of the Association Property and Maintenance Areas, all commonly metered water, gas, electric or other utility services, and may provide for refuse collection and cable (or master antenna) television service;

(d) Grant easements or licenses where necessary for utilities and sewer facilities over, on and across the Association Property to serve the Project;

(e) Grant nonexclusive easements over the Association Property in favor of the Maintenance District, for the express purpose of permitting the Maintenance District to perform its respective maintenance responsibilities;

(f) Levy and collect Assessments on all Lots in the Project for which Assessments have commenced, and enforce payment of such Assessments in accordance with the terms and provisions set forth in the Article herein entitled "Effect of Non-Payment of Assessments: Remedies of the Association";

(g) Pay all taxes and assessments which would be a lien upon the entire Project or the Association Property, and discharge any lien or encumbrance levied against the Association Property;

(h) Pay for reconstruction of any portion of the Association Property or Maintenance Areas damaged or destroyed;

(i) Employ and retain a professional manager and/or management company to perform all or any portion of the duties and responsibilities of the Board with respect to administration of the Association;

(j) Retain, if deemed appropriate by the Board, and pay for legal and accounting services necessary and proper for the efficient operation of the Association, enforcement of the Association Documents, or in performing any other duties or enforcing any other rights of the Association;

(k) Enter into a maintenance and/or subsidy agreement made by and between the Association and the Declarant for a term and on such conditions as are acceptable to the Board and the DRE for the purpose of reducing the financial obligations of Owners in the Project during the initial Phases of development of the Project;

(l) Enter into or upon any Lot when necessary in connection with maintenance or construction for which the Association is responsible; and

(m) Perform any and all other acts and things that a nonprofit, mutual benefit corporation organized under the laws of the State of California is empowered to do, which may be necessary, convenient or appropriate in the administration of its affairs for the specific purposes of meeting its duties as set forth in this Declaration.

Section 3. Duties. The Board shall perform and execute the following duties for and on behalf of the Association:

(a) Provide, water, sewer, gas, electricity, garbage and trash collection, and other necessary utility services for the Association Property and Maintenance Areas;

(b) Provide insurance for the Association and its Members, in accordance with the provisions of the Article hereinbelow entitled "Insurance";

(c) Maintain and repair all portions of the Association Property and Maintenance Areas (and any additional Association Property and Maintenance Areas designated by Declarant in a Declaration of Annexation), in a neat, clean, safe, attractive, sanitary and orderly condition at all times as set forth in the Article herein entitled "Repair and Maintenance" and in accordance with the terms and provisions of the Agreement. Without limiting the generality of the foregoing, Declarant may delegate all of its duties, responsibilities and liabilities for the maintenance of the "Parkways" as provided in that certain "Agreement for Maintenance of Parkways" by and between Declarant and the City of Temecula now or hereafter recorded by Declarant as required by the City. Thereafter, the Association shall assume all of such duties, responsibilities and liabilities for such maintenance as set forth in such Agreement. In the event any maintenance or repairs to the Association Property or Maintenance Areas are required due to the willful or negligent acts or omissions of an Owner or Owners, the Association shall levy the cost of such maintenance and

repair as a Compliance Assessment against the responsible Owner(s);

(d) Pay all real and personal property taxes and assessments which the Association is required to pay for pursuant to the terms and provisions of this Declaration or by law, unless separately assessed to Owners; provided, however, that it shall be the obligation of each Owner to pay his respective share of the tax assessment levied on the Project prior to separate assessments by the County Tax Assessor pursuant to the applicable provisions of the California Revenue and Taxation Code;

(e) Contract for any other material, supplies, furniture, labor, services, maintenance, repairs, structural alterations and insurance which the Association is required to pay for pursuant to the terms and provisions of this Declaration or by law;

(f) Cause financial statements for the Association to be regularly prepared and copies distributed to each Member of the Association, regardless of the number of Members or the amount of assets of the Association including:

(1) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than forty-five (45) days and not more than sixty (60) days prior to the beginning of the fiscal year, and shall contain the following information:

(i) An itemized estimate of the Association's revenue and expenses, determined on an accrual basis;

(ii) The amount of the total cash reserves of the Association which are then currently available for the major repair or replacement of Improvements to the Association Property and Maintenance Areas and for other contingencies;

(iii) An itemized estimate of the remaining useful life of the Improvements to the Association Property and Maintenance Areas, together with an explanation of the methods of funding being utilized by the Association to defray the costs of future repairs, replacements or additions to such Improvements; and

(iv) A general statement setting forth the procedures utilized by the Association to calculate and establish reserves to defray the costs of future repairs, replacements or additions to the Improvements to the Association Property and Maintenance Areas.

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

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

(i) A balance sheet as of the last day of the Association's fiscal year;

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

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

(iv) Any information required to be reported pursuant to Section 8322 of the California Corporations Code.

This annual report shall be prepared by a licensee of the California Board of Accountancy, in accordance with generally accepted accounting principles, for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). However, if for any reason the report is not prepared by a licensee of the California Board of Accountancy, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association;

(4) A statement of the Association's policies and practices in enforcing its remedies against Members for nonpayment of Assessments, as set forth in the Article herein entitled "Effect of Non-Payment of Assessments: Remedies of the Association," which shall be distributed within sixty (60) days prior to the beginning of the fiscal year;

(5) The Board shall review, on a quarterly basis, the following:

(i) A current reconciliation of the Association's operating accounts;

(ii) A current reconciliation of amounts collected as reserves;

(iii) The current year's actual amounts collected as reserves and expenses compared to the current year's budget;

(iv) The most current account statement prepared by the financial institutions where the Association maintains its operating and reserve account;

(v) An income and expense statement for the Association's operating and reserve accounts; and

(6) The signature of at least two members of the Board, or of one officer who is not a member of the Board, and a member of the Board shall be required for the withdrawal of moneys from the Association's reserve accounts. As used in this section, "reserve account" means the monies that the Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

(g) Assume and pay out of the Assessments provided for hereinbelow all costs and expenses incurred by the Association in connection with the performance and execution of all of the aforesaid powers and duties, and any other powers and duties the Association may assume;

(h) Give notice in writing to the Federal Home Loan Mortgage Corporation (FELMC), the Federal National Mortgage Association (FNMA) and the Government National Association (GNMA), and other lenders and investors participating in the financing of the sale of Lots in the Project, as required herein;

(i) Enforce all applicable provisions of the Association Documents pertaining to the ownership, use, management and control of the Project; and

(j) Within ten (10) days of the mailing or delivery of a written request from an Owner, provide said Owner with a copy of the Association Documents, together with a true statement in writing as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges therein as provided by this Declaration as of the date of such request. The Board may impose a fee for providing the foregoing, but in no event shall the fee exceed

the reasonable cost to prepare and reproduce the requested documents. In addition, the Board shall make available, during normal working business hours, upon request by any prospective purchaser of a Lot, any Owner of a Lot, any first Mortgagee and the holder(s), insurer(s) and guarantor(s) of a first Mortgage of any Lot, current copies of the Association Documents and all of the books, records and financing statements of the Association.

Section 4. Repair of Willful Damage to the Association Property. Notwithstanding the Association's duty to maintain the Association Property and Maintenance Areas in the event that the maintenance, repair or replacement of any element of the Association Property and/or Maintenance Area becomes necessary due to the willful or negligent acts or omissions of any Owner, his family, tenants, lessees and/or their respective guests or invitees, after prior Notice and Hearing, the Board shall assess the cost of such maintenance, repair and/or replacement as a Compliance Assessment against such Owner.

Section 5. Limitations on Contracts. Except as otherwise provided herein, no contract entered into by the Association or the Board, acting for and on behalf of the Association, may run for a term longer than one (1) year, except with the vote or written assent of a majority of the voting power of the Association and a majority of the votes residing in Members, other than the Declarant.

Section 6. Delegation of Duties. In the event that the Association shall delegate any or all of its duties, powers or functions to any person, corporation or firm to act as manager, neither the Association nor the members of its Board shall be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated.

Section 7. Right of Entry for Emergency. The Board, any person authorized by the Board or any Owner may enter in or upon any Lot in the event of any emergency involving illness or

potential danger to life or property. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Association shall repair the same at its expense.

Section 8. Right of Entry for Repairs. The Board, or any person authorized by the Board, shall have the right to enter, upon reasonable notice, in or upon any Lot to effect necessary repairs which the Owner has failed to perform or which are necessary in connection with the repairs to the Association Property or an adjoining Lot. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Association shall repair the same at its expense.

Section 9. Limitations on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association, and a majority of the votes residing in Members, other than the Declarant:

(a) Entering into a contract with a third person, wherein the third person will furnish goods or services for the Association Property or the Association for a term longer than one (1) year, with the following exceptions:

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

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

(3) Agreements for cable television or satellite services and equipment of not to exceed five (5) years duration, provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect interest of ten percent (10%) or more; and

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

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

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

(d) Paying compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a director, and all Delegates to be reimbursed for expenses incurred in carrying on the business of the Association; or

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

Section 10. Licenses, Easements and Rights of Way. The Board, for and on behalf of the Association, is authorized and empowered to grant such licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains and other public utility purposes over those portions of the Association Property upon which no building or other similar structure

has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Association Property, or for the preservation of the health, safety, convenience and welfare of the Owners. Such licenses, easements and rights-of-way may be granted at any time prior to twenty-one (21) years after the death of the individuals who have signed this Declaration, and their issue who are in being as of the date hereof, and the right to grant such licenses, easements and rights-of-way is hereby expressly reserved.

Section 11. New Improvements. Except as otherwise provided in this Declaration, the Association may construct new Improvements to the Association Property or demolish existing Improvements, provided that in the case of any Improvement, addition or demolition involving a total expenditure in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, the written consent or vote of a majority of the Owners (other than the Declarant) in the Project as to the maximum total cost therefor shall first be obtained, and provided that no Lot shall be altered or damaged by any such demolition or construction without the consent of the Owner thereof. The Board shall levy a Special Assessment on all Owners in the Project for the cost of such work.

Section 12. Association Rules and Regulations. The Board shall have the power to adopt, amend and repeal Rules and Regulations, as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as Compliance Assessments. The Rules and Regulations shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Association Property, placement and dimensions of signs, parking restrictions and enforcement, trash collection, minimum standards for maintenance of Lots consistent with such standards as may be set forth in this Declaration, and any other matters which are within the jurisdiction of the Association; provided, however, that the Rules and

Regulations may not discriminate among Owners and shall not be inconsistent with this Declaration. Notice of adoption of any Rules and Regulations, and of any change, amendment or repeal thereof, shall be given in writing to each Owner, shall be posted in a prominent location within the Association Property and shall be placed on file in the principal office of the Association. The Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Declaration, and shall be binding on the Owners and their successors in interest, whether or not actually received thereby. In the event of any conflict between any such Rules and Regulations and any provisions of the other Association Documents, the provisions of the Rules and Regulations shall be deemed to be superseded.

ARTICLE VI
ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessment. The Declarant, for and on behalf of itself and all Owners, hereby covenants, and each Owner of any Lot, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association for each Lot owned within the Project: (a) Regular Assessments; (b) Special Assessments; (c) Compliance Assessments; (d) Special Benefit Assessments; and (e) such other assessments as the Association may periodically establish. The Regular, Special and Special Benefit Assessments, together with a reasonable late charge established by the Board in accordance with California law, interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot against which each such Assessment is made and shall also be the personal obligation of the Owner of such property at the time when the Assessment became due. Each Compliance Assessment levied against an Owner, together with such reasonable late charge, interest, costs and

reasonable attorneys' fees for the collection thereof, shall be the personal obligation of the Owner of the property at the time of the Assessment. The personal obligation for any delinquent Assessments shall not pass to an Owner's successors in title, unless expressly assumed by them.

Section 2. Purpose of Regular Assessments: Levy and Collection. The Regular Assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents in the Project, and to maintain and improve the Association Property and Maintenance Areas. The Association, by and through its Board, shall levy and collect Assessments from each Lot in the Project in an amount sufficient to cover all of the Common Expenses incurred by the Association in connection with the performance and execution of the powers and duties set forth in the Association Documents. Regular Assessments may be collected on a monthly installment basis.

Section 3. Regular Assessments - Basis. Regular Assessments shall be levied equally against all Lots in the Project. Each Owner's proportionate share of the Common Expenses of the Association in any fiscal year shall be a fraction, the numerator of which shall be the number of Lots owned by such Owner, and the denominator of which shall be the total number of Lots in the Project which are subject to assessment. Until the first day of the fiscal year immediately following the close of escrow for the first sale of a Lot in the Project to an Owner, the maximum total Regular Assessments shall be _____ (\$ _____). From and after the first day of the fiscal year immediately following the conveyance of the first Lot to an Owner, the maximum Regular Assessment may not be increased each fiscal year by more than twenty percent (20%) above the maximum Regular Assessment for the previous year without the approval of a quorum of Delegates casting a majority of votes in favor of such increase at a duly noticed meeting of the Delegates. For purposes of this Section, a quorum shall mean

Delegates representing more than fifty percent (50%) of the Lots in the Project. The limitations set forth above shall not apply to increases in Assessments necessary to cover expenses incurred in emergency situations, which include the following circumstances:

(a) An extraordinary expense required by order of a court of competent jurisdiction;

(b) An extraordinary expense necessary to repair or maintain any Improvements to the Project where a threat to personal safety is discovered; and/or

(c) An extraordinary expense necessary to repair or maintain any Improvements to the Project for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing the pro forma operating budget, pursuant to Section 1365 of the California Civil Code.

Prior to the imposition or collection of an Assessment under these emergency situations, 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 resolution shall be distributed to the Members with the notice of Assessment.

The Board may fix the Regular Assessment at an amount not in excess of the maximum Regular Assessment. So long as Declarant is offering Lots for sale pursuant to a Final Subdivision Public Report, the Regular Assessment may not be decreased by ten percent (10%) or more without the express written consent of the Declarant and the DRE.

