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DECLARATION OF
COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
RANCHO SERRANO HOMEOWNERS ASSOCIATION
RIVERSIDE COUNTY, CALIFORNIA

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DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION
OF EASEMENTS FOR RANCHO SERRANO HOMEOWNERS ASSOCIATION

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

RANCHO SERRANO HOMEOWNERS ASSOCIATION
RIVERSIDE COUNTY, CALIFORNIA

THIS DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS FOR RANCHO SERRANO HOMEOWNERS ASSOCIATION is made this 4th day of March, 1993, by J.M. Peters Company, Inc., a Nevada corporation ("Declarant").

R E C I T A L S:

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

B. Declarant has deemed it desirable to establish covenants, conditions 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 shall 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 residents of the Covered Property.

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

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

F. The Covered Property is also subject to and governed by that Certain Declaration of Covenants, Conditions and Restrictions of Redhawk Community Association recorded on June 14, 1989 as Instrument No. 195870 in the Official Records of Riverside County, California, and re-recorded on August 23, 1989 as Instrument No. 287342 in the Official Records of Riverside County, California, as amended from time to time.

NOW, THEREFORE, Declarant hereby covenants, agrees and declares that 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 the Covered Property, and the Owners of the Covered Property, their successors and assigns. These covenants, conditions, restrictions and easements shall run with the Covered Property and shall be binding upon all parties having or acquiring any right or title in the Covered Property or any part thereof, and shall inure to the benefit of each Owner thereof and are imposed upon the Covered Property and every part thereof as a servitude in favor of each and every part of the Covered Property as the dominant tenement or tenements.

ARTICLE I

DEFINITIONS

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

Section 1.1 "Architectural Committee" shall mean and refer to the committee or committees provided for in Article VII of the Community Declaration entitled "Architectural Control".

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

Section 1.3 "Association" shall mean and refer to Rancho Serrano Homeowners Association, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns. The Association is a Neighborhood Association as defined in Section 2.43 of the Community Declaration.

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

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

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

"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.

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

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

Section 1.7 "Community Association" shall mean and refer to the Redhawk Community Association, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, or any successor entity charged with the duties, obligations and powers of said Community Association. "Community Common Area" shall mean the common area located within the Community Association.

Section 1.8 "Community Articles" shall mean and refer to the Articles of Incorporation of the Community Association, as the same may from time to time be duly amended.

Section 1.9 "Community Bylaws" shall mean and refer to the Bylaws of the Community Association, as the same may from time to time be amended.

Section 1.10 "Community Declaration" shall mean the declaration of covenants, conditions and restrictions recorded with respect to the Redhawk Community, including the declarations providing for annexation of increments, if any.

Section 1.11 "Community Assessment" shall mean and refer collectively or individually, as required by the context, to all or any of the assessments levied by the Community Association pursuant to Article VI of the Community Declaration entitled "Redhawk Funds and Assessments".

Section 1.12 "County" shall mean and refer to the County of Riverside, California.

Section 1.13 "Common Expenses" shall include without limitation and 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 on the Covered Property which are maintained by the Association;
- (b) unpaid Assessments;
- (c) costs of management and administration of the Association, including but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;
- (d) costs of utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Covered Property;
- (e) costs of fire, casualty, liability, workmen's compensation and other insurance covering the Common Area;

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

(g) reasonable services as deemed appropriate by the Board;

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

(i) taxes paid by the Association;

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

(k) costs incurred by the Architectural Committee or other committees established by the Board; and

(l) other expenses incurred by the Association for any reason whatsoever in connection with the Common Area or the costs of any other item or items designated by the Governing Instruments, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

Section 1.14 "Common Area" shall mean all real property and the improvements thereon owned by the Association for the common use and enjoyment of the Members, as more particularly described on Exhibit "B" attached hereto. Any real property denominated as "Common Area" herein or in a Supplementary Declaration shall be conveyed to the Association prior to or concurrently with the first conveyance of a Residence located within the real property subject to this Declaration or which is annexed to the coverage hereof by such Supplementary Declaration. Declarant shall convey the Common Area to the Association free of all liens and encumbrances except current real property taxes (which taxes shall be prorated as of the date of conveyance), title exceptions of record and the covenants, conditions, restrictions and reservation of easements contained in this Declaration and the instrument which conveys the Common Area to the Association.

Section 1.15 "Covered Property" shall mean and refer to all the real property described on Exhibit "A" hereto and, subsequent to the annexation thereof pursuant to the Article of this Declaration entitled "Annexations", any real property which shall become subject to this Declaration.

Section 1.16 "Declaration" shall mean and refer to this Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Rancho Serrano Homeowners

Association.

Section 1.17 "Delegate" shall mean the delegate from the Neighborhood Association who shall serve as a delegate to the Community Association under the terms of the Community Declaration.

Section 1.18 "Delegate District" shall mean the Delegate District assigned by the Community Association to Lots 1 through 120, inclusive, of Tract No. 23063-7, Official Records of Riverside County pursuant to a recorded document. The Members owning Residences in said Delegate District shall elect one (1) Delegate to represent the collective voting power of the Members of such area.

Section 1.19 "Development" shall mean and refer to all the real property described on Exhibits "A" and "B" hereto and upon its annexation the annexable real property described on Exhibit "C" hereto.

Section 1.20 "Exhibit" shall mean and refer to those documents so designated herein and attached hereto and each of such Exhibits is by this reference incorporated in this Declaration.

Section 1.21 "Family" shall mean one or more persons related to each other by blood, marriage or legal adoption, or a group of not more than three (3) persons not so related, together with his or their domestic servants, maintaining a common household in a Residence.

Section 1.22 "Federal Agencies" shall mean and refer to collectively one or more of the following agencies: FHA (Federal Housing Administration), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), VA (Veterans Administration).

Section 1.23 "Governing Instruments" shall mean the Articles, Bylaws, this Declaration and the Association Rules. Unless otherwise stated therein, the terms defined herein in the Declaration shall have the same definition and meaning when used in said Articles, Bylaws and Association Rules.

Section 1.24 "Institutional Mortgagee" shall mean and refer to a Mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, any federal or state agency, or any other institution specified by the Board in a recorded instrument.

Section 1.25 "Lot" shall mean and refer to a plot of land as shown upon the recorded subdivision map of the Development

which is intended for the construction of one (1) single-family Residence and other related improvements. It shall not include the Common Area.

Section 1.26 "Member" shall mean and refer to every person or entity who holds a membership in the Association, including Declarant so long as Declarant qualifies for membership pursuant to Article II.

Section 1.27 "Mortgage" shall mean and refer to any duly recorded Mortgage or deed of trust encumbering a Residence.

Section 1.28 "Mortgagee" shall mean and refer to the Mortgagee or beneficiary under any Mortgage.

Section 1.29 "Owner" shall mean and refer to one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Residence, including Declarant, or the vendee under an installment land sales contract, but excluding those having any such interest merely as security for the performance of an obligation.

Section 1.30 "Phase" shall mean and refer to each portion of the Development for which the Department of Real Estate of the State of California has issued a Final Subdivision Public Report.

Section 1.31 "Redhawk Community" shall mean and refer to all of the real property which is subject to the Community Declaration.

Section 1.32 "Residence" shall mean and refer to a house built on a Lot shown on any final map filed for record or a parcel shown on any parcel map filed to record to the extent such Lots or parcels are part of the Covered Property; provided, however, "Residence" shall not include the Common Area. "Residence" shall include the residential dwelling unit together with garages, structures and other improvements on the same Lot or parcel.

Section 1.33 "Supplementary Declaration" shall mean those certain declarations of annexation, or similar instruments, annexing additional property extending the plan of this Declaration to such additional property as provided in the Article of this Declaration entitled "Annexations".

ARTICLE II

MEMBERSHIP

Section 2.1 Membership. Every Owner shall be a Member of the Association. Each Owner, including Declarant shall hold one (1) membership in the Association for each Lot owned. The terms and provisions set forth in this Declaration, which are binding upon all Owners, are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Residence. Ownership of a Residence shall be the sole qualification for membership; provided, however, a Member's voting rights may be regulated or suspended as provided in this Declaration, the Bylaws or the Association Rules.

