

WHEN RECORDED, MAIL TO:

The Irvine Company dba  
Irvine Pacific Development Company  
610 Newport Center Drive, 7th Floor  
Post Office Box 1  
Newport Beach, California 92660-9959

Attention: DRE Administrator

RECORDED: FEBRUARY 25, 1985  
AS INSTRUMENT NO. 85-065606  
OFFICIAL RECORDS OF ORANGE  
COUNTY, CALIFORNIA

Space above this line is for Recorder's use only

SUPPLEMENTAL DECLARATION AND

NOTICE OF ANNEXATION TO THE COVENANTS, CONDITIONS AND RESTRICTIONS

THIS SUPPLEMENTARY DECLARATION, executed this 20 day of February, 1985 by The Irvine Company, a Michigan corporation, doing business as Irvine Pacific Development Company (hereinafter referred to as "Declarant"),

W I T N E S S E T H :

WHEREAS, Declarant is the owner of certain property (hereinafter referred to as the "Annexed Property") in the County of Orange, State of California, described as:

Lots 1, 2, 3, A and B of Tract 12048 as per map filed in Book 535, Pages 42 through 44, inclusive, of Miscellaneous Maps, records of said County.

WHEREAS, Declarant will convey the Annexed Property subject to certain protective covenants, conditions, restrictions, reservations, liens and charges as set forth in that certain Declaration of Covenants, Conditions and Restrictions which was recorded on June 9, 1981, in Book 14092, Pages 1797 to 1858 inclusive, of Official Records of Orange County, California, and any amendments thereto (hereinafter referred to as the "Declaration") specifically pursuant to the provisions of the Section entitled "Annexation Without Approval and Pursuant to General Plan" of the Article entitled "Annexations" of the Declaration.

NOW, THEREFORE, it is declared as follows:

1. All of the Annexed Property is hereby made subject to all the terms, covenants, conditions and provisions as set forth in the Declaration and specifically pursuant to the provisions of the Section entitled "Annexation Without Approval and Pursuant to General Plan" of the Article entitled "Annexations" of the Declaration to all intents and purposes as though said land were a part of the initial Covered Property as defined in the Declaration.

2. The recordation of this Supplementary Declaration shall constitute and effectuate the annexation of the Annexed Property, making said real property subject to the Declaration and subject to the functions, powers and jurisdiction of Town Center Association, a California nonprofit mutual benefit corporation, (hereinafter referred to as the "Association"), as provided in the Declaration, and thereafter said real property shall be part of the Covered Property as that term is defined in the Declaration and all of the Owners of Residences as those terms are defined in the Declaration, in the Annexed Property shall automatically be Members of the Association and Owners under the Declaration.

3. All easements reserved by Declarant in the Declaration are hereby reserved by Declarant over the Annexed Property, together with the right to grant and transfer the same as provided in the Declaration.

4. Regular Assessments shall commence as to all Residences in the Annexed Property on the first day of the month following the first conveyance of a Residence within the Annexed Property.

5. Exhibit I attached hereto shall be the additional Exhibit referred to in the Section defining "Project" of the Article entitled "Definitions" of the Declaration:

6. The Association shall maintain, repair, restore and replace, in a safe and attractive condition, that portion of the Annexed Property shown on Exhibit F, attached hereto and made a part hereof, including, without limitation, the landscaping and irrigation improvements thereon and the structural integrity of the slope thereon. This Exhibit shall be the additional exhibit referred to in Article VII, Section 1(c) of the Declaration.

IN WITNESS WHEREOF, this instrument is executed as of the day and year first above written.

THE IRVINE COMPANY, a Michigan corporation, dba Irvine Pacific Development Company

By [Signature]

By [Signature]

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF ORANGE )

On this 20 day of February, in the year 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared

E.E. OSGOOD

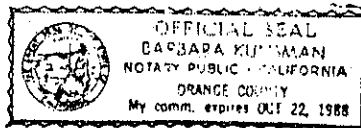
and

D.J. PETER

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, respectively, on behalf of the corporation therein named and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

[Signature]  
Notary Public in and for said State



WHEN RECORDED MAIL TO:

Irvine Pacific Development Company  
610 Newport Center Drive  
Newport Beach, California 92663

RECORDED: FEBRUARY 25, 1985  
AS INSTRUMENT NO. 85-065605  
OFFICIAL RECORDS OF ORANGE  
COUNTY, CALIFORNIA

ATTENTION: Administrator, Real Estate Department

Above Space for Recorder's Use Only

DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
PRINCETON TOWNHOMES MAINTENANCE ASSOCIATION  
ORANGE COUNTY, CALIFORNIA

Table of Contents

RECITALS .....	R-1
ARTICLE I - Definitions.....	1-1
Section 1 - Applicable Voting Power.....	
Section 2 - Architectural Committee.....	
Section 3 - Articles and Bylaws.....	
Section 4 - Assessments.....	
Section 5 - Association.....	
Section 6 - Association Rules.....	
Section 7 - Board.....	
Section 8 - City.....	
Section 9 - Common Area.....	
Section 10 - Common Expenses.....	
Section 11 - Condominium.....	
Section 12 - Condominium Building.....	
Section 13 - Condominium Elements.....	
Section 14 - Condominium Plan.....	
Section 15 - Covered Property.....	
Section 16 - Development.....	
Section 17 - Exhibit.....	
Section 18 - Federal Agencies.....	
Section 19 - Final Subdivision Public Report.....	
Section 20 - I.R.W.D.....	
Section 21 - Master Association.....	
Section 22 - Master Declaration.....	
Section 23 - Member.....	
Section 24 - Mortgage.....	
Section 25 - Mortgagee.....	
Section 26 - Owner.....	
Section 27 - Phase.....	
Section 28 - Project.....	
Section 29 - Residence.....	
Section 30 - Restricted Common Area.....	
Section 31 - Supplementary Declaration.....	
Section 32 - Trustee.....	
Section 33 - Unit.....	
ARTICLE II - Membership.....	2-1
Section 1 - Membership.....	
Section 2 - Transfer.....	
Section 3 - Voting Rights.....	
Section 4 - Classes of Voting Membership.....	
Section 5 - Special Voting Rights of Members Other than Declarant	
Section 6 - Approval of All Members.....	
Section 7 - Approval of Each Class of Members.....	

ARTICLE	III - Covenant for Maintenance Assessments.....	3-1
Section	1 - Creation of the Lien & Personal Obligation of Assessments.....	
Section	2 - Purpose of Assessments.....	
Section	3 - Regular Assessments.....	
Section	4 - Capital Improvement Assessments.....	
Section	5 - Assessment Allocation.....	
Section	6 - Certificate of Payment.....	
Section	7 - Exempt Property.....	
Section	8 - Special Assessments.....	
Section	9 - Cable Television Service Assessment.....	
Section	10 - Date of Commencement of Regular Assessments.....	
Section	11 - No Offsets.....	
Section	12 - Homestead Waiver.....	
Section	13 - Reserves.....	
ARTICLE	IV - Nonpayment of Assessments.....	4-1
Section	1 - Delinquency.....	
Section	2 - Enforcement by Suit.....	
Section	3 - Enforcement by Lien.....	
Section	4 - Subordination to Certain Trust Deeds.....	
ARTICLE	V - Architectural Control.....	5-1
Section	1 - Control in Master Association.....	
Section	2 - Air Condition Improvements.....	
Section	3 - Subterranean Improvements.....	
Section	4 - Approval and Conformity to Plans.....	
Section	5 - Additional Powers of the Board.....	
ARTICLE	VI - Duties and Powers of the Association.....	6-1
Section	1 - General Duties and Powers	
Section	2 - General Limitations and Restrictions on the Powers of the Board.....	
Section	3 - Association Rules.....	
Section	4 - Pledge of Assessment Rights.....	
ARTICLE	VII - Repair and Maintenance.....	7-1
Section	1 - Repair and Maintenance by Association.....	
Section	2 - Repair and Maintenance by Owner.....	
Section	3 - Right of Association to Maintain and Install.....	
Section	4 - Right of Entry.....	
Section	5 - Maintenance of Public Utilities.....	
Section	6 - Assumption of Maintenance Obligations.....	
ARTICLE	VIII - Insurance.....	8-1
Section	1 - Types.....	
Section	2 - Waiver by Members.....	
Section	3 - Other Insurance.....	
Section	4 - Premiums, Proceeds and Settlement.....	
Section	5 - Annual Insurance Review.....	
Section	6 - Abandonment of Replacement Cost Insurance.....	
Section	7 - Federal Requirements.....	
Section	8 - Trustee.....	
Section	9 - Individual Casualty Insurance Prohibited.....	
Section	10 - Rights of Owners to Insure.....	
Section	11 - Required Waiver.....	

