

Recording requested by:

FIRST AMERICAN TITLE INSURANCE
COMPANY
3625 Fourteenth Street
Riverside, California 92502

COPY of Document Recorded
on 5-17-88 as No. 132186
has not been compared with
original.
WILLIAM E. CONERLY
County Recorder
RIVERSIDE COUNTY, CALIFORNIA

When recorded return to:

HOLZWART, POWELL, STEIN & PARILLA
18400 Von Karman Avenue
Suite 600
Irvine, California 92715
Attention: Martin J. Stein, Esq.

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

A Residential Planned Development

TABLE OF CONTENTS

ARTICLE I	DEFINITIONS.....	3
	1. Annexation Property.....	3
	2. Architectural Control Committee.....	3
	3. Articles.....	3
	4. Assessments.....	3
	5. Association.....	3
	6. Association Maintenance Areas.....	4
	7. Board.....	4
	8. By-Laws.....	4
	9. Common Area.....	4
	10. Common Expenses.....	4
	11. County.....	5
	12. Declarant.....	5
	13. Declaration.....	5
	14. DRE.....	5
	15. Improvements.....	5
	16. Lot.....	5
	17. Member.....	6
	18. Mortgage.....	6
	19. Mortgagee.....	6
	20. Mortgagor.....	6
	21. Notice and Hearing.....	6
	22. Notice of Annexation.....	6
	23. Owner.....	6
	24. Phase.....	6
	25. Project.....	6
	26. Property.....	7
	27. Residence.....	7
	28. Rules and Regulations.....	7
	29. VA/FHA.....	7
	30. Application of Definitions.....	7
ARTICLE II	INTRODUCTION TO CALIFORNIA SUNSET.....	7
	1. Plan of Development for California Sunset.....	7
	2. Ownership Interests.....	8
	3. Membership in the Association.....	8
	4. Declarant's Control of Development.....	8
	5. Non-Liability of Declarant.....	8
ARTICLE III	RESERVATION OF EASEMENTS AND OTHER PROPERTY RIGHTS IN THE COMMON AREA.....	9
	1. Owners' Easements.....	9
	2. Limitations on Owners' Easement Rights.....	9
	3. Delegation of Common Area Use Rights.....	11
	4. Easements for County Public Services.....	11
	5. Easements for Unintentional Encroachments.....	11
	6. Easements for Utilities.....	11
	7. Easements for Maintenance of the Common Area and Association Maintenance Areas.....	12
	8. Easements for Clustered Mailboxes.....	13
	9. General Easements for Drainage.....	13
	10. Specific Easements for Drainage.....	13
	11. Easements for Vehicular and Pedestrian Traffic.....	14
	12. Easements for Construction and Sales.....	14
	13. Easements for Equestrian Trails.....	14
	14. Easements in Favor of Eastern Municipal Water District.....	15
	15. Easements in Favor of Southern California Edison Company.....	15

	16.	Easements in Favor of Rancho California Water District.....	15
	17.	Reservation of Common Area Easements.....	15
	18.	Title to the Common Area.....	15
	19.	Establishment of County Service Area; Annexation of Common Area.....	16
	20.	Reservation of Construction Rights by Declarant.....	17
ARTICLE IV		THE ASSOCIATION.....	18
	1.	Membership.....	18
	2.	Voting Rights.....	18
	3.	Vesting of Voting Rights.....	19
	4.	Suspension of Voting Rights.....	19
	5.	Transfer.....	19
	6.	Proxies.....	19
ARTICLE V		POWERS AND DUTIES OF THE ASSOCIATION.....	20
	1.	Management Body.....	20
	2.	Powers.....	20
	3.	Duties.....	22
	4.	Discretionary Powers.....	25
	5.	Repair of Willful Damage to Common Area.....	26
	6.	Limitations on Contracts.....	26
	7.	Delegations of Duties.....	26
	8.	Right of Entry for Emergency.....	26
	9.	Right of Entry for Repairs.....	27
	10.	Limitations on Board Action.....	27
	11.	Licenses, Easements and Rights of Way.....	28
	12.	New Improvements.....	28
	13.	Association Rules and Regulations.....	29
ARTICLE VI		ASSESSMENTS.....	30
	1.	Creation of the Lien and Personal Obligation of Assessments.....	30
	2.	Purpose of Regular Assessments: Levy and Collection.....	30
	3.	Regular Assessments - Basis.....	30
	4.	Special Assessments.....	32
	5.	Notice and Quorum For Any Action Authorized Under Sections 3 and 4.....	32
	6.	Date of Commencement of Regular Assessments: Due Dates.....	33
	7.	Certification of Payment.....	33
	8.	Reserves.....	33
	9.	Offsets and Waiver Prohibited.....	33
	10.	Exempt Property.....	33
	11.	Capitalization of Association.....	34
ARTICLE VII		EFFECT OF NON-PAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION.....	34
	1.	Effect of Non-Payment of Assessments: Remedies of the Association.....	34
	2.	Notice of Delinquent Assessments.....	34
	3.	Foreclosure Sale.....	35
	4.	Curing of Default.....	35
	5.	Cumulative Remedies.....	35
	6.	Mortgagee Protection.....	35
ARTICLE VIII		USE RESTRICTIONS.....	36
	1.	Private Single Family Dwelling.....	36
	2.	No Temporary Structures.....	36
	3.	Common Area Use.....	36
	4.	Conduct Affecting Insurance.....	36

5.	Liability for Damage to the Common Area and Association Maintenance Areas.....	36
6.	Signs.....	37
7.	Maintenance of Animals Within the Project.....	37
8.	Quiet Enjoyment.....	37
9.	No Hazardous Activities.....	38
10.	Structural Changes.....	38
11.	Improvements.....	38
12.	Windows.....	38
13.	Commercial Activity.....	38
14.	Parking.....	38
15.	Regulation of Parking.....	39
16.	Compliance With Management Documents.....	39
17.	Declarant's Improvements.....	39
18.	Solar Heating Systems.....	39
19.	Antennas.....	40
20.	Leasing.....	40
21.	Drilling.....	40
22.	Trash.....	40
23.	Pests.....	40
24.	Drainage.....	40
25.	Water Supply and Water Softener Systems.....	41
26.	Exterior Maintenance and Repair.....	41
27.	Prohibition Against Improvements Within Association Maintenance Areas.....	41
28.	No Easements for View Purposes; Disclaimer.....	41
29.	No Further Subdivision.....	41
30.	Declarant's Exemption From Use Restrictions.....	42
ARTICLE IX ARCHITECTURAL CONTROL - APPROVAL.....		43
1.	Exemptions From Architectural Control.....	43
2.	Architectural Control.....	43
3.	Architectural Control Committee.....	43
4.	Meetings of the Architectural Control Committee.....	44
5.	Architectural Approval - Review of Plans and Specifications.....	44
6.	Decisions of the Architectural Control Committee.....	46
7.	No Waiver of Future Approvals.....	46
8.	Compensation of Members.....	46
9.	Variances.....	46
10.	Inspection of Work.....	47
11.	Non-Liability of Architectural Control Committee Members.....	47
12.	Appeal.....	47
ARTICLE X REPAIR AND MAINTENANCE.....		48
1.	Repair and Maintenance by Association.....	48
2.	Repair and Maintenance by Owner.....	49
3.	Maintenance of Public Utilities.....	50
4.	Damage and Destruction Affecting a Residence - Duty to Rebuild.....	50
ARTICLE XI DAMAGE OR DESTRUCTION TO THE COMMON AREA AND ASSOCIATION MAINTENANCE AREAS.....		51
1.	Restoration of Damaged Common Area and Association Maintenance Areas.....	51
2.	Election by Owners Not to Restore Damaged Common Area and Association Maintenance Areas.....	52
3.	Retention of Excess Insurance Proceeds in General Fund.....	52

	4. Requirements of FHLMC, FNMA and VA/FEA.....	52
	5. Damages by Owners.....	52
	6. Notification by Association of Defects.....	53
ARTICLE XII	CONDEMNATION.....	53
	1. Distribution of Awards - Common Area or Association Maintenance Areas.....	53
	2. Board of Directors as Attorney-in-Fact.....	53
ARTICLE XIII	COVENANT AGAINST PARTITION.....	53
	1. Covenant Against Partition.....	53
ARTICLE XIV	INSURANCE.....	54
	1. Required Insurance Coverage.....	54
	2. Optional Insurance Coverage.....	55
	3. Notice of Cancellation of Insurance.....	55
	4. Review of Coverage.....	55
	5. Waiver by Owners.....	55
	6. Premiums, Proceeds and Settlements.....	55
	7. Rights and Duties of Owners to Insure.....	56
	8. Trustee for Policies.....	56
	9. Compliance With Requirements of FHLMC, FNMA and VA/FEA.....	56
ARTICLE XV	MORTGAGEE PROTECTION.....	57
	1. Mortgagee Protection Provisions.....	57
	2. Violation of Mortgagee Protection Provisions.....	60
ARTICLE XVI	ANNEXATION OF ADDITIONAL PROPERTY.....	61
	1. Phased Development of the Project.....	61
	2. Annexation Pursuant to General Plan of Development.....	61
	3. Annexation Pursuant to Approval.....	61
	4. Notice of Annexation.....	61
	5. Right of De-Annexation.....	62
ARTICLE XVII	ENFORCEMENT OF BONDED OBLIGATIONS.....	52
	1. Enforcement of Bonded Obligations.....	62
ARTICLE XVIII	GENERAL PROVISIONS.....	63
	1. Enforcement.....	63
	2. Severability.....	64
	3. Term.....	64
	4. Construction.....	65
	5. Singular Includes Plural.....	65
	6. Amendments.....	65
	7. Encroachments.....	67
	8. Notices.....	67
	9. Attorneys' Fees.....	67
	10. Additional Covenants in Favor of the VA/FEA.....	67
	11. Conflicts in Management Documents for Project.....	67

EXHIBITS

EXHIBIT "A" Annexation Property

EXHIBIT "B" Association Maintenance Areas

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

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS is made this 16th day of May, 1988 by KAUFMAN & BROAD OF SOUTHERN CALIFORNIA, INC., a California corporation (hereinafter referred to as the "Declarant").

W I T N E S S E T H:

A. Declarant is the owner of that certain real property located in the unincorporated territory of the County of Riverside, State of California, more particularly described as:

Lots 23 through 44, inclusive, and
 Lots 91 through 94, inclusive, of
 Tract 20319, as shown on a Map on file
 in Book 181, of Maps Pages 54 to 58,
 inclusive, in the Office of the County
 Recorder of Riverside County,
 California

(hereinafter referred to as the "Property"), and that certain real property described in Exhibit "A" to this Declaration (hereinafter referred to as the "Annexation Property") which may, from time to time, be annexed to and become a part of the Property.

B. Declarant desires to develop the Property, and any additional real property which is annexed thereto pursuant to that Article herein entitled "Annexation of Additional Property," as a common interest development, more particularly described in Section 1351(k) of the California Civil Code as a planned development (hereinafter referred to as the "Project"), consisting of single-family detached homes, together with landscaped areas and other improvements, as more fully described below. The development of the Project shall be consistent with the overall plan of development submitted to and approved by the Veterans Administration ("VA") and the Federal Housing Administration ("FHA").

C. Declarant deems it desirable to impose a general plan for the development, maintenance, improvement, protection, use, occupancy and enjoyment of the Project, and to establish, adopt and impose covenants, conditions and restrictions upon the Project for the purpose of enforcing, protecting and preserving the value, desirability and attractiveness of the Project.

D. Declarant deems it desirable for the efficient enforcement, protection and preservation of the value, desira-

bility and attractiveness of the Project to create a corporation which shall be delegated and assigned the powers of maintaining certain Common Area and Association Maintenance Areas within the Project, as hereinafter provided, administering and enforcing these covenants, conditions and restrictions, and collecting and disbursing funds pursuant to the assessments and charges hereinafter created and referred to.

E. CALIFORNIA SUNSET HOMEOWNERS ASSOCIATION, a California nonprofit, mutual benefit corporation, has been or will be incorporated under the laws of the State of California for the purpose of exercising the aforesaid powers.

F. Declarant intends to convey the Property, and any and all subsequent Phases of the Annexation Property which may be annexed to the Property, subject to the covenants, conditions and restrictions set forth hereinbelow.