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

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

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

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

Class B. The Class B Member shall be Declarant who shall be entitled to three (3) votes for each Residence in which it holds the interest required for membership, provided that the Class B Membership shall be converted to Class A Membership and

shall forever cease to exist on the occurrence of whichever of the following is first in time:

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

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

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

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

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

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

Section 2.7 Voting: Delegate Districts.

a. Voting. In addition to voting on matters within the Association, Owners shall have the right to vote on matters affecting this Delegate District. All Owners shall have one (1) vote per Residence. If there is more than one (1) record Owner of any Lot, any and all of the Members owning such Lot may attend any Delegate District meeting of the Members but the vote attributable to the Lot so owned shall not be increased by reason thereof, and only one (1) such co-Owner shall be entitled to exercise the vote to which the Lot is entitled. A majority of

the co-Owners of a Lot may from time to time designate in writing one of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-Owner is designated, or such designation has been revoked, then (1) the vote for such Lot shall be exercised as a majority of the co-Owners of the Lot mutually agree (2) unless the Community Board receives a written objection from a co-Owner, it shall be presumed that the voting co-Owner is acting with the consent of the majority of his or her co-Owners, and (3) if the Delegate receives a written objection from a co-Owner, no vote shall be cast for such Lot where the majority of the co-Owners present in person or by proxy cannot agree to said vote or other action. Non-voting co-Owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all the benefits of ownership.

b. Proxies. Every Member entitled to attend, vote at or exercise consents with respect to any meeting of the Members in a Delegate District may do so either in person, or by a representative, known as a proxy, duly authorized by an instrument in writing filed with the Community Board prior to the meeting to which it is applicable. Any proxy may be revoked at any time by written notice to the Community Board or by attendance in person by such Member at the meeting for which such proxy was given. In any event, no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy, unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution. Such powers of designation and revocation may be exercised by the guardian of any such Member's estate or by his conservator, or in the case of a minor having no guardian, by the parent entitled to his custody, or during the administration of any such Member's estate, by his executor or administrator where the latter's interest in such property is subject to administration in his estate. Any form of proxy or written ballot shall afford an opportunity therein to specify a choice between approval and disapproval of each matter or group of related matters intended, at the time the written ballot or proxy is distributed, to be acted upon at the meeting for which the proxy or written ballot is solicited, and shall provide, subject to reasonable specified conditions, that where the person solicited specifies a choice with respect to any such matter, the vote shall be cast in accordance with such specifications. The proxy or written ballot shall also identify the person or persons authorized to exercise the proxy or written ballot and the length of time that the proxy or written ballot will be valid.

c. Vote Appurtenant to Lot. The right to vote in any such Delegate District may not be severed or separated from the ownership of the Lot to which it is appurtenant, except that any Member may give a revocable proxy in the manner described above,

or may assign his right to vote to a lessee or tenant actually occupying his Lot or Mortgagee of the Lot concerned, for the term of the lease or Mortgage, and any sale, transfer or conveyance of such Lot to a new Owner or Owners shall operate automatically to transfer the appurtenant vote to the new Owner, subject to any assignment of the right to vote to a lessee or Mortgagee as provided herein.

d. Notice of Meetings. Meetings of Members shall be held in the Delegate District or at such other convenient location on or near the Covered Property and within the County of Riverside, California as may be designated in the Notice of the Meeting. Written notice of the meetings shall state the place, date and time of the meeting and those matters which the Delegates, at the time the notice is given, intend to present for action by the Members. Those Members appearing, in the official records of the Community Association on the date sixty (60) days prior to the scheduled date of any meeting of the Members required or permitted to be held here under as record Owners of Lots located in the Delegate District shall be entitled to notice of any such meetings. Notice of Meetings in the Delegate District shall be sent to each Member within the Delegate District, not later than fifteen (15) days prior to the meeting. A special meeting of the Members in the Delegate District may be called at any reasonable time and place by written request (1) by Declarant, for so long as Declarant is a Class B Member, (2) by the Delegate representing Members in such Delegate District, (3) by the Members in the Delegate District having ten percent (10%) of the total voting power within such Delegate District. To be effective, such written request shall be delivered to either the Delegate or secretary of the Association. Officers shall then cause notice to be given to Members entitled to vote that a meeting will be held at a time and a place as fixed by said notice but not less than fifteen (15) days nor more than thirty (30) days after receipt of the written request. Notice of Special Meetings shall specify the general nature of the business to be undertaken and that no other business may be transacted.

e. Quorum. The presence at any meeting, in person or by written proxy, of the Members entitled to vote at least twenty-five percent (25%) of the total votes within the Delegate District shall constitute a quorum. If any meeting cannot be held because a quorum is not present, a majority of the Members present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called and may not transact any other business. The quorum requirement for an adjourned meeting shall be the presence, in person or by written proxy, of the Members entitled to vote at least twenty-five percent (25%) of the total votes within the Delegate District. If a time and place for the adjourned meeting is not fixed by those in attendance at the

original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for annual meetings. The Members present at each meeting shall select a chairman to preside over the meeting and a secretary to transcribe minutes of the meeting. Unless otherwise expressly provided herein, any action authorized hereunder may be taken at a duly noticed meeting of such Members owning Lots in the Delegate District, upon the affirmative vote of the Members having a majority of a quorum of the voting power present at such meeting, in person or by proxy; provided, however that the only matters that may be voted upon at any meeting attended in person or by proxy, by less than one-third (1/3) of the total voting power of the Members within the Delegate District are matters for which notice of the general nature of such matter was provided to the Members in the notice of meeting.

f. Suspension of Voting Rights. The Association shall have the authority to suspend the voting rights of any Member to vote at any meeting of the Members of the Delegate District, for any period during which the payment of any Assessments against such Member and the real property owned by such Member remains delinquent, it being understood that any suspension for non-payment of any Assessment shall not constitute a waiver or discharge of the Member's obligations to pay said Assessment.

g. Allocation of Delegate Votes. Whenever a matter which is required to be approved by the vote of Delegates representing a majority or other specified percentage of the total voting power of the Community Association is presented to the Delegates for approval, written notice of the substance of said specified action shall be given to the Members. The Delegate for this Delegate District shall submit said specified action to a vote of the Members. When voting on a specified action, the Delegate shall cast all of the votes which he represents as follows: (1) the Delegates shall cast votes attributable to Owners actually voting (whether in person, by a proxy or written ballot) in such Delegate District "for" or "against" such specified action in the same manner as such votes were cast by voting Owners; (2) the Delegate shall cast votes attributable to Members within the Delegate District who have not voted on such specified action ("Absentee Votes") as follows:

- (a) If twenty-five percent (25%) or more of the votes in the Delegate District attributable to Owners other than Declarant have been cast, then any Absentee Votes attributable to Declarant, on the one hand and the Owners other than Declarant, on the other, shall each be cast "for" and "against" said specified action in the same proportions as the votes cast by the Owners other than

Declarant as set forth hereinabove.

- (b) If less than twenty-five percent (25%) of the votes in the Delegate District attributable to Owners other than Declarant have been cast as set forth above, then the Absentee Votes shall be voted "for" or "against" said specified action in such proportions as the Delegate, shall in his or her discretion, determine appropriate.

ARTICLE III

COVENANT FOR ASSESSMENTS

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

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

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

- (a) Estimated revenue and expenses on an accrual basis;
- (b) A summary of the Association's reserves based upon the most recent review or study to be conducted as referenced hereinbelow, which shall be printed in bold type and include all of the following:
 - (i) The current estimated replacement cost, estimated

remaining life, and estimated useful life of the Common Area.

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

(aa) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the Common Area.

(bb) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the Common Area.

(iii) The percentage that the amount determined for clause (bb) of paragraph (ii) above is of the amount determined for purposes of clause (aa) of paragraph (ii) above.

(c) A statement as to whether the Board of the Association has determined or anticipates that a levy of one or more Special Assessments will be required to repair, replace or restore the Common Area or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of future repair, replacement or additions to major components of the Common Area and any other facilities for which the Association is responsible.

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

In lieu of the foregoing budget, the Board may elect to distribute a summary of the budget to all its Members with a written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the Covered Property and that copies will be provided upon request and at the expense of the Association. If any Member requests a copy of the budget, referenced above, to be mailed to the Member, the Association shall provide the copy to the Member by First-Class United States mail, at the expense of the Association, and deliver the same within five (5) days. The written notice that is distributed to each of the Association Members shall be in at least 10-point bold type on the front page of the statement.

Members of the Association shall be notified in writing at the time that the foregoing budget is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of the Board and how and where those minutes may be obtained.

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

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

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

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

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

Not more than sixty (60) days nor less than forty-five (45) days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of establishing the Regular Assessment for the forthcoming fiscal year. At such meeting the Board shall review the budget, any written comments received and any other information available to it and, after making any

adjustments that the Board deems appropriate, without a vote of the Members of the Association, shall establish the Regular Assessment for the forthcoming fiscal year. However, annual increases in Regular Assessments for the forthcoming fiscal year, as set forth hereinbelow, shall not be imposed unless the Board has prepared a budget as referenced hereinabove in this Section 3.3 with respect to that fiscal year, or has obtained the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. For purposes of the preceding sentence, "quorum" means more than fifty percent (50%) of the Owners of an Association. Provided, however, notwithstanding more restrictive limitations placed on the Board by the Governing Instruments, the Board may not establish a Regular Assessment for any fiscal year of the Association which is more than twenty percent (20%) greater than the Regular Assessment for the immediately preceding fiscal year, or impose Assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceed five percent (5%) of the Common Expenses of the Association for that fiscal year without the vote or written assent of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code. Except that any Assessments imposed pursuant to Section 6.2(c) herein are not subject to said five percent (5%) limitation imposed pursuant to this Section. Provided, however, the foregoing does not limit Assessment increases necessary for emergency situations. For purposes of this section, an emergency situation is any one of the following: (i) an extraordinary expense required by an order of a Court; (ii) an extraordinary expense necessary to repair or maintain the Covered Property or any part of it for which the Association is responsible when a threat to personal safety within the Covered Property is discovered; and (iii) an extraordinary expense necessary to repair or maintain the Development or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the budget, as referenced hereinabove. However, prior to the imposition or collection of an Assessment under this section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of Assessment.