ARTICLE	IX - Destruction of Improvements.....	9-1
Section	1 - Automatic Reconstruction.....	
Section	2 - Reconstruction Pursuant to Meeting.....	
Section	3 - Decision to Reconstruct; Procedure After Meeting.....	
Section	4 - Decision Not to Reconstruct; Procedure After Meeting.....	
Section	5 - Certificate of Intention to Reconstruct.....	
Section	6 - Partition.....	
Section	7 - Compliance with Condominium Plan, Declaration, Plans and Specifications; Approval of Mortgages.....	
Section	8 - Negotiations with Insurer.....	
Section	9 - Repair of Units.....	
Section	10 - Amendment of Condominium Plan.....	
Section	11 - Reconstruction of Common Area Other Than Condominium Building.....	
Section	12 - Availability of Labor and Material.....	
Section	13 - Contracting for Reconstruction.....	
Section	14 - Costs of Collecting Insurance Proceeds.....	
ARTICLE	X - Eminent Domain.....	10-1
Section	1 - Definition of Taking.....	
Section	2 - Representation by Board in Condemnation Proceedings.....	
Section	3 - Award for Condominium.....	
Section	4 - Inverse Condemnation.....	
Section	5 - Revival of Right to Partition.....	
Section	6 - Awards for Members' Personal Property and Relocation Allowances.....	
Section	7 - Notice to Members.....	
Section	8 - Change of Condominium Interest.....	
Section	9 - Approval of First Mortgages.....	
ARTICLE	XI - Use Restrictions.....	11-1
Section	1 - Commercial Use.....	
Section	2 - Signs.....	
Section	3 - Nuisance.....	
Section	4 - Temporary Structures.....	
Section	5 - Vehicles.....	
Section	6 - Animals.....	
Section	7 - Oil and Mineral Rights.....	
Section	8 - Unsightly Items.....	
Section	9 - Antennae.....	
Section	10 - Drainage.....	
Section	11 - Garages.....	
Section	12 - Parking Spaces.....	
Section	13 - Window Covers.....	
Section	14 - California Vehicle Code.....	
Section	15 - Single-Family Residential.....	
Section	16 - Insurance Rates.....	
ARTICLE	XII - Rights of Enjoyment.....	12-1
Section	1 - Members' Right of Enjoyment.....	
Section	2 - Delegation of Use.....	
Section	3 - Waiver of Use.....	
Section	4 - Reclaimed Water Irrigation.....	
ARTICLE	XIII - Easements.....	13-1
Section	1 - Amendment to Eliminate Easements.....	
Section	2 - Nature of Easements.....	
Section	3 - Certain Rights and Easements Reserved to Declarant.....	
Section	4 - Certain Easements for Owners.....	
Section	5 - Certain Easement for Association.....	
Section	6 - Support, Settlement and Encroachment.....	
Section	7 - Certain Easements for Master Association.....	
Section	8 - Creation of Easements.....	

ARTICLE	XIV - Annexations.....	14-1
Section	1 - Development of the Covered Property.....	
Section	2 - Annexation Pursuant to Approval.....	
Section	3 - Supplementary Declarations.....	
Section	4 - Annexation Without Approval and Pursuant to General Plan.....	
Section	5 - Mergers or Consolidations.....	
Section	6 - Limitation Upon Annexation.....	
ARTICLE	XV - Rights of Lenders.....	15-1
Section	1 - Filing Notice; Notices and Approvals.....	
Section	2 - Priority of Mortgage Lien.....	
Section	3 - Curing Defaults.....	
Section	4 - Resale.....	
Section	5 - Relationship with Assessment Liens.....	
Section	6 - Seventy-Five Percent (75%) Vote of First Mortgagees.....	
Section	7 - Other Rights of First Mortgagees.....	
Section	8 - Mortgagees Furnishing Information.....	
Section	9 - Right of First Refusal.....	
Section	10 - Conflicts.....	
Section	11 - Notice of Destruction or Taking.....	
Section	12 - Payment of Taxes or Premiums by First Mortgagees.....	
ARTICLE	XVI - Effects of Federal Programs.....	16-1
Section	1 - FHA/VA.....	
Section	2 - FHA/VA Approval.....	
Section	3 - Regulatory Agreement.....	
ARTICLE	XVII - Limitations Upon the Right to Partition and Severance.....	17-1
Section	1 - No Partition.....	
Section	2 - No Severance.....	
Section	3 - Proceeds of Partition Sale.....	
ARTICLE	XVIII - Protection of the Project from Liens.....	18-1
Section	1 - Association to Defend Certain Actions.....	
Section	2 - Payment of Lien.....	
Section	3 - Owners to be Specially Assessed.....	
Section	4 - Reimbursement by Certain Owners.....	
ARTICLE	XIX - General Provisions.....	19-1
Section	1 - Enforcement.....	
Section	2 - No Waiver.....	
Section	3 - Cumulative Remedies.....	
Section	4 - Severability.....	
Section	5 - Covenants to Run with the Land; Term.....	
Section	6 - Construction.....	
Section	7 - Singular Includes Plural.....	
Section	8 - Nuisance.....	
Section	9 - Attorneys' Fees.....	
Section	10 - Notices.....	
Section	11 - Obligations of Declarant.....	
Section	12 - Effect of Declaration.....	
Section	13 - Personal Covenant.....	
Section	14 - Nonliability of Officials.....	
Section	15 - Enforcement of Bonded Obligations.....	
Section	16 - Leases.....	
Section	17 - Construction by Declarant.....	
Section	18 - Amendments.....	
Section	19 - Exemption of Public Property.....	
Section	20 - Choice of Law and Conflicts.....	

DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
PRINCETON TOWNHOMES MAINTENANCE ASSOCIATION  
ORANGE COUNTY, CALIFORNIA

THIS DECLARATION is made this \_\_\_\_\_ day of \_\_\_\_\_, by The Irvine Company, a Michigan corporation, doing business as Irvine Pacific Development Company. Said corporation, its successors and assigns, shall hereafter be referred to as "Declarant."

R E C I T A L S

A. Declarant is the fee owner of the real property described in Exhibit A to this Declaration, which shall be the initial Covered Property under this Declaration, and the real property which may from time to time be annexed pursuant to this Declaration and become a part of the Covered Property. This Declaration is being imposed by Declarant upon the Covered Property.

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

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

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

All persons who purchase Residences within the real property designated as the Covered Property in this Declaration shall be Owners as defined herein, and shall thereby automatically become Members of said Association and shall be subject to its powers and jurisdiction. In addition, the purchasers of Residences located on the other Projects of the Development annexed to the plan hereof pursuant to this Declaration, while not Owners within the first Project of the Development shall also automatically become Members of said Association by virtue of certain Supplementary Declarations which Declarant intends to record covering certain lands of Declarant, more particularly described in this Declaration. Declarant intends that the Covered Property shall consist of the real property designated as a Project in this Declaration together with other Projects located on other parcels of land on which Declarant intends to construct Residences when they are annexed to the Development. Owners within each Project shall share ownership of the Common Area within that Project. Except as otherwise expressly provided in this Declaration, the rights, duties and obligations of all Members of said Association must be determined with regard to the entire membership of said Association and not just with regard to those Members who are Owners in any particular Project. The foregoing shall not require Declarant to annex any real property to the plan of this Declaration.

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

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

R-2



ARTICLE I  
DEFINITIONS

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

SECTION 1. "Applicable Voting Power" shall mean and refer to the following:

(a) As long as there is a Class B membership outstanding, "Applicable Voting Power" shall mean the vote or written assent of the specified percentage of each class of membership;

(b) After the Class B membership has been converted to Class A membership, "Applicable Voting Power" shall mean the vote or written assent of the specified percentage of the voting power of the Association as well as the vote or written assent of the specified percentage of the voting power of Members other than Declarant.

With the exception of the Section entitled "Enforcement of Bonded Obligations" of the Article entitled "General Provisions" of this Declaration, Declarant shall not be precluded from casting votes attributable to its Residences.

SECTION 2. "Architectural Committee" shall mean and refer to the committee or committees provided for in the Article hereof entitled "Architectural Control."

SECTION 3. "Articles" and "Bylaws" shall mean and refer to the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended. The Articles and Bylaws, together with this Declaration, are also referred to herein and in the Articles and Bylaws as "Governing Instruments."

SECTION 4. "Assessments:" The following meanings shall be given to the Assessments hereinafter defined:

"Regular Assessment" shall mean the amount which is to be paid by each Member to the Association for Common Expenses.

"Special Assessment" shall mean a charge against a particular Owner and his Residence, directly attributable to the Owner, including charges consisting of reasonable late payment penalties for delinquent assessments and any charge to reimburse the Association for the loss of interest and for costs reasonably incurred in its efforts to collect delinquent assessments, including attorneys' fees. Special Assessment shall also include any other charges designated as such in this Declaration, the Articles, Bylaws or Association Rules, except for any monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas for which the Member is allegedly responsible, or in bringing the Member and his Residence into compliance with the Governing Instruments.

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

"Capital Improvement Assessment" shall mean a charge against each Member and his Residence, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Area which the Association may from time to time authorize pursuant to the provisions of this Declaration.

"Cable Television Service Assessment" shall mean a charge against a particular Owner and his Residence for cable television services obtained by the Association for the benefit of such Owner as provided in this Declaration.

SECTION 5. "Association" shall mean and refer to Princeton Townhomes Maintenance Association a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns.

EXHIBITS: A - Initial Covered Property  
B - Annexation Area  
C - Town Center Association  
D - Maintenance of Stucco Walls (None on Phase I)  
E - Maintenance of Walls  
F - Maintenance of Public Right of Way  
G - Slope Area

SECTION 6. "Association Rules" shall mean rules adopted by the Association pursuant to the Article hereof entitled "Duties and Powers of the Association."

SECTION 7. "Board" shall mean the Board of Directors of the Association.