NOW, THEREFORE, Declarant agrees and declares that it has established, and does hereby establish, a plan for the development, maintenance, protection, improvement, use, occupancy and enjoyment of the Property, and has fixed, and does hereby fix, the covenants, conditions, restrictions, easements, equitable servitudes, reservations, liens and charges (hereinafter collectively referred to as the "Covenants") upon the Property. Each and all of the Covenants shall run with the land and shall inure to the benefit of and be binding upon Declarant, its successors and assigns, all subsequent owners of all or any portion of the Property, together with their grantees, successors, heirs, executors, administrators, devisees and assigns.

ARTICLE I
DEFINITIONS

Section 1. "Annexation Property" shall mean and refer to all of that certain real property located in the unincorporated territory of the County of Riverside, State of California, more particularly described on Exhibit "A" to this Declaration, and to all Improvements constructed thereon, all or any part of which may be annexed to the Property as set forth in that Article herein entitled "Annexation of Additional Property."

Section 2. "Architectural Control Committee" shall mean and refer to the architectural committee created pursuant to the Article herein entitled "Architectural Control - Approval."

Section 3. "Articles" shall mean and refer to the Articles of Incorporation of California Sunset 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 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 the costs incurred by the Association in the repair of any damage to the Common Area for which such Owner was responsible, the costs incurred by the Association in bringing such Owner and his Lot into compliance with this Declaration, or any amount due the Association based upon disciplinary proceedings against an Owner in accordance with this Declaration; and,

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

Section 5. "Association" shall mean and refer to California Sunset Homeowners Association, a California nonprofit, mutual benefit corporation, in which all Owners shall have a membership interest as more particularly described hereinbelow, provided that membership shall be limited to Owners.

Section 6. "Association Maintenance Areas" shall mean and refer to certain real property located on Lots in the Project, and including, without limitation, all vegetation, plantings, landscaping, irrigation equipment and drainage facilities located thereon, to be maintained by the Association. The Association Maintenance Areas in the Project are more particularly shown and described on Exhibit "B" hereto. Additional Association Maintenance Areas may be designated in any Notices of Annexation recorded pursuant to the Article herein entitled "Annexation of Additional Property." The Association shall have nonexclusive easements for access on, over and across all Lots necessary for the Association to fulfill its maintenance responsibilities hereunder. The Association Maintenance Areas shall also include the Project perimeter walls located along the northerly and easterly boundaries of the Project, which are constructed as sound attenuation walls and landscaped areas along Highway 79 and Pala Road, as shown on Exhibit "B" attached hereto. The Exhibit is for illustrative purposes only. The "as built" condition for all Association Maintenance Areas shall be controlling.

Section 7. "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 8. "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 9. "Common Area" shall mean and refer to all of that certain real property and to all Improvements thereon which are owned by the Association, or over which the Association has an easement for the use, care or maintenance for the common use, benefit and enjoyment of all Owners. The Common Area may include, without limitation, any private storm drains, private streets, if any, private utilities, if any, public rights-of-way, parkways, slopes and such other Improvements as may be designated and transferred to the Association, in fee or by easement, from time to time, as set forth in one (1) or more Notices of Annexation recorded in the Official Records of Riverside County, pursuant to the Article herein entitled "Annexation of Additional Property."

Section 10. "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, painting, repairing and replacing the Common Area; (b) maintaining the Association Maintenance Areas; (c) managing and administering the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and any Association employees; (d) providing utilities and other services to the Common Area and Association Maintenance

Areas; (e) providing insurance as provided for herein; (f) paying that portion of any Assessment attributable to Common Expenses not paid by the Owner responsible for payment; (g) paying taxes for the Association; and (h) paying for all other goods and services designated by, or in accordance with, other expenses incurred by the Association for the benefit of all Owners, and reasonably required for the Association to perform its powers and duties as set forth in this Declaration. 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 Common Area and Association Maintenance Areas which must be repaired or replaced on a periodic basis, rather than a regular annual basis.

Section 11. "County" shall mean and refer to the County of Riverside, California.

Section 12. "Declarant" shall mean and refer to Kaufman & Broad of Southern California, Inc., 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.

Section 13. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements, and to all amendments to this Declaration as may be recorded, from time to time, in the Office of the County Recorder for Riverside County.

Section 14. "DRE" shall mean and refer to the Department of Real Estate of the State of California, 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 hereinafter enacted.

Section 15. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, Residences, buildings, walkways, awnings, shades, screens, screen doors, skylights, room additions, garages, open parking areas, pavement, private driveways, fences, sideyard and rearyard fences, retaining walls, patios and patio covers, irrigation equipment and all related facilities, exterior air conditioning units, streetscapes, antennas and related facilities, exterior lighting, water softening equipment, hedges, trees and other landscaping.

Section 16. "Lot" shall mean and refer to a plot of land as shown upon the recorded subdivision map of the Project, and to all Improvements, including the Residence, constructed thereon. Only those plots of land which are designed and intended for the construction of a Residence and ownership by an individu-

al Owner shall be deemed "Lots." "Lot" shall not mean or refer to any plot of land, if any, owned by the Association as Common Area.

Section 17. "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 18. "Mortgage" shall mean and include a duly recorded deed of trust, as well as a mortgage in the conventional sense, encumbering a Lot.

Section 19. "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.

Section 20. "Mortgagor" shall mean and refer to a person or entity who mortgages his or its property to another, i.e., the maker of a Mortgage, and shall include the trustor of a deed of trust.

Section 21. "Notice and Hearing" shall mean and refer to written notice and a hearing before the Board or the Architectural Control Committee of the Association, at which the affected Owner shall have an opportunity to be heard in the manner provided herein and in the By-Laws.

Section 22. "Notice of Annexation" shall mean and refer to those certain declarations of restrictions annexing one (1) or more Phases of the Annexation Property or Common Area to the Project, in accordance with the provisions of the Article herein entitled "Annexation of Additional Property," thereby subjecting such Phase(s) or Common Area to the terms and provisions of this Declaration, and bringing such Phase(s) or Common Area within the jurisdiction of the Association.

Section 23. "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 foregoing is not intended to include persons or entities who hold an interest in a Lot merely as security for the performance of an obligation.

Section 24. "Phase" shall mean and refer to the Property or to one (1) or more Lots within the Annexation Property which are simultaneously annexed to the Project by the recording of a Notice of Annexation in the Office of the County Recorder of Riverside County, and for which a Final Subdivision Public Report has been issued by the DRE.

Section 25. "Project" shall mean and refer to the Property and to all Improvements, including the Residences, constructed thereon, the Common Area and to all portions of the Annexation Property which are annexed to the Property in accordance with the provisions of this Declaration.

Section 26. "Property" shall mean and refer to all of that certain real property described in paragraph A of the recitals hereinabove.

Section 27. "Residence" shall mean and refer to the individual dwelling and the related Improvements which are constructed upon a separate Lot and which are designed and intended for use and occupancy as a single-family residence.

Section 28. "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 29. "VA/FHA" shall mean and refer to the United States Veterans Administration and the Federal Housing Administration.

Section 30. Application of Definitions. The aforesaid definitions shall be applicable to this Declaration and to any supplements or amendments hereto, filed or recorded pursuant to the provisions of this Declaration, unless the context shall prohibit such application.

ARTICLE II

INTRODUCTION TO CALIFORNIA SUNSET

Section 1. Plan of Development for California Sunset. California Sunset is anticipated to be a five (5) Phase planned development, which, if completed as proposed, will consist of one hundred fifty-seven (157) Residences, each constructed upon its own respective Lot, and Common Area, as described below.

As presently planned, Phase I of the Project will consist of twenty-six (26) Lots improved with Residences. The future Phases shall, if developed as proposed, be annexed to the Project in accordance with the applicable provisions of the Article in this Declaration entitled "Annexation of Additional Property," and in conformity with the general plan of development reviewed and approved by the VA/FHA. Said annexation shall serve to impose the Covenants set forth in this Declaration upon said Phases, and subject said Phases to the jurisdiction of the Association. The voting rights in the Association and the obligations of Owners, including Declarant, for the payment of Assessments levied by the Association shall be adjusted as set forth in the Notice of Annexation.

There is no assurance, however, that the subsequent Phases of the Project will be developed as presently planned, and Declarant is and shall be under no duty or obligation whatsoever to complete such Phases. The Association will maintain all Common Area as annexed to the Project, and will be the management body for the Project. All Owners, their contract purchasers, tenants, lessees, family members and invitees will be entitled to the use

and enjoyment of the Common Area in accordance with the terms and provisions of this Declaration.

Section 2. Ownership Interests. Each Owner will receive fee simple title to a Lot, including the Residence and other Improvements thereon, together with a nonexclusive easement appurtenant to his Lot over all Common Area in the Project. The Association shall have a nonexclusive easement on, over and across certain Lots designated as being improved with Association Maintenance Areas. The easement shall be limited to reasonable rights of access to the Association Maintenance Areas for maintenance and repair, in accordance with the conditions of approval of Tract 20319 by the County of Riverside.

Section 3. Membership in the Association. As more fully set forth in this Declaration, 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, tenants and invitees will be entitled to the use and enjoyment of the Common Area of the Project, and that Common Area annexed to the Project pursuant to the provisions of this Declaration. The Association shall be responsible for the ownership, maintenance and operation of the Common Area of California Sunset, and the maintenance and repair of all Association Maintenance Areas.

Section 4. Declarant's Control of Development. In order that the Project be completed and established as a planned residential community, Declarant shall have sole discretion and control over all aspects of designing and constructing the Residences and all other Improvements, in conformance with the plans and specifications approved by the VA/FHA, and over the conveying, selling, leasing or marketing of Lots in the Project. Further, Declarant shall have, subject to a concomitant obligation to restore, an easement of ingress and egress on, over and across the Project as necessary to construct the Residences and related Improvements, but only if access is not otherwise reasonably available. Declarant shall further have reasonable rights to maintain a sales office, model complex and reasonable signs on any portion of the Project owned or controlled by Declarant for a period of five (5) years from the conveyance of the first Lot in the Property to a bona fide purchaser, or until all Lots in the last Phase of the Project are sold (and escrows closed), whichever occurs later, in order to market the sale, lease or other conveyance of Residences in the Project.

Section 5. Non-Liability of Declarant. Nothing in this Article or elsewhere in this Declaration shall be understood or construed to compel Declarant to develop and construct any subsequent Phases of the Project. The purpose of this Article is merely to describe the proposed general plan of development for

the Project, and to describe the legal relationship between the Property and subsequent Phases which are annexed to the Property. Without limiting the generality of the foregoing, nothing in this Section or elsewhere in this Declaration shall limit the right of Declarant to complete construction of the Project, to alter same or to construct such additional Improvements as Declarant shall deem advisable prior to the completion and sale of all Lots in the Project. Declarant may assign any or all of its rights under this Declaration to any successor to all or any part of Declarant's interest in the Project by an express written assignment recorded in the Office of the County Recorder of Riverside County.

ARTICLE III

RESERVATION OF EASEMENTS AND OTHER PROPERTY RIGHTS IN THE COMMON AREA

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Common Area. 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;

(b) The right of the Association to establish and enforce reasonable Rules and Regulations pertaining to the use of the Common Area;

(c) The right of the Association, in accordance with its Articles, By-Laws and this Declaration, to borrow money with the assent of sixty-seven percent (67%) of the voting power of the Association, and/or 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, for the purpose of improving or repairing the Common Area and Association Maintenance Areas, and related facilities. Any such action by the Association shall require the prior written consent of the Planning Director of the County, or the County's successor-in-interest;

(d) The right of the Association to suspend the voting rights and rights and easements of use and enjoyment of the Common Area of any Member, and the persons deriving such rights and easements from any Member 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 this Declaration or Rules and Regulations, 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;

(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 Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners. Except as specifically provided hereinbelow, no such dedication or transfer shall be effective unless: (1) an instrument approving said dedication or transfer is signed by Owners representing sixty-seven percent (67%) of the voting power of the Association and recorded in the Office of the County Recorder for Riverside County, and (2) a written notice of the proposed dedication or transfer is sent to every Owner not less than fifteen (15) days nor more than thirty (30) days in advance; provided, however, that the dedication or transfer of easements for utilities, or for other public purposes consistent with the intended use of the Common Area, to the County, or other municipal entity designated by the County, shall not require the prior approval of the Members of the Association. Any such action by the Association shall require the prior written consent of the Planning Director of the County, or the County's successor-in-interest;

(f) Subject to the limitations set forth in Article III, Section 3, herein, the right of Declarant (and their sales agents, representatives and customers) to the nonexclusive use of the Common Area, and the facilities located thereon, without charge for sales, display, access and exhibit purposes, which rights Declarant hereby reserves. Such use shall not unreasonably interfere with the rights of enjoyment of other Owners as provided herein;

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

(h) The right of the Association to reasonably restrict access to the Common Area and Association Maintenance Areas, when necessary;

(i) The right of the Association, acting by and through its Architectural Control Committee, to create uniform and reasonable Architectural Standards, in accordance with the Article herein entitled "Architectural Control - Approval";

(j) Other rights of the Association, the Architectural Control Committee, the Board, the Owners and Declarant with respect to the Common Area as may be provided for in this Declaration; and

(k) Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of the Common Area imposed by Declarant or by the County, or other governmental agency having jurisdiction to impose any such limitations, restrictions or conditions, including, but not limited to, the rights of the County or such other governmental agency having jurisdiction to use their vehicles or appropriate equipment over those portions of the Common Area designed for vehicular movement to perform municipal functions or emergency or essential public services.