The Association shall provide notice by first class mail to each Owner of any increase in the Regular or Special Assessments of the Association, not less than thirty (30) or more than sixty

(60) days prior to the increased Assessment becoming due.

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

Section 3.4 Uniform Assessment. Reconstruction and Regular Assessments shall be fixed at an equal amount for each Lot and may be collected at intervals selected by the Board except that Regular Assessments which include reserves must be paid in regularly scheduled installments.

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

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

Section 3.7 Excessive Fees. The Association shall comply with Section 1366.1 and 1368 (c) of the California Civil Code and, until such Sections are amended to provide otherwise, shall not:

(a) impose or collect an Assessment, penalty, or fee that exceeds the amount necessary for the purposes for which it is levied; and

(b) impose or collect any Assessment, penalty, or fee in connection with a transfer of title or any other interest except the Association's actual cost to change its records and that authorized in connection with Article XI of the Bylaws to provide copies of Association documents, copies of financial statements, and unpaid Assessments.

Section 3.8 Date of Commencement of Regular Assessments. The Regular 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 that Phase; provided, however, the Regular Assessments, as to Residences in annexed areas, if any, shall commence with respect to all Residences within each such annexed area on the first day of the month following the first conveyance of a Residence within that Phase. The first Regular Assessments shall be adjusted according to the number of months remaining in the fiscal year. All other Assessments may be levied against an Owner when Regular Assessments have commenced against said Owner's Lot.

Section 3.9 No Offsets. All Assessments shall be payable in the amount specified by the Assessments and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties and powers as provided in this Declaration or that a Member has made or elects to make no use of the Common Area.

Section 3.10 Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect or in effect from time to time hereafter.

Section 3.11 Subordination of the Lien to Mortgages. The lien of the Assessments provided for herein shall be subordinate to the lien of the first Mortgage. Sale or transfer of any Residence shall not affect the Assessment lien. However, the sale or transfer of any Residence pursuant to foreclosure of the first Mortgage or as the result of the exercise of a power of sale shall extinguish the lien of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such new Residence Owner from liability for any Assessments thereafter becoming due or from the lien thereof.

Section 3.12 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. A reserve fund shall be established to expressly cover the deductibles under Association insurance policies.

ARTICLE IV

NONPAYMENT OF ASSESSMENTS

Section 4.1 Delinquency. Any Assessment provided for in this Declaration which is not paid when due shall be delinquent if not paid within fifteen (15) days after its due date. There shall accrue with each delinquent Assessment a late charge not exceeding ten percent (10%) of the delinquent Assessment or Ten Dollars (\$10.00), whichever is greater, together with interest at the rate of twelve percent (12%) per annum commencing thirty (30) days after the Assessment becomes due. Reasonable costs incurred in collecting the delinquent Assessment, including reasonable attorney's fees, and interest on all sums imposed in accordance with this Section may be charged by the Association. In any event said charges and interest shall not exceed the maximum amount permitted under the laws of the State of California. The Association may, at its option, and without waiving the right to judicially foreclose its lien against the Residence (any foreclosure right for nonpayment of Assessments under this or any other Article contained within this Declaration shall be for nonpayment of Regular Assessments only, there shall be no foreclosure right for nonpayment of any type of Special Assessment, and all reference to foreclosure rights is for nonpayment of Regular Assessments only), pursue any available remedies, including, without limitation, bringing an action at law against the Member personally obligated to pay the same, and/or upon compliance with the notice provisions set forth in the Section entitled "Notice of Lien" of this Article, to foreclose the lien against the Residence. If action is commenced, there shall be added to the amount of such Assessment the late charge, interest, the costs of such action, and attorney's fees, together with the costs of action. Each Member vests in the Association or its assigns the right and power to bring all actions at law or lien foreclosure against such Member or other Members for the collection of such delinquent Assessments. However, a monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the Governing Instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Areas and facilities for which the Member was allegedly responsible or in bringing the Member and his Residence into compliance with the Governing Instruments may not be characterized nor treated as an Assessment which may become a lien against the Member's Residence enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the Civil Code. The above statement does not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent

Assessments.

Section 4.2 Notice of Lien. No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein provided until thirty (30) days after the date a notice of claim of lien is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said Residence, and a copy thereof is recorded by the Association in the Office of the Riverside County Recorder; said notice of claim of lien must recite a good and sufficient legal description of any such Residence, the record Owner or reputed Owner thereof, the amount claimed (which shall include interest on the unpaid Assessment at 12% per annum, a late charge not exceeding 10% of the delinquent Assessment, or \$10.00, whichever is greater, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant. Once recorded, said Assessment lien shall be prior to all other liens recorded subsequent to the Notice of Assessment Lien or other document creating said Assessment lien.

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

Section 4.4 Curing of Default. Upon the timely payment or other satisfaction of (i) all delinquent Assessments specified in the notice of claim of lien; (ii) all other Assessments which have become due and payable with respect to the Residence as to which such notice of claim of lien was recorded; and (iii) interest, late charges, attorneys' fees and other costs of collection pursuant to this Declaration and the notice of claim of lien which have accrued, officers of the Association or any other persons designated by the Board are hereby authorized to file or record, as the case may be, an appropriate release of such notice, upon payment by the defaulting Owner of a fee, to be determined by the Association, which shall be reasonable, to cover the costs of preparing and filing or recording such release.

Section 4.5 Cumulative Remedies. The Assessment lien and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid Assessments, as above provided.

ARTICLE V

ARCHITECTURAL AND LANDSCAPE CONTROL

Section 5.1 Scope. No excavation, construction, building, landscaping, development, or improvement, including, but not limited to, any change or alteration, painting, repainting and/or refurbishing shall be made to a Lot until there has been compliance with Article VII of the Community Declaration. As set forth in said Article VII, all applications, plans and specifications must be first submitted to the Architectural Committee who will make a recommendation to the Community Board for ultimate approval or disapproval.

Section 5.2 Nonapplicability to Declarant. In no event shall the provisions of this Article apply to the construction by Declarant of any improvements intended to be conveyed to the Association, or to any Residence intended to be conveyed to an Owner.

ARTICLE VI

DUTIES AND POWERS OF THE ASSOCIATION

Section 6.1 General Duties and Powers of the Association.

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

Section 6.2 General Duties of the Association.

(a) The Association through the Board shall have the duty and obligation to:

(i) Enforce the provisions of this Declaration, the Articles, the Bylaws and the Association Rules by appropriate means and carry out the obligations of the Association hereunder;

(ii) Maintain and otherwise manage the following:

(aa) all Common Area, improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association;

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

(cc) 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".

(iii) Pay any real and personal property taxes and other charges, or other charges assessed to or payable by the Association;

(iv) Obtain, for the benefit of the Common Area, all necessary utility services and other services as required;

(v) Prepare budgets and financial statements for the Association as prescribed in the Bylaws;

(vi) Formulate rules of operation of the Common Area, and facilities owned or controlled by the Association;

(vii) 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;

(viii) Elect officers of the Board;

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

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

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

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

(xiii) Review a current reconciliation of the Association's operating accounts and reserve accounts on at least a quarterly basis. On at least a quarterly basis, the Board shall also review the current year's actual reserve revenues and expenses compared to the current year's budget. The Board shall review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts and the Board shall also review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis. The Board shall prepare and distribute a copy of the review of the financial statement of the Association, which has been prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). A copy of the review of said financial statement shall be distributed within One Hundred Twenty (120) days after the close of each fiscal year. The Board shall also annually distribute to the Members a statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of its Assessments against its Members. Said statement shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

(xiv) Join with the Declarant in the execution of any lot line adjustment and to accept title to additional property or to quit claim all right, title, and interest in and to any Association property as necessary to transfer title in accordance with any lot line adjustment; provided that such lot line adjustment and the resulting conveyance (aa) are made for the purpose of eliminating encroachments due to engineering errors or errors in construction of any improvements upon any of the

affected property, (bb) are made to permit changes in the development plan in circumstances when such changes are the result of topography, obstruction, hardship, aesthetic, or other environmental conditions, (cc) are the requirement of a regulatory agency, (dd) do not have a significant negative impact upon the Association or the Owners, or (ee) are made to transfer the burden of management and maintenance of any Association property, which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of any particular use or benefit to the Owners.

