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MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
JESS RANCH

A Planned Community

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EXHIBIT "B" Annexation Property

EXHIBIT "C" Common Area

EXHIBIT "D" Standard Zero Lot Line Dominant and Servient Tenements

EXHIBIT "E" Modified Zero Lot Line Dominant and Servient Tenements

MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
JESS RANCH

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS is made this 23 day of November, 1985, by JESS RANCH DEVELOPMENT CO., a California limited partnership (hereinafter referred to as the "Declarant"), and GARY A. LEDFORD, a married man, as his sole and separate property ("Merchant Builder").

W I T N E S S E T H:

A. Merchant Builder is the owner of and Declarant has an interest in that certain real property located in the unincorporated area of the County of San Bernardino more commonly referred to as "Apple Valley," State of California, and more particularly described in Exhibit "A" to this Master Declaration, and that certain real property described in Exhibit "B" to this Master Declaration (hereinafter referred to as the "Annexation Property") which may, from time to time, be annexed to and become a part of the Property. Merchant Builder intends and does hereby assign all rights and obligations herein to Declarant, as more particularly set forth in this Master Declaration. Merchant Builder shall be deemed to be and shall be referred to as a "Merchant Builder," as defined below.

B. Declarant and Merchant Builder desire to develop the Property, and any additional real property which is annexed thereto pursuant to that Article herein entitled "Annexation of Additional Property," as a planned community (hereinafter collectively referred to as the "Project") consisting of attached and detached single-family homes, condominiums and apartments, together with park areas, parkways, private streets, paths, open space areas and other improvements, as more fully described below.

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

D. Declarant and Merchant Builder deem it desirable for the efficient enforcement, protection and preservation of the value, desirability and attractiveness of the Project to create a corporation, to which shall be delegated and assigned the powers

of: (1) owning, maintaining and operating the Common Area (as hereinafter defined); (2) administering and enforcing said covenants, conditions and restrictions; and (3) collecting and disbursing the Assessments hereinafter created.

E. JESS RANCH MASTER ASSOCIATION, a California non-profit, mutual benefit corporation, has been or will be incorporated under the laws of the State of California for the purpose of exercising the aforesaid powers.

F. Declarant and Merchant Builder intend to convey the Project, and any and all portions thereof, subject to the covenants, conditions and restrictions set forth hereinbelow.

NOW, THEREFORE, Declarant and Merchant Builder agree and declare that they have established, and do hereby establish, a plan for the development, maintenance, protection, improvement, use, occupancy and enjoyment of the Project, and have fixed, and do hereby fix, the covenants, conditions, restrictions, equitable servitudes, easements, reservations, liens and charges (hereinafter collectively referred to as the "Covenants") upon the Project. Each and all of the Covenants shall run with the land and shall inure to the benefit of and be binding upon Declarant and Merchant Builder, and their successors and assigns, and all subsequent owners of all or any portion of the Project, together with their grantees, successors, heirs, executors, administrators, devisees and assigns, and may be enforced by any Owner or by the Master Association.

ARTICLE I
DEFINITIONS

Section 1. "Additional Declaration" shall mean and refer to any declaration of covenants, conditions and restrictions recorded by Declarant or any Merchant Builder which shall affect any Condominium Project or Planned Development, or other portion of the Project. The provisions of any such Additional Declaration shall not conflict with the terms and provisions set forth in this Master Declaration. In the event of such conflict, the terms and provisions of this Master Declaration shall control. The Additional Declaration may impose further covenants, conditions, restrictions, easements, reservations, liens and charges as Declarant and Merchant Builders shall deem advisable, taking into account the particular nature and requirements of the property. No Additional Declaration shall be recorded without the prior written consent of Declarant.

Section 2. "Annexation Property" shall mean and refer to all of that certain real property located in the unincorporated area of the County of San Bernardino, State of California, more particularly described on Exhibit "B" to this Master Declaration, and to all Improvements constructed thereon, all or any part of which may be annexed to the Property as set forth in that Article herein entitled "Annexation of Additional Property."