Section 3. Delegation of Common Area Use rights. Any Owner who resides within the Project may delegate, in accordance with the By-Laws, his rights of use and enjoyment to the Common Area 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 Residence, his rights of use and enjoyment to the Common Area shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner shall forfeit any rights of use and enjoyment to the Common Area for the duration of such tenancy. In the event of a conditional sales contract, the seller under the contract shall be deemed to delegate his rights of use and enjoyment to the Common Area to the purchaser under the contract.

Section 4. Easements for County Public Services. In addition to the foregoing easements over the Common Area and Association Maintenance Areas, there shall be easements for public services, including, but not limited to, the right of police, fire, ambulance and other public services to enter upon any part of the Common Area and Association Maintenance Areas for purposes of serving the health and welfare of all Owners in the Project.

Section 5. Easements for Unintentional Encroachments. In the event an Improvement to a Lot is constructed, reconstructed or altered in accordance with the terms and provisions of this Declaration encroaches upon an adjacent Lot by not more than two feet (2') due to unwillful 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 6. Easements for Utilities. The rights and duties of the Owners of Lots within the Project with respect to sanitary sewer, water, electricity, gas, television cable (or CATV service) and telephone lines, and other facilities, shall be governed by the following:

(a) Each respective utility company 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 Common Area.

(b) Wherever sanitary sewer, water or gas connections, television cables, electricity 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 enter upon such other Lot to repair, replace and generally maintain said connections, cables and/or lines.

(c) 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.

(d) In the event of a dispute between Owners respecting the repair or rebuilding of the aforesaid connections, cables and/or lines, or the sharing of the cost thereof, 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.

(e) 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 of the Project and as may be hereafter required or needed to service the Project, are hereby reserved by Declarant, together with the right to grant and transfer the same.

Section 7. Easements for Maintenance of the Common Area and Association Maintenance Areas. In the event it becomes necessary for the Association to enter upon any Lot for purposes of: (a) maintaining the Common Area and/or Association Maintenance Areas; or (b) bringing an Owner and/or his Lot into compli-

ance with this Declaration, 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 8. Easements for Clustered Mailboxes. In order to comply with the various requirements of the County and the United States Postal Service, kiosk mailboxes may be installed on certain Lots within the Project. Easements are hereby created on and over the affected Lots in favor of all Owners and the United States Postal Service for delivery and deposit of mail.

Section 9. General Easements for Drainage. Subject to the reservation of access, in favor of the Association, for maintenance of the Association Maintenance Areas, there are hereby created and reserved over each Lot in the Project easements for drainage according to the patterns for drainage created by the grading plans for the Project approved by the County, and as shown on the recorded Tract Map for the Project, as well as according to the actual, natural and existing patterns for drainage. Each Owner covenants and agrees that he shall not obstruct or otherwise interfere with said drainage patterns of waters from adjacent Lots in the Project over his Lot, or in the alternative, that in the event it is necessary and essential to alter said drainage pattern for the protection and use of his Lot, he will make adequate provisions for proper drainage, and submit alternative plans and specifications therefor to the Architectural Control Committee for review and approval.

Section 10. Specific Easements for Drainage. In addition to the general provisions regarding easements for drainage, Declarant hereby creates and reserves the following specific easements affecting Lots and/or Common Area in the Project:

(a) Cross-Lot Drainage. A nonexclusive easement appurtenant to Lots 4 through 27, inclusive, (within the Annexation Property) on, over, and across the rear ten feet (10'), more or less for the placement, construction and operation of a concrete drainage swale. Each Owner shall be obligated to maintain that portion of the drainage swale that crosses his respective Lot in a manner to permit the continuance and unobstructed flow of water through the swale. No Improvements to the rear yard of any Residence burdened/benefitted by the swale which would effect the free flow of water through the swale shall be permitted. Each

Owner shall be responsible to repair and/or replace that portion of the swale located within his respective Lot at his sole expense. Each Owner, by acceptance of a grant deed for the conveyance of a Lot burdened/benefitted by the swale shall indemnify and hold harmless each other Owner so affected for any and all losses, damages, claims, suits, costs and expenses arising out of or otherwise relating to a breach of the restrictive covenants set forth herein.

(b) Roadway Access and Maintenance. A nonexclusive easement on, over and across Lots 116 through 142, inclusive, in favor of the County for access and maintenance purposes, as shown and reserved on the recorded Tract Map.

(c) Subterranean Drainage. An exclusive easement appurtenant to Lots 6 and 7 in favor of the Owners of certain Lots located in Tract 4807, as shown and reserved on the recorded Tract Map.

(d) Drainage Swale - Lot 20. A nonexclusive easement appurtenant to Lot 20 for construction and placement of a concrete drainage swale as shown on the recorded Tract Map.

Section 11. 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 traffic over all private drives and sidewalks within the Project.

Section 12. Easements for Construction and Sales. Declarant hereby reserves, for a period of five (5) years from the recordation of this Declaration or until all Lots in the Project are sold (and escrows closed), whichever occurs first, nonexclusive easements for access, ingress and egress on and over the Project to carry on normal sales activity, including the operation of a models complex and sales office, and the display of promotional signs and exhibits in connection with the sale or lease of Lots in the Project.

Section 13. Easements for Equestrian Trails. There are hereby reserved non-exclusive easements on, over and across Lot 159 for purposes of construction, operation, maintenance and repair of equestrian trail which may be developed and operated by Kaiser Development Company and/or its successors, assigns or authorized representatives. Nothing herein shall be construed as a warranty or guarantee such Improvements will be constructed and available for use by Owners in the Project. Plans for the equestrian trail system are preliminary and have not been finalized as of the date of recordation of this Declaration.

Section 14. Easements in Favor of Eastern Municipal Water District. There are hereby reserved nonexclusive easements, in gross, on, over and across those Lots described herein and shown on the recorded Tract Map for a sewer lift station and sewer lines, pursuant to that certain instrument recorded on February 8, 1974, as Instrument No. 15944, Official Records of Riverside County, California, which affects Lots 12 and 159.

Section 15. Easements in Favor of Southern California Edison Company. There are hereby reserved nonexclusive easements, in gross, on, over and across Lot 12 and Lot 158, for underground electrical and communication systems, pursuant to that certain instrument recorded on February 29, 1974, as Instrument No. 23625, Official Records of Riverside County, California.

Section 16. Easements in Favor of Rancho California Water District. There are hereby reserved nonexclusive easements, in gross, on, over and across Lots 108 through 112, inclusive, for waterline purposes, pursuant to that certain instrument recorded on October 30, 1986, as Instrument No. 273530, Official Records of Riverside County, California.

Section 17. Reservation of Common Area Easements. Declarant hereby reserves the right to grant nonexclusive easements over the Common Area in favor of Owners of any Annexation Property which is annexed to the Property pursuant to this Declaration, and upon the first close of escrow for the sale of a Lot in the Annexation Property, the Owners of the Lots described in this Declaration shall automatically obtain nonexclusive easements over all Common Area which is a part of said Annexation Property.

Section 18. Title to the Common Area.

(a) Transfer of Title to Common Area. Declarant hereby covenants, for itself, its successors and assigns, that it will convey to the Association fee simple title to, or a nonexclusive easement in, the Common Area, free and clear of all liens and encumbrances, subject to the Covenants set forth in this Declaration or which are of record at the time of the conveyance. Declarant will similarly convey to the Association, from time to time, in fee simple or by easement, any Common Area located in the Annexation Property which is designated in this Declaration or in any Notice of Annexation for conveyance to the Association.

(b) Completion of Common Area. In the event that Improvements proposed to be constructed on any portion of the Common Area so annexed to the Project have not been completed, as evidenced by a "Notice of Completion" recorded in the Official Records of Riverside County, then 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 hereafter enacted.

(c) Commencement of Association Responsibilities.

The Association's responsibility to maintain the Common Area conveyed by Declarant to the Association shall commence concurrently with the commencement of Regular Assessments in such Phase. Notwithstanding the foregoing, the contractors or subcontractors of Declarant are contractually obligated to maintain the landscaping or other Improvements on the Common Area. The Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors of Declarant shall not serve to postpone the commencement of Regular Assessments pursuant to this Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such Regular Assessments.

(d) Character of Improvements to Common Area;

Disputes. The nature, design, quality and quantity of all Improvements to the Common Area shall be determined by Declarant, in its sole discretion. The Association shall be obligated to accept title to the Common Area, and undertake all maintenance responsibilities for the Common Area when title is conveyed and 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 Common Area and undertake maintenance responsibilities pending resolution of the dispute, in accordance with the provisions for enforcement set forth in the Article herein entitled "General Provisions."

Section 19. Establishment of County Service Area; Annexation of Common Area. As of the recordation of this Declaration, Declarant is involved with the County in negotiations for the formation and establishment of a "County Service Area" (or similar special district), whereby certain portions of the Common Area might be annexed to and incorporated within such County Service Area. In the event that the County Service Area is so formed, and upon written notice to the Association of such formation, the Association is hereby empowered with the right to convey, in fee or by lease, to the County Service Area all those portions of the Common Area as shall be designated by the Association and the authorized representatives of the County Service Area, with the vote or written assent of sixty-seven percent (67%) of the total voting power of the Association. In the event that conveyance of Common Area shall be approved, the Board shall thereafter have the power and duty to adjust the Regular Assess-

ments accordingly to reflect the diminished operating costs and expenses on account of such conveyance. The Board shall have the further power and duty to notify all Owners in the Project of the annexation of the Common Area to the County Service Area.

Section 20. Reservation of Construction Rights by Declarant. In order that the Project be completed and established as a residential planned development, nothing in this Declaration shall limit the right of Declarant, its successors and assigns, to: (a) complete construction of any Improvements in the Project; (b) redesign or otherwise modify the Improvements owned by Declarant; (c) construct such additional Improvements on any portion of the Project owned by Declarant; or (d) otherwise control all aspects of designing the Project or selling or leasing of Lots in the Project. Provided, however, Declarant shall not modify any plans and specifications previously approved by the County with respect to the Common Area without the prior written consent of the Planning Director of the County, or the County's successor-in-interest. Furthermore, nothing in this Declaration shall limit the right of Declarant to establish additional licenses, easements and rights-of-way in favor of Declarant, utility companies or others as may, from time to time, be reasonably necessary for the development of the Project. The foregoing rights established and reserved by Declarant shall be subject only to the applicable regulations and requirements of the County, the VA/FHA and the DRE. The foregoing rights of Declarant may be assigned to any successor to all or part of Declarant's interest in the Project by an express assignment recorded with the County Recorder of Riverside County. Such rights shall terminate at such time as Declarant no longer owns a Lot in the Project, or the time constraints set forth in Section 4, Article II, of this Declaration shall have expired.

ARTICLE IV

THE ASSOCIATION

Section 1. Membership. Every person or entity who or which is an Owner, as defined hereinabove, shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot in the Project merely as security for the performance of an obligation. 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 such Lot shall be the sole qualification for membership in the Association. The memberships in the Association shall not be transferred, pledged or alienated in any way, except upon the transfer of title to said Lot, and then only to the purchaser or Mortgagee of such Lot. Any attempt to make a prohibited membership transfer shall be void and will not be reflected in the books of the Association.