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

(c) The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of the Common Area which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses. The transferred funds shall be restored to the reserve fund within three (3) years of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Development, delay the restoration until the time which the Board reasonably determines to be necessary. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this section as set forth hereinbelow. This Special Assessment is not subject to the limitation imposed by Section 1366 of the Civil Code.

(d) At least once every three (3) years the Board shall cause a study of the reserve account requirements of the Development to be conducted if the current replacement value of the Common Area which the Association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review.

The study required shall at a minimum include:

(i) Identification of the Common Area which the

Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than 30 years.

(ii) Identification of the probable remaining useful life of the Common Area as of the date of the study.

(iii) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component of the Common Area during and at the end of its useful life.

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

(e) As used in this section, "reserve accounts" means moneys that the Association's Board has identified for use to defray the future repair or replacement of, or additions to, the Common Area which the Association is obligated to maintain.

(f) As used in this section, "reserve account requirements" means the estimated funds which the Association's Board has determined are required to be available at a specified point in time to repair, replace, or restore the Common Area which the Association is obligated to maintain.

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

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

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

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

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

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

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

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

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

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

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

(iv) If applicable, agreements for cable television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

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

fiscal year.

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

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

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

Section 6.5 Association Rules. The Board shall also have the power to adopt, amend and repeal such rules and regulations as it deems reasonable (the "Association Rules"), which may include the establishment of a system of fines and penalties enforceable as Special Assessments, all as provided in the Bylaws. The Association Rules shall govern such matters in furtherance of the purposes of the Association; 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 Institutional Mortgagee upon request. In the event of any conflict between any such Association Rules and any provisions of this Declaration, or the Articles or Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such conflict.

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

ARTICLE VII

REPAIR AND MAINTENANCE

Section 7.1 Repair and Maintenance by the Association.

Without limiting the generality of the statement of duties and powers contained in this Declaration, the Articles, the Bylaws, or Association Rules, the Association shall have the duty to accomplish the following upon the Common Area 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, clustered mailboxes, private streets, private sidewalks, street lights, and entry gates;

(b) Maintain, repair, replant, irrigate and re-landscape that certain portion of Lots 105, 106, 107, 108, 109, 110 and 120 of Tract 23063-8, as shown on Exhibit "D" attached hereto.

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

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

(b) Maintain in attractive condition front and rear yard landscaping in accordance with the provisions of this Declaration.

(c) Each Owner is responsible for the repair and maintenance of his Residence as may be occasioned by the presence of wood-destroying pests or organisms. Upon approval of the majority of the Members of the Association, the responsibility for such repair and maintenance may be delegated to the Association, which shall be entitled to recover the cost thereof as a Special Assessment.

(d) Maintain, repair and repaint the interior side of all perimeter walls and fences on his Lot and maintain and repair the structural integrity thereof. With regard to Lots located on a corner, the exterior portion of the perimeter wall shall be maintained, repaired and repainted by the Owner of said Lot unless otherwise maintained by the Association as set forth hereinabove.

Section 7.3 Standards for Maintenance and Installation.

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

(b) The Association shall maintain any landscaped areas

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

Section 7.4 Right of Entry. The Association, after reasonable notice to an Owner, shall have the right to enter upon any Lot, including its slopes and terraces, in connection with any maintenance, repair or construction in the exercise of the powers and duties of the Association.

SECTION VIII

INSURANCE

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

(a) A comprehensive policy of public liability insurance covering the Common Area and any other property maintained, controlled or managed by the Association. Such policy shall have a limit of not less than One Million Dollars (\$1,000,000) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage liability, liability for non-owned and hired automobile and liability for property of others, and such other risks as shall customarily be covered with respect to similar planned unit developments in the area of the Covered Property, and shall contain a "severability of interest" endorsement or the equivalent which shall preclude the insurer from denying the claim of an Owner because of negligent acts or omissions of the Association or other Owners;

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

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

Section 8.2 Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive

and release all claims against the Association, the Board, other Owners, the Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

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

Section 8.4 Premiums, Proceeds and Settlement. Insurance premiums for any such insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Casualty insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Common Area". The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any 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 8.5 Federal Requirements. Notwithstanding the foregoing provisions of this Article, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for planned unit development projects established by FNMA, GNMA, FHLMC, FHA and VA, so long as either is a Mortgagee or Owner within the Covered Property, or insures or guarantees a Mortgage, as the case may be, except to the extent such coverage is not available or has been waived in writing by the foregoing entities.

ARTICLE IX

DESTRUCTION OF COMMON AREA

Section 9.1 Duty of Association. In the event of partial or total destruction of the Common Area, it shall be the duty of the Association to restore and repair the same as promptly as practical pursuant to this Article. The proceeds of any casualty insurance maintained pursuant to this Declaration shall be used for such purpose, subject to the prior rights of Mortgagees whose interest may be protected by said policies.

ARTICLE X

EMINENT DOMAIN

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

Section 10.2 Appointment of Board. In the event of a threatened taking of all or any portion of the Common Area, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action.

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

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

ARTICLE XI

USE RESTRICTIONS

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

Section 11.2 Signs. All signs shall be in conformance with the Architectural Standards and Design Guidelines adopted by the Architectural Committee. No sign or billboard of any kind shall be displayed to the public view on any Lot or Common Area with the following exceptions:

(a) signs as may be required by legal proceedings, or the prohibition of which is precluded by laws;

(b) signs as may be used by Declarant, or their sales agents in connection with the development of the Redhawk Community and the sale and marketing of the Lots:

Notwithstanding the foregoing, in accordance with the provisions of California Civil Code, Section 713, or any successor law or statute, an Owner may display on the Owner's Lot not more than one "for sale" or "for lease" sign per Lot so long as such sign shall comply with any standards promulgated by the Community Board or Architectural Committee as to the size, color, shape or other qualifications for permitted signs.

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

Section 11.4 Temporary Structures. No structure of a temporary character, trailer, mobile home, tent, shack, garage, barn or other out-building shall hereafter be used on any Lot at any time, either temporarily or permanently, except by Declarant in connection with work or construction diligently pursued.

Section 11.5 Vehicles. No trailer, camper, boat, recreational vehicle, vehicles used or operated for commercial purposes or similar equipment shall hereafter be permitted to remain upon the Covered Property, unless placed or maintained within an enclosed garage, nor permitted to be parked other than temporarily for purposes of loading, unloading or cleaning, on any street, alley, or Community Common Area or Common Area within the Redhawk Community. Temporary parking shall mean parking of vehicles belonging to guests or Owners, delivery trucks, service vehicles and other commercial vehicles being used in the furnishing of services to the Association, Community Association or the Owners and parking of vehicles belonging to or being used by Owners for loading or unloading purposes. The Association and the Community Board may adopt guidelines defining what vehicles constitute recreational vehicles and rules for the regulation of the admission and parking of vehicles within the Redhawk Community, including the assessment of charges to Owners who violate or whose invitees violate such rules. Any charges so assessed shall be a Special Assessment. No automobile, recreational vehicle or equipment, commercial vehicle or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on the Covered Property unless performed within a completely enclosed garage or other structure located in a Residence which completely screens the sight and sound of such activity from streets, the Common Area, Community Common Area and neighboring Residences. Any fence or screen required under this Section shall comply with any standards promulgated by the Community Board or Architectural Committee as to size, color, or other criteria for permitted fences or screens. Golf carts and similar vehicles shall be operated within the Redhawk Community only pursuant to the Community Association Rules. The foregoing restriction shall not be deemed to prevent temporary parking for washing and polishing and those activities normally incident to washing and polishing of vehicles.

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

Section 11.7 Oil and Mineral Rights. No oil drilling, oil development operations, oil refining, quarrying, or mining

operations of any kind shall be permitted upon or in the Covered Property nor, subsequent to the recording of this Declaration, shall oil wells, tanks, tunnels or mineral excavations or shafts be installed upon the surface of the Covered Property or within five hundred (500) feet below the surface of such properties. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Covered Property. No Owner shall use a Lot to explore for or to remove any water, oil or other hydrocarbons, minerals of any kind, gravel, earth or any earth substance or other mineral of any kind.

Section 11.8 Unsightly Items. All weeds, rubbish, debris or unsightly materials or objects of any kind shall be regularly removed from the Lots and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, woodpiles, storage areas, machinery and equipment shall be prohibited from any Lot unless obscured from view of adjoining streets or portions of the Covered Property nearest such portion of the Lot from a height of six (6) feet or less and shall comply with any restrictions or standards promulgated by the Community Board or the Architectural Committee.