Following the annexation of a subsequent Phase of the Project, pursuant to the provisions set forth in this Declaration, the maximum Regular Assessment may be automatically increased (or decreased) for all Lots in the Project on the first day of the month following the first close of an escrow for the

sale of a Lot in said Phase without any approval of the Members of the Association to the amount recommended by the DRE in connection with its review and processing of the Association budget for such Phase. The Association may, upon ratification by a majority of the Board, enter into an agreement with Declarant to reduce or abate Assessments, upon such terms and conditions as may be agreed to by the parties.

Section 4. Special Assessments. In any fiscal year the Board may not, without the approval of a quorum of Delegates casting a majority of votes in favor of a Special Assessment, at a duly noticed meeting of the Delegates, levy Special Assessments to defray the costs of any action or undertaking on behalf of the Association which, in the aggregate, exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. For purposes of this Section, a quorum shall mean Delegates representing more than fifty percent (50%) of the Lots in the Project. Every Special Assessment shall be levied upon the same basis as that prescribed for the levying of Regular Assessments. The five percent (5%) limitation shall not apply to the levy of Special Assessments necessary to cover expenses incurred in emergency situations, which include the following circumstances.

(a) An extraordinary expense required by order of a court of competent jurisdiction;

(b) An extraordinary expense necessary to repair or maintain Improvements within the Project where a threat to personal safety is discovered; and/or

(c) An extraordinary expense necessary to repair or maintain any Improvements to the Project for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing the pro forma operating budget, pursuant to Section 1365 of the California Civil Code.

Prior to the imposition or collection of a Special Assessment under the special emergency situations,

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 resolution shall be distributed to the Members with the notice of Assessment.

Section 5. Special Benefit Assessments. Special Benefit Assessments shall mean and refer to a charge levied by the Association against an Owner and his respective Lot to cover the expenses incurred by the Association in the operation, maintenance, repair and/or funding of reserves as to a portion of the Project designated herein or in a Declaration of Annexation as a "Special Benefit Area," which expenses are allocable only to Owners within such an Area. These expenses chargeable to Owners in a Special Benefits Area may include, without limitation, the following:

(a) Maintenance, management, operation, repair and replacement of particular Improvements within the Special Benefit Area;

(b) Utilities or other services for the benefit of Owners within the Special Benefit Area;

(c) Reasonable reserves, as deemed appropriate by the Board, for repair and replacement of any Improvements maintained by the Association within a Special Benefit Area; and

(d) Unpaid Special Benefit Assessments.

The Association shall distribute to Owners within any Special Benefit Area a pro forma operating statement and budget for the upcoming fiscal year which shall estimate the expenses attributable to the Special Benefit Area, and shall set forth the amount and payment schedule of the Special Benefit Assessments.

Section 6. Compliance Assessments. A Compliance Assessment may not be characterized nor treated as an assessment which may become a lien against the Owner's Lot enforceable by a

sale in accordance with the provisions of Section 2924, 2924(b) and 2924(c) of the Civil Code; provided, however, the foregoing shall not apply to any Compliance Assessment imposed against an Owner consisting of a reasonable late payment penalty for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent Assessments. Compliance Assessments shall be due in thirty (30) days.

Section 7. Date of Commencement of Regular Assessments: Due Dates. Subject to the terms of any maintenance and/or subsidy agreement entered into by the Association and Declarant, the Regular Assessments provided for herein shall commence as to all Lots within a Phase of the Project on: (a) the first day of the month following the first conveyance of a Lot in such Phase to a bona fide purchaser; or (b) the conveyance of the Association Property in such Phase to the Association; whichever occurs first. Except as otherwise provided in this Article, Regular Assessments shall be adjusted according to the number of months remaining in the fiscal year as set forth in the By-Laws. The Board shall fix the amount of the Regular Assessment against each Lot at least thirty (30) days in advance of each Regular Assessment period. Written notice of the Regular Assessment shall be sent to every Owner subject thereto at least thirty (30) days in advance of each Assessment period. The due dates shall be established by the Board. Notwithstanding any other provisions of this Declaration, until the earlier to occur of: (a) the recordation of a Notice of Completion of an Improvement to the Association Property; or (b) the placement into use of the Association Property, each Owner (including Declarant) may be declared by the Board to be exempt from paying that portion of the Regular Assessment which is directly attributable to expenses and reserves to be incurred by the Association in the maintenance, operation and repair of such Association Property.

Section 8. Certification of Payment. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association setting forth whether the Assessments attributable to a specified Lot have been paid. If a certificate states that Assessments have been paid, such certificate shall be conclusive evidence of such payment.

Section 9. Delivery by Owner. Each Owner of a Lot shall, as soon as practicable prior to the transfer of title to the Lot or the execution of an installment sales contract, as defined in California Civil Code, Section 2985, as same may be amended from time to time, give to the prospective purchaser a copy of the Association Documents, and a true statement, in writing, from the Association Board as to the amount of any delinquent Assessments and information relating to penalties, attorneys' fees and other charges authorized by this Declaration on the Lot as of the date the statement is issued.

Section 10. Delivery of Statement. Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide an Owner with a copy of the Association Documents together with a true statement, in writing, as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges authorized by this Declaration on the Lot as of the date of the request. The Board may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

Section 11. Reserves. All amounts collected by the Association as reserves shall be deposited by the Board in a separate bank account for the purposes for which they were collected, and are to be segregated from and not commingled with any other funds of the Association.

Section 12. Offsets and Waiver Prohibited. No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Association Property or abandonment of his Lot, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Association.

Section 13. Exempt Property. The following property subject to this Declaration shall be exempt from the Assessments herein:

(a) All property dedicated to and accepted by any Public Agency;

(b) All property owned by a charitable or non-profit organization exempt from taxation by the laws of the State of California. However, no land or Improvements devoted to dwelling use shall be exempt from said Assessment; and

(c) All Association Property.

Section 14. Capitalization of the Association. The purchasers of Lots in the first Phase of the Project as described on Exhibit "A" shall be required to contribute to the working capital of the Association an amount equal to one-sixth (1/6th) of the amount of the then Regular Assessment for their respective Lots. Said amount shall be deposited by such purchasers into their respective escrows for the purchase of their Lots from Declarant, which amount shall be disbursed by the escrow holder to the Association at the close of each of such escrow. Prior to the expiration of six (6) months after the first close of an escrow for the sale of a Lot in the first Phase, Declarant shall deposit with a neutral escrow holder an amount equal to one-sixth (1/6th) of the Regular Assessment for any and all Lots in the first Phase of the Project not yet sold or otherwise in escrow for the sale thereof. Escrow holder shall promptly remit these

funds to the Association. Thereafter, upon the close of each escrow for the sale of a Lot for which the capitalization fund was prepaid by Declarant, escrow holder shall remit to Declarant, and not to the Association, the capitalization fee collected from the Buyer-Owner of the Lot at the close of each escrow.

ARTICLE VII

EFFECT OF NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE ASSOCIATION

Section 1. Effect of Non-Payment of Assessments:

Remedies of the Association. Any installment of a Regular, Special, Special Benefit or Compliance Assessment not paid within fifteen (15) days after the due date shall be deemed delinquent, and the Owner shall be obligated to pay: (a) reasonable costs of collection, including reasonable attorneys' fees; (b) a reasonable late charge not exceeding ten percent (10%) of the delinquent Assessment or Ten Dollars (\$10.00), whichever is greater, or as may, from time to time, be established by the Board in accordance with California law; and (c) interest on all sums imposed under this Section at an annual percentage rate not to exceed twelve percent (12%), commencing thirty (30) days after the Assessment was due. The Board, for and on behalf of the Association, may commence legal action against the Owner personally obligated to pay the same, or, in the case of a Regular, Special or Special Benefit Assessment, may foreclose the lien against his Lot. Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California. In furtherance thereof, each Owner hereby vests in the Association, its successors or assigns, the right and power to bring all actions at law or to pursue lien foreclosure against any Owner for purposes of collecting such delinquent Assessments.

Section 2. Notice of Delinquent Assessments. No action shall be brought to foreclose a lien for delinquent Assessments, or to proceed under the power of sale herein, unless at

least thirty (30) days has expired following the date a Notice of Delinquent Assessments is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said Lot, and a copy thereof is recorded by the Association in the Office of the County Recorder of Riverside County. Said Notice of Delinquent Assessments must recite a good and sufficient legal description of any such Lot, the name and street address of the record Owner, the total amount due as provided herein, and the name and address of the principal office of the Association, and, in the event of a nonjudicial foreclosure as provided in Section 3 below, the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice shall be signed and acknowledged by the President, or Vice President, and the Secretary, or Assistant Secretary, of the Association. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale. Any foreclosure sale provided for above is to be conducted by the Board, its attorney or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b and 2924c of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Lot at a foreclosure sale, and to acquire, hold, lease, mortgage and convey the same. Any Owner, by acceptance of a deed for his Lot, hereby expressly waives any objection to the enforcement and foreclosure of the lien in this manner.

Section 4. Curing of Default. Upon the timely curing of any default for which a Notice of Delinquent Assessments or lien was filed by the Association, the officers thereof are hereby authorized to file or record, as the case may be, an appropriate release of such Notice upon payment of the defaulting Owner of a reasonable fee to be determined by the Association to cover the costs of preparing and filing or recording such release.

Section 5. Cumulative Remedies. The Association's remedies for nonpayment of Assessments, including, but not limited to, an action to recover a money judgment, Assessment lien and right of foreclosure and sale, are cumulative and in addition to and not in substitution of any other rights and remedies which the Association and its assigns may have hereunder or at law.

Section 6. Mortgagee Protection. Notwithstanding all other provisions hereof, no lien created hereunder, nor any breach of the terms and provisions of this Declaration, nor the enforcement of any term or provision hereof, shall defeat or render invalid the rights of any Mortgagee under any recorded first Mortgage or deed of trust upon a Lot made in good faith and for value; provided that after such Mortgagee or other person or entity obtains title to such Lot by judicial or nonjudicial foreclosure, such Lot shall remain subject to this Declaration and the payment of Assessments which become due subsequent to the date of taking title.

ARTICLE VIII
USE RESTRICTIONS

Subject to the exemptions of Declarant as set forth in this Declaration, all real property within the Project shall be held, occupied, used and enjoyed, subject to the following restrictions:

Section 1. Private Single Family Dwelling. Except as otherwise provided in the Article herein entitled "General Plan of Development," each Lot shall be used as a private dwelling for a single family and for no other purpose, except such temporary uses as shall be permitted by Declarant while the Project is being developed and Lots are being sold or leased by Declarant.

Section 2. Use of Association Property. Use of the Association Property shall be subject to the provisions of this Declaration and the Rules and Regulations, and to any additional limitations imposed by any of the other Association Documents.

Section 3. Conduct Affecting Insurance. Nothing shall be done or kept in any Lot or in the Association Property which will increase the rate of insurance on the Association Property without the approval of the Association. No Owner shall permit anything to be done or kept on his Lot or in the Association Property which will result in the cancellation of insurance on the Association Property or which would be in violation of any law. If, by reason of the occupancy or use of said premises by the Owner, the rate of insurance on the Association Property shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 4. Liability for Damage to the Association Property. Each Owner shall be liable to the Association, pursuant to the laws of the State of California, for any and all costs and expenses which may be incurred by the Association to repair any damage to the Association Property and/or Maintenance Area which may be sustained by reason of the negligence or willful misconduct of said Owner or his family, tenants, lessees, or their respective guests or invitees, whether minor or adult. After approval by a majority of the Board, any such costs and expenses shall be levied by the Board as a Compliance Assessment against such Owner.

Section 5. Signs. Subject to the provisions of California Civil Code, Sections 712 and 713, no sign, poster, display or other advertising device of any kind shall be displayed to the public view on or from any Lot or the Association Property, except such signs as may be used by Declarant, and except one (1) "for sale," "for lease" or "for exchange" sign of reasonable size (but not exceeding six [6] square feet) on any Lot. All signs

permitted under this Section shall conform with the City's sign ordinance, if any, and with all applicable regulations of the Public Agencies.

Section 6. Maintenance of Animals Within the Project.

No animals of any kind shall be raised, bred or kept in any Lot or in the Association Property, except that common domesticated household pets, including dogs, cats, birds or fish, may be kept on a Lot; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose or in unreasonable numbers, as may be determined by the Board, from time to time. Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal in the Project. All animals maintained on a Lot must be kept either within an enclosure, yard or patio, or on a leash being held by a person capable of controlling the animal. The Association, upon the approval of a majority of the Board, shall have the right to prohibit maintenance of any animal within the Project which, in the opinion of the Board, constitutes a private nuisance to any other person. Every person bringing a pet upon or keeping a pet in the Project shall be liable pursuant to the laws of the State of California to each and all persons for any injury or damage to persons or property caused by such pet.

Section 7. Quiet Enjoyment. No Owner shall permit or suffer anything to be done or kept upon such Owner's Lot which will obstruct or interfere with the rights of quiet enjoyment of the other occupants, or annoy them by unreasonable noises or otherwise, nor will any Owner commit or permit any nuisance on the premises or commit or suffer any immoral or illegal act to be committed thereon. Each Owner shall comply with all of the requirements of the Board of Health and of all other governmental authorities with respect to said premises, and shall remove all rubbish, trash and garbage from his Lot. All clotheslines, refuse containers, woodpiles, storage boxes, tools and equipment shall be prohibited from any Lot unless obscured from view by a fence

or appropriate screen approved by the applicable Architectural Control Committee as provided hereinbelow.

Section 8. Improvements. There shall be no construction, alteration or removal of any Improvement in the Project (other than those repairs or rebuilding permitted under the Article entitled "Damage or Destruction to the Association Property") without the approval of the appropriate Architectural Control Committee, where applicable; except such Improvements constructed during the development of the Project: (a) by the Declarant; or (b) by the Association as provided herein,

Section 9. Windows. No window in any Residence shall be covered in whole or in part, inside or outside, with aluminum foil, newspaper, paint, reflective tint or any other material reasonably deemed inappropriate for such use by the Association; provided, however, an Owner may use plain white sheets to cover windows for a period of time not to exceed six (6) months after the close of escrow, pending the installation of drapes, curtains, shutters or other appropriate interior window coverings.