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

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

Class B. The Class B Member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned in the Project upon which Declarant is then paying the appropriate monthly Assessments provided for hereinbelow. The Class B membership shall cease and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) The second anniversary of the original Final Subdivision Public Report for a Phase of the Project;

(b) On the fifth anniversary of the original issuance of the Final Subdivision Public Report for the first Phase of the Project; or

(c) December 31, 1991.

Any action 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 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 a majority of the voting power of the Owners, other than Declarant.

Section 3. 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 4. Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote at any meeting of the Members for any period during which such Owner is delinquent in the payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay the Assessments provided for in this Declaration.

Section 5. 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 Lot 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 and their Lots (which fee shall be a Compliance Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the memberships to the new Owners on the records of the Association.

Section 6. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting. Any form of proxy or written ballot distributed to the Members of the Association shall afford such Members the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that where a Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (a) the conveyance by the Owner of his Lot; (b) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of issuance of the proxy;

or (c) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy.

ARTICLE V

POWERS AND DUTIES OF THE ASSOCIATION

Section 1. Management Body. The Association is hereby designated as the management body of the Project. The Members of the Association shall be the Owners in the Project as provided herein, and the affairs of the Association shall be managed by a Board of Directors as more particularly set forth in the By-Laws. The initial Board shall be appointed by the incorporator or its successor. Thereafter, the Directors shall be elected as provided in said By-Laws.

Section 2. Powers. The Board, for and on behalf of the Association, shall have the right and power to do all things necessary to conduct, manage and control the affairs and business of the Association. Subject to the provisions of the Articles, the By-Laws and this Declaration, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations, and shall have the following specific powers:

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

(b) Acquire title, manage, maintain, repair and replace all Common Area and Association Maintenance Areas, and Improvements located thereon, including all personal property, in a neat, clean, safe and attractive condition at all times, and to pay all utilities, gardening and other necessary services for the Common Area and Association Maintenance Areas, all as more specifically set forth in the Article herein entitled "Repair and Maintenance";

(c) Accept a deed from Eastern Municipal Water District ("EMWD") for the conveyance of Lot 158 (within the Annexation Property) at such time as said Lot and the pump-station and related Improvements are abandoned by EMWD;

(d) Accept an encroachment permit issued, or to be issued by the State of California, in favor of Declarant and/or the Association to permit for placement, construction, maintenance and repair of Improvements along Highway 79, Pala Road and Wabash Lane as more particularly shown on Exhibit "B" attached hereto;

(e) Maintain fire, casualty, liability and worker's compensation coverage, fidelity bond coverage and other insurance coverage pursuant to the terms of that Article herein entitled "Insurance";

(f) Obtain, for the benefit of the Common Area and Association Maintenance Areas, all commonly metered water, gas and electric services, and may provide for refuse collection and cable (or CATV) television service;

(g) Grant easements or licenses, where necessary, for utilities and sewer facilities over, on and across the Common Area and Association Maintenance Areas to serve the Project;

(h) Pay all taxes and special assessments which would be a lien upon the entire Project or the Common Area, and discharge any lien or encumbrance levied against the entire Project or the Common Area;

(i) Levy and collect Assessments on the Owners of all Lots in the Project in 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";

(j) Pay for reconstruction of any portion of the Common Area damaged or destroyed;

(k) 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;

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

(m) 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;

(n) 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 this Declaration, the Rules and Regulations and Architectural Standards, or in performing any other duties or enforcing any other rights of the Association;

(o) Contract with Declarant, its successors or assigns, for the purpose of entry into a maintenance and/or subsidy agreement, made by and between Declarant and the Association, for the purpose of reducing the financial obligations of Owners in the Project during the initial Phases of development of the Project; and

(p) 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 ad-

ministration of its affairs for the specific purposes of meeting its duties as set forth in this Declaration.

Section 3. Duties. Notwithstanding the Association's obligations, as more specifically set forth in the Article herein entitled "Repair and Maintenance," the Board shall perform and execute the following duties for and on behalf of the Association:

(a) Own, maintain and operate the Common Area for the common use and benefit of all Owners in the Project;

(b) Provide, water, sewer, gas, electricity, garbage and trash collection, and other necessary utility services for the Common Area;

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

(d) Maintain and repair all portions of the Common Area and Association Maintenance Areas in a neat, clean, safe, attractive, sanitary and orderly condition at all times. In the event any maintenance or repairs to the Common Area and Association 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);

(e) Accept a deed from Eastern Municipal Water District ("EMWD") for the conveyance of Lot 158 (within the Annexation Property) at such time as said lot and the pump-station and related Improvements are abandoned by EMWD.

(f) Accept and abide by the terms of an encroachment permit issued, or to be issued by the State of California, in favor of Declarant and/or the Association to permit for placement, construction, maintenance, repair and removal of Improvements along Highway 79 and Wabash Avenue as more particularly shown on Exhibit "B" attached hereto.

(g) 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 Tax Assessor pursuant to the applicable provisions of the California Revenue and Taxation Code;

(h) 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;

(i) 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:

(1) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than forty-five (45) days nor 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 Common Area Improvements and for other contingencies;

(iii) An itemized estimate of the remaining useful life of the Common Area Improvements, 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 the Common Area 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 Common Area Improvements.

(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; and

(5) The Board shall review, on a quarterly basis, unless otherwise stated, 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 reserve revenues and expenses compared to the budget for the then current fiscal year;

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

(v) The most current statements of account prepared by the financial institutions where the Association maintains its operating and reserve accounts.

Withdrawal of funds from the Association's reserve account shall require the signature of either: (i) two (2) members of the Board; or (ii) one (1) member of the Board and an officer of the Association who is not also a member of its Board. As used in this Section, "reserve account" means the moneys that the Board has identified from its annual budget for use to defray the future repair or replacement of, or addi-

tions to, those major components which the Association is obligated to maintain.

(j) 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 as provided for in Section 4 hereinbelow;

(k) Formulate, adopt and enforce such Rules and Regulations as it may deem proper for the operation of the Common Area, as more particularly described in Section 13 below;

(l) Enforce all applicable provisions of this Declaration, the Articles, By-Laws and such Rules and Regulations of the Association, and of all other documents pertaining to the ownership, use, management and control of the Project;

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

(n) Within ten (10) days of the mailing or delivery of a written request from an Owner, provide said Owner with a copy of this Declaration and the By-Laws and Articles for the Association, 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 or other management documents of the Board 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 business hours, upon request under reasonable circumstance, to 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 this Declaration, the Articles, the By-Laws, rules governing the Lot and all of the books, records and financing statements of the Association.

Section 4. Discretionary Powers. The Board, at its option, may assume, perform and execute the following powers and duties for and on behalf of the Association:

(a) Retain the services of a manager for the project and provide such other personnel as the Association

deems necessary and proper to assist in the operation of the Association and/or management of the Common Area, regardless of whether such other personnel are employed directly by the Association or otherwise;

(b) Remove or replace any Improvement that extends into the Common Area under authority of an easement when access to a utility line underneath such Improvement is requested by any utility company; provided, however, that the cost shall be assessed against the Owner of the Lot involved as a Compliance Assessment if said Owner caused the Improvement to be so placed in the Common Area without legal right to do so;

(c) Incur any liability or pay any costs or expenses for a single Lot or Owner thereof; provided, however, that in the event the Association does incur any such liability or pay any such costs or expenses, the amount thereof shall be specially assessed to the Owner of such Lot as a Compliance Assessment; provided further, however, that nothing herein shall permit the Association to assess the Owners for any new Improvements to the Common Area except as otherwise provided in this Declaration; and

(d) Subject to the limitations set forth in this Article, contract for any other material, furniture, labor, services, maintenance, repairs, structural alterations or insurance, or pay any taxes or Assessments which, in the opinion of the Board, shall be necessary or proper for the operation of the Common Area for the benefit of the Owners or for the enforcement of this Declaration.

Section 5. Repair of Willful Damage to Common Area. Notwithstanding the Association's duty to maintain the Common Area, in the event that the maintenance, repair or replacement of any element of the Common Area becomes necessary due to the willful or negligent acts or omissions of any Owner, his family, 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 the Lot owned by such Owner.

Section 6. 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 7. Delegations 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 man-

ager, 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 8. Right of Entry for Emergency. The Board, any person authorized by the Board or any Owner may enter 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 9. Right of Entry for Repairs. The Board, or any person authorized by the Board, shall have the right to enter, upon reasonable notice, any Lot to effect necessary repairs which the Owner has failed to perform or which are necessary in connection with the repairs to the Common Area, Association Maintenance Areas 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 10. 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 Common Area or the Association for a term longer than one (1) year, with the following exceptions:

(1) A management agreement, the terms of which have been approved by VA/FEA;

(2) 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;

(3) 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; and

(4) Agreements for cable television or satellite dish 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.

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 Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

(c) Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Any such action by the Association shall require the prior written consent of the Planning Director of the County, or the County's successor-in-interest;

(d) Paying compensation to Directors 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 or officer 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 11. 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 Common Area upon which no building or other structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Area 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 12. New Improvements. Except as otherwise provided in this Declaration, the Association may construct new Improvements or additions to the Common Area, 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 ma-

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 13. Association Rules and Regulations. The Board shall also 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 Common Area and Association Maintenance Areas, 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 or adopted by the Architectural Control Committee, and any other matter which is 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, the Articles or By-Laws. A copy of the Rules and Regulations as they may, from time to time, be adopted, amended or repealed, or a notice setting forth the adoption, amendment or repeal of specific portions of the Rules and Regulations, shall be delivered to each Owner. 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. The Rules and Regulations, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner upon request. In the event of any conflict between any such Rules and Regulations and any other provisions of this Declaration, or the Articles or By-Laws, 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 Assessments. The Declarant, for each Lot owned within the Project, 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: (a) Regular Assessments; (b) Special Assessments for capital improvements and such other purposes set forth herein: (c) Compliance Assessments, including, but not limited to, costs incurred by the Association in the repair of damage to the Common Area for which such Owner was responsible and costs incurred by the Association in bringing such Owner and his Lot into compliance with this Declaration; and (d) such other assessments as the Association may periodically establish. The Regular and Special Assessments, together with 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. Each Regular Assessment and each Special Assessment, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall also be the personal obligation of the Owner of such property at the time when the Assessment fell due. Each Compliance Assessment levied against an Owner, together with 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 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 all Owners in the Project, and to maintain and improve the Common Area. The Association, by and through the Board, shall levy and collect Assessments from the Owner of 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 its powers and duties set forth in this Declaration, the By-Laws and the Articles. Regular Assessments shall be collected on a monthly installment basis.

Section 3. Regular Assessments - Basis. Regular Assessments payable to the Association shall be assessed equally against all Owners of Lots. Regular Assessments shall mean the charge levied against each Owner of a Lot in the Project, representing such Owner's proportionate share of the estimated Common Expenses of the Association for any fiscal year. Until the first day of the fiscal year of the Association immediately following

the close of escrow for the sale of first Lot in the Project to an Owner, the maximum total Regular Assessments shall be as set forth in the Association budget reviewed and approved by the DRE. 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 Owners constituting a quorum casting a majority of the votes at the meeting of the Association conducted in accordance with California Corporations Code, Sections 7510, et seq., and Sections 7613, et seq. For purposes of this Section, a quorum shall constitute more than fifty percent (50%) of the Owners of the Association. 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 Improvements within the Project where a threat to personal safety is discovered; and

(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. However, prior to the imposition or collection of an Assessment under this subdivision, 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, its successors or assigns, 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 vote or written assent of Owners in attendance at a duly called meeting of the Association, 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. 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

(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. However, prior to the imposition or collection of a Special Assessment under this subdivision, 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 Special Assessment.

Section 5. Notice and Quorum For Any Action Authorized Under Sections 3 and 4. Any action authorized under Sections 3 and 4 should be taken at a special meeting of Members of the Association called for that purpose, written notice of which shall be sent to all Members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. The notice shall specify the place, day and hour of the meeting. Said special meeting shall be conducted in accordance with the provisions of the By-Laws of the Association concerning special meetings of the Members of the Association. At such meeting, the presence of Members entitled to cast fifty-one percent (51%) of all votes of each class of membership shall constitute a quorum.