Section 11.9 Antennas. No television, radio, satellite dish or other electronic antenna or antenna device of any type shall hereafter be erected, constructed, placed or permitted to remain on the Covered Property, unless installed by Declarant. Except as installed by Declarant, no cable, television or radio system or ham radio system or other equipment for the purpose of emitting, receiving, or distributing any form of electro-magnetic emission in any form shall be permitted on the Covered Property.

Section 11.10 Drainage. All drainage of water from any Lot or Common Area and the improvements thereon shall drain or flow as set forth below.

(a) Any such water may drain or flow into adjacent streets or alleys and shall not be allowed to drain or flow upon, across, or under adjoining Lots, Common Area, unless an easement for such purpose is granted.

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

Section 11.11 Garages. No garage doors shall be permitted to remain open except for a temporary purpose, and the Board may adopt rules for the regulation of the opening of garage doors, including the assessment of charges to Owners who violate or whose invitees violate such rules. Any charges so assessed shall be Special Assessments. No automobile or other vehicle shall be parked or stand outside of a garage if there is space for such

automobile or vehicle in such garage and no garage shall be used for any purpose which would preclude parking of at least two (2) automobiles therein.

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

Section 11.13 Single-Family Residential. All Residences shall be used only for the residential purposes of a family. Any lease or rental agreement shall be in writing and any tenant shall abide by and be subject to all provisions of this Declaration, the Articles, the Bylaws, and the Association Rules and the Community Declaration, Community Bylaws, Community Articles and the Community Association Rules and any Owner who leases his Residence shall be responsible for assuring compliance by such Owner's lessee with the foregoing documents and Rules. A Any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Also, no Owner shall rent, lease or let his Residence for transient or hotel purposes or for any period of less than thirty (30) days.

Section 11.14 Pests. No Owner shall permit any thing or condition to exist upon any portion of the Covered Property which shall induce, breed or harbor infectious plant diseases or noxious insects or vermin.

Section 11.15 Solar Systems. All solar system collector units shall be integrated into the design of the dwelling in which each is installed and shall be subject to approval by the Architectural Committee in accordance with Article V entitled "Architectural and Landscape Control".

Section 11.16 Rubbish Removal. All garbage and trash shall be placed and kept in sanitary, covered containers. In no event shall such containers be maintained so as to be visible from neighboring property except when set out for a reasonable period of time before and after scheduled trash pickup times.

Section 11.17 Maintenance of Lawns and Plantings. Each Owner of a Lot shall keep all shrubs, trees, grass and plantings of every kind, including planted areas between adjacent sidewalks and the street curb, if any, neatly trimmed, properly cultivated and watered, and free of trash, weeds and other unsightly material.

Section 11.18 Fences and Walls. No fence or wall will be erected, painted, altered or maintained on any Lot except with the prior written approval of the Architectural Committee. Any alterations or modifications of the walls or fences not addressed herein shall be subject to the prior written approval of the

Architectural Committee.

ARTICLE XII

RIGHTS OF ENJOYMENT

Section 12.1 Members' Right of Enjoyment. Every Member shall have a non-exclusive easement for use and enjoyment in and to the Common Area, and such right shall be appurtenant to and shall pass with the interest required to be an Owner to every Residence, subject to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration, including, without limitation, the following provisions:

(a) The right of the Association to establish reasonable rules and regulations pertaining to the use of the Common Area.

(b) The right of the Association to borrow money for the purpose of improving, replacing, restoring or expanding the Common Area or adding new Common Area and in aid thereof, to mortgage said property, provided that the prior affirmative vote or written approval of a majority of each of the Class A and the Class B Members has been obtained to mortgage said property, and provided further that the rights of the lender thereunder shall be subordinated to the rights of the Members.

Section 12.2 Waiver of Use. No Member may exempt himself from personal liability for Assessments duly levied by the Association, nor release the Residence owned by him from the liens, charges and other provisions of this Declaration, the Articles, Bylaws and Association Rules, by waiver of the use and enjoyment of the Common Area, or the abandonment of his Residence.

ARTICLE XIII

EASEMENTS

Section 13.1 Amendment to Eliminate Easements. This Declaration cannot be amended to modify or eliminate the easements reserved to Declarant herein without prior written approval of Declarant and any attempt to do so shall have no effect. Any attempt to modify or eliminate this Section shall likewise require the prior written approval of Declarant.

Section 13.2 Nature of Easements. Unless otherwise set forth herein, any easement reserved to Declarant herein shall be non-exclusive.

Section 13.3 Rights and Duties: Utilities and Cable Television. Wherever sanitary sewer house connections, water hose connections, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, the Owners of any Residence served by said connections, lines or facilities, or the Association if said connections, lines or facilities serve the Common Area, shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to Owners and the Association, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service his Residence, or the Common Area, as the case may be, and to enter upon the Common Area and the Residences owned by others, or to have utility companies enter upon the Common Area and Residences owned by others, in or upon which said connections, lines or facilities, or any portion thereof, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below, provided that such Owner or the Association or utility company shall promptly repair any damage to a Residence or the Common Area caused by such entry as promptly as possible after completion of work thereon.

Section 13.4 Utilities. Easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities as are needed to service the Covered Property are hereby reserved by Declarant, together with the right to grant and transfer the same; provided however, such easements shall not unreasonably interfere with the use and enjoyment by the Members of their Residences or the Common Area.

Section 13.5 Cable Television. There is hereby reserved to Declarant, over the Covered Property, together with the right to grant and transfer the same, the right to emplace on, under or across the Covered Property transmission lines and other facilities for a community antenna television system and

thereafter to own and convey such lines and facilities and the right to enter upon the Covered Property to service, maintain, repair, reconstruct and replace said lines or facilities; provided however, that the exercise of such rights shall not unreasonably interfere with any Owner's reasonable use and enjoyment of his Residence.

Section 13.6 Utilities Shown on Tract Map. There is hereby reserved to Declarant together with the right to grant and transfer the same, easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities and other purposes as shown on the recorded tract maps covering the Covered Property.

Section 13.7 Construction and Sales. Nothing in this Declaration shall limit the right of Declarant to commence and complete construction of improvements to the Covered Property or to alter the foregoing or the Lots or Common Area or to construct such additional improvements as the Declarant deems advisable prior to the completion and sale of all of the Covered Property.

Section 13.8 Common Area Easements. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Owners, a non-exclusive easement for ingress and egress and recreational purposes over the Common Area. Such easement when granted to Owners shall be subject to the rights of the Association with regard to the Common Area as set forth in the Article hereof entitled "Rights of Enjoyment".

Section 13.9 Association Rights. There is hereby reserved to the Declarant easements over the Covered Property, together with the right and obligation to grant and transfer the same to the Community Association and the Association, for the purpose of permitting the Association to discharge its obligations as described in the Community Declaration and in this Declaration.

Section 13.10 Landscape Maintenance Easement. Declarant hereby reserves in favor of the Association, its agents and employees a non-exclusive easement including access, ingress and egress for landscape maintenance and irrigation purposes over a portion of Lots 105, 106, 107, 108, 109, 110 and 120 which easement area is depicted on Exhibit "D" attached hereto.

ARTICLE XIV

ANNEXATIONS

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

Section 14.1 Development of the Covered Property.

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

Section 14.2 Supplementary Declarations. A Supplementary Declaration shall be a writing in recordable form which annexes real property to the plan of this Declaration and which incorporates by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration and shall contain such other provisions as set forth in this Declaration relating to Supplementary Declarations. Such Supplementary Declarations contemplated above may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, or any merger or consolidation, revoke, modify, or add to the covenants established by this Declaration with respect to the existing Covered Property.

Section 14.3 Annexation Without Approval and Pursuant to General Plan. All or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the Association or its Members, provided that a Supplementary Declaration covering the portion of the Annexed Property to be annexed shall be executed and recorded by Declarant prior to the third (3rd) anniversary of the issuance of the original Subdivision Public Report for the immediately preceding Phase. The recordation of said Supplementary Declaration shall constitute and effectuate the annexation of the said real property described therein making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter said annexed real property shall be part of the Covered Property and all of the Owners of Residences in said annexed real property shall automatically be Members.

Section 14.4 Annexation Pursuant to Approval. Upon approval in writing of the Association, pursuant to two-thirds (2/3) majority of the voting power of each class of its Members, or the written assent of such Members, excluding the voting power or written assent of the Owner of any of the real property sought to be annexed, any person who desires to add real property, other than the annexation Property, to the plan of this Declaration and to subject such property to the jurisdiction of the Association, may file or record a Supplementary Declaration. The provisions of this Section shall also apply to the Annexation Property subsequent to the expiration of the power of Declarant to annex such property without the approval of the Members as provided in this Article. The certificate of the President and the Secretary of the Association attached to any Supplementary Declaration recorded pursuant to this Section certifying that the required two-thirds (2/3) majority of the voting power of each class of members has approved the recordation of such Supplementary Declaration shall be deemed conclusive proof thereof.