Section 10. Commercial Activity. No Lot in the Project shall ever be used, or caused to be used, or allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, mercantile, manufacturing, storage or other nonresidential purposes, except for the right of Declarant to use any portion of the Project for model homes, sales offices and displays, and other promotional events, in accordance with the terms and provisions of this Declaration. The provisions of this Section shall not preclude professional and administrative occupations, so long as there is no evidence of such occupations visible to or affecting the Association Property, and for so long as such occupations are in conformance with all applicable ordinances of the Public Agencies. Any such use of a Lot must be merely incidental to the use of the Lot as a residential dwelling.

Section 11. Parking. All vehicles in the Project shall be parked in accordance with the following:

(a) Restrictions Regarding Private Streets. Any private streets, if any, within the Project shall be subject to the Protective Covenants set forth in this Declaration, as well as all applicable laws, ordinances and regulations of all Public Agencies having jurisdiction over the Project. Additionally, the Association may adopt reasonable Rules and Regulations regarding the parking of vehicles within the Project. In furtherance thereof, the Association, through its officers, committees and agents, may establish "parking" and "no parking" areas within the Association Property, in accordance with Section 22658.2 of the California Vehicle Code, or any similar statute hereafter enacted, and enforce these parking limitations by all means lawful for such enforcement, including the levying of fines, citing and towing of any violating vehicle.

(b) Recreational Vehicles. Unless approved by the appropriate Architectural Control Committee as provided herein, no Owner shall park, store or keep on his Lot, any streets within the Project or any portion of the Association Property, any large commercial type vehicle or any recreational vehicle (including, but not limited to, campers, motorhomes, trailers, boats, aircraft, mobile homes or other similar vehicles), except for purposes of loading, unloading, making deliveries or performing emergency repairs. Further, no Owner shall park any standard passenger automobile (including campers, vans and similar vehicles up to and including three-quarter [3/4] ton when used for everyday transportation) except wholly within his respective garage, or on his driveway; provided, however, in no event shall any vehicle extend across a sidewalk or extend beyond the curb-line.

(c) Storage of Goods in Garages. Each Owner shall keep his garage readily available for parking his respective vehicle therein and shall not store any goods or materials therein, nor use any portion of the garage for a workshop or other use if such storage or use would prevent said Owner from parking the number of vehicles therein for which said garage was originally designed and constructed by Declarant.

(d) Repairs. No Owner shall conduct major repairs to any motor vehicle of any kind whatsoever in his garage or upon the Association Property, except for emergency repairs thereto and then only to the extent necessary to enable the vehicle to be moved to a proper repair facility.

(e) Garage Doors. All garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage.

Section 12. Vehicle Usage in the Association Property. Except where expressly authorized and regulated by the Association, no vehicles of any kind shall be operated, maintained, repaired or otherwise used on, over or across the Association Property.

Section 13. Open Parking. Subject to the provisions of this Declaration and the Rules and Regulations of the Association, all open parking spaces within the Association Property shall be permanently maintained and available on a first-come, first-served basis to all guests and invitees of Owners.

Section 14. Compliance With Management Documents. All Owners shall be Members of the Association and shall comply with the terms and conditions as set forth in the Association Documents. No Owner shall transfer any membership or interest in the Association, except upon the transfer of the Lot to which it is appurtenant.

Section 15. Solar Heating Systems. Solar heating systems may be installed on Lots in the Project for heating swimming pools, spas and water heaters, provided that such systems comply

with applicable zoning regulations, the Uniform Building Code, and associated statutes and ordinances as may be adopted by the City, and have been approved by the respective Architectural Control Committee, based on reasonable standards consistent with Section 714 of the California Civil Code, as same may be amended from time to time.

Section 16. Antennas. No radio station or shortwave operators of any kind shall operate from any Lot, unless approved by the respective Architectural Control Committee. No exterior radio antenna, "Citizens Band" ("C.B.") antenna, ham radio television antenna, earth receiving station, satellite dish, or other similar electronic receiving or broadcasting device of any type shall be erected or maintained in the Project.

Section 17. Leasing. No Owner shall be permitted to rent or lease his Lot for transient or hotel purposes or for a period of less than thirty (30) days. No Owner may rent or lease less than the entire Lot. All rental and lease agreements shall be in writing and shall provide that the terms of such agreement shall be subject in all respects to the provisions of the Association Documents, and that any failure by the tenant or lessee to comply with the terms of such documents shall constitute a default under such agreement. Save and except the foregoing, there are no restrictions on the right of an Owner to rent or lease his Residence.

Section 18. Drilling. 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 be permitted upon or within the Project. No derrick or other structure designed for use in boring for oil, water or natural gas shall be erected, maintained or permitted upon the surface of any portion of the Project.

Section 19. Trash. No rubbish, trash, garbage or other waste material shall be kept or permitted upon any portion of the Project, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any Lot therein, unsanitary, unsightly, offensive or detrimental to any other Lot in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed twenty-four [24] hours before and after scheduled trash collection hours). If trash bins are located in the trash areas in the Association Property, all Owners shall utilize such trash bins for the disposal of their trash. There shall be no outdoor fires whatsoever, except in fire rings approved by the City or in barbecues in appropriate receptacles therefor.

Section 20. Water Softeners. No water softener system of any kind shall be permitted on any Lot, unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of all Public Agencies and the respective Architectural Control Committee.

ARTICLE IX

ARCHITECTURAL CONTROL

Section 1. Exemptions From Architectural Control.

Except as otherwise provided herein, all Improvements shall be subject to architectural approval by the Association in accordance with the provisions of this Declaration. Notwithstanding the foregoing, Declarant shall not be required to comply with any of the provisions of this Article as they may relate to the original construction and development of the Project by Declarant in accordance with the plans approved by the Public Agencies; provided, however, if Declarant shall desire to construct any Improvements to the exterior of a Residence after such Residence has been completed and approved by the Public Agencies, Declarant shall obtain approval for such Improvements from the Public Agencies.

Section 2. Extent of Architectural Control. Except for normal maintenance and repair and except as otherwise provided herein, no Owner shall excavate, grade, build, construct, reconstruct, remove or install any Improvement, or modify the exterior appearance of his Residence until the plans and specifications therefor showing the nature, location, kind, shape, height, width, color, materials and location of the same shall have been submitted to and approved in writing by the respective Architectural Control Committee, as more fully set forth herein. Additionally, each Owner must obtain approval from his respective Architectural Control Committee, in the manner provided herein, for any proposed Improvement which would visually impact any portion of the Project located outside the boundaries of the area in which the Owner's Lot is located. If the respective Architectural Control Committee determines that the proposed Improvement will not visually impact any portion of the Project outside such area, such Architectural Control Committee, acting by and through its representatives, shall furnish the Owner a certificate stating that approval by the Architectural Control

Committee will not be required, which certificate shall be conclusive upon the Association and the Owner as to the necessity for obtaining Architectural Control Committee approval for the proposed Improvement.

Section 3. Architectural Control Committees.

(a) Establishment of Separate Committees for Chateau and Vintage Product Types. As indicated in the Article hereinabove entitled "General Plan of Development," as presently planned, the Project will consist of two (2) distinct production types of homes built by the Declarant: (1) the "Chateau" homes which will generally offer a larger Residence; and (2) the "Vintage" homes which will generally offer a smaller Residence than the Chateau homes. Additionally, some Lots may be designated as Custom Lots and the Improvements thereto may be designed and built by an Owner in lieu of Declarant. Due to the variation in the sizes of the product types and the possible presence of custom Residences, it is anticipated that the Improvements which an Owner may propose to make to his respective Lot may also vary. Accordingly, in order to assure that architectural control within the Project will be sensitive to the needs and desires of the Owners of the Chateau, Vintage and Custom homes, and will promote aesthetic harmony within the respective areas, Declarant hereby establishes three (3) separate Architectural Control Committees. One Committee shall exercise control over Improvements to the Chateau homes, one Committee shall exercise control over Improvements to the Vintage homes and the other Committee shall exercise control over Improvements to the Custom Lots in accordance with provisions of this Declaration and the provisions of any Supplemental Custom Lot Declaration which may be recorded on such Custom Lots as provided in Article XVI of this Declaration. Each Committee shall have the same rights and powers as set forth in this Article.

Section 4. Members of the Architectural Control Committees. Each Committee shall consist of not less than three (3) members, nor more than five (5) members, and each initial member shall serve until the second anniversary date of the original issuance of the Final Subdivision Public Report for the first Phase of the Project. In the event of the failure or inability of any member of a Committee to act, the remaining members shall designate a successor who shall serve for the remainder of the term of the member he replaces. The Declarant shall appoint all of the initial members of the Architectural Control Committees, and replacements thereto. Further, Declarant reserves the power to appoint a majority of the members of the Architectural Control Committees until such time as Declarant shall have annexed to the Association the last Phase to be developed in the Project, or until the tenth (10th) anniversary of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever occurs first. After one (1) year from the date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, the Board shall have the power to appoint one (1) member to each Committee until ninety percent (90%) of the Lots in the Project have been sold, or until the tenth (10th) anniversary date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever occurs first. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committees. All members appointed to each Committee by the Board shall be from the membership of the Association, and shall reside in the particular production home or custom home over which such Committee has control. Members appointed to each Architectural Control Committee by the Declarant, however, need not be members of the Association. No member of either Architectural Control Committee shall be liable to any person for his decisions or failure to act in making decisions as a member of such Committee. Declarant may, in its discretion and at any time, assign to the Association by

written assignment its powers of removal and appointment with respect to the Architectural Control Committees, subject to such terms and conditions regarding the exercise thereof as Declarant may impose.

Section 5. Meetings of the Architectural Control Committees. Each Architectural Control Committee shall meet, from time to time, as necessary to perform its duties hereunder. The respective Committee may, by a majority vote of the members thereof, delegate any of its rights and responsibilities hereunder to one (1) or more duly licensed architects, who shall have full authority to act on behalf of such Committee on all matters so delegated.

Section 6. Architectural Approval - Review of Plans and Specifications. Each Architectural Control Committee shall have the right and duty to promulgate reasonable architectural guidelines against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans are in conformance with and are harmonious to the exterior design and existing materials of the respective Residences in the Project, and are not detrimental to the appearance of the surrounding Residences and Association Property. The Architectural Control Committee having control over the Custom Lots shall implement any design and architectural standards and/or guidelines set forth in any Supplemental Custom Lot Declaration and shall not promulgate guidelines which conflict with or are otherwise inconsistent with those set forth in such Declaration. Each Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration, and perform such other duties as, from time to time, shall be assigned to it by the Board, including the inspection of construction and progress to ensure its conformance with the plans approved by such Committee. The initial address, until otherwise modified, for submissions of plans to the Architectural Control Committee is:

Marlborough Development Corporation
28751 Rancho California Road
Suite 208
Rancho California, CA 92390

A Committee shall approve the plans and specifications submitted for its approval only if it deems that: (a) the construction contemplated thereby and the locations indicated will not be detrimental to the appearance of the surrounding area of the Project as a whole; (b) the appearance of any Lot affected thereby will be in harmony with surrounding structures; (c) the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Association Property or the enjoyment thereof by the Owners; and (d) the upkeep and maintenance thereof will not become a burden on the Association. The Committee may condition its approval of proposals or plans and specifications for any Improvement: (a) on such changes therein as it deems appropriate, (b) upon the agreement by the person submitting the same to grant appropriate easements to the Association for the maintenance of the Improvement, or (c) upon the agreement of the person submitting the same to reimburse the Association for the cost of such maintenance, or all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving the submission.

Each Architectural Control Committee's guidelines may also set forth procedures for submission of plans for approval, requiring a payment of a fee to the Association to accompany each submission of plans and specifications, or additional factors which it will take into consideration in reviewing submissions.

The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings, landscape plans and description or samples of exterior material and colors.

Section 7. Submittal to Public Agencies - Right of Architectural Control Committee to Review. Upon obtaining the written approval of the respective Committee for the proposed Improvement, if such Improvement requires a building permit, the Owner shall thereafter submit the plans and specifications to the City and any other appropriate Public Agencies, in accordance with their respective requirements. In the event that all approvals by Public Agencies necessary for the issuance of a building permit are not obtained within six (6) months from the date of approval by the Architectural Control Committee, the respective Architectural Control Committee shall have the right, but not the obligation, to review all previously approved plans and specifications. In addition, in the event that the Public Agencies require modifications to the plans and specifications previously approved by the Committee, the Owner shall submit to the Committee all modifications to the plans and specifications previously approved by such Committee, which shall have the right to review and to impose further conditions on any such modifications.

Section 8. Conflicts Between Public Agencies and Architectural Control Committee. In the event of any conflict in the conditions of approval of any proposed Improvements imposed by the Public Agencies and an Architectural Control Committee, the more restrictive of such conditions shall be controlling. Further, nothing herein shall limit a Committee from imposing conditions of approval of any proposed Improvements which are more restrictive than conditions as may be imposed by the Public Agencies.

Section 9. Decisions of the Architectural Control Committee. Until receipt by the Committee of any required plans, and such other information as may be required in Section 6 above, a Committee may postpone review of any plans submitted for approval. Decisions of a Committee and the reasons therefor should be transmitted by the Committee to the applicant, at the address

set forth in the application for approval, within forty-five (45) days after receipt by the Committee of all plans, specifications and materials required. Any application submitted pursuant to the provisions of Section 6 above shall be deemed approved, unless written disapproval or a request for additional information or materials by such Committee shall have been transmitted to the applicant within forty-five (45) days after the receipt by such Committee of all required materials.

Section 10. No Waiver of Future Approvals. The approval by either Architectural Control Committee to any submissions for any work done, or proposed to be done, or in connection with any other matter requiring the approval or consent of an Architectural Control Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent of any similar proposals, plans and specifications, drawings or other matters subsequently or additionally submitted for approval.

Section 11. Compensation of Members. The members of the Architectural Control Committees shall receive no compensation for services rendered, other than reimbursement by the Association for expenses incurred in the performance of such members' duties hereunder.

Section 12. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require, a Committee, by the vote or written assent of a majority of the members thereof, may allow reasonable variances as to any of the Protective Covenants contained in this Declaration or provisions of the architectural guidelines promulgated by such Architectural Control Committee, on such terms and conditions as it shall require; provided all such variances shall be subject to review and approval by the City. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose, except as to the particular Lot and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation

to comply with all governmental laws and regulations affecting the Owner's use of his Lot, including, but not limited to, zoning ordinances, Residence setback lines or requirements imposed by the Public Agencies or other governmental authority.