Section 6. Date of Commencement of Regular Assessments: Due Dates. The Regular Assessments provided for herein shall commence as to all Lots within each Phase of the Project on the first day of the month following: (a) the first conveyance of any Lot to a bona fide purchaser; or (b) the conveyance of the Common Area in such Phase to the Association, whichever shall first occur. The first 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.

Section 7. 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 on 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 8. Reserves. The Regular Assessments shall include reasonable amounts, as determined by the Board, collected as reserves for the future periodic maintenance, repair and replacement of all or a portion of the Common Area, or any such other purpose determined by the Board. All amounts collected 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 9. 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 Common Area 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 10. 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 authority;

(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 Common Area and Association Maintenance Areas.

Section 11. Capitalization of Association. Each purchaser of a Lot in the first Phase of the Project shall contribute to the capital of the Association an amount equal to one/sixth (1/6) the amount of the then Regular Assessment for his respective Lot, as determined by the Board. Said amount shall be deposited by said Owner into the escrow for the purchase of his Lot from Declarant and shall be disbursed by the escrow holder to the Association at the close of escrow for the sale of the Lot to said Owner. This capital contribution shall in no way be deemed to be a prepayment of Regular Assessments.

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 or Compliance Assessment not paid within fifteen (15) days after the due date shall be deemed delinquent, shall be subject to reasonable costs of collection, including reasonable attorneys' fees, and 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 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 or Special 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 amount claimed (which may, at the Association's option, include reasonable late charges as may, from time to time, be established by the Board in accordance with California law, reasonable attorneys' fees and expenses of collection incurred in connection with the debt secured by said lien and interest on said sums at twelve percent [12%] per annum), 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 fee to be determined by the Association, but not to exceed Twenty-Five Dollars (\$25.00) to cover the costs of preparing and filing or recording such release.

Section 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. Mortgage Protection. Any lien created hereunder resulting from the nonpayment of Assessments shall not be subordinate to any encumbrance, except for any recorded first Mortgage or first deed of trust upon a Lot made in good faith and for value; provided that such Mortgage or deed of trust is recorded prior to any Notice of Delinquent Assessments recorded pursuant to the applicable provisions hereof, and after such Mortgage or other person or entity obtains title to such Lot by

judicial or nonjudicial foreclosure, such Lot shall remain subject to the covenants, conditions and restrictions set forth in this Declaration, and the payment of Assessments which accrue subsequent to the date of taking title.

ARTICLE VIII
USE RESTRICTIONS

The Lots, Common Area and Association Maintenance Areas shall be occupied and used in accordance with the following Use Restrictions.

Section 1. Private Single Family Dwelling. 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 by Declarant; provided, however, that Declarant reserves the right, for a period of five (5) years from recordation hereof or until all Lots in the Project are sold (and escrows closed), whichever shall first occur, to carry on normal sales activity on the Project, including the operation of models and sales offices, provided Declarant shall not unreasonably interfere with any other Owner's use of the Common Area.

Section 2. No Temporary Structures. No tent or shack, or other temporary building, improvement or structure shall be placed upon any portion of the Project.

Section 3. Common Area Use. Use of the Common Area shall be subject to the provisions of this Declaration, the Rules and Regulations and to any additional limitations imposed by the Association.

Section 4. Conduct Affecting Insurance. Nothing shall be done or kept in any Lot or in the Common Area which will increase the rate of insurance on the Common Area without the approval of the Association. No Owner shall permit anything to be done or kept in his Lot or in the Common Area which will result in the cancellation of insurance on the Common Area 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 to the Common Area shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 5. Liability for Damage to the Common Area and Association Maintenance Areas. 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 Common Area and Association Maintenance Areas which may be sustained by reason of the negligence or willful misconduct of said Owner or of his family, tenants, lessees or contract purchasers, 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 6. Signs. Subject to the provisions of California Civil Code, Sections 712 and 713, no sign of any kind shall be displayed to the public view on or from any Lot or the Common Area without the approval of the Association, except such signs as may be used by Declarant for a period of five (5) years from recordation hereof in connection with the development of the Project and sale of Lots, 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 County's sign ordinance, if any, and with all applicable governmental regulations.

Section 7. Maintenance of Animals Within the Project. No animals of any kind shall be raised, bred or kept in any Lot or in the Common Area, except that common household pets, including dogs or cats, may be kept in each Lot; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose or in unreasonable numbers. As used herein, "unreasonable numbers" shall ordinarily mean more than two (2) animals per Lot. Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal on the Common Area. 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 constitutes a private nuisance to any other person. Every person bringing an animal upon or keeping an animal 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 animal. All animals maintained in 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.

Section 8. 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 Architectural Control Committee provided for hereinbelow.

Section 9. No Hazardous Activities. No activities shall be conducted on any portion of the Project and no Improvements shall be constructed on any portion of the Project which are or might be unsafe or hazardous to any person or property. Without limiting the generality of the foregoing, no firearms shall be discharged on the Project and no open fires shall be lighted or permitted on the Project, except in a contained barbecue unit while attended and in use for cooking purposes, or within an interior or exterior fireplace designed to prevent the dispersal of burning embers.

Section 10. Structural Changes. There shall be no structural alteration, construction or removal of any Residence, fence or other structure whatsoever in the Project without the prior written approval of the Board or its designated Architectural Control Committee, as required herein, except such works of construction by Declarant during the development of the Project.

Section 11. 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 Common Area and Association Maintenance Areas") without the approval of the Architectural Control Committee, as set forth hereinbelow. No Improvement shall be constructed upon any portion of any Common Area or within the Association Maintenance Areas, other than such Improvements as shall be constructed: (a) by the Declarant (or a person or entity to whom Declarant assigns its rights as developer), or (b) by the Association as provided herein.

Section 12. Windows. No window in any Residence shall be covered in whole or in part, inside or outside, with aluminum foil, newspaper, paint, reflection tint or any other material reasonably deemed inappropriate for such use by the Association.

Section 13. Commercial Activity. No professional, commercial or industrial operations of any kind shall be conducted in or upon any Lot or the Common Area, except such temporary operations as may be approved by a majority of a quorum of the Association, and such temporary uses as shall be permitted by Declarant while the Project is being constructed and Lots are being sold by the Declarant.

Section 14. Parking. Except in such areas as designated by Declarant and the Board, no Owner of a Lot in the Project shall park, store or keep any vehicle except wholly within his garage. No Owner shall park, store or keep any large commercial type vehicle, any recreational vehicle (including, but not limited to, any camper, motorhome, trailer, boat trailer, mobile home or other reasonably similar vehicle, boat or aircraft) or any vehicle other than a private passenger vehicle on any portion of the Common Area. No Owner shall conduct major repairs or major

restorations of any motor vehicle of any kind whatsoever in his garage or upon the Common Area, except for emergency repairs thereto and then only to the extent necessary to enable movement thereof to a proper repair facility. Each Owner shall maintain his garage such that it is readily available for parking. All garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage. No inoperable vehicle shall be stored anywhere in the Project in such a manner as to be visible to neighboring property outside of the Project or any of the Lots. In any event, all vehicles shall be parked in compliance with applicable County ordinances.

Section 15. Regulation of Parking. The Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Common Area 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, including the removal of any violating vehicle by those so empowered.

Section 16. Compliance With Management Documents. All Owners shall be Members of the Association and shall comply with the terms and conditions as set forth herein and in the Articles and the By-Laws, and all Rules and Regulations of the Association. No Owner shall transfer any membership or interest in the Association, except upon the transfer of the Lot to which it is appurtenant.

Section 17. Declarant's Improvements. Nothing in this Article or elsewhere in this Declaration shall limit the right of Declarant to complete construction of any Improvements to the Common Area and/or to any Lot owned by Declarant, or to alter the foregoing or to construct such additional Improvements as Declarant deems advisable prior to completion and sale of the entire Project. Provided, however, Declarant shall not modify any plans and specifications previously approved by the County with respect to the Common Area without the prior written consent of the Planning Director of the County, or the County's successor-in-interest. The rights of Declarant under this Declaration may be assigned by Declarant to any successor to all or any part of Declarant's interest in the Project, as developer, by an express assignment incorporated in a recorded deed transferring such interest to such successor.

Section 18. Solar Heating Systems. Solar heating systems may be installed on Lots in the Project, provided that such systems comply with applicable zoning regulations, the Uniform Building Code, and associated statutes and ordinances as may be adopted by the County, and have been approved by the Architectural Control Committee, based on reasonable architectural review

standards adopted by the Architectural Control Committee, consistent with Section 714 of the California Civil Code.

Section 19. Antennas. No Owner shall install, or cause to be installed, any television, radio, "Citizens Band" (C.B.) antenna, satellite dish or other similar electronic receiving or broadcasting device on the exterior of any Residence or elsewhere within a Lot, or upon the Common Area.

Section 20. 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 this Declaration, By-Laws and Articles, and that any failure by the tenant or lessee to comply with the terms of such documents shall constitute a default under such agreement. Other than the foregoing, there are no restrictions on the right of an Owner to rent or lease his Lot.

Section 21. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot or the Common Area, nor shall oil wells, tanks, tunnels or mineral excavations be permitted upon or in any Lot or the Common Area. No derrick or other structure designed for use in boring for oil, water or natural gas shall be erected, maintained or permitted upon any Lot.

Section 22. 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 portion thereof, unsanitary, unsightly, offensive or detrimental to any other property 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).

Section 23. Pests. Each Owner shall, at all times, maintain his Lot free from all undesirable animals, including, without limitation, rats, mice and other objectionable rodents, gophers, moles and other similar burrowing vermin, and wasps, bees, hornets, flies and other similarly objectionable insects, and pigeons, sparrows or other objectionable birds.

Section 24. Drainage. There shall be no interference with the established drainage pattern over any Lot within the Project as to affect any other Lot or the Common Area, unless adequate alternative provision is made for proper drainage and is approved in writing by the Architectural Control Committee. For

purposes hereof, "established" drainage is defined as the drainage which exists at the time such Lot is conveyed to a purchaser from Declarant, or later grading changes that are shown on plans approved by the Architectural Control Committee.

Section 25. Water Supply and Water Softener Systems. No individual water supply or water softener system, nor any sewage disposal system, shall be permitted on the Project unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of the Eastern Municipal Water District, the Riverside County Health Department and all other applicable governmental authorities.

Section 26. Exterior Maintenance and Repair. No Improvement anywhere within the Project shall be permitted to fall into disrepair, and each Improvement shall, at all times, be kept in good condition and repair, as more fully described in the Article herein entitled "Repair and Maintenance."

Section 27. Prohibition Against Improvements Within Association Maintenance Areas. No Owner may install, construct or otherwise alter any Improvement within the Association Maintenance Areas affecting his Lot without the express written approval of the Architectural Control Committee and the Board.

Section 28. No Easements for View Purposes; Disclaimer. The Article herein entitled "Architectural Control - Approval," sets forth procedures for the approval of Improvements which may be constructed upon Lots in the Project which are consistent with the Architectural Standards adopted, from time to time, pursuant to said Article. The Architectural Standards may have some effect on preserving views from and insuring the passage of light and air to individual Lots. However, by promulgation and enforcement of the Architectural Standards, or otherwise, neither Declarant, the Board nor the Architectural Control Committee, or the members, employees or consultants of any of the foregoing, have made any representations whatsoever concerning the view, if any, that a particular Lot or other Improvement thereon will 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 may impair the view from such Owner's Lot, and each Owner hereby expressly consents to any such impairment.

Section 29. No Further Subdivision. No portion of the Project may be further subdivided, nor may any easement or other interest therein, less than that of a fee simple (including a timeshare estate or timeshare use, as defined in Section 11003.5 of the Cali-

fornia Business and Professions Code), be conveyed without the prior written approval of the Board and Declarant, for so long as Declarant retains the easements for construction and sales set forth in this Declaration.