Section 14.5 Expansion of Association Membership. Membership shall be expanded to include Owners within annexed Phases of the Development.

Section 14.6 Improvements on Future Phases of Development. Declarant expressly makes no representations or warranties in connection with Residences constructed on Lots within future Phases of the Development. Declarant gives no guarantee that it will build similar or comparable Residences on Lots within future Phases of the Development. Declarant expressly reserves the right to change the style, quality, size and cost of said Residences from those constructed in the first Phase of the Development, or any other Phase.

ARTICLE XV

PROTECTION OF MORTGAGEES

Section 15.1 Mortgage Permitted. Any Owner may encumber his Residence with a Mortgage.

Section 15.2 Subordination. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of the first Mortgage that encumbers all or a portion of the Development, or any Residence, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such Mortgage unless the Mortgagee expressly subordinates his interest, in writing, to such lien.

Section 15.3 Amendment. The prior written consent of seventy-five percent (75%) of the holders of first Mortgages (based upon one vote for each Mortgage held) shall be required for any material amendment to this Declaration, to the Articles or to the Bylaws. As used in this Section 15.3, the term "any material amendment" is defined to mean amendments to provisions of this Declaration, to the Articles or to the Bylaws governing the following subjects:

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

Section 15. Right to Examine Books and Records. Institutional first Mortgagees can examine the books and records of the Association and can require the submission to them of financial data concerning the Association or the Development, including annual audit reports and operating statements as furnished to the Owners.

Section 15.5 Distribution of Insurance and Condemnation Proceeds. No Owner, or any other party, shall have priority over any rights of Institutional Mortgagees or Residences pursuant to their Mortgages in case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of Common Area. Any provision to the contrary in this Declaration or in the Bylaws or other documents relating to the Development is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected Institutional Mortgagees naming the Mortgagees, as their interests may appear.

Section 15.6 Amenities. All amenities and Common Area shall be available for use by Owners and all such amenities with respect to which Regular or Special Assessments for maintenance or other uses may be levied shall constitute Common Area. All such amenities shall be owned in fee by the Owners in undivided interests or by the Association free of encumbrances except for any easements granted for public utilities or for other public purposes consistent with the intended use of such property by the Owners or by the Association.

Section 15.7 Notices to Mortgagees of Record. Upon any loss to any Residence covered by a Mortgage, if such loss exceeds One Thousand Dollars (\$1,000), or on any loss to the Common Area, if such loss exceeds Ten Thousand Dollars (\$10,000), or on any taking of the Common Area, notice in writing of such loss or taking shall be given to each Mortgagee of record. If any Owner of a Residence is in default under any provision of these covenants, conditions and restrictions, or under any provision of the Bylaws or the Association Rules, which default is not cured within thirty (30) days after written notice to such Owner, the Association shall give to the Mortgagee of record of such Owner written notice of such default and of the fact that said thirty (30) day period has expired.

Section 15.8 Effect of Breach. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any Mortgage in good faith and for value, and all of these covenants, conditions and restrictions shall be binding on any Owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

Section 15.9 Foreclosure. If any Residence is encumbered by a first Mortgage made in good faith and for value, the

foreclosure of any lien created by any provision set forth in this Declaration for Assessments, or installments of Assessments, shall not operate to affect or impair the lien of the first Mortgage. On foreclosure of a first Mortgage, the lien for Assessments on installments that have accrued up to the time of foreclosure shall be subordinate to the lien of the first Mortgage, with the foreclosure-purchaser taking the title to the Residence free of the lien for Assessments on installments that have accrued up to the time of the foreclosure sale. On taking title to the Residence the foreclosure-purchaser of a first Mortgage shall only be obligated to pay Assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the Residence. The subsequently levied Assessments or other charges may include previously unpaid Assessments provided all Owners, including the foreclosure-purchaser, and his successors and assigns, are required to pay their proportionate share as provided in this Section.

Section 15.10 Non-Curable Breach. Any Mortgagee who acquires title to a Residence by foreclosure or by deed-in-lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

Section 15.11 Loan to Facilitate. Any Mortgage given to secure a loan to facilitate the resale of a Residence after acquisition by foreclosure or by a deed-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article XV.

ARTICLE XVI

GENERAL PROVISIONS

Section 16.1 Enforcement. The Association, or any Owner, shall have the right to enforce by proceedings at law or in equity, all easements, restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration or any amendment hereto, including the right to prevent the violation of any such easements, restrictions, conditions, covenants or reservations and the right to recover damages or other dues for such violation. The Association or any Owner shall also have the right to enforce by proceedings at law or in equity the provisions of the Articles or Bylaws and any amendments thereto. With respect to Assessment liens or any other liens or charges and Association Rules, the Association shall have the exclusive right to the enforcement thereof.

Section 16.2 No Waiver. Failure by the Association or by any Member to enforce any easement, covenant, condition or restriction herein contained, or the Articles, Bylaws or Association Rules, in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same easement, covenant, condition or restriction.

Section 16.3 Cumulative Remedies. All rights, options and remedies of Declarant, the Association, the Owners or Mortgagees under this Declaration are cumulative, and no one of them shall be exclusive of any other, and Declarant, the Association, the Owners and the Mortgagees shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in this Declaration.

Section 16.4 Severability. Invalidation of any one or a portion of these easements, covenants, conditions or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 16.5 Covenants to Run With the Land; Term. The easements, covenants, conditions and restrictions of this Declaration shall run with and bind the Covered Property and shall inure to the benefit of and be enforceable by the Association or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Declaration is recorded, after which time said easements, covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners and a majority of the Mortgagees, based on one (1) vote for each Mortgage held, has been recorded at least six (6) months prior to

the end of any such period, agreeing to change said easements, covenants, conditions and restrictions in whole or in part.

Section 16.6 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract and for the maintenance of the Covered Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 16.7 Singular Includes Plural. Whenever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

Section 16.8 Nuisance. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Association or any Member. Such remedy shall be deemed cumulative and not exclusive.

Section 16.9 Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, actual attorneys' fees and costs of such suit.

Section 16.10 Notices. Any notice to be given to an Owner or a Mortgagee or Mortgage servicing contractor under the provisions of this Declaration shall be in writing and may be delivered as follows:

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

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

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

Section 16.11 Obligation of Declarant. So long as Declarant is utilizing the easement described in the Section entitled "Construction and Sales" of the Article in this Declaration entitled "Easements", Declarant shall not be subject to the provisions of the Article entitled "Architectural and Landscape Control" or the provisions of the Article entitled "Use Restrictions".

Section 16.12 Effect of Declaration. This Declaration is made for the purposes set forth in the Recitals to this Declaration and Declarant makes no warranties or representations, express or implied, as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

Section 16.13 Personal Covenant. To the extent the acceptance of a conveyance of a Residence creates a personal covenant between the Owner of such Residence and Declarant or other Owners, such personal covenant shall terminate and be of no further force or effect from and after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Association.

Section 16.14 Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, or any other committees of the Association or any member of such Board or committee shall be liable to the Association or any Member for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees

or persons reasonably believed to be the scope of their duties.

Section 16.15 Enforcement of Bonded Obligations. In the event that the improvements to the Common Area have not been completed prior to the issuance of a Final Subdivision Public Report covering the Covered Property by the Department of Real Estate of the State of California, and the Association is obligee under a bond or other arrangement (hereinafter the "Bond") to secure performance of the commitment of Declarant to complete such improvements, the following provisions shall apply:

(a) The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such improvements in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

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

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

Section 16.16 Construction by Declarant. Nothing in this Declaration shall limit the right of Declarant to alter the Common Area or the Residences, or to construct such additional improvements as Declarant deems advisable prior to completion of improvements upon and sale of the entire Covered Property. Such

right shall include but shall not be limited to erecting, constructing and maintaining on the Covered Property such structures and displays as may be reasonably necessary for the conduct of the business or completing the work and disposing of the same by sale, lease or otherwise. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title by a purchaser from Declarant to establish on the Covered Property additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Covered Property. Declarant reserves the right to alter its construction plans and designs as it deems appropriate. The rights of Declarant hereunder may be assigned to any successor or successors to all or part of said entity's respective interest in the Covered Property, by an express assignment incorporated in a recorded deed or lease, as the case may be, transferring such interest to such successor. Declarant shall exercise its rights contained in this provision in such a way as not to unreasonably interfere with the Members' rights to use and enjoy the Covered Property.