SECTION 8. "City" shall mean and refer to the City of Irvine, California, a municipal corporation of the State of California.

SECTION 9. "Common Area" shall mean all portions of the Projects except the Units and, without limiting the generality of the foregoing, specifically including all structural projections within a Unit which are required for the support of a Condominium Building, gas, water, waste pipes, all sewers, private storm drain facilities, all ducts, chutes, conduits, wires and other utility installations of the structures wherever located (except the outlets thereof when located within the Units), the land upon which the structures are located, the air space above these structures, all bearing walls, columns, floors, the roof, the slab foundation, window glass, awnings, the perimeter walls, wooden fences, stucco walls, and the like.

SECTION 10. "Common Expenses" shall mean and refer to the actual and estimated:

(a) costs of maintenance, management, operation, repair and replacement of the Common Area, and all other areas, public or private, on the Covered Property which are maintained by the Association;

(b) unpaid Assessments;

(c) costs of maintenance by the Association of areas within the public right-of-way of public streets in the vicinity of the Covered Property as provided in this Declaration or pursuant to agreements with the City;

(d) costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;

(e) costs of utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Covered Property;

(f) costs of fire, casualty, liability, workmen's compensation and other insurance covering the Common Area;

(g) costs of any other insurance obtained by the Association;

(h) reasonable reserves as deemed appropriate by the Board;

(i) costs of bonding of the members of the Board, any professional managing agent or any other person handling the funds of the Association;

(j) taxes paid by the Association;

(k) amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Area or portions thereof;

(l) costs incurred by committees established by the Board; and

(m) the cost of maintaining the stucco walls and any other walls as initially constructed by Declarant on the Covered Property and designated on Exhibit D and any such wall on any similar exhibit to a Supplementary Declaration;

(n) the cost of maintaining the interior surface of the lot perimeter stucco wall and any other walls as initially constructed by Declarant on the Covered Property and designated on Exhibit E and any such wall or any similar exhibit to a Supplementary Declaration;

(o) the cost of maintaining the landscaping and irrigation systems located on that real property adjacent to the Covered Property between the boundary line of the Covered Property and the back of the sidewalk, which lies within the public right of way, as shown on Exhibit F, attached hereto and incorporated herein.

(p) other expenses incurred by the Association for any reason whatsoever in connection with the Common Area, or the costs of any other item or items designated by this Declaration, the Articles, Bylaws or Association Rules, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

Common Expenses shall specifically exclude any cost or expense of installing, maintaining, replacing or repairing any portion of the Water Heater servicing an Owner's Unit, or of any Air Conditioning Equipment, notwithstanding that such Air Conditioning Equipment or Water Heater may be located in or on Common Area.

SECTION 11. "Condominium" shall mean a fractional undivided interest in common with the other Owners within a Project in the Common Area of such Project, together with a separate interest in a Unit and all right, title and interest appurtenant thereto. Such fractional undivided interest in common of each Owner shall be as described in the instrument conveying a Condominium to such Owner and shall not be changed except as provided in the Section entitled "Amendment of Condominium Plan" of the Article hereof entitled "Destruction of Improvements" and the Section entitled "Change of Condominium Interest" of the Article hereof entitled "Eminent Domain."

SECTION 12. "Condominium Building" shall mean a separate building containing one or more Units.

SECTION 13. "Condominium Elements" shall mean the following elements of a Unit:

(a) "Garage" shall mean that portion of a Unit designed for use as a garage, and shall be identified on the Condominium Plan by a Unit number and the letter "G" and shall consist of the interior undecorated surfaces of the perimeter walls, floors, ceilings, windows (if any) and doors of each Garage element and the space encompassed hereby, including the outlets of all utility installations therein.

(b) "Residential Element" shall mean that portion of a Unit designed for use as a residence, and shall be identified on the Condominium Plan by a Unit number only and shall consist of the interior undecorated surfaces of the perimeter walls, floors, ceilings, windows and doors of each Residential Element and the space encompassed thereby, including the outlets of all utility installations therein and also including the interior surfaces of the firebox of each fireplace extending from the floor to the top of each fireplace, if any, and the space encompassed thereby, which adjoins any Residential Element.

(c) "Yard" shall mean that portion of a Unit designed for use as a yard recreational, gardening and/or landscaping area and shall be identified on the Condominium Plan by a Unit number and the letter "Y" and shall consist of the contiguous surfaces of any Common Area walls or fences, the surfaces of the walls of contiguous Condominium Buildings, with the upper and lower horizontal boundaries of the Yard element being planes above and below the surface of the land as shown on the Condominium Plan, and the space and the land encompassed by all of the foregoing. In the event that the contiguous Common Area land or improvements does not completely enclose the Yard element, the remaining boundaries of the airspace contained within said Yard element shall be as delineated on the Condominium Plan.

SECTION 14. "Condominium Plan" shall mean each of those certain condominium plans recorded by Declarant in the Office of the County Recorder of Orange County, California for each Project of the Development and any amendments thereto.

In interpreting deeds, leases, declarations and plans, the existing physical boundaries of a Unit constructed in substantial accordance with the Condominium Plan shall be conclusively presumed to be its boundaries rather than the description expressed in the deed, lease, declaration or plan, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries as shown on the plan or in the deed, lease, or declaration and those of the building as constructed.

SECTION 15. "Covered Property" shall mean and refer to all the real property described on Exhibit A hereto and, subject to the annexation thereof pursuant to the Article of this Declaration entitled "Annexations," any real property which may become subject to this Declaration.

SECTION 16. "Development" shall mean and refer to the real property described on Exhibits A and B.

SECTION 17. "Exhibit" shall mean and refer to those documents so designated herein and attached hereto and each of such Exhibits is by this reference incorporated in this Declaration. As additional property is annexed pursuant to the Article entitled "Annexations" of this Declaration, exhibits similar to the exhibits attached to this Declaration may be attached to such Supplementary Declarations pertaining to the annexed property, and each of such exhibits shall thereby be incorporated in this Declaration.

SECTION 18. "Federal Agencies" shall mean and refer to collectively one or more of the following agencies and the following letter designation for such agencies shall mean and refer to respectively the agency specified within the parentheses following such letter designation: FHA (Federal Housing Administration), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), VA (Veterans Administration).

SECTION 19. "Final Subdivision Public Report" shall refer to that report issued by the Department of Real Estate of the State of California pursuant to Section 11018.2 of the California Business and Professions Code or any similar statute hereafter enacted.

SECTION 20. "I.R.W.D." shall mean and refer to Irvine Ranch Water District of Southern California, a public corporation.

SECTION 21. "Master Association" shall mean and refer to T.M. Center Association, a California nonprofit mutual benefit corporation. In the event of any conflict between the Articles of Incorporation or the Bylaws of the Master Association and the provisions of the Articles and Bylaws, the provisions of the Articles of Incorporation and Bylaws of the Master Association shall be deemed to supersede such other provisions to the extent of such conflict.

SECTION 22. "Master Declaration" shall mean and refer to that certain Declaration of Covenants, Conditions and Restrictions covering all or a portion of the real property described in Exhibit C and recorded on June 2, 1981, in Book 14092, Pages 1797 through 1858, inclusive, of Official Records of Orange County, California, and any amendments thereto. In the event of any conflict between the Master Declaration and the provisions of this Declaration, the Articles or Bylaws, the provisions of the Master Declaration shall be deemed to supersede such other provisions to the extent of any such conflict.

SECTION 23. "Member" shall mean and refer to every person or entity who qualifies for membership pursuant to the Article of this Declaration entitled "Membership," including Declarant so long as Declarant qualifies for membership pursuant to said Article.

SECTION 24. "Mortgage" shall mean and refer to any duly recorded mortgage or deed of trust encumbering a Residence. A "First Mortgage" shall refer to a Mortgage which has priority over any other Mortgage encumbering a specific Residence.

SECTION 25. "Mortgagee" shall mean and refer to the mortgagee or beneficiary under any Mortgage or the insurer or guarantor of a Mortgage. A "First Mortgagee" shall mean the holder of a Mortgage that has priority over any other Mortgage encumbering a Residence.

SECTION 26. "Owner" shall mean and refer to one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Residence, including Declarant, or the vendee under an installment land sales contract, but excluding those having any such interest merely as security for the performance of an obligation. The Owner of the fee title and not the lessee of such Residence shall be deemed the Owner regardless of the term of the lease.

SECTION 27. "Phase" shall mean and refer to each portion of the Covered Property for which the Department of Real Estate of the State of California has issued a Final Subdivision Public Report.

SECTION 28. "Project" shall mean each portion of the Covered Property for which Declarant records a separate Condominium Plan in the office of the County Recorder of Orange County, California, and which Declarant designates as a Project in this Declaration or in a Supplementary Declaration. The real property and all improvements constructed thereon known as Lots 1, 2, 3 and A and B of Tract 12048 as per map filed in Book 535, Pages 42 through 44, inclusive, of Miscellaneous Maps in the office of the County Recorder of Orange County, California, is hereby designated as a Project.

SECTION 29. "Residence" shall mean and refer to a Condominium.

SECTION 30. "Restricted Common Area" shall mean those portions of the Common Area which, subject to the rights of the Association and Declarant, are reserved for the exclusive use of the Owners of particular Units. The Restricted Common Area and the Units, the Owners of which shall be entitled to such exclusive use thereof, are identified on one or more of the Condominium Plans as follows:

(a) "Air Conditioning Pad" shall be identified by the letter "R," the Unit number(s), and the letters "AC."