Section 30. Declarant's Exemption From Use Restrictions. Nothing in this Article or elsewhere in this Declaration shall limit, restrict, abridge or control, in any manner whatsoever, Declarant's right to complete the planning, development, grading, construction, advertising, marketing, leasing and sales of the Lots, and all other property within the Project (including any property which may be annexed thereto pursuant to the provisions of this Declaration), including, without limitation, the following specific rights, which may be exercised by Declarant, or by its agents and employees, in conjunction with such development and marketing, for a period of five (5) years from the date of recordation of this Declaration, or until all Lots in the Project and all other property in the Project is sold (and escrows closed), whichever shall first occur:

(a) The right to maintain and operate one (1) or more advertising, sales or leasing office(s) located upon any Lot owned by Declarant, or upon any Common Area, without payment of rent or approval of the Association;

(b) The right to post and display from any Lot owned by Declarant, or from any Common Area, any sign, flag, banner, billboard or other advertising which Declarant may, in its sole discretion, deem appropriate, irrespective of size, color, shape or materials of such items;

(c) The right to install, place, replace, construct, reconstruct, modify or remove any Improvement from any Lot owned by Declarant, or from any Common Area, as Declarant may, in its sole discretion, deem appropriate; provided that in the event Declarant removes any Association owned Improvement from any Common Area without the express prior written consent of the Board, the Declarant shall replace such Improvement with an Improvement of substantially similar value, appearance and utility within a reasonable period following completion of any work necessitating the removal of the Improvement;

(d) The right to conduct any commercial activity upon any Lot owned by Declarant, or upon any Common Property, which reasonably relates to the development, marketing, leasing or sales of the Lots or other property in the Project; and

(e) The right to park vehicles upon any Lot owned by Declarant, or upon any Common Property.

ARTICLE IX

ARCHITECTURAL CONTROL - APPROVAL

Section 1. Exemptions From Architectural Control. Except as otherwise provided herein, all Improvements to Lots shall be subject to architectural approval by the Association in accordance with the provisions of this Declaration. Notwithstanding the foregoing, Declarant shall be exempt from compliance 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 County; 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 County and VA/FHA, Declarant shall obtain approval for such Improvements from the County and VA/FHA; and, provided further, if Declarant shall retain a Residence for personal use, any Improvements to the exterior of such Residence shall be subject to architectural approval pursuant to this Article.

Section 2. Architectural Control. Except for the purposes of proper maintenance and repair, and except as otherwise permitted hereunder, no person shall install any Improvement, including, without limitation, solar heating panels, lighting, shades, screens, awnings, patio covers, decorations, fences, screen doors, aerials, antennas, radio or television broadcasting or receiving devices, air conditioning units, or change or otherwise alter the exterior of any Residence or appurtenant Improvement. For the purposes of this Section, the term "exterior" shall mean any outside wall, outside surface, roof, outside door, patio, balcony, deck, garage or other outside structure of said Residence which is visible to others in the Project and/or to the public.

Section 3. Architectural Control Committee. The Architectural Control Committee is hereby authorized with the rights and powers set forth in this Article. Said Committee shall consist of not less than three (3) members, nor more than five (5) members, and each initial member shall serve until the first election of the Board. In the event of the failure or inability of any member of the Architectural Control 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 original members of the Architectural Control Committee, and replacements thereto. Further, Declarant reserves the power to appoint a majority of the members of the Architectural Control Committee until such time as Declarant shall have annexed to the Association the last Phase to be developed in the Project, or until the fifth (5th) anniversary of the issuance of the Final Subdivision Public Report for the first

Phase of the Project, whichever first occurs. 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 the Architectural Control Committee until ninety percent (90%) of the Lots in the Project have been sold, or until the fifth (5th) anniversary date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. All members appointed to the Architectural Control Committee by the Board shall be from the membership of the Association. Members appointed to the Architectural Control Committee by the Declarant, however, need not be members of the Association. No member of the Architectural Control Committee shall be liable to any person for his decisions or failure to act in making decisions as a member of the Architectural Control 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 Committee, subject to such terms and conditions regarding the exercise thereof as Declarant may impose."

Section 4. Meetings of the Architectural Control Committee. The Architectural Control Committee shall meet, from time to time, as necessary to perform its duties hereunder. The Architectural Control 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 the Architectural Control Committee on all matters so delegated.

Section 5. Architectural Approval - Review of Plans and Specifications. The Architectural Control Committee shall have the right to promulgate reasonable standards 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 buildings in the Project. The Architectural Control 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 the Architectural Control Committee. No construction, alteration, grading, addition, excavation, modification, decoration, redecoration or reconstruction of an Improvement shall be commenced or maintained by any Owner until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the

Architectural Control Committee and approved in writing by the Architectural Control Committee. The initial address for submission of such plans and specifications, until changed by the Architectural Control Committee, shall be:

Architectural Control Committee
California Sunset Homeowners Association
c/o Kaufman & Broad of Southern California, Inc.
12520 High Bluff Drive
Suite 120
San Diego, California 92130

The Architectural Control Committee shall approve the plans and specifications submitted for its approval only if it deems that: (a) the construction, alterations or additions 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 structure affected thereby will be in harmony with surrounding structures; (c) the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area, or the enjoyment thereof by the Owners; and (d) the upkeep and maintenance thereof will not become a burden on the Association. The Architectural Control 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.

The Architectural Control Committee may also issue rules or guidelines setting 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 Architectural Control 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.

The Architectural Control Committee shall require that any replacement or repair of roofs of Residences shall be accomplished with fire retardant materials.

Section 6. Decisions of the Architectural Control Committee. Until receipt by the Architectural Control Committee of any required plans and specifications, and such other information as may be required in Section 5 above, the Architectural Control Committee may postpone review of any plans submitted for approval. Decisions of the Architectural Control Committee and the reasons therefor should be transmitted by the Architectural Control Committee to the applicant, at the address set forth in the application for approval, within forty-five (45) days after receipt by the Architectural Control Committee of all plans, specifications and materials required. Any application submitted pursuant to the provisions of Section 5 above shall be deemed approved, unless written disapproval or a request for additional information or materials by the Architectural Control Committee shall have been transmitted to the applicant within forty-five (45) days after the receipt by the Architectural Control Committee of all required materials.

Section 7. No Waiver of Future Approvals. The approval of the 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 the 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 8. Compensation of Members. The members of the Architectural Control Committee 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 9. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require, the Architectural Control Committee, by the vote or written assent of a majority of the members thereof, may allow reasonable variances as to any of the Covenants contained in this Declaration or provisions under the rules and regulations promulgated by the Architectural Control Committee, on such terms and conditions as it shall require. 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, Lot setback lines or requirements imposed by the County or other governmental authority.

Section 10. Inspection of Work. Upon consent of the Owner, which consent shall not be unreasonably withheld, any member or authorized representative of the Architectural Control Committee may, at any reasonable hour and upon reasonable notice, enter and inspect any Lot which has been the subject matter of an approval of a submission for an Improvement to his Lot. Such entry shall be made with as little inconvenience to the Owner as reasonably possible, and any damage caused thereby shall be repaired by the Association. If the Architectural Control Committee finds that such work was not done in substantial compliance with the approved plans and specifications, it shall notify the Owner in writing of such noncompliance, specifying the particulars of noncompliance and shall require the Owner to remedy the same within thirty (30) days from the date of notification of such noncompliance. If a noncompliance exists, the Board, after Notice and Hearing, may levy a Compliance Assessment against such Owner for the costs of removing or remedying such noncompliance.

Section 11. Non-Liability of Architectural Control Committee Members. Neither Declarant, the Association, the Board or the Architectural Control Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Project affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the Architectural Control Committee. The Architectural Control Committee's approval or disapproval of a submission shall be based solely on the considerations set forth in this Article, and in such rules and regulations as may be promulgated by the Architectural Control Committee, and the Architectural Control Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes.

Section 12. Appeal. In the event plans and specifications submitted to the Architectural Control 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 thirty (30) days following the final decision of the Architectural Control Committee. The Board shall submit such request to the Architectural Control Committee for review, and the written recommendations of the Architectural Control 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.

ARTICLE X

REPAIR AND MAINTENANCE

Section 1. Repair and Maintenance by Association.

Without limiting the generality of the Article herein entitled "Powers and Duties of the Association," the Association shall have the duty to maintain, in a neat, clean, safe, sanitary, attractive and orderly condition at all times, the following upon the Common Area and Association Maintenance Areas as designated in this Declaration, or in any subsequent Notice of Annexation which may be recorded, from time to time:

(a) Maintain, landscape, repair, improve, restore and replace all Improvements on the Common Area in a neat, clean, safe, attractive and orderly condition at all times, including, without limitation, the following:

(1) All walkways, trails or other pedestrian paths:

(2) All recreational facilities and other Improvements located on Lot 160;

(3) Maintain Lot 159 (more commonly known as "Temecula Creek") in a condition comparable to the condition initially approved by the County, and subject to all recommended plans for maintenance imposed by the County and the California Department of Fish and Game, or such other agency asserting jurisdiction over such Lot. The Association shall maintain and repair the fencing along Pechanga Drive extending from Lot 1 to Lot 157; and

(4) All drainage facilities and easements within the Common Area and Association Maintenance Areas.

(b) Maintain all Association Maintenance Areas designated herein or in recorded Notices of Annexation in a neat, clean, safe and orderly condition at all times, including, without limitation:

(1) That certain drainage access and maintenance easement and related Improvements including, without limitation, the boundary fence along the southerly boundary of Lots 116 through 142, inclusive, of Tract 20319;

(2) Those certain landscape medians included within the street rights-of-way;

(3) All landscaping improvements fronting the Common Area streets within Lot 158, which Lot shall be conveyed to the Eastern Municipal Water District;

(4) All landscaping improvements originally installed by Declarant (or its predecessors) along

Highway 79 and Pala Road in a condition comparable to the condition originally approved by the County; and

(5) The exterior surfaces (defined to mean the side of the wall fronting Highway 79 and Pala Road and extending along the northerly boundary of Lots 28 through 35, inclusive, and Lots 91 through 116, inclusive, of Tract 20319) of the perimeter masonry wall.

(c) Maintain all other areas, facilities, furniture, equipment, services or aesthetic components of whatsoever nature as may, from time to time, be requested by the vote or written consent of three-fourths (3/4) of the voting power of the Members.

(d) Except as otherwise herein specified as being paid by individual Owners, the costs of maintenance, repair, restoration and replacement as provided in this Article shall be Common Expenses and shall be paid out of the general fund of the Association.

Section 2. Repair and Maintenance by Owner. Except as the Association shall be obligated to maintain and repair as may be provided in this Declaration, every Owner shall:

(a) Maintain his Lot and the Residence located thereon, including, without limitation, all walls, fences, roofs, patios, patio covers, decks, deck covers, balconies, windows, window frames, screens, locks and doors of his Residence, landscaping and slope areas, irrigation lines and all other Improvements located on such Owner's Lot in a neat, clean, safe and attractive condition at all times, and make all repairs as they may be required;

(b) Install, within a reasonable period of time after conveyance of title to a Lot to an Owner, the landscaping of his Lot in a neat and attractive condition, including all necessary landscaping and gardening, to properly maintain and periodically replace, when necessary, the trees, plants, grass and other vegetation originally placed on such Lot by Declarant, if any. The Board may adopt Rules and Regulations proposed by the Architectural Control Committee to regulate landscaping permitted within the Project. In the event that any Owner shall fail to install and maintain landscaping in conformance with the Rules and Regulations, or shall allow his landscaping to deteriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board, after Notice and Hearing, may enter such Owner's property for the purpose of remedying the condition, and such Owner shall promptly reimburse the Association for the cost thereof. Such cost may be levied by the Board as a Compliance Assessment;

(c) Maintain that portion of the concrete drainage swale located with each respective Lot benefitted/burdened by the easements created in Article III, Section 10, above;

(d) The Owners of Lots 28 through 35, inclusive, and Lots 91 through 116, inclusive, shall maintain the interior surface of the perimeter masonry wall along Highway 79 and Pala Road;

(e) The Owner of Lot 20 shall maintain, repair and keep free of debris at all times, the concrete drainage course installed and constructed on his Lot; and

(f) The Owner of Lots 6 and 7 shall not be permitted to construct or locate any Improvements, other than landscaping, within the Easement Area shown on the recorded Tract Map.

Section 3. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities or public utilities which are located within easements in the Common Area owned by such public utilities. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 4. 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, or as otherwise approved by the Architectural Control Committee. The affected Owner shall be obligated to proceed, with all due diligence hereunder, and shall be responsible for commencing reconstruction within three (3) months after the damage occurs, and completing such reconstruction as soon as reasonably possible thereafter.