Section 3. "Apartment Area" shall mean and refer to the real property which may be so classified in a Declaration of Annexation (as provided herein), and which is developed with Improvements suitable for multi-family apartment use.

Section 4. "Architectural Control Committee" shall mean and refer to the architectural committee created pursuant to the Article herein entitled "Architectural Control - Approval."

Section 5. "Articles" shall mean and refer to the Articles of Incorporation of Jess Ranch Master Association, as filed in the Office of the Secretary of State of the State of California, as such Articles may be amended, from time to time.

Section 6. "Assessments" shall be used as a generic term which shall mean and refer to the following:

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

(b) "Compliance Assessment" shall mean and refer to the charge against an Owner representing the costs incurred by the Master Association in the repair of any damage to the Common Area for which such Owner was responsible, the costs incurred by the Master Association in bringing such Owner and his Lot or Condominium into compliance with this Master Declaration, or any amount due the Master Association

based upon disciplinary proceedings against an Owner in accordance with this Master Declaration; and

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

Section 7. "Board" shall mean and refer to the Board of Directors of the Master Association, elected in accordance with the By-Laws of the Master Association and this Master Declaration.

Section 8. "By-Laws" shall mean and refer to the By-Laws of the Master Association which have been, or will be, adopted by the Board, as such By-Laws may be amended, from time to time.

Section 9. "Common Area" shall mean and refer to all the real and personal property, and Improvements which are owned at any time by the Master Association, or over which the Master Association has an easement for the use, care or maintenance thereof, for the common use, benefit and enjoyment of all Owners. The Common Area shall include, without limitation, any private storm drains, private utilities, parks, public rights-of-way, parkway areas, drainage swales, greenbelts, slopes, recreation areas, bike paths, sidewalks or other designated hardscape Improvements, and such other Improvements as may be designated, from time to time, in one (1) or more Declarations of Annexation. The Common Area in the Property is more fully described in Exhibit "C" to this Master Declaration. For purposes of this Master Declaration, the term "Common Area" shall not, unless expressly stated herein, include any portion of the Project for the primary benefit of or maintenance by Owners of Lots in a Planned Development or the Owners of Condominiums in a Condominium Project, and located within the jurisdiction of a Sub-Association.

Section 10. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Master Association for the following: (a) maintaining, managing, operating, painting, repairing and replacing the Common Area, as more fully set forth herein; (b) managing and administering the Master Association, including, but not limited to, compensation paid by the Master Association to managers, accountants, attorneys and any Master Association employees; (d) providing utilities and other services to the Common Area; (e) providing insurance, as provided for herein; (f) paying that portion of any Assessment

attributable to Common Expenses not paid by the Owner responsible for payment; (g) paying taxes for the Master Association; (h) reserves of the Master Association; and (i) paying for all other goods and services designated by, or in accordance with, other expenses incurred by the Master Association for the benefit of all Owners.

Section 11. "Condominium" shall mean and refer to an estate in real property, as defined in Section 783 of the California Civil Code, consisting of an undivided fractional fee or leasehold interest as tenants in common of the common area, a separate interest in a Condominium Unit, and such exclusive and nonexclusive easements as may be conveyed to an Owner.

Section 12. "Condominium Project" shall mean and refer to one (1) or more Lots within the Project developed as Condominiums within the meaning of Section 1350 of the California Civil Code, or any similar statute hereinafter enacted, and which is designated as such in an Additional Declaration.

Section 13. "County" shall mean and refer to the County of San Bernardino, California.

Section 14. "Declarant" shall mean and refer to Jess Ranch Development Co., a California limited partnership, and to any person or entity acquiring all of Declarant's interest in the Project (including all of Declarant's rights and obligations as created and established herein) pursuant to a written assignment from Declarant which is recorded in the Office of the County Recorder of San Bernardino County. For purposes of this Master Declaration, no Merchant Builder shall be deemed to be a "Declarant."

Section 15. "Declaration of Annexation" shall mean and refer to those certain declarations of restrictions annexing one (1) or more Phases of the Annexation Property or Common Area to the Project, in accordance with the provisions of the Article herein entitled "Annexation of Additional Property," thereby subjecting such Phase(s) or Common Area to the terms and provisions of this Master Declaration, and bringing such Phase(s) or Common Area within the jurisdiction of the Master Association.