Section 13. Inspection of Work. The inspection of any work of Improvement performed pursuant to this Article shall be performed in accordance with the following provisions:

(a) Notice and Inspection. An Architectural Control Committee shall have the right, upon reasonable notice and during reasonable daylight hours, to make periodic inspections of any work in progress. Upon the completion of any Improvement, the Owner shall give written notice thereof to his respective Architectural Control Committee. Within sixty (60) days after receipt of such notice, such Committee, or its duly authorized representative, may inspect the completed Improvement to determine whether it was constructed, erected or installed in substantial compliance with the approved plans. In the event the Committee fails to respond to the notice within a sixty (60) day period following receipt of such notice, then the completed Improvement shall be deemed approved. If, however, the Committee shall inspect the completed Improvement and determine that such Improvement was not constructed, erected or installed in compliance with the approved plans, it shall notify the Owner, in writing, of such noncompliance within ten (10) days after the date of the inspection, specifying the particulars of noncompliance.

(b) Effect of Noncompliance. In the event the Owner has failed to remedy any alleged noncompliance within thirty (30) days from the date the Owner is notified of such noncompliance, the respective Architectural Control Committee shall notify the Board, who shall then set a date on which a hearing shall be held regarding the matter. Said date shall not be less than twenty (20) days nor more than

sixty (60) days after said notice of noncompliance was given to the Owner. Written notice of the hearing date shall be given by the Board to the Owner at least ten (10) days prior to the hearing. At the hearing, the Owner, the respective Architectural Control Committee and the Board, and any other interested persons, may present information relevant to the question of the alleged noncompliance. After considering all such information, if the Board shall determine that there is in fact a noncompliance, the Board shall specify the exact nature of the noncompliance, the estimated cost of correcting or removing same and shall specify a reasonable period of time the Owner shall have to remedy or remove the same after the date of the Board's ruling. If the Owner does not comply with the Board's ruling within such reasonable period, or within any extension of such reasonable period as the Board may grant, in its discretion, the Board shall take such action against said Owner as it deems appropriate, including, without limitation, the recording of a notice of noncompliance in the Office of the County Recorder, and the filing of a suit declaring said noncomplying Improvement to be a nuisance and for abatement thereof. Any noncompliance shall be deemed a nuisance. In furtherance thereof, all Owners hereby agree that the Board shall have legal standing to commence and prosecute legal proceedings against any Owner to enforce the Protective Covenants set forth in this Declaration. Additionally, the Board, at its option, may cause the noncomplying Improvement to be removed or may otherwise cause the noncompliance to be remedied, and the Owner shall promptly reimburse the Association, upon demand, for all costs and expenses incurred therewith. If such costs and expenses are not promptly paid to the Association, the Board shall, after Notice and Hearing, cause such costs and expenses to be levied as a Compliance Assessment against the responsible Owner.

Section 14. Non-Liability of Architectural Control Committee Members. Neither Declarant, the Association, the Board or the Architectural Control Committees, 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. The approval or disapproval of a submission by a Committee shall be based solely on the considerations set forth in this Article and in the architectural guidelines as may be promulgated by each respective Architectural Control Committee, and the 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.

Section 15. Appeal. In the event plans and specifications submitted to a Committee are disapproved, the party making such submission may appeal in writing to the Board. The written request must be received by the Board not more than fifteen (15) days following the final decision of such Architectural Control Committee. The Board shall submit such request to the respective Architectural Control Committee for review, and the written recommendations of such Committee will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure by the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the party making such submission.

Section 16. Prohibited Activities.

(a) Project Perimeter Walls. No Architectural Control Committee shall approve, and no Owner shall modify or otherwise alter any perimeter block wall or decorative fence, if any, originally constructed by Declarant along any public

streets adjoining the Project ("Project Perimeter Walls") as generally shown and depicted on Exhibit "C" attached hereto, or in any subsequent Declaration of Annexation. In the event any such wall or fence shall be damaged or destroyed, the Owner of the Lot affected thereby shall reconstruct said wall or fence to the same style and appearance as when originally constructed by Declarant at the Owner(s) sole cost and expense.

(b) Parking of Recreational Vehicles. No Architectural Control Committee shall approve, and no Owner shall park, store or keep any recreational vehicle (including, but not limited to, campers, motorhomes, trailers, boats, aircraft, mobile homes or other similar vehicles) on his Lot unless such vehicle is: (i) parked on the side of the Lot adjacent to the garage; (ii) parked on a concrete or other hardscape surface; and (iii) screened from view from the public and from the natural grade of the adjacent Lot(s) by a wall, fence, landscaping or other appropriate screen approved by the Committee.

ARTICLE X

REPAIR AND MAINTENANCE

Section 1. Repair and Maintenance by the Association.

Without limiting the generality of the Article herein entitled "Powers and Duties of the Association," the Association shall have the duty to maintain the Association Property and Maintenance Areas designated in this Declaration, or in any subsequent Declaration(s) of Annexation, so as to keep the Association Property and Maintenance Areas in a neat, clean, safe and attractive condition at all times. Such maintenance shall include maintaining, repairing, restoring, replacing and making necessary improvements to the Association Property and Maintenance Areas, which include, without limitation, all of the following:

(a) The exterior surface and structural integrity of those Project Perimeter Walls and decorative walls and/or fences as shown on Exhibit "C" attached hereto;

(b) All recreation facilities within the Project, together with all other related Improvements;

(c) All parkway landscaping, medians and greenbelts located within or adjoining those certain streets, as more particularly shown on Exhibit "D" attached hereto;

(d) All drainage swales, private storm drainage facilities and common retaining walls; and

(e) All other areas, facilities, equipment, services, aesthetic components or other Improvements of whatever nature as may, from time to time be set forth in any Declaration of Annexation.

Section 2. Repair and Maintenance by Owners. Excepting the Association's obligations to repair and maintain, as provided herein, each Owner shall:

(a) Maintain his Lot and all Improvements located thereon, including, without limitation, the Residence, all walls, fences, roofs, patios, patio covers, decks, deck covers, balconies, windows, screens, address placards, locks and doors of his Lot, and all slopes, bench drains and other drainage facilities, landscaping and all other Improvements owned by said Owner in a neat, clean, safe and attractive condition at all times, and make all repairs as they may be required; and

(b) Install, within one hundred twenty (120) days after conveyance of title to a Lot to an Owner, landscaping of his Lot in a neat and attractive condition including all necessary landscaping and maintain and periodically replace trees, plants, grass and other vegetation.

on such Lot by Declarant, if any. The foregoing shall not include any landscaping to be maintained by the Association, or by the Maintenance District.

Section 3. Maintenance by the Maintenance District.

The Maintenance District may maintain such areas within or adjacent to the Project as determined by the District in its sole discretion. The Maintenance District shall maintain said areas in accordance with standards adopted by the Maintenance District at its sole discretion.

Section 4. Compliance Assessments. In the event any Owner shall fail to perform his maintenance obligations, as set forth herein, the Board shall have the right, but not the obligation, acting through its agents and employees, to enter in and/or upon any Lot to perform such maintenance and repairs as may be reasonably required to bring same into compliance with the Protective Covenants set forth in this Declaration. The cost of such maintenance and repairs shall be levied by the Board as a Compliance Assessment against the respective Owner, as provided in this Declaration.

Section 5. Damage and Destruction Affecting a Residence - Duty to Rebuild. In the event any Residence is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of such Residence to repair or reconstruct said Residence in a manner which will restore it to its condition and appearance immediately prior in time to such damage or destruction. The affected Owner shall be obligated to proceed with all due diligence hereunder, and shall promptly commence reconstruction within a reasonable time after the damage occurs, and shall complete such reconstruction as soon as reasonably possible thereafter.

ARTICLE XI
DAMAGE OR DESTRUCTION TO THE
ASSOCIATION PROPERTY

Section 1. Restoration of Damaged Association Property. Except as otherwise provided in Section 2 hereinbelow, damage to or destruction of all or any portion of the Association Property shall be handled in the following manner:

(a) In the event of damage to or destruction of the Association Property and the insurance proceeds are sufficient to effect total restoration, the Association shall, as promptly as is practical, cause the Association Property to be repaired and reconstructed in a good workmanlike manner to its condition prior to such damage or destruction.

(b) If the insurance proceeds available are at least ninety percent (90%) of the estimated cost of total repair and reconstruction of the Association Property, the Association shall, as promptly as practical, cause such Association Property to be repaired and reconstructed in a good workmanlike manner to its condition prior to the damage or destruction, and the difference between the insurance proceeds and the actual cost shall be levied by the Association as a Special Assessment against each Lot on an equal basis.

(c) If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of total repair and reconstruction to the Association Property, the Owners shall, by the written consent or vote of a majority of the Owners, determine whether: (1) to restore the Association Property as promptly as practical to their condition prior to the damage or destruction, and to raise the necessary funds over and above the insurance proceeds available by levying Special Assessments against each Lot on an equal

basis; or (2) to restore the Association Property in a way which utilizes all available proceeds and an additional amount not in excess of ten percent (10%) of the estimated cost of total reconstruction and repair to the Association Property, and which is assessable as provided above to all Lots, but which is less expensive than restoring the Association Property to its condition prior to the damage or destruction.

Section 2. Election by Owners Not to Restore Damaged Association Property.

(a) Notwithstanding the provisions set forth in Section 1 hereinabove, in the event the sixty-seven percent (67%) of the Owners, other than Declarant and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, the Owners may elect not to rebuild or restore the Association Property and to disburse the available insurance proceeds to the general fund of the Association.

(b) In the event the Owners shall have so voted not to rebuild the Association Property, the Association Property shall be cleared and landscaped, and the cost thereof shall be paid for out of the available insurance proceeds prior to their distribution to the general fund of the Association.

(c) In the event the Owners shall have so voted not to rebuild the Association Property, unless the City shall agree to the contrary, it shall be the obligation of the Association and each of the Owners to restore the open spaces, at least to the extent said open spaces were accepted initially by a Public Agency in lieu of payment of fees due pursuant to law.

Section 3. Retention of Excess Insurance Proceeds in General Fund. In the event any excess insurance proceeds remain after restoring the destroyed Association Property, pursuant to this Article, the Board shall retain such sums in the general fund of the Association.

Section 4. Notice to Owners and Mortgagees. The Board shall, as soon as reasonably possible following any damage or destruction of Improvements in the Association Property, notify all Owners and holders, insurers and guarantors of first Mortgages on Lots in accordance with the provisions of the Article herein entitled "Mortgagee Protection."

Section 5. Damages by Owners. To the extent permitted by law, each Owner shall be liable to the Association for any damage to the Association Property not fully reimbursed to the Association by insurance if the damage is sustained due to the negligence, willful misconduct, improper installation or maintenance of an Improvement by an Owner, the members of his family, his tenants, lessees and their respective guests or invitees. The Board shall have the right, after Notice and Hearing, as provided in the By-Laws, to levy a Special Assessment for any damages attributable to such an Owner, including, without limitation, the costs of any increased insurance premiums resulting from the damage attributable to such Owner.

Section 6. Notification by Association of Defects. The Board agrees that in the event of any alleged defect in any improved Association Property for which the Association alleges that Declarant may be responsible, the Board will provide Declarant with written notice of such defect and will grant Declarant a reasonable opportunity to repair, replace or otherwise cure such defect. The Association agrees that Declarant and not the Association, shall determine the material and methods to be used in effecting such repair, replacement or cure. In accordance with the condition described in the preceding sentence, the Association agrees to provide Declarant with a reasonable opportunity to

repair or replace any defective material or workmanship upon the Association's discovery of the same.

ARTICLE XII

CONDEMNATION

Section 1. Distribution of Awards - Association Property. A condemnation award affecting all or any portion of the Association Property shall be remitted to the general fund of the Association.

Section 2. Board of Directors as Attorney-in-Fact. All Owners hereby appoint the Board as their special attorney-in-fact to handle the negotiations, settlements and agreements pertaining to any condemnation affecting only the Association Property. The special power of attorney shall not apply to the Secretary of the Department of Veterans Affairs, an Officer of the United States of America.

ARTICLE XIII

COVENANT AGAINST PARTITION

Section 1. Covenant Against Partition. By acceptance of his deed, each Owner shall be deemed to covenant for himself, and for his heirs, representatives, successors and assigns, that he will not institute legal proceedings to effect judicial partition of his interest in the Project, unless the Project: (a) has been in existence in excess of fifty (50) years, (b) is obsolete and uneconomical, and (c) the Owners of fifty percent (50%) of the total of all Lots in the Project join in such action for partition.

ARTICLE XIV

INSURANCE

Section 1. Required Insurance Coverage. The Association, acting by and through the Board, shall obtain for the Association and shall maintain and pay the premiums for the following insurance coverages:

(a) Casualty and Fire Insurance. A policy or policies of casualty and fire insurance with extended coverage endorsement in an amount equal to one hundred percent (100%) of the current replacement cost (without deduction for depreciation or co-insurance) of the Association Property. Said policies shall be maintained for the benefit of the Association, as the insured, for the use and benefit of the Owners. The coverage does not need to include land, foundations, excavations, or other items normally excluded from such coverage. Such policy or policies must contain, if required and if obtainable: (1) an Agreed Amount and Inflation Guard Endorsement; and (2) Construction Code Endorsements (such as Demolition Cost Endorsement, a Contingent Liability From Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement) if there is a construction code provision which would become operative and require changes to undamaged portions of the buildings within the Association Property.

(b) Public Liability Insurance. A policy or policies of comprehensive public liability insurance (with cross-liability endorsement, if obtainable) insuring the Association, the Board, the Owners, the Declarant, and the agents and employees of each of the foregoing, against any liability to the public or to any Owner, his family, tenants, lessees and their respective guests and invitees, arising from or incident to the ownership, occupation, use, maintenance and/or repair of the Association Property. The limits of liability under this Section shall be set by the

Board and shall be revised at least annually by the Board, and increased or decreased at the discretion of the Board; provided, however, that said limits shall not be less than Five Million Dollars (\$5,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence; and, provided further, that if the Federal Home Loan Mortgage Company (FHLMC) and/or the Federal National Mortgage Association (FNMA) participate in the financing of Lots in the Project, said limits shall not be less than the minimum limits required under the then current FHLMC and/or FNMA regulations.