(b) "Balconies" shall be identified by the letter "R," the Unit number(s) and the letter "B."

(c) "Entry" shall be identified by the letter "R," the Unit number(s), and the letter "E."

(d) "Stairway" shall be identified by the letter "R," the Unit number(s), and the letter "S."

(e) "Parking Space" shall be identified by the letter "R," the Unit number(s) and the letters "PS."

(f) "Water Heater Area" shall be identified by the letter "R," the Unit number(s) and the letters "WHA."

SECTION 31. "Supplementary Declaration" shall mean those certain declarations of covenants, conditions and restrictions or similar instruments, annexing additional property and extending the plan of this Declaration to such additional property as provided in the Article of this Declaration entitled "Annexations."

SECTION 32. "Trustee" shall mean and refer to the insurance trustee as more fully described in the Article hereof entitled "Insurance."

SECTION 33. "Unit" shall mean the elements of a Condominium not owned in common with the Owners of other Condominiums in a Project and shall consist of a Residential Element together with the one or more other Condominium Elements set forth in this Article. Each Unit shall be identified on the Condominium Plan with a separate unit number.

ARTICLE II  
MEMBERSHIP

SECTION 1. Membership. Every Owner shall be a Member of the Association. The terms and provisions set forth in this Declaration, which are binding upon all Owners, are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules to the extent the provisions thereof are not in conflict with this Declaration. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Residence. Ownership of a Residence shall be the sole qualification for membership.

SECTION 2. Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner required for membership. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association shall have the right to record the transfer upon the books of the Association without any further action or consent by the transferring Owner.

SECTION 3. Voting Rights. An Owner's right to vote shall vest immediately upon and not until the date Regular Assessments commence upon such Owner's Residence as provided in this Declaration. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules.

SECTION 4. Classes of Voting Membership. The Association shall have two (2) classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of the Declarant for as long as there is a Class B membership. Class A Members shall be entitled to one (1) vote for each Residence in which they hold the interest required for membership. When more than one person owns a portion of the interest in a Residence required for membership, each such person shall be a Member and the vote for such Residence shall be exercised as they among themselves determine, but in no event shall more than one (1) Class A vote be cast with respect to any Residence. The Association shall not be required to recognize the vote or written assent of any such co-Owner except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Residence in which it holds the interest required for membership; provided that the Class B membership shall forever cease and be converted to Class A Membership on the happening of one of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A Membership equals the total outstanding votes held by the Class B Member.

(b) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of the Development; or

(c) the date of the fourth (4th) anniversary of the original issuance of the Final Subdivision Public Report for the first Phase of the Development.

SECTION 5. Special Voting Rights of Members Other Than Declarant. Notwithstanding the provisions of this Article, from the first election of the Board, and thereafter for so long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two outstanding classes of membership in the Association, Members other than Declarant shall, by majority vote among themselves, elect at least twenty percent (20%) of the directors of the Board and the remaining vacancies on the Board shall be elected by the Association. If twenty percent (20%) of the total number of directors is equal to any fractional number, then the number of directors to be elected pursuant to this special voting right shall be rounded to the next higher whole number.

ARTICLE II  
MEMBERSHIP

**SECTION 1. Membership.** Every Owner shall be a Member of the Association. The terms and provisions set forth in this Declaration, which are binding upon all Owners, are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules to the extent the provisions thereof are not in conflict with this Declaration. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Residence. Ownership of a Residence shall be the sole qualification for membership.

**SECTION 2. Transfer.** The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner required for membership. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association shall have the right to record the transfer upon the books of the Association without any further action or consent by the transferring Owner.

**SECTION 3. Voting Rights.** An Owner's right to vote shall vest immediately upon and not until the date Regular Assessments commence upon such Owner's Residence as provided in this Declaration. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules.

**SECTION 4. Classes of Voting Membership.** The Association shall have two (2) classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of the Declarant for as long as there is a Class B membership. Class A Members shall be entitled to one (1) vote for each Residence in which they hold the interest required for membership. When more than one person owns a portion of the interest in a Residence required for membership, each such person shall be a Member and the vote for such Residence shall be exercised as they among themselves determine, but in no event shall more than one (1) Class A vote be cast with respect to any Residence. The Association shall not be required to recognize the vote or written assent of any such co-Owner except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Residence in which it holds the interest required for membership; provided that the Class B membership shall forever cease and be converted to Class A Membership on the happening of one of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A Membership equals the total outstanding votes held by the Class B Member.

(b) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of the Development; or

(c) the date of the fourth (4th) anniversary of the original issuance of the Final Subdivision Public Report for the first Phase of the Development.

**SECTION 5. Special Voting Rights of Members Other Than Declarant.** Notwithstanding the provisions of this Article, from the first election of the Board, and thereafter for so long as a majority of the voting power of the Association resides in the Declarant, or so long as there are two outstanding classes of membership in the Association, Members other than Declarant shall, by majority vote among themselves, elect at least twenty percent (20%) of the directors of the Board and the remaining vacancies on the Board shall be elected by the Association. If twenty percent (20%) of the total number of directors is equal to any fractional number, then the number of directors to be elected pursuant to this special voting right shall be rounded to the next higher whole number.



SECTION 6. Approval of All Members. Unless elsewhere otherwise specifically provided in this Declaration, any provision of this Declaration which requires the vote or written assent of the voting power of the Association or any class or classes of membership shall be deemed satisfied by the following:

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

(b) Written consents signed by the specified percentage of the total voting power of the Association or any class or classes of membership which are entitled to be cast by the entire membership of the Association. Said vote by written consent shall be solicited pursuant to the procedures provided in the Bylaws.

SECTION 7. Approval of Each Class of Members. Except for the Section entitled "Enforcement of Bonded Obligations" of the Article entitled "General Conditions" of this Declaration, and as long as there is a Class B membership, any provision of this Declaration, which expressly requires the approval of a specified percentage of the voting power of the Association before being undertaken, shall require the approval of said specified percentage of each of the Class A and Class B membership.

ARTICLE III  
COVENANT FOR MAINTENANCE ASSESSMENTS

**SECTION 1. Creation of the Lien and Personal Obligation of Assessments.** Each Owner of any Residence, including the Declarant to the extent Declarant is an Owner as defined herein, by acceptance of a deed or other conveyance, creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments, Capital Improvement Assessments, Reconstruction Assessments and Cable Television Service Assessments, if applicable, such Assessments to be fixed, established and collected from time to time as provided in this Declaration. The Assessments, together with interest thereon, late charges, attorneys' fees and court costs, and other costs of collection thereof, as hereinafter provided, shall be a continuing lien upon the Residence against which each such Assessment is made. Each such Assessment, together with such interest, late charges, costs and attorneys' fees, shall also be the personal obligation of the Owner of such Residence at the time when the Assessment becomes due. The personal obligation shall not pass to the successors in title of an Owner unless expressly assumed by such successors.

**SECTION 2. Purpose of Assessments.** The Assessments levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the Members, the management of the Covered Property, enhancing the quality of life in the Covered Property, and the value of the Covered Property including, without limitation, the improvement and maintenance of the Covered Property, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area or in furtherance of any other duty or power of the Association.

**SECTION 3. Regular Assessments.** Not later than forty-five (45) days prior to the beginning of each fiscal year, the Board shall distribute to each Member a budget for the upcoming fiscal year which shall, among other things, estimate the total Common Expenses to be incurred for such fiscal year. The Board shall at that time determine the amount of the Regular Assessment to be paid by each Member. Each Member shall thereafter pay to the Association his Regular Assessment in installments as established by the Board. Each such installment shall be due and payable on a date established by the Board in the written notice sent to Members. In the event the Board shall determine that the estimate of total charges for the current year is, or will become inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessment against each Member, and the date or dates when due. The Regular Assessments for the fiscal year following the conveyance of the first Residence by Declarant shall be the amount as set forth in the originally issued Final Subdivision Public Report for such first conveyance.

After the Association's first fiscal year of operation, it shall not impose a Regular Assessment which is increased more than twenty percent (20%) over the amount of the Regular Assessment in the immediately preceding fiscal year, without the vote or written assent of a majority of the Applicable Voting Power.

**SECTION 4. Capital Improvement Assessments.** In addition to the Regular Assessments, the Association may levy in any calendar year, a Capital Improvement Assessment applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction or replacement (other than due to destruction) of a described capital improvement upon the Common Area to the extent the same is not covered by the provisions affecting Reconstruction Assessments in the Article hereof entitled "Destruction of Improvements," including the necessary fixtures and personal property related thereto. The Association shall not impose a Capital Improvement Assessment, the total amount of which exceeds five percent (5%) of the estimated Common Expenses, as set forth in the Section of this Article entitled "Regular Assessments," without the approval of a majority of the Applicable Voting Power. Any reserves collected by the Association for the future maintenance and repair of the Common Area or any portion thereof, shall not be included in determining said annual capital improvement limitation. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members.

**SECTION 5. Assessment Allocation.** Regular and Capital Improvement Assessments and Reconstruction Assessments levied in the event of a destruction to Common Area other than Condominium Buildings, shall be fixed at an equal amount for each Residence and may be collected at intervals selected by the Board.