ARTICLE XI
DAMAGE OR DESTRUCTION TO
THE COMMON AREA AND
ASSOCIATION MAINTENANCE AREAS

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

(a) In the event of damage to or destruction of the Common Area or Association Maintenance Areas, and the insurance proceeds are sufficient to effect total restoration, the Association shall, as promptly as is practical, cause the Common Area or Association Maintenance Areas to be repaired and reconstructed in a good workmanlike manner to their 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 to the Common Area or Association Maintenance Areas, the Association shall, as promptly as practical, cause such Common Area or Association Maintenance Areas 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 of the Lots 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 Common Area or Association Maintenance Areas, the Owners shall, by the written consent or vote of a majority of the Owners, determine whether: (1) to restore the Common Area or Association Maintenance Areas 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 Assessments against each of the Lots on an equal basis; or (2) to restore the Common Area or Association Maintenance Areas 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 Common Area or Association Maintenance Areas, and which is assessable as provided above to all Lots, but which is less expensive than restoring the Common Area or Association Maintenance Areas to their condition prior to the damage or destruction.

Section 2. Election by Owners Not to Restore Damaged Common Area and Association Maintenance Areas.

(a) Notwithstanding the provisions set forth in Section 1 hereinabove, in the event 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 Common Area or Association Maintenance Areas, 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 Common Area or Association Maintenance Areas, the Common Area or Association Maintenance Areas 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 Common Area or Association Maintenance Areas, unless the County shall agree to the contrary, it shall be the obligation of the Association and each of the Owners to rebuild the private streets, utilities and open spaces, at least to the extent said streets, utilities and open spaces were accepted initially by the County 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 Common Area or Association Maintenance Areas pursuant to this Article, the Board shall retain such sums in the general fund of the Association.

Section 4. Requirements of FHLMC, FNMA and VA/FEA. Notwithstanding the provisions of this Article, the Board shall comply with all requirements 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 Common Area or Association Maintenance Areas 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, his tenants, guests or invitees. The Board shall have the right, after Notice and Hearing as provided in the By-Laws, to levy a Compliance Assessment for any damages so caused by an Owner, including, without limitation, the costs of any increased insurance premiums which are attributable to the damages caused by such Owner.

Section 6. Notification by Association of Defects.

The Board agrees that in the event of any alleged defect in any improved Common Area or Association Maintenance Areas 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, or its authorized agents, and not the Association, shall determine the material and methods to be used in effecting such repair, replacement or cure. The Association agrees to provide Declarant, or its authorized agents, 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 - Common Area or Association Maintenance Areas. A condemnation award affecting all or any portion of the Common Area or Association Maintenance Areas shall be remitted to the general fund of the Association.

Section 2. Board of Directors as Attorney-in-Fact. All Owners, with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America, hereby appoint the Board as their special attorney-in-fact to handle the negotiations, settlements and agreements pertaining to any condemnation affecting only the Common Area or Association Maintenance Areas.

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 for the full replacement value (without deduction for depreciation) of the Common Area, together with all Improvements located thereon. Said policies shall be maintained for the benefit of the Association, the Owners and their respective Mortgagees, as their interests may appear.

(b) Public Liability Insurance. A policy or policies of full coverage 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, invitees and/or tenants, arising from or incident to the ownership, occupation, use, maintenance and/or repair of the Common Area. The limits of liability under this Section shall be set by the Board and shall be reviewed 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 One Million Dollars (\$1,000,000.00) 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, Directors, 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. Such coverage shall be in an amount deemed reasonably appropriate by the Association, but shall not be less than the estimated maximum funds, including reserves in the custody of the Association, or twenty-five percent (25%) of the estimated annual operating expenses of the Project, including reserves, whichever is greater.

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, flood insurance, Workers' Compensation Insurance and plate glass 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. 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 Common Area, such proceeds shall be disbursed in accordance with the provisions of the Article herein entitled "Damage or Destruction to the Common Area and Association Maintenance Areas"; 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 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 shall obtain insurance on his Lot, including the Residence and all other Improvements located on 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 inside 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, FNMA and VA/FEA. Notwithstanding the provisions of this Article, the Association shall obtain and maintain in effect such policies of insurance meeting all requirements of FHLMC, FNMA and VA/FEA 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. Mortgagee Protection Provisions. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), 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 Declaration, the Articles and the By-Laws for the Association 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 Lots, including the mortgaged Lot).

(c) Except as provided by statute in case of condemnation or substantial loss to the Lots and/or Common Area, 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) Change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner's Lot;

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

(3) Use hazard insurance proceeds for losses to the Common Area for other than repair, replacement or reconstruction;

(4) Effect 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;

(5) By act or omission, change, waive or abandon any provisions of this Declaration, or enforcement thereof, pertaining to architectural design of the Residences situated on a Lot or the maintenance and operation of the Common Area within the Project, including, without limitation, sidewalks, fences, driveways and landscaping within the Project;

(6) Fail to maintain fire and extended coverage on the insurable Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value thereof; and

(7) Abandon or terminate the Association, except for abandonment, partition or termination as may be provided by law.

(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 to 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 Common Area or such Owner's Lot.

(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 Common Area 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 which is not cured within sixty (60) days after the Association learns of such default, which notice shall state the length of time which 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 specified percentage of eligible 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 thirty (30) days' written notice.

(i) First Mortgagees of Lots may, jointly or singly, pay taxes or other charges which are in default and which may have become a lien on the Common Area, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Area, 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 Project within ninety (90) days following the end of any fiscal year of the Project, 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 changes of name or address for his first Mortgagee.

(l) If any Lot (or portion thereof) or the Common Area (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 Common Area encroaches upon any Lot or any Lot encroaches upon the Common Area as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

Section 2. Violation of Mortgagee Protection Provisions. No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, 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, that any such violation shall not defeat or render invalid the lien of any Mortgage or deed of trust made in good faith and for value. Said 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. Phased Development of the Project. As set forth in Article II herein entitled "Introduction to California Sunset," Declarant intends to develop the Project in a series of Phases, each of which shall be annexed to the Project. However, Declarant is under no obligation to continue development of the Project. In addition, Declarant may elect to annex future Phases in any given order, pursuant to the provisions of Section 2 hereinafter. No annexation hereunder shall be effective unless the procedures set forth in this Article have been executed.

Section 2. Annexation Pursuant to General Plan of Development. All or any part of the real property described as Annexation Property in the Article herein entitled "Definitions," may be annexed to the Property 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, 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;

(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 County, the DRE and VA/FHA; further, detailed plans for the development of each Phase, shall have been submitted to and approved by VA/FHA prior to its annexation; and

(c) A Notice of Annexation, as described in Section 4 of this Article, shall be recorded covering the Annexation Property.

Section 3. Annexation Pursuant to Approval. Upon obtaining the approval in writing of the Association pursuant to the vote or written assent of sixty-seven percent (67%) of the total votes residing in the Association Members, other than the Declarant, 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 file or record a Notice of Annexation, as described in Section 4 of this Article.

Section 4. Notice of Annexation. The annexation of additional property authorized under this Article shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional property, and the Notice of Annexation shall expressly provide that the scheme of this Declaration

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

Section 5. Right of De-Annexation. Declarant hereby reserves the right to de-annex any property which may be annexed to the Property 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 the de-annexation shall be made prior to the closing of the sale of the first Lot in the property to be de-annexed, a draft of the Revocation of Notice of Annexation has been submitted to and approved by VA/FHA and Declarant has obtained the prior written consent of the Planning Director of the County, or the County's successor-in-interest.

ARTICLE XVII

ENFORCEMENT OF BONDED OBLIGATIONS

Section 1. Enforcement of Bonded Obligations. In the event that the improvements of the Common Area have not been completed prior to the issuance of a Final Subdivision Public Report by the DRE, 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) 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 Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

(b) In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the

By-Laws dealing with meetings of the Members, but in any event, such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

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

ARTICLE XVIII

GENERAL PROVISIONS

Section 1. Enforcement.

(a) The Association or 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 covenants now or hereafter imposed by this Declaration and the By-Laws, respectively (and the Rules and Regulations duly adopted by the Association), 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 covenants, to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

(b) The result of every act or omission whereby any of the covenants contained in this Declaration or the provisions of the By-Laws 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) The remedies herein provided for breach of the covenants contained in this Declaration or the provisions of the By-Laws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) The failure of the Association or any Owner to enforce any of the covenants contained in this Declaration or the provisions of the By-Laws shall not constitute a waiver of the right to enforce the same thereafter.

(e) A breach of the covenants contained in this Declaration or of the provisions of the By-Laws shall not

affect or impair the lien or charge of any bona fide Mortgage or deed of trust made in good faith and for value on any Lot; provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether or not such Owner's title was acquired by foreclosure, a trustee's sale or otherwise.

(f) 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 voting rights 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) The Board, for and on behalf of the Association, may, after Notice and Hearing, temporarily suspend an Owner's voting rights for a period not to exceed thirty (30) days for any infraction of the Association's published Rules and Regulations; 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) In addition to the above general rights of enforcement, the County shall have the right, through its agents and employees, to enter upon any part of the Project for the purpose of enforcing the California Vehicle Code and its local ordinances, and is hereby granted an easement over the Project for that purpose.

Section 2. Severability. Invalidation of any one of these covenants by judgment or court order shall in no way affect any other provisions hereof, which shall remain in full force and effect.

Section 3. Term. The covenants set forth in this Declaration shall run with and bind the Project, and shall inure to the benefit of the Association and be enforceable by the Board or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners agreeing to terminate said covenants and restrictions, in whole or in part, has been 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. No such termination shall be valid without the prior written consent of

the Planning Director of the County, or the County's successor-in-interest.

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 the Association. This Declaration may be amended only by an affirmative vote of Owners representing not less than sixty-seven percent (67%) of the Class A voting power and 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 Members representing both: (a) sixty-seven percent (67%) of the total voting power of the Association, and (b) sixty-seven percent (67%) of the votes of 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. So long as there is a Class B membership, the prior approval of VA/FEA shall be required for any amendment to the Declaration. Any Owner 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 FNMA participates in the financing of Lots in the Project, the written consent of not less than sixty-seven percent (67%) of the first Mortgagees shall be required for any

amendment which affects, or purports to affect, any of the following:

- (1) The legal status of the Project as a planned development;
- (2) Voting rights;
- (3) Assessments, including the levy and collection thereof, enforcement provisions for nonpayment and subordination of liens for nonpayment;
- (4) Responsibility for Common Area maintenance;
- (5) Reserves for maintenance, repair and replacement of Common Area;
- (6) Insurance or fidelity bonds;
- (7) Common Area use rights;
- (8) Boundaries of any Lot;
- (9) Ownership interest in Common Area;
- (10) Encroachment by Improvements into Common Area or by Common Area into individual Lots;
- (11) Leasing of Lots;
- (12) Restrictions on alienation, including, but not limited to, rights of first refusal;
- (13) Mortgagee protection provisions as set forth in that Article hereinabove entitled "Mortgagee Protection," and such other provisions in this Declaration for which the consent of Mortgagees shall be required or which are expressly for the benefit of Mortgagees, insurers or guarantors of Mortgages; and
- (14) Annexation or de-annexation of additional property to or from the Project.

Notwithstanding the foregoing, in the event any first Mortgagee receives a written request 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 County. Notwithstanding any other provisions of this Article, no material amendment to this Declaration and no termination of this Declaration shall be effective without the prior written consent of the Planning Director of the County, or the County's successor-in-interest, which individual or entity shall be given written notice of such material amendment or termination.

(e) 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 amend-

ment has been approved by the membership and, where appropriate, by the first Mortgagees in the percentages set forth hereinabove, 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. Encroachments. None of the rights and obligations of the Owners created herein or by the deed shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful conduct of said Owner.

Section 8. 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 regular 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 9. Attorneys' Fees. If any Owner defaults in making a payment of Assessments or in the performance or observance of any provision of this Declaration, and the Association has obtained the services of an attorney in connection therewith, the Owner covenants and agrees to pay to the Association any costs or fees incurred, including reasonable attorneys' fees, regardless of whether legal proceedings are instituted. In case a suit is instituted, the prevailing party shall recover the cost of the suit, in addition to the aforesaid costs and fees.

Section 10. Additional Covenants in Favor of the VA/FEA. So long as there is Class B membership in the Association, the following actions shall require the prior approval of the VA/FEA: annexation of additional property, mergers and consolidations, any Special Assessments and any amendment to this Declaration.