(c) Fidelity Bonds. Officers' and directors' errors and omissions insurance, and fidelity bonds naming all persons signing checks or otherwise possessing fiscal responsibilities on behalf of the Association, including, but not limited to, officers, the Board, trustees and employees of the Association, and officers, employees and agents of any management company employed by the Association who handle or are responsible for the administration of Association funds, if obtainable. Such coverage shall be in an amount deemed reasonably appropriate by the Association, but shall not be less than the estimated maximum funds in the custody of the Association, or an amount equal to three (3) months of Regular Assessments for all Lots subject to the levy of Assessments, whichever is greater.

(d) Worker's Compensation. A policy or policies for all employees of the Association in such amounts as may be required by law.

Section 2. Optional Insurance Coverage. The Association, acting at its option and by and through the Board, may purchase such other insurance as it may deem necessary or appropriate, including, but not limited to, earthquake insurance and flood insurance.

Section 3. Notice of Cancellation of Insurance. All policies of insurance maintained by the Association pursuant to this Article shall contain a provision that coverage under said policies may not be cancelled, terminated, allowed to expire by their own terms, or be substantially modified by any party without at least thirty (30) days' prior written notice to the Board, to each Owner, and to such first Mortgagees who have filed written requests with the Association for such notice. A list of the Owners and such first Mortgagees shall be made available by the Association to the insurance carrier upon request.

Section 4. Annual Review of Coverage. The Board shall annually determine whether the amounts and types of insurance coverage that it has obtained pursuant to this Article shall provide adequate coverage for the Project, based upon the then current construction costs, insurance practices in the area in which the Project is located, and all other factors which may indicate that either additional insurance coverage or increased coverage under the existing policies is necessary or desirable to protect the interests of the Association, the Owners and their respective Mortgagees. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain same.

Section 5. Waiver by Owners. As to all policies of insurance maintained by the Association which will not be voided or impaired thereby, each Owner hereby waives and releases all claims against the Association, the Board, the Declarant, and the agents and employees of each of the foregoing, and all other Owners with respect to any loss covered by such insurance, whether or not caused by the negligence of, or breach of, any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss.

Section 6. Premiums, Proceeds and Settlement. Insurance premiums for all blanket insurance coverage and any other insurance coverage which the Board has determined is necessary to protect the interests of the Association, the Owners and their

respective Mortgagees, shall be a Common Expense to be included in the Regular Assessments levied by the Association. All insurance proceeds paid to the Association shall be disbursed as follows: (a) in the event of any damage or destruction to the Association Property, such proceeds shall be disbursed in accordance with the provisions of the Article herein entitled "Damage or Destruction to the Association Property"; and (b) in the event of any other loss, the proceeds shall be disbursed as the Board shall deem appropriate subject to the limitations set forth in the Article herein entitled "Mortgagee Protection." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and its Members.

Section 7. Rights and Duties of Owners to Insure.

Each Owner may obtain insurance on his personal property and all other Improvements to his Lot. Nothing herein shall preclude any Owner from carrying any public liability insurance as he may deem desirable to cover his individual liability for damage to person or property occurring on or within his individual Lot or elsewhere upon the Project. If obtainable, such liability insurance coverage carried by an Owner shall contain a waiver of subrogation of claims against the Declarant, the Association, the Board, their agents and employees and all other Owners. Such other policies shall not adversely affect or diminish any liability under insurance obtained by the Association. If any loss intended to be covered by insurance carried by the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 8. Trustee for Policies. The Association is hereby appointed and shall be deemed trustee for the interests of all insureds under the policies of insurance maintained by the Association. All insurance proceeds under such policies shall be paid to the Board, as trustees, and the Board shall have full power to receive such funds on behalf of the Association, the Owners and their respective Mortgagees, and to deal therewith as provided for in this Declaration.

Section 9. Compliance With Requirements of FHLMC and FNMA. Notwithstanding the provisions of this Article, the Association shall obtain and maintain in effect such policies of insurance meeting all requirements of FHLMC and FNMA established by those entities for planned developments for so long as any of such agencies continue to be a Mortgagee, Owner, insurer or guarantor of a Mortgage in the Project, except to the extent such coverage is not available or has been waived, in writing, by such agencies.

ARTICLE XV

MORTGAGEE PROTECTION

Section 1. Mortgage Protection Provisions. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce the FHLMC, FNMA and GNMA and other lenders and investors, to participate in the financing of the sale of Lots in the Project, the following provisions contained within this Article are added hereto, and, to the extent these added provisions conflict with any other provisions in this Declaration, these added provisions shall control. The Association Documents are hereinafter collectively referred to in this Article as the "constituent documents."

(a) The right of an Owner to sell, transfer or otherwise convey his Lot shall not be subject to any right of first refusal or any similar restriction in favor of the Association.

(b) The lien of the Assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter recorded upon any Lot. The 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 pursuant to any remedies provided for in the Mortgage, shall extinguish the lien of such Assessments as to payments which became due prior thereto. No sale or transfer shall relieve such Lot from liability for Assessments due thereafter. Any first Mortgagee who obtains title to a Lot pursuant to the remedies provided in the Mortgage, or foreclosure of the Mortgage, or any purchaser at a foreclosure sale of a first Mortgage, will not be liable for unpaid Assessments or charges which accrue prior to the acquisition of title to such Lot by the Mortgagee (except for claims for a share of such Assessments or charges resulting from a reallocation of such Assessments or charges to all Lot, including the mortgaged Lot).

(c) Except as provided by statute in case of condemnation or substantial loss to the Lot and/or the Association Property, unless sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

(1) By act or omission, seek to abandon or terminate the Association, except for abandonment, partition or termination as may be provided by law.

(2) Record or file any amendment which would change the pro rata interest or obligations of any Lot for purpose of levying Assessments or charges, or al-

locating distributions of hazard insurance proceeds or condemnation awards;

(3) Partition or subdivide any Lot, except as provided in this Declaration; provided, however, that no Lot may be partitioned or subdivided without the prior written approval of the first Mortgagee for such Lot;

(4) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer all or any portion of the Association Property. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Association Property shall not be deemed a transfer within the meaning of this clause;

(5) Use hazard insurance proceeds for any losses for other than repair, replacement or reconstruction of the applicable Improvements;

(6) Implement any decision of the Association to terminate professional management and assume self-management of the Project, where such professional management was previously a requirement by a holder, insurer or guarantor of any first Mortgage;

(7) By act or omission, change, waive or abandon any provisions of this Declaration, or enforcement thereof, pertaining to architectural design of Improvements to the Lots, or the maintenance and operation of the Association Property, including, without limitation, sidewalks, fences, driveways and landscaping within the Project;

(8) Fail to maintain fire and extended coverage insurance on the Association Property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value thereof.

(d) 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 the Project as a whole.

(e) No provision of the constituent documents shall be interpreted to give any Owner or any other party priority over any rights of the first Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of all or any portion of the Association Property or such Owner's Lot. All applicable fire and casualty insurance policies shall contain loss payable clauses acceptable to each first Mortgagee, naming the Mortgagees, as their interests appear, as additional insureds.

(f) The Assessments provided for in the constituent documents shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Association Property and Maintenance Areas that must be replaced on a periodic basis, and shall be payable in regular installments rather than by Special Assessments.

(g) Each holder, insurer or guarantor of a first Mortgage who has filed with the Association a written request for notice shall be entitled to timely written notice of: (1) any condemnation or eminent domain proceeding, and any loss or taking resulting from such proceeding which affects the Project, or any portion thereof; (2) any substantial damage or destruction to the Project, or any portion thereof, when such loss exceeds Ten Thousand dollars (\$10,000.00); (3) any default in the performance by an individual Owner of any obligation under the constituent documents, including, without limitation, the nonpayment of Assessments, which is not cured within sixty (60) days after the Association learns of such default, which notice shall state the length of time such Owner has been delinquent; (4)

any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; (5) any abandonment or termination of the Project; and (6) any proposed action that requires the consent of a specific percentage of eligible first Mortgagees.

(h) Any agreement for professional management of the Project, or any contract providing for services of the Declarant may not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods. Any such agreement must provide for termination by either party without cause and without payment of a termination fee on a maximum of ninety (90) days' written notice.

(i) First Mortgagees of Lots may, jointly or singly, pay taxes or other charges which are in default and which may or have become a lien on the Association Property, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Association Property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. Upon demand by any first Mortgagee, the Board shall execute, on behalf of the Association, an agreement establishing the right of all first Mortgagees to such reimbursement.

(j) A first Mortgagee of a Lot in the Project will, upon request, be entitled to: (1) examine the books and records of the Association during normal business hours; (2) receive an annual audited financial statement of the Association, and other financial data as may be distributed to the Owners, within ninety (90) days following the end of any fiscal year of the Association, if such statement has been prepared for the Association; and (3) receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

(k) Each Owner shall notify the Association in writing within ten (10) days after the close of escrow for the purchase of his Lot of the name and address of his first Mortgagee, and thereafter, each Owner shall promptly notify the Association of any change of name or address for his first Mortgagee.

(l) If any Lot (or portion thereof) or the Association Property (or portion thereof) is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institutional holder of any first Mortgage on such Lot will be entitled to timely written notice of any such proceeding or proposed acquisition.

(m) In the event any portion of the Association Property encroaches upon any Lot, or any Lot encroaches upon the Association Property as a result of the construction, reconstruction, repair, shifting, settlement or movement of any Improvement, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

(n) Unless at least sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one vote for each first Mortgage owned) of the Lots in the Project have given their prior written approval, neither the Association nor the Owners shall materially amend or revoke the provisions of the constituent documents. An amendment or revocation regarding any of the following shall be considered material:

- (1) The legal status of the Project;
- (2) Voting rights and procedures;
- (3) Assessments, assessment liens or the priority of assessment liens, including the levy and collection thereof, enforcement provisions for nonpayment and subordination of liens for nonpayment;

- (4) Reserves for maintenance, repair and replacement of the Association Property;
- (5) Responsibility for the maintenance and repair of the Association Property;
- (6) Reallocation of interests in the Association Property or rights to use the Association Property;
- (7) Insurance or fidelity bonds, and the entitlement to proceeds thereof;
- (8) Boundaries of any Lot;
- (9) Ownership of the Association Property;
- (10) Encroachment by Lots into the Association Property or by the Association Property into individual Lots;
- (11) Expansion or contraction of the Project, or addition, annexation or de-annexation of additional property to or from the Project;
- (12) Conversion of Lots into Association Property and vice versa;
- (13) Leasing (or rental) of Lots;
- (14) Restrictions on alienation, including, but not limited to, rights of first refusal;
- (15) Mortgagee protection provisions as set forth in this Declaration and such other provisions herein for which the consent of Mortgagees shall be required or which are expressly for the benefit of Mortgagees, insurers or guarantors of Mortgages;
- (16) Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs;
- (17) Any decision by the Association to establish self-management, if professional management had previously been required by an eligible first Mortgagee; and

(18) Restoration or repair of the Project in a manner other than as specified in this Declaration. Any Amendment to the constituent documents for the purpose of correcting technical errors or for clarification only shall not be deemed material.

Notwithstanding the foregoing, in the event any first Mortgagee receives a written request from the Board to approve any amendment to the Declaration, and such first Mortgagee does not deliver a negative response in writing to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved such proposed amendment.

Section 2. Violation of Mortgagee Protection Provisions. No breach of any of the Protective 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 Protective Covenants shall be violated, the Declarant, the Association or any Owner in the Project may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation and/or to recover damages; provided, however, such violation shall not defeat or render invalid the lien of any Mortgage made in good faith and for value. Said Protective Covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee sale or otherwise.

ARTICLE XVI

ANNEXATION OF ADDITIONAL PROPERTY

Additional property may be annexed to and become subject to this Declaration as set forth in this Article.

Section 1. Annexation Pursuant to Approval. Upon obtaining the approval in writing of (a) the Declarant so long as Declarant owns any portion of the Property and/or Annexation Property; and (b) the Association, pursuant to the vote or written assent of sixty-seven percent (67%) of the total voting power

of the Association, the owner of any property who desires to annex said property to the scheme of this Declaration and to subject it to the jurisdiction of the Association may record a Declaration of Annexation, as described in Section 3 of this Article.

Section 2. Annexation Pursuant to General Plan. All or any part of the Annexation Property described in Exhibit "B" to this Declaration, shall be annexed as part of the Project and added to the scheme of this Declaration and be subjected to the jurisdiction of the Association without the assent of the Association or its Members if said Property is developed, provided and on condition that:

(a) Any annexation pursuant to this Section shall be made prior to three (3) years from the date of the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Project, provided, however, that if a delay beyond the third (3rd) anniversary is the result of causes beyond Declarant's reasonable control, then a proposed annexation may be made by Declarant without the consent of the Association, subject to DRE approval;

(b) The development of the Annexation Property shall be in substantial conformance with the overall general plan of development for the Project originally submitted to and approved by the Public Agencies and the DRE; and

(c) A Declaration of Annexation, as described in Section 3 of this Article, shall be recorded covering the Annexation Property.

Section 3. Declaration of Annexation. The annexation of additional property authorized under this Article shall be made by recording a Declaration of Annexation, or similar instrument, covering said property. The Declaration of Annexation shall include at least the following:

(a) A reference to this Declaration, which shall include the date of recordation hereof and the instrument number or other relevant recording data of the records of the County Recorder of the County of Riverside, where this Declaration is recorded;

(b) A statement that this Declaration shall apply to the Annexation Property as set forth herein;

(c) A description of the Annexation Property; and

(d) A description of the Association Property, if any, and/or Maintenance Areas, if any, located in the Annexation Property.

The Declaration of Annexation may contain such complementary additions to and modifications of the Protective Covenants set forth in this Declaration which are necessary to reflect the different character, if any, of the Annexation Property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Section, no Declaration of Annexation shall add, delete, revoke, modify, or otherwise alter the Protective Covenants set forth in this Declaration.