Reconstruction Assessments for a destruction of a Condominium Building shall be determined for each Residence by multiplying the total amount required to be collected from the Owners pursuant to the Article hereof entitled "Destruction of Improvements" by a fraction, the denominator of which is the total square feet of living area for all Residences within a Project of the Development in which reconstruction is undertaken, and the numerator of which is the total square feet of living area of the appropriate Residence for which such Reconstruction Assessment is being determined.

**SECTION 6. Certificate of Payment.** The Association shall, upon demand and for a reasonable charge, furnish to any Member liable for Assessments, a certificate in writing signed by an officer or authorized agent of the Association, setting forth whether the Assessments on a specified Residence have been paid, and the amount of delinquency, if any. Such signed certificates shall be prima facie evidence to all third parties relying thereon of payment of any Assessment therein stated to have been paid, but shall not relieve any Member of the responsibility for Assessments not in fact paid.

**SECTION 7. Exempt Property.** All properties dedicated to and accepted by, or otherwise owned or acquired by, a public authority shall be exempt from the Assessments created herein.

**SECTION 8. Special Assessments.** Special Assessments shall be levied by the Board against a Residence to reimburse the Association for:

(a) The charge imposed against an individual Owner as a late penalty for the delinquent payment of Assessments, including charges to reimburse the Association for the loss of interest, and for costs reasonably incurred in the Association's efforts to collect delinquent Assessments, including attorneys' fees.

(b) Any other charge designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules; except for any monetary penalty imposed by the Association as a disciplinary measure for a failure of an Owner to comply with the Governing Instruments or Association Rules as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area for which the Owner was allegedly responsible, or in bringing the Owner and his Residence into compliance with the Governing Instruments and Association Rules.

In the event the Association undertakes to provide materials or services which benefit individual Residences and which can be accepted or not by individual Owners, such as tree trimming, such Owners in accepting such materials or services agree that the costs thereof shall be a Special Assessment. In the event a Special Assessment is to be levied against all Residences, unless otherwise set forth herein, said Special Assessments shall be fixed at an equal amount for each Residence.

**SECTION 9. Cable Television Service Assessment.** In the event the Board elects to contract for cable television service, Cable Television Service Assessments shall be levied by the Board against the Owners who have subscribed with the Association for such service. In such circumstances, the Cable Television Service Assessment shall commence as to such Owner on the first day of the month following the month in which he so subscribes and shall continue against such Owner and any subsequent transferee of his Residence until the first day of the month following the month in which any such Owner or transferee notifies the Board in writing that he no longer wishes to subscribe to such service, or the month in which the Board elects to cancel the Association's contract for cable television service.

**SECTION 10. Date of Commencement of Regular Assessments.** Regular Assessments or any other Assessments shall commence as to all Residences within a Phase on the first day of the month following the first conveyance of a Residence within such Phase.

In the event the amount budgeted to meet Common Expenses for the then current year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessments as it deems appropriate. Until such time as the Class B Membership has ceased and been converted into Class A Membership, in no event shall a reduction in the amount or the abatement in the collection of Regular Assessments pursuant to this Section result in a quantity or quality of services diminished from those upon which the Common Expense budget for the year in question is based.

**SECTION 11. No Offsets.** All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that (i) the Association is not properly exercising its duties and powers as provided in this Declaration; (ii) a Member has made or elects to make no use of the Common Area or, (iii) any construction or maintenance performed pursuant to the Section entitled "Assumption of Maintenance Obligations" of the Article entitled "Repair and Maintenance" of this Declaration shall in any way postpone Assessments or entitle a Member to claim any such offset or reduction.

**SECTION 12. Homestead Waiver.** Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect, or in effect from time to time hereafter.

**SECTION 13. Reserves.** The Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Area or any other purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members.

ARTICLE IV  
NONPAYMENT OF ASSESSMENTS

**SECTION 1. Delinquency.** Any Assessment installment which is not paid when due shall be delinquent as of the due date ("Delinquency Date") and a reasonable late charge as established by the Board not to exceed any amount authorized by law shall be levied against the Member owing such installment on his Assessment. Any Assessment not paid within fifteen (15) days after its Delinquency Date shall bear interest from the Delinquency Date at the highest rate of interest authorized at that time under California law. Each Member agrees to the enforcement of payment of all Assessments provided for in this Declaration in the manner herein specified. In the event an attorney or attorneys are employed for collection of any Assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Member agrees to pay reasonable attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Member. In addition to any other remedies herein or by law provided, the Board, or its authorized representative, may enforce the obligations of the Members to pay the Assessments provided for in this Declaration, and each of them, in any manner provided by law or in equity, or without any limitation of the foregoing, by either or both of the following procedures.

**SECTION 2. Enforcement by Suit.** A Member's obligation to pay Assessments may be enforced by commencement and maintenance of a suit at law for delinquent Assessments as to which such Member is personally obligated. Such suit will be maintained in the name of the Association. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon and late charge as provided for herein, costs of collection, court costs and reasonable attorneys' fees in such amount as the Court may adjudge against the delinquent Member. Suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosing or waiving the lien hereinafter provided for.

**SECTION 3. Enforcement by Lien.**

(a) There is hereby created by this Declaration a claim of lien, with power of sale, on each and every Residence to secure payment to the Association of any and all Assessments levied pursuant to this Declaration against any and all Owners of such Residences, together with interest thereon and the late charge as provided for herein, and all costs of collection which may be paid or incurred by the Association in connection therewith, including reasonable attorneys' fees. At any time after the occurrence of any delinquency in the payment of any such Assessment, the Board or any authorized representative thereof may make a written demand for payment to the delinquent Owner. Said demand shall state the date and amount of the delinquency. Each delinquency shall constitute a separate basis for a demand or claim of lien or a lien, but any number of defaults may be included within a single demand or claim of lien and any demand or claim of lien or lien on account of prior delinquencies shall be deemed to include subsequent delinquencies and amounts due on account thereof. If such delinquency is not paid within ten (10) days after delivery of such demand, the Board or its duly authorized representative may thereafter elect to file and record a claim of lien on behalf of the Association against the Residence of the defaulting Member in the Office of the County Recorder of Orange County. Such claim of lien shall be executed and acknowledged by any officer of the Association and shall contain the following information:

- (1) The name of the record Owner;
- (2) The legal description of the Residence against which claim of lien is made;
- (3) The total amount claimed to be due and owing as of the date of the notice for the amount of the delinquency, interest and late charge(s) thereon, collection costs, and estimated attorneys' fees (with any proper offset allowed);
- (4) That the claim of lien is made by the Association pursuant to this Declaration; and
- (5) That a lien is claimed against said Residence in an amount equal to the amount stated, together with all other amounts becoming due from time to time in accordance with this Declaration.

(b) Upon such recordation of a duly executed original or copy of such a claim or lien, the lien claimed therein shall immediately attach and become effective in favor of the Association as a lien upon the Residence against which such assessment was levied. Such a lien shall have priority over all liens or claims created subsequent to the recordation of this Declaration, except for tax liens for real property taxes on any Residence and assessments on any Residence in favor of any municipal or other governmental assessing unit and except for certain Trust Deeds as provided in Section 4 below. Any such lien may be foreclosed by appropriate action in Court or in the manner provided by the California Civil Code for the foreclosure of a deed of trust with power of sale, or in any other manner permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association, or any Title Company authorized to do business in California as Trustee for the purpose of conducting such power of sale foreclosure. Notwithstanding anything contained in this Declaration to the contrary, no action may be brought to foreclose the lien created by recordation of a claim of lien pursuant to this Section 3, whether judicially, by power of sale, or otherwise, until the expiration of ten (10) days after a copy of said claim of lien, showing the date of recordation thereof has been deposited in the United States mail, certified or registered, postage prepaid, to the Member whose Residence is described in such claim of lien.

(c) The lien provided for herein shall be in favor of the Association and shall be for the benefit of all other Members and shall secure payment of all sums set forth in the claim of lien, together with all sums becoming due and payable in accordance with this Declaration after the date of recordation of said claim of lien. The Association shall have the power to bid in at any foreclosure sale on a Residence, using Association funds or funds borrowed for such purpose, and to purchase, acquire, hold, lease, mortgage and convey any such Residence. In the event such foreclosure is by action in Court, reasonable attorneys' fees, court costs, title search fees, interest and all other costs and expenses shall be allowed to the extent permitted by law.

(d) Each Member hereby expressly waives any objection to the enforcement and foreclosure of this lien in this manner. Upon (i) the timely curing of any default for which a notice of a claim of lien was filed by the Board; (ii) the payment of all sums secured by the lien created by the recordation of such claim of lien, and (iii) the payment of a reasonable fee as determined by the Board to cover the costs of preparing and recording a release, the Board shall cause an officer of the Association to file and record an appropriate release of such claim of lien in the Office of the County Recorder of Orange County, California. No owner may waive this Declaration by non-use or abandonment of his Residence.