Section 16.17 Amendments. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees pursuant to the Articles hereof entitled "Insurance" and "Protection of Mortgagees", or otherwise, this Declaration may be amended as follows:

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

(b) However, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause. For example, if it is provided that seventy-five percent (75%) of the voting power must agree to an increase in the maximum annual Assessment, then seventy-five percent (75%) of the voting power is necessary to amend that provision regardless of the percentage prescribed in paragraph (a) above. Notwithstanding the foregoing, any Owner of the Association may petition the Superior Court of the County of Riverside for an order reducing the necessary percentage required under this section to amend this Declaration. The procedure for affecting this petition is set forth in

Section 1356 of the California Civil Code as same may be amended from time to time. An amendment made in accordance with the provisions set forth herein shall be effective when executed by the President and Secretary of the Association, who shall certify that the amendment has been approved by the Members, and where appropriate, by the first Mortgagees in the percentages set forth hereinabove, and recorded in the Office of the County Recorder for Riverside County.

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

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

(e) Anything contained in this Declaration to the contrary notwithstanding, neither the definitions of the terms, "Community Association," "Community Articles," "Community Bylaws," "Community Declaration" and "Community Assessment," nor any of the provisions contained in the Article of this Declaration entitled "Community Association," may be amended, modified or rescinded (i) without the prior written consent of the Board of Directors of the Community Association and (ii) without the recording of said written consent in the Office of the County Recorder of Riverside County, California. In addition, any written instrument amending this Declaration shall bear, or have attached thereto, the written consent of such other persons as may be required by the Community Declaration.

Section 16.18 Conflict. In the event of any conflict between this Declaration and the Articles, the Bylaws or the Association Rules and Regulations, if any, this Declaration shall control.

ARTICLE XVII

AUTOMATIC AMENDMENTS AND OTHER EFFECTS OF FEDERAL PROGRAMS

Section 17.1 Amendments to Conform with Mortgagee Requirements. It is the intent of Declarant that this Declaration and the Articles and Bylaws of the Association, and the Development in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure or subsidize any Mortgage of a Residence in the Development by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Veterans' Administration. In furtherance of that intent, Declarant expressly reserves the right and shall be entitled by unilateral amendment of the Declaration so long as Declarant owns more than twenty-five percent (25%) of the Lots in the Development to amend this Declaration in order to incorporate any provisions or to enter into any agreement on behalf and in the name of the Association that are, in the opinion of any of the cited entities or governmental agencies, required to conform the Declaration, the Articles, the Bylaws or the Development to the requirements of any of the entities or governmental agencies, including without limitation, the execution on behalf of and in the name of the Association of a regulatory agreement between the Association and the Federal Housing Commissioner and any other agreement sufficient to satisfy the requirements for Mortgage purchase, guarantee or insurance by any of said entities or agencies. Declarant is hereby granted an irrevocable power of attorney to execute any such amendment or agreement by and in the name of the Association. Any such provision shall first be approved by the California Department of Real Estate in connection with its issuance of a Final Subdivision Public Report or amendment to it with respect to the Development. Each Owner of a Lot and each Mortgagee of a Lot by acceptance of a deed or encumbrance of a Lot consents to the incorporation in this Declaration of any such provision and to the execution of any amendment or regulatory agreement and agrees to be bound by any such provisions as if they were incorporated in this Declaration. The Board and each Owner shall take any action or shall adopt any resolutions required by Declarant or any Mortgagee to conform this Declaration or the Development to the requirements of any of said entities or agencies.

ARTICLE XVIII

POST TENSION CONCRETE SYSTEM

Section 18.1 Post Tension Concrete Slab/Expansive Soil.

Due to certain underlying expansive soil conditions, the home that Owner is purchasing has been built using a Post Tension Concrete System ("System"). The System involves placing steel cables under high tension in the concrete/ foundation located beneath the house. Any attempt to alter or pierce the foundation and/or slab (for example, saw cutting, drilling, or installation of subterranean improvements such as new plumbing or a floor safe) could damage the integrity of the System and/or cause serious personal injury or property damage. Owner, by acceptance of the Deed to his Lot, hereby agrees that Declarant shall not be responsible for any damage or injury resulting from the alteration of the slab or foundation of Owner's home by Owner or any employee, agent, family member, or representative of Owner.

Additionally, said expansive soil conditions should be taken into consideration before the construction or installation by Owner (or any of Owner's contractors or agents) of patios, pools, spas, or any improvement within Owner's Lot.

Because of said expansive soil conditions, Declarant advises Owner to consult with a soil engineer, civil engineer, or other specialist prior to commencing any construction on Owner's Lot.

ARTICLE XIX

VIEWS

Section 19.1 Views. As originally constructed, certain of the Lots within the Covered Property have a partial view. A view is defined as that line of sight (which may include within it Residences or other types of buildings, improvements or landscaping) within the prolongation of the side property lines of a Lot. A view does not include any diagonal or side view and is restricted to that air space directly in line with the prolongation of the side property lines of a Lot. Notwithstanding the above, after the sale of the Lots within the Covered Property by Declarant to Owners, a view may be impeded or impacted by the improvements or landscaping of another Lot. Any alteration or landscaping of a Lot after the initial construction of the Lot by Declarant, must be approved by the Architectural Committee in accordance with Article VII of the Community Declaration. No statements or assurances can be made by Declarant with respect to said construction of future improvements and landscaping that may have an impact upon the view of a Lot and which are approved by said Architectural Committee or are constructed on contiguous property not owned by Declarant.

ARTICLE XX

COMMUNITY ASSOCIATION

Section 20.1 Easement to Community Association. The officers, agents, employees and independent contractors of the Community Association shall have a nonexclusive easement to enter upon the Covered Property, or any portion thereof, constituting the Covered Property for the purpose of performing or satisfying the duties and obligations of the Community Association as set forth in the Community Declaration, the Community Bylaws, the Community Articles and the rules and regulations of the Community Board and the Architectural Committee.

Section 20.2 Subordination of Assessment Lien. The lien of any Assessment imposed upon any Lot pursuant to this Declaration shall be subordinate and inferior to the lien of any Assessment imposed upon such Lot pursuant to the Community Declaration.

Section 20.3 Community Association Assessments. Declarant, for each Lot which it owns within the Redhawk Community, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, does and is hereby deemed to covenant and agree to pay to the Community Association the Community Assessments imposed upon such Lots pursuant to the Community Declaration. The Community Assessments shall be levied and collected as provided in the Community Declaration.

The Association shall have responsibility for collecting Community Assessments. Such Community Assessments shall be due and payable to the Association on the same day that such Assessments would be due and payable to the Community Association. The Association shall levy late charges and upon instructions from the Community Board, interest charges against any Owner who fails to pay such Community Assessments within the time periods specified in Section 6.13.1 of the Article entitled "Late Charges" in the Community Declaration. Within three (3) business days of payment of the Community Assessments to the Association, the Association shall deliver such Community Assessments to the Community Association. The Community Board shall establish procedures for the payment by the Association to the Community Association of Community Assessments collected by the Association. Any funds collected by the Association shall be held in trust for the benefit of the Community Association. If the Association fails to pay Community Assessments to the Community Board when due, and in accordance with the provisions of any guidelines established by the Community Association in accordance with the provisions of any guidelines established by the Community Board, the Community Board may, bring any action, at law or equity, against the Association and all costs of

enforcement shall be levied as a Special Assessment against the Association. The Community Board may, upon a vote by a majority of the Community Directors, elect to terminate the obligation of any Association to collect the Community Assessments.

The Community Association, in its sole and absolute discretion, may elect to administer, levy, collect and enforce the Assessments provided for under this Declaration. All such funds collected by the Community Association shall be utilized in the manner and for the purposes specified in this Declaration and in the Community Declaration, the Community Bylaws, the Community Articles and the rules and regulations of the Community Board and the Architectural Committee.

All Community Assessments shall be payable in the amount specified by the particular Community Assessment, and no offset against such amount shall be permitted for any reason, including, without limitation, a claim that the Declarant or the Community Association is not properly exercising its duties or powers as provided for in this Declaration.

Section 20.4 Enforcement. Breach of any of the limitations, restrictions, conditions and covenants set forth in this Declaration, or the continuation thereof, may be enjoined, abated or remedied by appropriate legal proceedings by the Community Association. The Community Association shall be deemed to be a person who may enforce the provisions of this Declaration. The failure of the Community Association to enforce any of said limitations, restrictions, conditions or covenants shall not constitute a waiver of the right to enforce the same thereafter. No liability shall be imposed on, nor incurred by, the Community Association as a result of such failure. The prevailing party in any action at law or in equity instituted by the Community Association to enforce or interpret said limitations, restrictions, conditions or covenants, shall be entitled to all costs incurred in connection therewith, including without limitations, reasonable attorneys' fees.