Section 4. Supplemental Custom Lot Declaration. In the event Declarant elects to annex Custom Lots into the Project, Declarant may record a Supplemental Custom Lot Declaration or other similar document on such Lots which may include such design and architectural standards and/or guidelines (e.g. minimum Residence sizes, set backs, permitted and prohibited building materials, etc.) as Declarant deems appropriate, and the Architectural Control Committee having control over such Lots shall be responsible for assuring compliance with such standards and guidelines.

Section 5. Effective Date of Annexation. A Declaration of Annexation recorded on a subsequent Phase shall become effective immediately upon the first close of escrow for the sale of a Lot in said Phase, as evidenced by the recordation of the first instrument of conveyance. Thereafter, the rights, obliga-

tions, privileges, duties and liabilities of the Owners of Lots in said Phase shall be governed by this Declaration.

Section 6. Amendments to a Declaration of Annexation.

Notwithstanding any other provisions of this Declaration to the contrary, a Declaration of Annexation may be amended solely by the Declarant prior to the first close of escrow for a Lot in a Phase. After the first close of escrow for a Lot, a Declaration of Annexation may be amended by the requisite affirmative vote attributable to Members (and first Mortgagees, if applicable), as set forth in the Article XV herein, in only such Phase, rather than by the vote by Delegates for all Members of the Association (and first Mortgagees, if applicable) in the Project on the following conditions:

(1) Such amendment applies only to the Annexation Property described in said Declaration of Annexation; and

(2) Such amendment shall in no way contradict, revoke or otherwise alter any of the Protective Covenants set forth in this Declaration.

Section 7. Right of De-Annexation. Declarant hereby reserves the right to de-annex any property which may be annexed into the Project pursuant to this Declaration, and to delete said property from the scheme of this Declaration and from the jurisdiction of the Association, provided and on condition that: (i) the de-annexation shall be made prior to the first close of an escrow for the sale of a Lot in the Phase to be de-annexed; (ii) no Association Property in such Phase has been conveyed to the Association; (iii) a draft of the Revocation of the Declaration of Annexation has been submitted to and approved by the VA; and (iv) the Revocation of the Declaration of Annexation is executed by Declarant and recorded with the County Recorder.

ARTICLE XVII

ENFORCEMENT OF BONDED OBLIGATIONS

Section 1. Enforcement of Bonded Obligations. In the event that the Improvements to the Association Property and/or Maintenance Areas have not been completed prior to the issuance of a Final Subdivision Public Report by the DRE for a Phase of the Project, and the Association is obligee under a bond or other arrangement (hereinafter referred to as the "Bond") to secure a performance of the commitment of Declarant to complete such Improvements, the following provisions shall apply:

(a) Board Action. The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any 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 Association Property and/or Maintenance Area Improvements, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

(b) Meeting of the Delegates. In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Delegates 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 By-Laws dealing with meetings of the Delegates, 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 Delegates representing five percent (5%) of the total voting power of the Association.

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

ARTICLE XVIII

GENERAL PROVISIONS

Section 1. General Enforcement.

(a) Rights of Enforcement. The Association, the Owner of any Lot in the Project, including the Declarant, shall have the right to enforce, by proceedings at law or in equity, all of the Protective Covenants now or hereafter imposed by this Declaration and the provisions of the other Association Documents, including, without limitation, the right to prosecute a proceeding at law or in equity against the person or persons who have violated or are attempting to violate any of said Protective Covenants, and/or provisions, to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

(b) Nuisance. The result of every act or omission whereby any of the Protective Covenants contained in this Declaration or the provisions of the Association Documents are violated, in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance shall be applicable against

every such result and may be exercised by any Owner, by the Association or by its successors in interest.

(c) Cumulative Remedies. The remedies herein provided for breach of the Protective Covenants contained in this Declaration or the provisions of the Association Documents shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) Waiver. The failure of the Association or any Owner to enforce any of the Protective Covenants contained in this Declaration or the provisions of the Association Documents shall not constitute a waiver of the right to enforce the same thereafter.

(e) Non-impairment of Mortgages. A breach of the Protective Covenants contained in this Declaration or of the provisions of the Association Documents shall not affect or impair the lien or charge of any bona fide Mortgage made in good faith and for value on any Lot; provided, however, that any subsequent Owner of such property shall be bound by said Protective Covenants, whether or not such Owner's title was acquired by foreclosure, a trustee's sale or otherwise.

(f) Discipline: Monetary Penalties. The Board, for and on behalf of the Association, may assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend said Owner's right to use the recreational facilities, if any, for the period during which any Assessment against said Owner's Lot remains unpaid; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(g) Discipline: Suspension of Rights. The Board, for and on behalf of the Association, may, after Notice and Hearing, temporarily suspend an Owner's right to use the recreational facilities for a period not to exceed thirty

(30) days for any infraction of the Association's Rules and Regulations by such Owner or by any person to whom such Owner has delegated his rights to use the Association Property as provided herein; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(h) Rights of Public Agencies. In addition to the above general rights of enforcement, the Public Agencies shall have the right, through their agents and employees, to enter upon any part of the Project for the purpose of enforcing the California Vehicle Code and their local ordinances, and are hereby granted an easement over the Project for that purpose.

Section 2. Severability. Invalidity of any one of the Protective Covenants by judgment or court order shall in no way affect any other Protective Covenant herein, which shall remain in full force and effect.

Section 3. Term. The Protective Covenants set forth in this Declaration shall run with the Project, and shall be binding upon and inure to the benefit of the Association, and the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Declaration is recorded, after which time said Protective Covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument meeting the requirements for amendment to this Declaration, as set forth in Section 6 below, has been signed and recorded within one (1) year prior to the termination of the

initial fifty (50) year term or within one (1) year prior to the termination of any successive ten (10) year period.

Section 4. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and maintenance of the Project. The Article and Section headings have been inserted for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 5. Singular Includes Plural. Whenever the context of this Declaration may so require, the singular shall include the plural, and the masculine shall include the feminine and neuter.

Section 6. Amendments.

(a) Amendments by Declarant. Prior to the sale of a Lot to a member of the public, in accordance with a Final Subdivision Public Report issued by the DRE, this Declaration may be amended, restated or terminated by an instrument executed by Declarant.

(b) Amendments by Association. This Declaration may be amended only by an affirmative vote of Delegates representing not less than sixty-seven percent (67%) of the Class A voting power and of the Class B voting power of the Association. At such time when the Class B membership shall cease and be converted to Class A membership, any and all amendments to this Declaration shall be enacted by requiring the vote or written assent of Delegates representing both: (a) sixty-seven percent (67%) of the total voting power of the Association, and (b) sixty-seven percent (67%) of the votes attributable to Members other than the Declarant; provided, however, that the percentage of the voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision. Any Delegate or the Association may petition the Superior Court of Riverside

County for an order reducing the necessary percentage required under this Section to amend this Declaration. The procedure for effecting this petition is set forth in Section 1356 of the California Civil Code, as the same may be amended, from time to time.

(c) Approval of Mortgagees. In addition to the rights of first Mortgagees, as set forth in the Article herein entitled "Mortgagee Protection," in the event that FHLMC and/or FNMA participates in the financing of Lots in the Project, the written consent of not less than fifty-one percent (51%) of the first Mortgagees shall be required for any material amendment as enumerated in the Article herein entitled "Mortgage Protection." In the event the Association is considering termination of the legal status of the Project for reasons other than the substantial destruction or condemnation of the Project, then sixty-seven percent (67%) of the First Mortgagees must agree to said termination. Notwithstanding the foregoing, in the event any first Mortgagee receives a written request, delivered by certified or registered mail, with return receipt requested, from the Board to approve any amendment to this Declaration, and such first Mortgagee does not deliver a negative response in writing to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved such proposed amendment.

(d) Approval by City. No amendment to alter, modify, terminate or revoke any Protective Covenants set forth herein in favor of, or in which the City has an interest, (including, but not limited to, maintenance of the Association Property or the City's rights of enforcement) shall be effective without the prior written approval of the City.

(e) Approval by County. This Declaration shall not be terminated, "substantially" amended nor shall any property be deannexed therefrom absent the prior written consent of the Planning Director of the County of Riverside or the City. A proposed amendment shall be considered "substantial" if it affects the extent, usage or maintenance of the Maintenance Areas or the Association Property. In the event of any conflict between this Declaration and the Articles of Incorporation, the By-Laws, or the Association's Rules and Regulations, if any, this Declaration shall control.

(f) Recordation of Amendments. An amendment made in accordance with the provisions set forth hereinabove shall be effective when executed by the President and Secretary of the Association, who shall certify that the amendment has been approved as provided herein and by the first Mortgagees, in the percentages set forth hereinabove, when applicable, and recorded in the Office of the County Recorder for Riverside County. Upon such recordation, the amendment shall be effective and binding upon all Owners and all Mortgagees, regardless of whether such Owner or such Mortgagee consented to such amendment.

Section 7. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by registered or certified mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the Lot of such person if no address has been given to the Association. If such notice is not sent by registered or certified

mail, it shall be deemed to have been delivered when received. Such address may be changed, from time to time, by notice in writing to the Association.

Section 8. Attorneys' Fees. If any Owner defaults in making a payment of Assessments or in the performance or observance of any provision of the Association Documents, and the Association has engaged the services of an attorney in connection therewith, the Owner covenants and agrees to pay upon demand all costs and fees incurred by the Association, including reasonable attorneys' fees, regardless of whether legal proceedings are instituted. In case a suit is instituted, the prevailing party shall be entitled to recover the cost of the suit, in addition to the aforesaid costs and fees.

Section 9. Property Exemption. All public property within the Project shall be exempt from the provisions of this Declaration.

Section 10. Covenants in Favor of the VA. So long as there shall be a Class B membership, the following actions shall require the prior approval of the VA: annexation or de-annexation of additional property to the Project; any merger or consolidation of the Association; any Special Assessment; or any amendment to this Declaration. A draft of any proposed amendment shall be submitted to the VA for its approval prior to recordation of the amendment.

IN WITNESS WHEREOF, Declarant has executed this instru-

ment on the day and year first above written.

"DECLARANT"

MARLBOROUGH DEVELOPMENT CORPORATION,
a California corporation

BY:

Richard A. Niec
Richard A. Niec

Its: Vice-President

BY:

Cheryl A. Van Gaale
Cheryl A. Van Gaale

Its: Executive Secretary

STATE OF CALIFORNIA

)

SS.

COUNTY OF Riverside

)

On April 18,, 1990, before me, the undersigned, a

Notary Public in and for said State, personally appeared _____

Richard A. Niec and Cheryl A. Van Gaale, personally

known to me (or proved to me on the basis of satisfactory evi-

dence) to be the persons who executed the within instrument

as Vice-President and Executive Secretary, on behalf of


MARLBOROUGH DEVELOPMENT CORPORATION, the corporation therein

named, and acknowledged to me that said corporation executed the

within instrument pursuant to its By-Laws or a resolution of its

Board of Directors.

WITNESS my hand and official seal.


Signature of Notary Public



(SEAL)

EXHIBIT "A"

DESCRIPTION OF THE PROPERTY

The Property shall mean and refer to that certain real property (and all Improvements constructed thereon) located in the City of Temecula, County of Riverside, State of California more particularly described as follows:

Lots 1 through 34, Lots 72 and 74 of Tract 23100-1 as shown on a Map recorded in Book 214, Pages 5 to 11, inclusive, of Maps in the Office of the County Recorder for Riverside County.

EXHIBIT "B"

DESCRIPTION OF THE ANNEXATION PROPERTY

The Annexation Property shall mean and refer to any and all of that certain real property (including all Improvements constructed thereon) located in the City of Temecula, County of Riverside, State of California more particularly described as follows:

- (A) All of those portions of Tract 23100-1 as shown on a Map recorded in Book 214, Pages 5 to 11, inclusive, of Maps in the Office of the County Recorder for Riverside County, which do not constitute and are not described as the "Property" on Exhibit "A" attached to this Declaration;
- (B) All of the real property which is more particularly depicted and described on Tentative Tract Maps 23100, 23100-2, 23100-3, 23101, 23101-1 and 23101-2, which Maps are on file with the Planning Department for the City of Temecula; and
- (C) An easement for various purposes including, but not limited to, ingress, egress, access and landscaping on, over and across that certain property owned by the Metropolitan Water District which is more particularly described as follows:

Beginning at the Northeast corner of Parcel Map 22554 as shown on a Map recorded in Book 147, Pages 94 through 98, inclusive, of Parcel Maps in the Office of the County Recorder for Riverside County; Thence South 47 Degrees, 40 Minutes, 42 Seconds East a distance of 353.05 feet, to the True Point of Beginning; Thence South 47 Degrees, 40 Minutes, 42 Seconds East a distance of 80.65 feet; Thence South 12 Degrees, 32 Minutes, 37 Seconds West a distance of 2484.58 feet; Thence North 36 Degrees, 08 Minutes, 57 Seconds West

a distance of 93.19 feet; Thence North
12 Degrees, 32 Minutes, 37 Seconds East
a distance of 3463.12 feet, to the True
Point of Beginning.

(For ease of reference, all of the real property
referenced in Paragraphs (A) and (B) above are
also shown and described as Parcel 1 of said
Parcel Map 22554.)

EXHIBIT "C"

DESCRIPTION AND DEPICTION OF THE
ASSOCIATION PROPERTY

The Association Property located in this first Phase of the Project shall mean and refer to that certain real property (and all Improvements constructed thereon) located in the City of Temecula, County of Riverside, State of California more particularly described as follows:

Lots 72 and 74 of Tract 23100-1, as shown on a Map recorded in Book 214, Pages 5 to 11, inclusive, of Maps in the Office of the County Recorder for Riverside County.

This Association Property is generally depicted on page 2 of this Exhibit "C."