**SECTION 4. Subordination to Certain Trust Deeds.** The lien for the Assessments provided for herein in connection with a given Residence shall not be subordinate to the lien of any deed of trust or mortgage, except the lien of a first deed of trust or mortgage, given and made in good faith and for value that is of record as an encumbrance against such given Residence prior to the recordation of a claim of lien for the Assessments provided for in this Declaration against such given Residence (such deed of trust or mortgage being hereinafter referred to as a "prior deed of trust"). The sale or transfer of any Residence shall not affect any assessment lien created pursuant to the term of this Declaration to secure Assessments becoming due whether prior to, on, or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Member for delinquent assessments as provided for by Section 1 of this Article; provided, however, that the sale or transfer of any Residence pursuant to a judicial foreclosure or foreclosure by power of sale of a first deed of trust or mortgage shall extinguish any assessment lien which has attached and become effective with regard to the Residence being so transferred prior to the time of such sale or transfer, and shall prohibit the recordation of any assessment lien against such Residence on account of Assessments which became due prior to the date of such sale or transfer. However, there shall be a lien on the interests of the purchaser at such sale which shall attach, be created and become effective and be foreclosed in accordance with this Declaration and which shall secure all Assessments becoming due after the date of any such sale or transfer. For the purpose of this Section 4, a sale or transfer of a Residence shall occur on the date of recordation of a deed or other instrument of title evidencing the conveyance of record title to the Residence.

ARTICLE V  
ARCHITECTURAL CONTROL

SECTION 1. Control in Master Association. No building, fence, wall or other structure, or landscaping or other improvements shall be commenced, erected or maintained upon the Covered Property, nor shall any exterior addition to, change or alteration in, or painting of, any exterior surface or structure or yard upon the Covered Property be made until there has been compliance with the provisions of the Article of the Master Declaration entitled "Architectural Control." As used herein the term "Architectural Committee" shall mean the Architectural Committee established in said Article of the Master Declaration.

SECTION 2. Air Conditioning Improvements. An Owner, at his sole cost and expense, may install air conditioning equipment on the Air Conditioning Pad identified on the Condominium Plan as Restricted Common Area for his Unit. The plans and specifications for such installation shall not require the approval of the Board as long as the Air Conditioning Equipment is located within the Air Conditioning Pad but shall, if required by the Architectural Standards of the Master Association, be submitted to the Architectural Committee for its review and approval.

SECTION 3. Subterranean Improvements. In addition to any approval required of the Architectural Committee as provided by the Master Declaration, no improvement in the Yard Element which will extend beneath the surface of the ground for a distance of more than six (6) inches shall be commenced unless plans and specifications therefor have been approved by the Board. Without limiting the generality of the foregoing, the Board shall not approve plans or specifications for any such Yard Element unless adequate provisions have been made to relocate the drainage flow to the satisfaction of the Board. It shall be the responsibility of the Owner to also secure any and all applicable governmental approvals in connection with the installation of said improvements.

SECTION 4. Approval and Conformity to Plans. The procedures used by the Architectural Committee shall be adopted by the Board for submitting plans and specifications, approval of and conformity to such plans and specifications, time limitations for completion of improvements in compliance with approved plans and specifications, and determining when such plans and specifications shall be deemed approved. Plans and specifications are not approved for engineering design, and by approving such plans and specifications neither the Board, the members thereof, the Association, the Members nor Declarant assumes liability or responsibility therefor, or for any defect in the structure constructed from such plans and specifications.

SECTION 5. Additional Powers of the Board. The Board may promulgate procedures for establishing such additional standards, rules and regulations as it deems to be appropriate and as are not in conflict with the said Article of the Master Declaration.

ARTICLE VI  
DUTIES AND POWERS OF THE ASSOCIATION.

**SECTION 1. General Duties and Powers.** In addition to the duties and powers enumerated in its Articles and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, the duties and powers of the Board shall normally include, but shall not be limited, to the following:

(a) Enforce the provisions of this Declaration, the Articles, Bylaws, Association Rules, and other instruments for the ownership, management and control of the Covered Property by appropriate means and carry out the obligations of the Association hereunder which include without limitation, the maintenance and management of the following:

(i) All easements and real property and all facilities, improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association;

(ii) All personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association; and

(iii) All property, real or personal, which the Association is obligated to repair or maintain pursuant to this Declaration, including, without limitation, the Article of this Declaration entitled "Repair and Maintenance."

(b) Pay any real and personal property taxes and other assessments which are, or could become a lien on the Common Area or a portion thereof;

(c) Prepare budgets and financial statements for the Association and deliver the same to Members as prescribed in the Bylaws.

(d) Formulate rules of operation of the Common Area and facilities owned or controlled by the Association.

(e) Initiate and execute disciplinary proceedings against Members for violations of provisions of the Articles, Bylaws, Declaration and Association Rules in accordance with procedures set forth in such documents and with Section 7341 of the California Corporations Code.

(f) Upon reasonable notice to the Owner, enter upon any Residence as necessary in connection with construction, maintenance or emergency repair for the benefit of the Common Area or the Owners or in the exercise of the powers and duties of the Association.

(g) Employ a manager or other persons and contract with independent contractors or managing agents who have professional experience in the management of residential developments similar to the Covered Property, to perform all or any part of the duties and responsibilities of the Association. Any contract with a person or firm appointed as a manager or managing agent shall be terminable as follows:

(i) For cause on not more than thirty (30) days' written notice by the Association; and

(ii) Without cause upon ninety (90) days' written notice by either party, without payment of a termination fee.

Unless approved by the vote or written assent of a majority of the Applicable Voting Power or the FHA or VA, such contract shall have a term of not more than one (1) year with successive one (1) year renewal periods upon mutual agreement of the parties.

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



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

(j) Establish in cooperation with the City a special tax assessment district for the performance of all or a portion of the maintenance or other functions now within the responsibility of the Association.

(k) Provide or obtain water, electricity and other utility services for the Common Area which are not otherwise separately metered for each Residence. Trash collection service levels shall at all times meet the requirements of the City.

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

(m) Elect officers of the Board.

(n) Fill vacancies on the Board except vacancies created by the removal of a director.

(o) Subject to the limitations imposed under this Article, contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association.

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

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

(r) Delegate to committees, officers, employees or agents any of its duties and powers under the Governing Instruments, according to law and as expressly provided in the Governing Instruments except such powers which are made nondelegable by Section 7212 of the California Corporations Code; provided, however, no such delegation to a professional management company, the Architectural Committee or otherwise shall relieve the Association of its obligations to perform such delegated duty.

**SECTION 2. General Limitations and Restrictions on the Powers of the Board.** In addition to the limitations and restrictions enumerated in the Articles and By-laws or elsewhere provided for herein, and without limiting the generality thereof, the Board shall be prohibited from taking any of the following action except with the vote or written assent of a majority of the Applicable Voting Power.

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

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

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

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

Any contract or lease for goods and services shall be terminable as follows: (i) for cause on not more than thirty (30) days written notice by the Association; and (ii) without cause upon ninety (90) days written notice by either party, without payment of a termination fee.

(b) Incur aggregate expenditures for capital improvements to the Covered Property in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for the fiscal year as set forth in the Sections entitled

"Regular Assessments" and "Capital Improvement Assessments" of the Article hereof entitled "Covenant for Assessments."

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

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

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

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

**SECTION 3. Association Rules.** The Board shall also have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable (the "Association Rules") which may include the establishment of a system of fines and penalties, all as provided in the Bylaws. The Association Rules shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Common Area; provided, however, that the Association Rules may not discriminate among Owners, and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Association Rules shall be delivered to each Owner in the same manner established in this Declaration for the delivery of notices. Upon completion of the notice requirements, said Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner and First Mortgagee upon request. In the event of any conflict between any such Association Rules and any other provisions of this Declaration, or the Articles or Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such conflict.

**SECTION 4. Pledge of Assessment Rights.** The Association shall have the power to pledge the right to exercise its Assessment powers in connection with obtaining funds to repay a debt of the Association; provided, however, any such pledge shall require the prior affirmative vote or written assent of not less than sixty-six and two-thirds percent (66-2/3%) of the voting power of each class of memberships then outstanding in the Association. Said power shall include, but not be limited to, the ability to make an assignment of Assessments which are then payable to or which will become payable to the Association; which assignment may be then presently effective but shall allow said Assessments to continue to be paid to and used by the Association as set forth in this Declaration, unless and until the Association shall default on the repayment of the debt which is secured by said assignment. The Association may levy Special Assessments against the Members to obtain such funds. Upon the failure of any Member to pay said Special Assessment when due, the Association may exercise all its rights, including, without limitation, the right to foreclose its lien, pursuant to the Article hereof entitled "Nonpayment of Assessments." Without limiting the generality of the foregoing, any pledge of Assessment rights in excess of an amount equal to twenty-five percent (25%) of the total Regular Assessments collected by the Association in the then preceding fiscal year, shall require the prior written approval of seventy-five percent (75%) of the First Mortgagees based on one (1) vote for each first mortgage held.