Section 20.5 Supremacy of Community Declaration. In addition to all of the rights and obligations which have been conferred or imposed upon this Association pursuant to this Declaration, the Bylaws or the Articles, the Association shall be entitled to exercise any of the rights conferred upon it and be subject to all of the obligations imposed upon it pursuant to the Community Declaration, the Community Bylaws or the Community Articles. The Association shall also be subject to all superior rights and powers which have been conferred upon the Community Association pursuant to the Community Declaration, the Community Bylaws and the Community Articles.

a. Each Owner and such Owner's Lot(s) shall be subject to all of the covenants, conditions, restrictions and provisions

contained in the Community Declaration.

b. In the event of any conflict between any of the covenants, conditions, restrictions or provisions of this Declaration, the Bylaws or the Articles with any of the covenants, conditions, restrictions or provisions of the Community Declaration, the Community Bylaws or the Community Articles, then, in such event, the covenants, conditions, restrictions and provisions of the Community Declaration, the Community Bylaws and the Community Articles shall govern and prevail.

Section 20.6 Delegate. The Association shall appoint a Delegate to the Community Association pursuant to the terms of the Community Declaration and the Community Bylaws.

ARTICLE XXI

GOLF COURSE

Section 21.1 Golf Course Liabilities. By accepting the deed to a Lot, each Owner, for himself and his invitees, personal representatives, assigns, heirs and next of kin (collectively, the "Owner's Related Parties") hereby (a) acknowledges the potential effect on his Lot and improvements of stray golf balls and other event inherent to the activities of the Golf Course within the Redhawk Community (the "Golf Course Hazards"), (b) assumes the risk of any property damage, personal injury and/or creation or maintenance of a trespass or nuisance created by or arising in connection with the Golf Course Hazards (collectively the "Assumed Risks") and (c) releases, waives, discharges, covenants not to sue, indemnifies and agrees to hold harmless Declarant, the Association, the Association Board, the Community Association, the Community Board, the other members, and each of the respective offices, directors, shareholders, affiliates, successors and assigns of the foregoing, (collectively, the "Released Parties"), and each of them, from any and all liability to the Owner or Owner's Related Parties, for any losses, costs (including, without limitation, attorneys' fees), claims, demands, suits, judgments or other obligations arising out of or connected with any of the Assumed Risks, whether caused by the negligence of the Released Parties or otherwise. Each Owner, by acceptance of a deed, acknowledges that the Golf Course is a privately owned Golf Course and the Association or Community Association has no obligation or right to regulate or control the Golf Course. Each Owner, by acceptance of a deed, further acknowledges and agrees that Declarant, in making any reference to a Golf Course herein, makes no warranties or representations that a Golf Course will be a part of the Redhawk Community or that, if installed, a Golf Course will continue to be maintained and operated within any portion of the Redhawk Community.

ARTICLE XXII

COUNTY APPROVAL

Section 22.1 Transfer of Common Area. The Association established herein shall manage and continuously maintain the Common Area, more particularly described on Exhibit "B" attached hereto, and all Common Area annexed to this Declaration and shall not sell or transfer the Common Area, or any part thereof, absent the prior written consent of the Planning Director of the County or the County's successor-in-interest.

Section 22.2 Amendment of Declaration. This Declaration shall not be terminated, "substantially" amended or property deannexed therefrom absent the prior written consent of the Planning Director of the County or the County's successor-in-interest. A proposed amendment shall be considered "substantial" if it affects the extent, usage or maintenance of the Common Area.

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

By: J.M. PETERS COMPANY, INC.
a Nevada corporation

By: [Signature]

Its: VP

By: [Signature]

Its: VICE PRESIDENT

CERTIFICATE OF ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

On MARCH 4, 1993 before me, _____
(Date) (Name and title of officer)

C.J. Wiemann

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



OFFICIAL SEAL
C. J. WIEMANN
Notary Public - California
ORANGE COUNTY
My Commission Expires
October 22, 1993

WITNESS my hand and official seal.

C.J. Wiemann
Notary's Signature

CERTIFICATE OF ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

On MARCH 4, 1993 before me, _____
(Date) (Name and title of officer)

C.J. Wiemann

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



OFFICIAL SEAL
C. J. WIEMANN
Notary Public - California
ORANGE COUNTY
My Commission Expires
October 22, 1993

WITNESS my hand and official seal.

C.J. Wiemann
Notary's Signature

EXHIBIT "A"

LEGAL DESCRIPTION OF THE COVERED PROPERTY

Lots 10 through 15 and Lots 106 through 120,
inclusive, of Tract 23063-7, as shown by the Map
recorded in Book 243, Pages 63 through 71,
Records of Riverside County, California.

EXHIBIT "B"

LEGAL DESCRIPTION OF THE COMMON AREA

NO COMMON AREA INCLUDED IN THIS PHASE

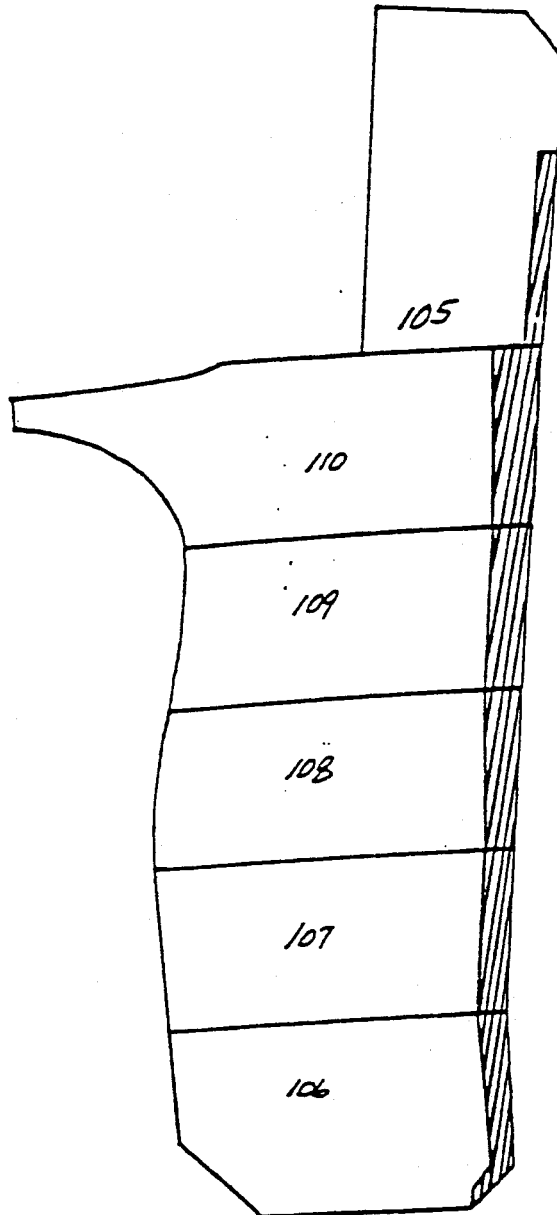
EXHIBIT "C"

PROPERTY SUBJECT TO ANNEXATION

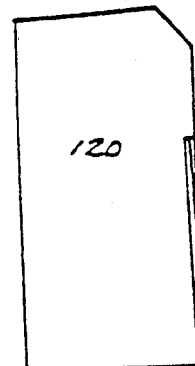
Lots 1 through 9, inclusive, and Lots 16 through 105, inclusive, and Lots 122, 123 and 128, and Lots C through N, inclusive, of Tract 23063-7, as shown by a Map recorded in Book 243, Pages 63 through 71, Records of Riverside County, California.

EXHIBIT "D"

**DEPICTION OF LANDSCAPING MAINTENANCE AND IRRIGATION
EASEMENT OVER LOTS 105, 106, 107, 108, 109, 110 AND 120**



LANDSCAPE MAINTENANCE & IRRIGATION EASEMENT



SUBORDINATION

The undersigned, beneficiary under that certain Deed of Trust recorded on August 22, 1989 as Instrument No. 89-285843 of Official Records of Riverside County, hereby consents to the within Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Rancho Serrano Homeowners Association (the "Declaration") and subordinates the lien of said Deed of Trust to the provisions of such Declaration. The undersigned was assigned all of the beneficial interest in said Deed of Trust from the Resolution Trust Corporation, as receiver for San Jacinto Savings, F.A., successor in interest to San Jacinto Savings Association, a Texas savings and loan association, pursuant to that certain Assignment of Deed of Trust dated August 11, 1992 and recorded on August 13, 1992 as Instrument No. 92-301908 of Official Records of Riverside County, California.

CAPITAL PACIFIC HOMES, INC.,
a Delaware corporation

By: [Signature]

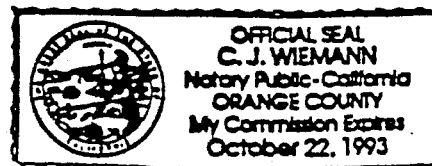
Its: President

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss.

On March 5, 1993, before me, the undersigned, a Notary Public in and for said State, personally appeared Dale Dowers, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

C. J. Wiemann



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