EXHIBIT C

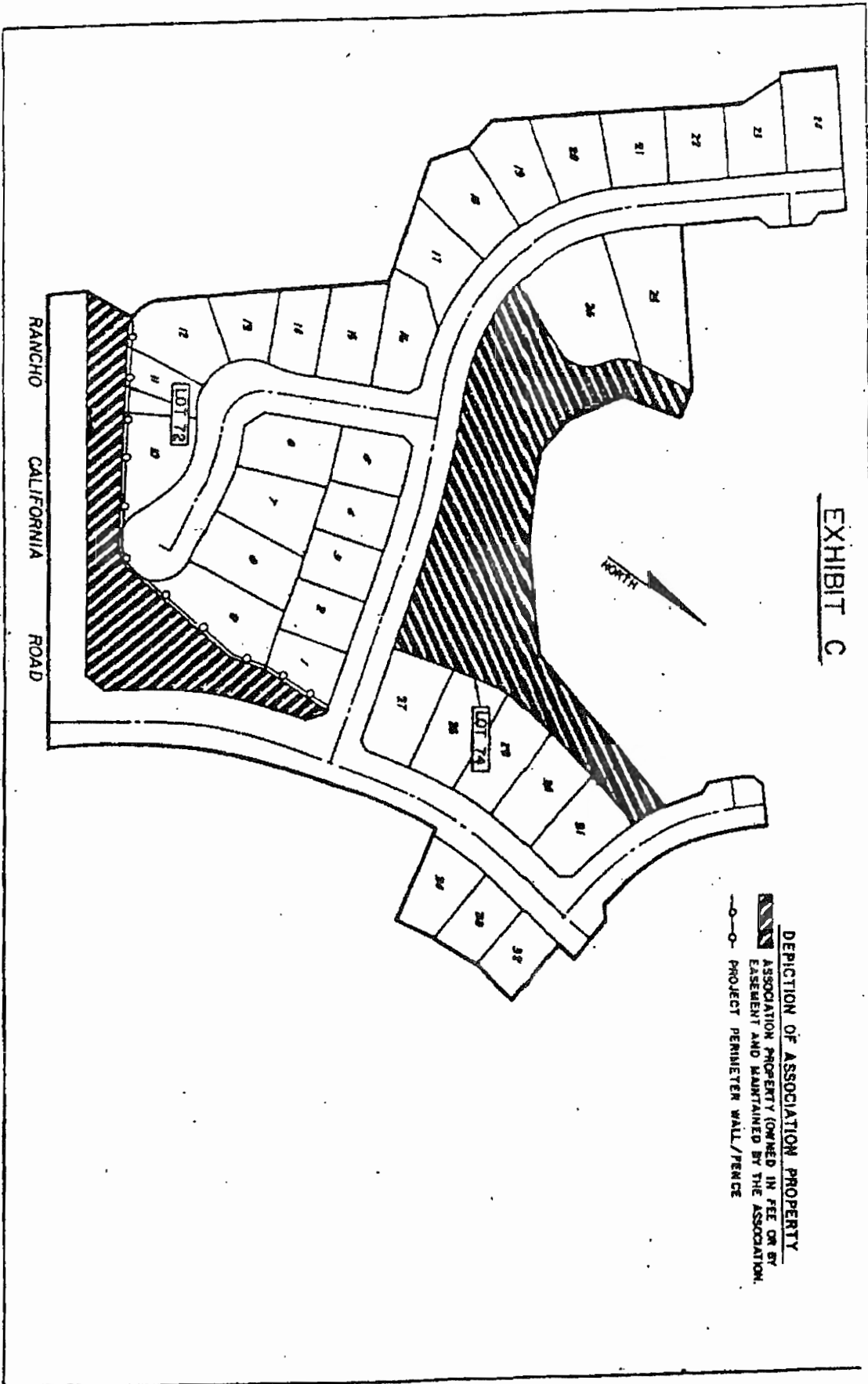


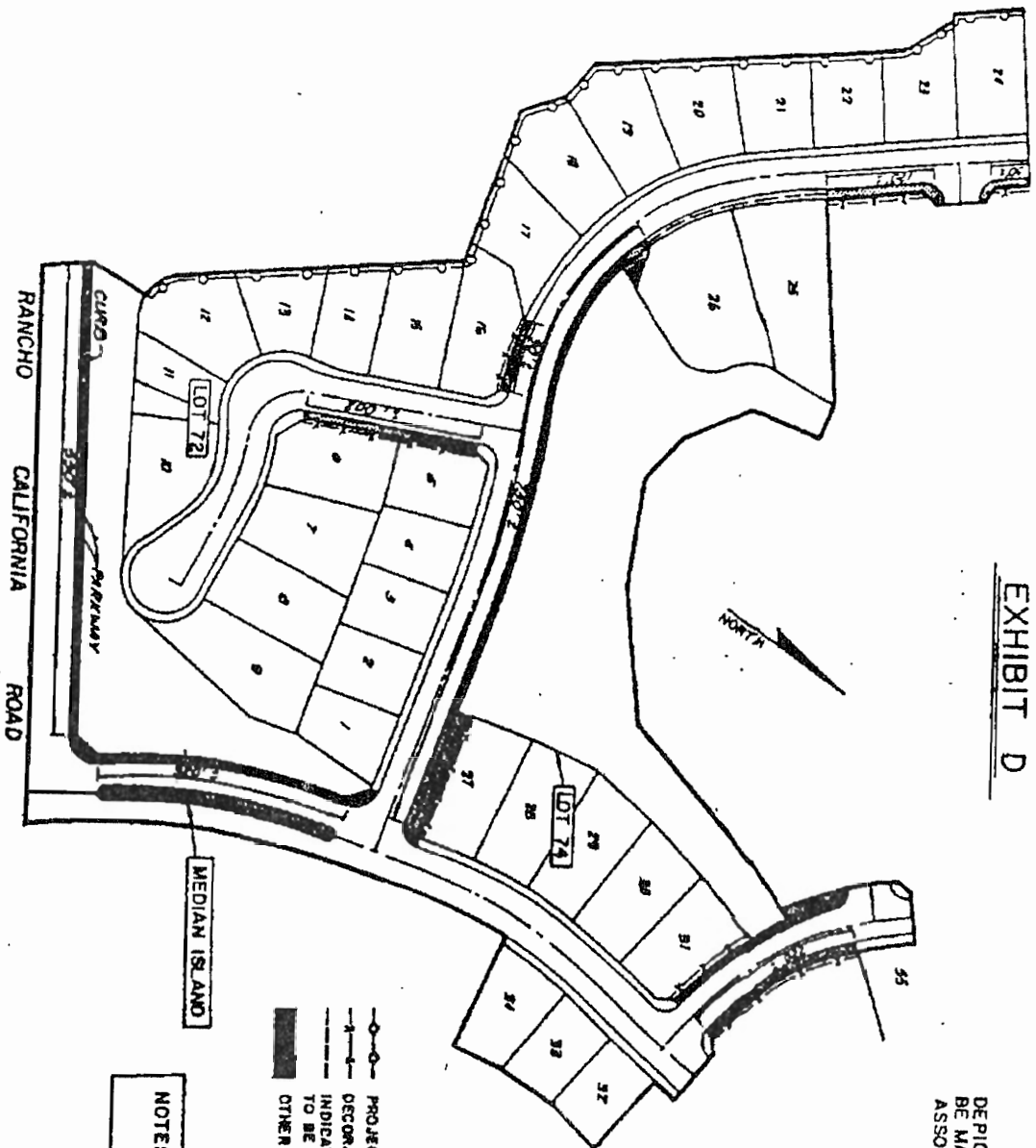
EXHIBIT "D"

DEPICTION OF THE
MAINTENANCE AREAS

(see attached)

EXHIBIT D

DEPICTION OF THE MAINTENANCE AREAS TO BE MAINTAINED BUT NOT OWNED BY THE ASSOCIATION.



- PROJECT PERIMETER WALL / FENCE
- DECORATIVE WALL / FENCE
- INDICATES UNDERGROUND IRRIGATION / ELEC. CONDUIT TO BE MAINTAINED BY THE ASSOCIATION.
- OTHER MAINTENANCE AREAS.

NOTES: 1. SIDEWALKS ARE TO BE MAINTAINED BY THE CITY OF TEMECULA
2. DIMENSIONS GIVEN ARE APPROXIMATE.

225859

Recording requested by:

FIRST AMERICAN TITLE INSURANCE
COMPANY OF RIVERSIDE
1625 Fourteenth Street
Riverside, California 92502

When recorded return to:

HOLZWARTH, POWELL & STEIN
18400 Von Karman Avenue
Suite 600
Irvine, California 92715
Attn: Thomas L. Powell, Esq.

RECEIVED FOR RECORD
11:30 O'CLOCK A.M.
at Riverside of
FIRST AMERICAN TITLE COMPANY
OF RIVERSIDE

JUN 19 1990

William J. Kottler
Notary Public
for the State of California
Fees

FIRST AMENDMENT TO THE
DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS, AND
RESERVATION OF EASEMENTS FOR
CHARDONHAY HILLS

225859

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FIRST AMENDMENT TO THE
DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS, AND
RESERVATION OF EASEMENTS FOR
CHARDONNAY HILLS

THIS FIRST AMENDMENT TO THE DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS FOR CHARDONNAY HILLS (the "First Amendment") is made this 19th day of June, 1990 by MARLBOROUGH DEVELOPMENT CORPORATION, a California corporation ("Declarant").

R E C I T A L S

A. Declarant is the owner of that certain real property located in the City of Temecula, County of Riverside, State of California more particularly described on Exhibit "A" attached hereto (the "Property");

B. Declarant previously caused that certain "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Chardonnay Hills" to be recorded on the Property on April 30, 1990 as Instrument No. 157279 of the Official Records of Riverside County, California (the "Declaration");

C. Pursuant to Section 6 of Article XVIII of the Declaration, prior to the sale of a Lot to a member of the public, the Declaration may be amended by Declarant;

D. Declarant has not closed any escrows for the sale of any of the Lots in the Property; and

E. Declarant desires to amend the Declaration to correct various clerical errors in the Declaration.

NOW, THEREFORE, for and in consideration of the foregoing Recitals, Declarant does hereby amend the Declaration as follows:

1. Limitations on Contracts. Section 5 of Article V is hereby deleted in its entirety and the following new Section 5 is substituted in lieu thereof:

"Section 5. Limitations on Contracts. Except as otherwise provided herein, no contract entered into by the Association or the Board, acting for and on behalf of the Association, may run for a term longer than one (1) year, except with the vote or written assent of Delegates representing a majority of the voting power of the Association and a majority of the votes residing in Members other than the Declarant."

2. Limitations on Board Action. Section 9 of Article V is hereby deleted in part as follows and the following new portion of Section 9 is substituted in lieu thereof:

"Section 9. Limitations on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of Delegates representing a majority of the voting power of the Association and a majority of the votes residing in Members other than the Declarant:"

3. Regular Assessments - Basis. The line and parenthesis in Section 3 of Article VI were inadvertently not filled in prior to the recordation of the Declaration. Section 3 is hereby amended to insert the following: "One Thousand Nine Hundred Eight Dollars (\$1,908.00)."

4. Restoration of Damaged Association Property. Paragraph (c) of Section 1 of Article XI is hereby deleted in its entirety and the following new Paragraph (c) of Section 1 is substituted in lieu thereof:

"(c) If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of total repair and reconstruction to the Association Property, the Delegates shall, by the written consent or vote of Delegates representing the Owners of a majority of the Lots in the Project (other than the Lots owned by Declarant), determine whether: (1) to restore the Association Property as promptly as practical to its condition prior to the damage or destruction, and to raise the necessary funds over and above the insurance proceeds available by levying Special Assessments against each Lot on an equal basis; or (2) to restore the Association Property in a way which utilizes all available proceeds and an additional amount not in excess of ten percent (10%) of the estimated cost of total reconstruction and repair to

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the Association Property, and which is assessable as provided above to all Lots, but which is less expensive than restoring the Association Property to its condition prior to the damage or destruction."

5. Election Not to Restore Damaged Association Property. Section 2 of Article XI is hereby deleted in its entirety and the following new Section 2 is substituted in lieu thereof:

"Section 2. Election Not to Restore Damaged Association Property.

(a) Notwithstanding the provisions set forth in Section 1 hereinabove, in the event Delegates representing the Owners of sixty-seven percent (67%) of the Lots in the Project (other than the Lots owned by Declarant), and sixty-seven percent (67%) of the first Mortgages (based upon one [1] vote for each first Mortgage owned), have given their prior written approval, the Delegates may elect not to rebuild or restore the Association Property and to disburse the available insurance proceeds to the general fund of the Association.

(b) In the event the Delegates shall have voted not to rebuild the Association Property, the Association Property shall be cleared and landscaped, and the cost thereof shall be paid for out of the available insurance proceeds prior to their distribution to the general fund of the Association.

(c) In the event the Delegates shall have voted not to rebuild the Association Property, unless the City shall agree to the contrary, it shall be the obligation of the Association and each of the Owners to restore the open spaces, at least to the extent said open spaces were accepted initially by a Public Agency in lieu of payment of fees due pursuant to law."

6. Mortgage Protection Provisions. Paragraph (c) of Section 1 of Article XV is hereby deleted in part as follows and the following new portion of Paragraph C is substituted in lieu thereof:

"(c) Except as provided by statute in case of condemnation or substantial loss to a Lot and/or the Association Property, unless Delegates representing sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one (1) vote for each first Mortgage owned) have given their prior written approval, neither the Association nor the Owners shall be entitled to:"

7. Mortgage Protection Provisions. Paragraph (n) of Section 1 of Article XV is hereby deleted in part as follows and the following new portion of Paragraph (n) is substituted in lieu thereof:

"(n) Unless Delegates representing at least sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one vote for each first Mortgage owned) of the Lots in the Project have given their prior written approval, neither the Association nor the Owners shall materially amend or revoke the provisions of the constituent documents. An amendment or revocation regarding any of the following shall be considered material:"

8. Annexation Pursuant to Approval. Section 1 of Article XVI is hereby deleted in its entirety and the following new Section 1 is substituted in lieu thereof:

"Section 1. Annexation Pursuant to Approval. Upon obtaining the approval in writing of (a) the Declarant so long as Declarant owns any portion of the Property and/or Annexation Property; and (b) the Association, pursuant to the vote or written assent of Delegates representing sixty-seven percent (67%) of the total voting power of the Association, the owner of any property who desires to annex said property to the scheme of this Declaration and to subject it to the jurisdiction of the Association may record a Declaration of Annexation, as described in Section 1 of this Article."