ARTICLE VII  
REPAIR AND MAINTENANCE

SECTION 1. Repair and Maintenance by Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided, and without limiting the generality of the statement of duties and powers contained in this Declaration, the Articles, Bylaws or Association Rules, the Association shall have the duty to accomplish the following upon the Covered Property or other land in such manner and at such times as the Board shall prescribe:

(a) Maintain, repair, restore, replace and make necessary improvements to the Common Area including, without limitation, the following:

(i) The improvements and landscaping thereon as initially constructed by Declarant and as constructed by the Association, provided however, that the repair and maintenance obligations of the Association shall specifically exclude air conditioning equipment and hot water heaters, notwithstanding that such equipment may be located in or on the Common Area;

(ii) The exterior surfaces of all Condominium Buildings including, without limitation, the interior surface boundaries of Unit Elements which are exterior walls of Condominium Buildings, to include the painting thereof, and including, the maintenance, repair and replacement of the exterior-most materials of the roofs of the Condominium Buildings, together with such subsurface roofing materials as are consistent with good roofing maintenance practice, the awnings, if any, but excluding window glass and any lighting fixtures separately metered to the Owners which shall be maintained, repaired, and replaced by the Owners;

(iii) All garage doors of the Garage Elements appurtenant to the Owners' Units (except for the garage door opening systems, if any, including without limitation, handles, hinges, springs, electric motor and opener, and other parts of the garage door opening mechanism;

(iv) The following Restricted Common Areas:

A. Balconies (except for the sweeping thereof and maintaining of any plants thereon);

B. Entries (except for the sweeping thereof and the maintaining of any plants and landscaping located thereon);

C. Stairways (except for the sweeping thereof);

D. Parking Spaces;

provided, however, that the repair and maintenance obligations of the Association shall specifically exclude air conditioning equipment and hot water heaters, notwithstanding that such equipment may be located in or on the Common Area.

(v) The walls as initially constructed by Declarant which form the boundary of all Balconies;

(vi) Private walkways, bicycle paths, trails or other pedestrian paths, if any;

(vii) Private streets and adjacent streetscapes within the Covered Property in conformance with the standard of maintenance established by the Director of Public Works of the City for public streets and streetscapes within the City;

(viii) Private storm drains, drainage facilities and easements in accordance with the requirements of the Orange County Flood Control District;

(b) Except as maintained by the Master Association pursuant to the Master Declaration, maintain, repair, restore and replace the stucco walls or any other walls as initially constructed by Declarant on the Covered Property and designated on Exhibit D and any such wall on any similar exhibit to a Supplementary Declaration;

(c) Maintain the interior surface (that which faces the Common Area) of the lot perimeter stucco walls or any other walls as initially constructed by Declarant on the Covered Property and designated on Exhibit E and any such wall on any similar exhibit to a Supplementary Declaration;

(d) Except as maintained by the Master Association pursuant to the Master Declaration, maintain, repair and replace all wrought iron as initially constructed by Declarant within the fences, walls, and on the exterior of the Condominium Buildings, if any, initially constructed by Declarant on the Covered Property;

(e) Except as maintained by the Master Association pursuant to the Master Declaration, maintain the exterior surface (that which faces the Common Area or adjacent real property) and the structural integrity of the stucco walls or any other walls as initially constructed by Declarant on the Covered Property which enclose the Yard Element appurtenant to an Owner's Unit;

(f) Maintain, repair, restore and replace the stucco walls, wrought iron, and any other fences, walls or gates as initially constructed by Declarant on the Covered Property which enclose or are contained within the Restricted Common Area Entry appurtenant to an Owner's Unit.

(g) Maintain, repair, replace and restore the landscaping and irrigation systems located on that real property adjacent to the Covered Property between the boundary line of the Covered Property and the back of the sidewalk along Stanford which lies within the public right of way; as shown on Exhibit F, attached hereto and incorporated herein;

(h) Maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature as may from time to time be requested by the vote or written consent of two-thirds (2/3) of the voting power of the Members.

The costs of any such maintenance and repair pursuant to this Section shall be paid out of the general funds of the Association, except as otherwise herein specified as payable by the particular Owners.

The responsibilities described above of the Association for repair and maintenance shall commence on the first of the month following the close of escrow representing the conveyance of the first Residence by Declarant to an Owner. The responsibility of the Association for the repair and maintenance area within any Project to be annexed hereto shall commence on the first of the month following the close of escrow representing the conveyance of the first Residence in such annexed area by Declarant to an Owner.

**SECTION 2. Repair and Maintenance by Owner.** Each Owner shall:

(a) Maintain, repair, replace and restore all portions of his Unit including without limitation, the interior walls, ceilings, floors and doors in a clean, sanitary and attractive condition and in accordance with published rules and standards, if any, as established by the Board;

(b) Maintain, repair, replace and restore any lighting fixtures (including light bulbs) on the exterior of that portion of the Condominium Building which contains and encloses the Owner's Unit, and are separately metered to the Owner;

(c) Maintain, repair, replace and restore any utility outlets (including water faucets and electrical outlets) located within Restricted Common Areas appurtenant to the Owner's Unit or within the Common Area and which are separately metered to the Owner;

(d) Maintain, repair, replace and restore the garage door opening system, if any, of a Garage Element appurtenant to an Owner's Unit, including without limitation, handles, hinges, springs, electric motor and opener, and other parts of the garage door opening mechanism;

(e) Maintain, repair, replace, restore and make necessary improvements to the Yard Element appurtenant to the Owner's Unit, except as set forth hereinabove, including but not limited to the following:

(i) Installation, repair, and replacement of landscaping and any other improvements installed by Owner, pursuant to standards and procedures established by the Board. This landscaping shall be installed by the initial Owner no later than six (6) months after the conveyance of the Residence by the Declarant. Such plants or other growing things shall be permitted to encroach into or onto other Common Areas, subject to the Article hereof entitled "Architectural Control."

(ii) Maintain, repair, restore and replace the wooden fences separating the Yard Elements of neighboring Condominiums, including the painting of the interior surfaces thereof. Said maintenance shall be the joint responsibility of the Owners whose Condominiums are separated by such walls or fences, notwithstanding that such walls or fences may consist in part of Common Area. Such adjoining Owners shall share the expense of such repair equally, but if one such Owner refuses to join in such repair, the other may undertake such repair himself and shall receive contribution from his neighbor for his neighbor's share of the cost thereof. In the event that such repair is required because of the acts or negligence of one of such adjoining Owners, such repair shall be accomplished by such Owner at his sole expense. Nothing contained in this subsection shall obligate any Owner to paint or maintain the surface of any such fence except as such surface forms a portion of the boundary of his Yard.

(iii) Maintain, repair and restore the interior surface of the wood and/or stucco wall, or other wall or fence, if any, which encloses the Owner's Yard Element including the painting thereof pursuant to standards adopted by the Board. Said maintenance shall not include the structural integrity or the exterior surface thereof which shall be the responsibility of either the Master Association or the Association. In the event, however, that any such repair is required because of the action or negligence of an Owner, the cost of such repair shall be reimbursed by the Owner either to the Master Association or the Association within thirty (30) calendar days.

(f) Install, maintain, repair and replace if necessary landscaping within the Owner's Restricted Common Area Entry pursuant to standards and procedures established by the Board. This landscaping shall be installed by the initial Owner no later than six (6) months after the conveyance of the Residence by the Declarant; such plant or other growing things shall be permitted to encroach into or onto other Common Areas, subject to the Article hereof entitled "Architectural Control;"

(g) Maintain and replace, if necessary, all plants or other growing things installed or located within the Owner's Restricted Common Areas including, but not limited to, Balconies and Entries. Such plants or other growing things shall be permitted to encroach into or onto other Common Areas, subject to the Article hereof entitled "Architectural Control;"

(h) Repair and replace all window glass for his own Condominium. Owners shall also be responsible for the interior and exterior cleaning of such window glass;

(i) Repair and maintain the hot water heater and forced air unit that services the Owner's Unit; and

(j) Repair, maintain or replace any portion of any Air Conditioning Pad or air conditioning equipment which services such Owner's Unit. Notwithstanding this duty, the Owner shall not be obligated to perform such repair, maintenance or replacement unless such action is necessary to avoid any interference with the use and enjoyment by other Owners of their Units. In the event that the Board shall determine that the Common Area, or any Unit has been damaged by reason of a defect in or accident to an Air Conditioning Pad or a piece of air conditioning equipment, the Owner of the Residence which is served by such an Air Conditioning Pad or air conditioning equipment shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or the Architectural Committee shall from time to time adopt.

(k) Sweep and maintain in a clean, sanitary and attractive condition, and in accordance with published rules and standards, if any, as established by the Board, the floor surface of the Restricted Common Area Balcony, Entry, Stairway, and Water Heater Area, if any, appurtenant to such Owner's Residence. No Owner shall be entitled to replace the floor covering located upon the Balcony of his or her Residence;

(l) Maintain, repair, replace, restore and make necessary improvements to the Owner's Restricted Common Area Water Heater Area which is not the exterior wall of a Condominium Building;

(m) In the event the Board shall determine that the walls, ceiling, floors, doors or any other portion of the Common Area forming the boundaries of a Unit have been damaged from within the Unit, notwithstanding that such damage may be to the Common Area, the Owner of the Unit shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or Architectural Committee shall from time to time adopt.

(n) In the event the Board shall determine that the Owner of a Residence has damaged the Common Area, or a Condominium Building, notwithstanding that such damage may be a Common Area, or Condominium Building to be maintained by the Association pursuant to the terms of this Article, the Owner of the Residence shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or Architectural Committee shall from time to time adopt. In the event such repair is not so accomplished by the Owner, the Association or its delegates, in the event of damage to a Condominium Building, shall have the right at reasonable times to enter the Residence to effect such repair, and the cost thereof shall be charged to the Owner of the Residence.