Section 11. Conflicts in Management Documents for Project. In the event of any conflict between/among the provisions of any of the management documents for the Project, the Declaration shall be deemed to supersede the provisions of any conflicting management documents (with the express exception of

the Articles), including, without limitation, the By-Laws, architectural standards, if any, and the Rules and Regulations, if any.

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

"DECLARANT"

KADMAN & BROAD OF SOUTHERN CALIFORNIA, INC., a California corporation

BY: William E. Kadman
Its: Exec. Vice President

BY: [Signature]
Its: Asst. Sec.

STATE OF CALIFORNIA)
COUNTY OF San Diego) ss.

On May 16th, 1988, before me, the undersigned, a Notary Public in and for said State, personally appeared WILLIAM R CARDON and BRIAN J. MILICH, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as VICE PRESIDENT and ASSISTANT SECRETARY, on behalf of KAUFMAN & BROAD OF SOUTHERN CALIFORNIA, INC., 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"

ANNEXATION PROPERTY

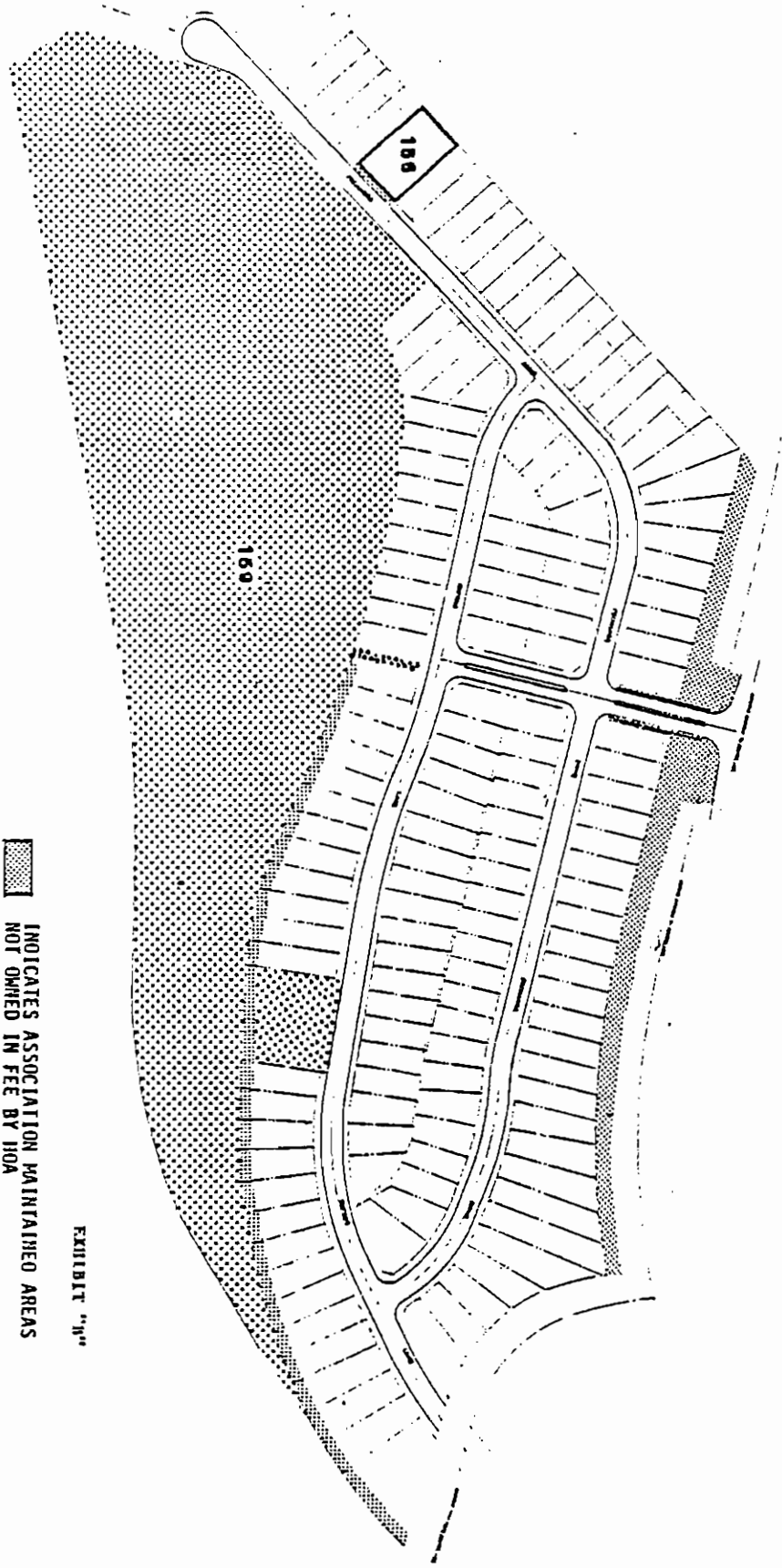
The Annexation Property consists of all of that certain real property located in the unincorporated territory of the County of Riverside, State of California, more particularly described as:

Lots 1 through 22, inclusive, Lots 45 through 90, inclusive, Lots 95 through 157, inclusive, and Lots 158 through 160, inclusive, of Tract 20319, as shown on a Map recorded in Book 181, Pages 54 to 58, inclusive, of Maps in the Office of the County Recorder for Riverside County, California.

EXHIBIT "B"

ASSOCIATION MAINTENANCE AREAS

(Attached)



INDICATES ASSOCIATION MAINTAINED AREAS
NOT OWNED IN FEE BY HOA
INDICATES COMMON AREAS TO BE HOA OWNED & MAINTAINED

EXHIBIT "B"

Recording requested by:

FIRST AMERICAN TITLE INSURANCE COMPANY
3625 Fourteenth Street
Riverside, California 92502

When recorded return to:

HOLZWARTH, POWELL, STEIN & PARILLA
18400 Von Karman Avenue
Suite 600
Irvine, California 92715

Attention: Martin J. Stein, Esq.

COPY of Document Recorded

on 6-10-88 as No. 159208

has not been compared with
original

W. JAMES E. COOPERLY

County Recorder

RIVERSIDE COUNTY, CALIFORNIA

NOTICE OF ANNEXATION

FOR PHASE II OF

CALIFORNIA SUNSET

A Residential Planned Development

NOTICE OF ANNEXATION
FOR PHASE II OF
CALIFORNIA SUNSET

THIS NOTICE OF ANNEXATION is made this 9th day of June, 1988, by KAUFMAN & BROAD OF SOUTHERN CALIFORNIA, INC., a California corporation (the "Declarant").

W I T N E S S E T H:

A. Declarant is the owner of that certain real property located in the unincorporated area of the County of Riverside, State of California, more particularly described as:

Lots 70 through 85, inclusive, and Lots 95 through 115, inclusive, of Tract 20319, as shown on a Map recorded in Book 181 of Maps, Pages 54 to 58, inclusive, in the Office of the County Recorder for the County of Riverside, California

(said Lots and all Improvements, including the Residences constructed thereon, are hereinafter collectively referred to as "Phase II");

B. Declarant is the developer of that certain residential planned development commonly known as "California Sunset" (the "Project"), located in the unincorporated area of the County of Riverside, State of California;

C. Declarant previously caused to be recorded that certain "Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for California Sunset" on May 17, 1988, as Instrument No. 132186 in the Official Records in the Office of the County Recorder for the County of Riverside (the "Declaration");

D. Declarant previously caused to be incorporated "California Sunset Homeowners Association," a California nonprofit, mutual benefit corporation (the "Association"), for various purposes, including managing the Common Area within the Project, enforcing the terms and provisions of the Declaration and providing for the common welfare of the Owners and residents of the Project; and

E. In order to establish a general plan for the development, maintenance, improvement, protection, use, occupancy and enjoyment of Phase II, Declarant desires to annex Phase II to the Project to establish, adopt and impose upon Phase II each of the terms, covenants, conditions, restrictions, easements, reservations, liens and charges set forth in the Declaration, and to

subject Phase II to the authority and jurisdiction of the Association.

NOW, THEREFORE, in accordance with the foregoing recitals and pursuant to Article XVII contained in the Declaration entitled "Annexation of Additional Property," Declarant does hereby covenant, agree and declare as follows:

ARTICLE I

DEFINITIONS

Section 1. Definitions in Declaration. Except as modified herein, the definitions set forth in Article I of the Declaration are incorporated by reference into this Notice of Annexation, unless the context shall prohibit such application.

Section 2. "Phase II" shall mean and refer to that certain real property described in paragraph A of the Recitals hereinabove, and all Improvements, including the Residences constructed thereon.

ARTICLE II

ANNEXATION OF PHASE II

Section 1. Annexation. Pursuant to Article XVII contained in the Declaration entitled "Annexation of Additional Property," Declarant hereby annexes Phase II to the Project. Said annexation shall become effective immediately upon the first close of escrow for the sale of a Lot in Phase II to an Owner. By virtue of such annexation, Phase II is and shall be subject to each and all of the Covenants set forth in said Declaration and to the authority and jurisdiction of the Association.

Section 2. Owners' Obligations for Assessments. Without limiting the generality of the preceding Section, upon the first close of escrow for the sale of a Lot in Phase II, each Owner of a Lot within Phase II, including the Declarant, shall automatically become an Owner and a Member of the Association. Each such Owner, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, shall be deemed to have agreed to and shall be liable for the performance of all duties and obligations set forth in the Declaration and in the Articles and By-Laws of the Association, including, without limitation, the payment of all Assessments which may be levied by the Association. Accordingly, each Owner is and shall be obligated to pay to the Association its pro rata share of the Common Expenses of the Association, as more particularly described in the Declaration. The Assessments as to all Lots within Phase II shall commence on the first day of the month following the first close of escrow for the sale of a Lot within Phase II to an Owner.

Section 3. Voting Rights. In the event the two-class voting structure provided for in the Declaration shall have ceased and terminated, as provided in the Declaration, when this annexation becomes effective, all Owners in the Project, including Declarant, shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot. If, however, the two-class voting structure provided for in the Declaration shall not have ceased or terminated as of the date of the first close of escrow for the sale of a Lot within Phase II, the two-class voting structure shall continue and the Owners' voting rights shall be as set forth in the Declaration.

ARTICLE III

EASEMENTS

Section 1. Reciprocal Easements. Declarant hereby grants to each Owner in Phase II a nonexclusive easement appurtenant to his Lot for ingress, egress, use and enjoyment on and over all portions of the Common Area in the Project, and all Owners in Phase II hereby acknowledge that upon the recordation of this Notice of Annexation, each Owner in the Project is automatically granted a nonexclusive easement appurtenant to his respective Lot for ingress, egress, use and enjoyment on and over all portions of the Common Area in Phase II.

Section 2. Easements Reserved. All easements reserved by Declarant in the Declaration are hereby reserved by Declarant over Phase II, together with the right to grant and transfer the same as provided in the Declaration.

ARTICLE IV

GENERAL PROVISIONS

Section 1. Amendment and Revocation. This Notice of Annexation may be amended or revoked by Declarant, at its sole discretion, at any time prior to the close of escrow for the sale of the first Lot in Phase II to an Owner. At any time subsequent to such sale and close of escrow, this Notice of Annexation may be amended only in accordance with the provisions of that Section of the "General Provisions" Article of the Declaration entitled "Amendments."

Section 2. Inurement. This Notice of Annexation, and each of the covenants, conditions, restrictions, reservations, easements, liens and charges, shall run with the land and shall inure to the benefit of and be binding upon the Owners of any Lot

in Phase II, and their successors, assigns and grantees, for such duration and according to such terms and provisions as set forth in the Declaration.

IN WITNESS WHEREOF, Declarant has executed this Notice of Annexation on the day and year first above written.

"DECLARANT"

KAUFMAN & BROAD OF SOUTHERN CALIFORNIA, INC., a California corporation

BY: [Signature]
Its: President

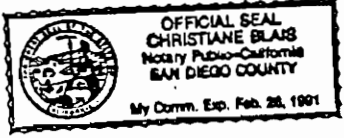
BY: [Signature]
Its: Asst. Sec.

STATE OF CALIFORNIA)
COUNTY OF San Diego) ss.

On June 9, 1988, before me, the undersigned, a Notary Public in and for said State, personally appeared William R. Cardon and Brian J. Milich, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as Vice President and Assistant Secretary, on behalf of KAUFMAN & BROAD OF SOUTHERN CALIFORNIA, INC., 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]
Signature of Notary Public



(SEAL)