9. Ratification of the Declaration. Save and except for the foregoing amendments, Declarant hereby ratifies the Declaration and the Declaration shall otherwise remain unchanged and continue in full force and effect.

IN WITNESS WHEREOF, Declarant has executed this First

225859

Amendment on the day and year first written above.

"DECLARANT"

MARLBOROUGH DEVELOPMENT CORPORATION,
a California corporation

BY:

Richard A. Nies
RICHARD A. NIES
Its Vice-President

BY:

Chris D. Bushy
CHRIS D. BUSHY
Its Asst. Secretary


225859

STATE OF CALIFORNIA

COUNTY OF Riverside

On June 16, 1990, before me, the undersigned, a
Notary Public and for said State, personally appeared
Richard A. [unclear] and Chris D. Bushby, personally
known to me (or proved to me on the basis of satisfactory evi-
dence) to be the persons who executed the within instrument
as Vice-President and Asst. Secretary, on
behalf of MARLBOROUGH DEVELOPMENT CORPORATION, the corporation
therein named, and acknowledged to me that said corporation
executed the within instrument pursuant to its By-Laws or a
resolution of its Board of Directors.

WITNESS my hand and official seal.


Signature of Notary Public



(SEAL)

PLEASE COMPLETE THIS INFORMATION
RECORDING REQUESTED BY:

FIORE, RACOBS & POWERS

AND WHEN RECORDED MAIL TO:

FIORE, RACOBS & POWERS

A Professional Law Corporation

6820 Indiana Avenue, Suite 140

Riverside, CA 92506

Conformed Copy

Has not been compared with original

Larry W Ward

County of Riverside
Assessor, County Clerk & Recorder

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

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TRA: SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND
DTT: RESTRICTIONS, AND RESERVATION OF EASEMENTS FOR CHARDONNAY HILLS

Title of Document

THIS AREA FOR
RECORDER'S
USE ONLY

THIS PAGE ADDED TO PROVIDE ADEQUATE SPACE FOR RECORDING INFORMATION
(\$3:00 Additional Recording Fee Applies)

SECOND AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS FOR CHARDONNAY HILLS

This Second Amendment to the Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Chardonnay Hills ("Second Amendment") is made this 07 day of SEPT., 2006, by the Chardonnay Hills Homeowners Association ("Association").

RECITALS

- A. The Association is the owners' association having jurisdiction over that certain planned development in the City of Temecula, Riverside County, California, more particularly described on Exhibit "A" attached hereto ("Property").
- B. Ownership of the Property is currently subject to the Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements recorded on April 30, 1990, as Instrument No. 157279, in the Official Records of Riverside County, California ("Declaration"), as amended by the First Amendment to the Declaration ("First Amendment") recorded on June 19, 1990, as Instrument No. 225859, in the Official Records of Riverside County, California (collectively, the "CC&Rs").
- C. The CC&Rs may be amended by their own terms or by order of the Riverside County Superior Court pursuant to Civil Code Section 7515.
- D. The Second Amendment herein to the Declaration was proposed by written ballot of the members pursuant to applicable law, and the proposed Second Amendment to the Declaration was approved by a majority of the members and by order of the Riverside County Superior Court dated May 11, 2006, a copy of which is attached hereto as Exhibit "B" and incorporated by reference.

NOW, THEREFORE, the Declaration is hereby amended as follows:

- 1. Article I, Sections 16 and 17, are hereby deleted in their entirety.
- 2. Article V, Sections 2, 3 and 6 through 9, inclusive, are hereby deleted in their entirety, and the following Section 2 is hereby substituted in the place of Section 2:

Section 2. Voting Rights. Each Member shall be entitled to one (1) vote for each Lot owned. The vote for such Lot shall be exercised as Members among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

3. Article XVIII, Section 6, paragraph (b), is hereby deleted in its entirety and the following paragraph (b) is hereby substituted in its place:

(b) Amendments by Association. This Declaration may be amended only by an affirmative vote of Members representing not less than a majority (50% + 1) of the total voting power of the Association.

4. Article V, Section 5, as amended by the First Amendment, is hereby deleted in its entirety, and the following Section 5 is hereby substituted in its place:

Section 5. Limitations on Contracts. Except as otherwise provided herein, no contract for goods or services entered into by the Association or the Board, acting for and on behalf of the Association, may run for a term longer than one (1) year, except with the vote or written assent of a majority of a quorum of the Association.

5. The first sentence of Article V, Section 9, as amended by the First Amendment, is hereby deleted, and the following new first sentence of Section 9 is substituted in lieu thereof:

Section 9. Limitations on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of a quorum of the Members of the Association:

* * *

6. Article XI, Section 1, paragraph (c), as amended by the First Amendment, is hereby deleted in its entirety, and the following paragraph (c) is hereby substituted in its place:

(c) If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of total repair and reconstruction to the Association Property, the Members shall, by

written consent or vote of a majority of the Members, determine whether: (1) to restore the Association Property as promptly as practical to their condition prior to the damage or destruction, and to raise the necessary funds over and above the insurance proceeds available by levying Special Assessments against each Lot on an equal basis; or (2) to restore the Association Property in a way which utilizes all available proceeds and an additional amount not in excess of ten percent (10%) of the estimated cost of total reconstruction and repair to the Association Property, and which is assessable as provided above to all Lots, but which is less expensive than restoring the Association Property to its condition prior to the damage or destruction.

7. Article XI, Section 2, as amended by the First Amendment, is hereby deleted in its entirety, and the following Section 2 is hereby substituted in its place:

Section 2. Election by Owners Not to Restore damaged Association Property.

a. Notwithstanding the provisions set forth in Section 1 hereinabove, in the event the sixty-seven percent (67%) of the Members and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, the Members may elect not to rebuild or restore the Association Property and to disburse the available insurance proceeds to the general fund of the Association.

b. In the event the Members shall have so voted not to rebuild the Association Property, the Association Property shall be cleared and landscaped, and the cost thereof shall be paid for out of the available insurance proceeds prior to their distribution to the general fund of the Association.

c. In the event the Members shall have so voted not to rebuild the Association Property, unless the City shall agree to the contrary, it shall be the obligation of the Association and each of the Owners to restore the

open spaces, at least to the extent said open spaces were accepted initially by a Public Agency in lieu of payment of fees due pursuant to law.

8. Article XV, Section 1, paragraph (c), as amended by the First Amendment, is hereby deleted, in part, as follows, and the following new portion of Section 1 is substituted in lieu thereof:

(c) Except as provided by statute in case of condemnation or substantial loss to the Lot and/or the Association Property, unless sixty-seven percent (67%) of the Members, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, neither the Association nor the Owners shall be entitled to:

* * *

9. Article XV, Section 1, paragraph (n), as amended by the First Amendment, is hereby deleted, in part, as follows, and the following new portion of Section 1 is substituted in lieu thereof:

(n) Unless the requisite approval of the Members and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) of the Lots in the Project have given their prior written approval, neither the Association nor the Owners shall materially amend or revoke the provisions of the constituent documents. An amendment or revocation regarding any of the following shall be considered material:

* * *

10. Article XVI, Section 1, as amended by the First Amendment, is hereby deleted in its entirety, and the following Section 1 is hereby substituted in its place:

Section 1. Annexation Pursuant to Approval. Upon obtaining the approval in writing of (a) the Declarant so long as Declarant owns any portion of the Property and/or Annexation Property; and (b) the Association, pursuant to the vote or written assent of sixty-seven percent (67%) of the total voting power of the Association, the owner of any property who desires to

annex said property to the scheme of this Declaration and to subject it to the jurisdiction of the Association may record a Declaration of Annexation, as described in Section 3 of this Article.

IN WITNESS WHEREOF, the undersigned Association has executed this Second Amendment on the day and year first written above.

CHARDONNAY HILLS HOMEOWNERS ASSOCIATION

By: Robert House
ROBERT HOUSE
Its President

By: Delbert Maysey
DELBERT MAYSEY
Its Secretary

CERTIFICATE OF PRESIDENT

The undersigned, as the duly appointed President of the Chardonnay Hills Homeowners Association, a California nonprofit mutual benefit corporation, hereby certifies that the foregoing Second Amendment was duly and properly approved by a majority of the Association's membership and by the May 11, 2006, order of the Riverside County Superior Court attached hereto as Exhibit "B."

Dated: 09/07/06

Robert House
ROBERT HOUSE

CERTIFICATE OF SECRETARY

The undersigned, as the duly appointed Secretary of the Chardonnay Hills Homeowners Association, a California nonprofit mutual benefit corporation, hereby certifies that the foregoing Second Amendment was duly and properly approved by a majority of the Association's membership and by the May 11, 2006, order of the Riverside County Superior Court attached hereto as Exhibit "B."

Dated: 7 Sept 06

Delbert Maysey
DELBERT MAYSEY

ACKNOWLEDGMENT

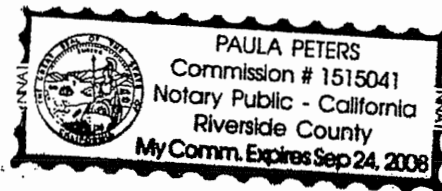
STATE OF CALIFORNIA §
COUNTY OF RIVERSIDE §

On 9/7/06, before me, Paula Peters, Notary Public
(insert name and title of the officer)
_____, personally appeared Robert J. House

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

WITNESS my hand and official seal.

Signature Paula Peters



ACKNOWLEDGMENT

STATE OF CALIFORNIA §
COUNTY OF RIVERSIDE §

On 9/7/06, before me, Paula Peters, Notary Public
(insert name and title of the officer)
_____, personally appeared Debert L. Maysey

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

WITNESS my hand and official seal.

Signature Paula Peters

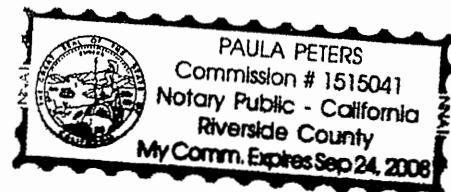


Exhibit "A" – Legal Descriptions

Lots 1 through 75, inclusive, of Tract 23100-1 as shown on a map recorded in Book 214, pages 5-11, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 14, inclusive, of Tract 23100-2 as shown on a map recorded in Book 214, pages 12-15, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 53, inclusive, of Tract 23101-1 as shown on a map recorded in Book 218, pages 90-95, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 77, inclusive, of Tract 23100-3 as shown on a map recorded in Book 222, pages 44-49, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 111, inclusive, of Tract 23101-2 as shown on a map recorded in Book 228, pages 15-21, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 23, inclusive, of Tract 23100-4 as shown on a map recorded in Book 249, pages 57-60, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 28, inclusive, of Tract 23100-5 as shown on a map recorded in Book 265, pages 56-59, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 34, inclusive, of Tract 23101-4 as shown on a map recorded in Book 265, pages 60-63, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 44, inclusive, of Tract 28503 as shown on a map recorded in Book 277, pages 14-18, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 27, inclusive, of Tract 23101-5 as shown on a map recorded in Book 280, pages 85-89, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 32, inclusive, of Tract 23100-6 as shown on a map recorded in Book 281, pages 54-59, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 29, inclusive, of Tract 23100-7 as shown on a map recorded in Book 283, pages 66-72, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 37, inclusive, of Tract 23101-6 as shown on a map recorded in Book 286, pages 30-35, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 24, inclusive, of Tract 23100-8 as shown on a map recorded in Book 293, pages 90-95, of Maps in the office of the County Recorder for Riverside County, California.

Lots 1 through 9, inclusive, of Tract 23101-3 as shown on a map recorded in Book 299, pages 61-62, of Maps in the office of the County Recorder for Riverside County, California.

Lot 1 of Tract 23103-1 as shown on a map recorded in Book 252, pages 29-31, of Maps in the office of the County Recorder for Riverside County, California.

EXHIBIT "B"

PETER E. RACOBS, ESQ. (SBN 109390)
JESSE W.J. MALE, ESQ. (SBN 240754)
FIORE, RACOBS & POWERS
A Professional Law Corporation
6820 Indiana Avenue, Suite 140
Riverside, California 92506-7202
Telephone: (951) 369-6300
Facsimile: (951) 369-6355
Attorneys for Petitioner
CHARDONNAY HILLS HOMEOWNERS ASSOCIATION

FILED
SUPERIOR COURT OF CALIFORNIA
COUNTY OF RIVERSIDE
MAY 11 2006

SUPERIOR COURT OF THE STATE OF CALIFORNIA
COUNTY OF RIVERSIDE, RIVERSIDE COURT

IN RE:

PETITION FOR AN ORDER MODIFYING
VOTING REQUIREMENTS FOR APPROVAL
OF VOTING PROCEDURE AMENDMENTS
FOR CHARDONNAY HILLS HOMEOWNERS
ASSOCIATION, a California nonprofit mutual
benefit corporation

CASE NO. RIC 446945

ASSIGNED FOR ALL PURPOSES TO:
JUDGE E. MICHAEL KAISER
DEPARTMENT 3

ORDER GRANTING CORPORATIONS
CODE SECTION 7515 PETITION

Date: May 11, 2006
Time: 8:30 a.m.
Dept.: 3

The petition of CHARDONNAY HILLS HOMEOWNERS ASSOCIATION for an order modifying voting requirements pursuant to Corporations Code Section 7515 came on regularly for hearing by this Court on May 11, 2006. Petitioner appeared by counsel, Peter E. Racobs of Fiore, Racobs & Powers; no one appeared in opposition. Good cause appearing,

IT IS ORDERED that the petition be granted and that the requirements under the Articles, Bylaws, and Declaration for amendments thereof are hereby modified to dispense with the delegate voting requirement and to modify the approval required to a majority of the members who respond to a written ballot seeking approval of the proposed amendments to the Petitioner's governing documents specified in Exhibit "D" to the Verified Petition filed herein on March 22, 2006.

Dated: May 11, 2006

E. Michael Kaiser
E. MICHAEL KAISER
JUDGE OF THE SUPERIOR COURT

Order Granting Corporations Code Section 7515 Petition

If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates State and Federal Fair Housing Laws and is void, and may be removed pursuant to Section 12956.1 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