(o) In the event the Board shall determine that any walls or fences have been damaged from within a Residence, notwithstanding that such damage may be to the walls and fences which are to be maintained by the Association pursuant to the terms of this Article, the Owner of the Residence shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or Architectural Committee shall from time to time adopt. In the event such repair is not so accomplished by the Owner, the Association or its delegates shall have the right at reasonable times to enter the Residence to effect such repair, and the cost thereof shall be charged to the Owner of the Residence and, if not paid in a timely manner, shall be a Special Assessment.

SECTION 3. Right of Association to Maintain and Install: In the event that an Owner fails to accomplish any maintenance, installation or repair required by this Article, the Association or its delegates may, but shall not be obligated to, cause such maintenance, installation or repair to be accomplished as herein-after set forth.

(a) Upon finding by the Board of a deficiency in such maintenance, installation or repair the Board shall give notice of deficiency to the Owner which shall briefly describe the deficiency and set a date for hearing before the Board or a committee selected by the Board for such purpose. The Board may delegate its powers under this section to a duly appointed committee of the Association.

(b) Such hearing shall be held not less than fifteen (15) nor more than thirty (30) days from the date of delivery of said notice.

(c) Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt which shall provide the Owner with the right to present oral and written evidence and to confront and cross-examine any person offering at such hearing evidence adverse to such Owner. If the Board or any such committee renders a decision against the Owner, it shall further set a date by which the deficiency is to be corrected by the Owner. A decision of such committee may be appealed to the Board, but a decision of the Board shall be final.

(d) If the deficiency continues to exist after the time limitation imposed by a final decision of the Board or any such committee, the Board or such committee may cause such maintenance, installation or repair to be accomplished.

(e) In the event the Board or such committee elects to cause such maintenance or installation to be accomplished, the following shall apply:

(i) The Owner shall have no more than ten (10) days following the receipt thereby of written notice of such election from the Board or such committee to select a day or days upon which such maintenance, installation or repair work shall be accomplished;

(ii) The date which said Owner selects shall be not less than fifteen (15) days nor more than forty-five (45) days following the last day of said ten (10) day period;

(iii) If said Owner does not select such day or days within said ten (10) day period, the Board or such committee may select a day or days upon which such work may be accomplished which shall be not less than twenty-five (25) nor more than fifty-five (55) days from the last day of said ten (10) day period; and

(iv) Unless the Owner and the Board otherwise agree, such maintenance, installation or repair shall take place only during daylight hours on any day, Monday through Saturday, excluding national holidays.

(f) If the Association pays for all or any portion of such maintenance, or installation, such amount shall be reimbursed by the Owner to the Association within thirty (30) days.

SECTION 4. Right of Entry. The Association, after reasonable notice to Owner, shall have the right to enter upon any Residence in connection with any maintenance, installation, repair or construction in the exercise of the powers and duties of the Association.

SECTION 5. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities of 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 to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

SECTION 6. Assumption of Maintenance Obligations. Declarant, its subcontractors and the agents and employees of the same shall have the right to come on the Common Area to complete the construction of any landscaping or other improvement to be installed on the Common Area as provided in this Declaration. In the event that Declarant's subcontractors are contractually obligated to maintain the landscaping and/or other improvements on the Common Area, such maintenance shall not be assumed by the Association until the termination of such contractual obligation. If any excess of Assessments collected over actual Common Expenses incurred by the Association is caused by reason of construction or maintenance pursuant to this Section, or otherwise, such excess shall be placed in reserve to offset the future expenses of the Association in any manner designated by the Board.

ARTICLE VIII  
INSURANCE

SECTION 1. Types. The Association shall obtain and maintain in effect the following types of insurance:

(a) A comprehensive public liability insurance insuring the Association, the Declarant and the agents and employees of each and the Owners and the respective family members, guests and invitees of the Owners against any liability incident to the ownership or use of the Common Area, by the Association or by the Owners and their respective family members, guests and invitees and including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than Three Million Dollars (\$3,000,000) combined single limit bodily injury and property damage liability per occurrence. As evidence of such insurance coverage, Association shall provide Declarant with a certificate of insurance. Such insurance policy shall be stated to be primary in respect to the Association and the Owners' ownership and use of the Common Area and any insurance carried by Declarant is noncontributing with such policy and such wording shall be included on the certificate of insurance which shall be delivered to the Declarant by or on behalf of the Association.

(b) A master or blanket policy of fire insurance for the full insurable replacement value, without deduction for depreciation, of all of the improvements within the Covered Property, except those improvements described in Section 10 of this Article. Such policy shall contain extended coverage and replacement cost endorsements, if available, and may also contain vandalism and malicious mischief coverage, special form endorsement, stipulated amount clause and a determinable cash adjustment clause, or a similar clause to permit cash settlement covering full value of the improvements on the Covered Property in the event of destruction of improvements and a decision not to rebuild pursuant to the Article herein entitled "Destruction of Improvements." Such policy shall be in such amounts as shall be determined from time to time by the Board, shall name as insured the Association, the Owners and Declarant, so long as Declarant is the Owner of any of the Condominiums, and all Mortgagees as their respective interests may appear, and shall contain a loss-payable endorsement in favor of the Trustee.

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

SECTION 2. Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims against the Association, the Board, other Owners, the Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

SECTION 3. Other Insurance. The Board shall purchase and maintain worker's compensation insurance for all employees of the Association to the extent such insurance is required by law. The Board may purchase and maintain in force demolition insurance in adequate amounts to cover demolition in the event of total or partial destruction and a decision not to rebuild as well as a blanket policy of flood insurance. The Board may also purchase and maintain in effect such insurance on personal property owned by the Association. The Board shall also have the power to purchase and maintain in effect, such other insurance as it deems necessary, including without limitation, earthquake insurance, plate glass insurance, and officers' and directors' liability insurance.



**SECTION 4. Premiums, Proceeds and Settlement.** Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Casualty insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Improvements." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and the Members.

**SECTION 5. Annual Insurance Review.** The Board shall annually determine whether the amounts and types of insurance it has obtained provide adequate coverage for the Covered Property in light of increased construction costs, inflation, practice in the area in which the Covered Property is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interests of the Owners and of the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

**SECTION 6. Abandonment of Replacement Cost Insurance.** Unless at least seventy-five percent (75%) of the First Mortgagees based on one (1) vote for each First Mortgage held have given their prior written approval, the Association shall not be entitled to fail to maintain the extended coverage fire and casualty insurance required by this Article on less than a one hundred percent (100%) current replacement cost basis.

**SECTION 7. Federal Requirements.** Notwithstanding the foregoing provisions of this Article, the Association must obtain and continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for condominium projects established by any of the Federal Agencies, when such Federal Agency first becomes and as long as it continues to be either a Mortgagee, Owner, or insurer or guarantor of a Mortgage within the Covered Property, except to the extent such coverage is not available or has been waived in writing by the foregoing entity.

**SECTION 8. Trustee.** Except as provided below, all insurance proceeds payable under the Section 1(b) of this Article shall be paid to a Trustee. The Trustee shall hold, distribute and expend such proceeds for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear, pursuant to the provisions of the Article herein entitled "Destruction of Improvements." The Trustee shall be appointed by the Board and shall be a commercial bank, or branch thereof, or a trust company in Orange County, which has agreed in writing to accept such trust. When proceeds from a single claim do not exceed Ten Thousand Dollars (\$10,000), such proceeds shall be paid to the Association to be used as provided in the Article hereof entitled "Destruction of Improvements."

**SECTION 9. Individual Casualty Insurance Prohibited.** Except as expressly provided in the Section of this Article entitled "Rights of Owners to Insure," no Owner will separately insure his Condominium or any part thereof against loss by fire or other casualty covered by any insurance carrier under the Section 1 (b) of this Article. Should any Owner violate this provision, and should any loss intended to be covered by insurance carried by the Association occur, and the proceeds payable thereunder be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by it to the extent of such reduction to the Trustee for application by the Board to the same purposes as the reduced proceeds are to be applied.

**SECTION 10. Rights of Owners to Insure.** Notwithstanding the other provisions of this Article, it shall be an Owner's responsibility to insure his personal property and all improvements, additions, and alterations made by an Owner against loss by fire or other casualty and to carry public liability insurance covering his individual liability for damage to persons or property occurring inside his individual Unit or within the Restricted Common Areas appurtenant to his Unit, if an Owner desires such items and risks to be insured. All such policies as may be carried by the Owners shall contain waivers of subrogation of claims against the Association, the Board, other Owners, Declarant and the agents and employees of each of the foregoing, with respect to any loss covered by such

insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only; provided, however, such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association, and duplicate copies or certificates of such other policies shall be deposited with the Board.

**SECTION 11. Required Waiver.** All policies of physical damage insurance shall provide for waiver of the following rights to the extent such waivers are obtainable from the respective insurers:

- (a) Subrogation of claims against the Owners or tenants of the Owners;
- (b) Any defense based on co-insurance;
- (c) Any right of set-off, counterclaim, apportionment, pro-rata or contribution by reason of other insurance not carried by the Association;
- (d) Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner or arising from any act, neglect or omission of any named insured or the respective agents, contractors and employees of any insured;
- (e) Any right of the insurer to repair, rebuild or replace and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance the lesser of the replacement value of the improvements insured or the fair market value thereof;
- (f) Notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Unit; and
- (g) Any right to require any assignment of any Mortgage to the insurer.