Section 16. "Delegate" shall mean a person selected by the Members owning all of the Lots or Condominiums in a Delegate District to represent all of the Members within such Delegate District to vote on their behalf, as further provided in this Master Declaration and in the By-Laws.

Section 17. "Delegate District" shall mean an area in the Project in which all of the Members owning Lots or Condominiums therein shall elect a single Delegate to represent their collective voting power. A Delegate District may be established in one of two ways, as follows:

(a) Where a Sub-Association is to be created in the Annexation Property, the portion of the property covered by the Additional Declaration providing for the creation of the Sub-Association shall be a Delegate District; and

(b) Delegate Districts for portions of the Annexation Property not covered by any Additional Declaration providing for a Sub-Association shall be established by Declarant in this Master Declaration or upon recordation of an instrument creating such Delegate District, from time to time, all as further provided herein.

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

Section 19. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, Residences, buildings, recreational areas, tot lots, barbeque areas and related equipment, parks, parkway trails, swimming pools, spas, garages, carports, open parking areas, pavement, bicycle trails, pedestrian trails, sidewalks, private streets, driveways, theme fences, Project perimeter walls, retaining walls, monument signs, patios and patio fencing, decks and deck railing, irrigation equipment and all related facilities, exterior air conditioning, soft water fixtures, drainage swales, exterior lighting, hedges and trees, and all other landscaping.

Section 20. "Lot" shall mean and refer to a plot of land as shown upon the recorded subdivision map affecting all or any portion of the Project, and to all Improvements, including the Residence, constructed thereon. Only those plots of land which are designed and intended for the construction of a Residence and ownership by an individual Owner shall be deemed "Lots." "Lot" shall further refer to a parcel of land developed as a rental apartment project containing one (1) or more apartment buildings. "Lot" shall not mean or refer to any Common Area or Condominiums in the Project.

Section 21. "Master Association" shall mean and refer to Jess Ranch Master Association, a California nonprofit, mutual benefit corporation, in which all Owners shall have a membership interest, as more particularly described hereinbelow, provided that membership shall be limited to Owners.

Section 22. "Master Declaration" shall mean and refer to this Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements recorded on the Project, and to all amendments to this Master Declaration recorded in the Official Records of San Bernardino County, California.

Section 23. "Member" shall mean and refer to every person or entity who holds membership in the Master Association, as more particularly set forth in the Article herein entitled "The Master Association," and shall be synonymous with the term "Owner."

Section 24. "Merchant Builder" shall mean and refer to any individual, partnership, joint venture, corporation or other entity, other than Declarant, to which Declarant conveys any portion of the Project or Annexation Property for the purpose of constructing Residences and related Improvements thereon for resale to the general public. Subject to the reservation of voting rights, as provided in the Article herein entitled "The Master Association," a Merchant Builder shall be deemed to be an Owner of all Lots or Condominiums it owns and shall be subject to all of the rights and obligations of an Owner, as provided for in this Master Declaration, the Articles and the By-Laws; provided, however, that the term "Merchant Builder" shall not mean or refer to Declarant, its successors or assigns. The Merchant Builder is a "Merchant Builder" herein.

Section 25. "Mortgage" shall mean and include a duly recorded deed of trust, as well as a Mortgage encumbering a Lot or Condominium.

Section 26. "Mortgagee" shall mean and refer to a person or entity to whom a Mortgage is made, and shall include the beneficiary of a deed of trust.

Section 27. "Mortgagor" shall mean and refer to a person or entity who mortgages his or its property to another, i.e., the maker of a Mortgage, and shall include the trustor of a deed of trust.

Section 28. "Notice and Hearing" shall mean and refer to written notice and a hearing before the Board or the Architectural Control Committee of the Master Association, at which the affected Owner shall have an opportunity to be heard in the manner provided herein and in the By-Laws.

Section 29. "Owner" shall mean and refer to the record owner, or Owners if more than one (1), or the purchaser under a conditional sales contract of fee title to, or an undivided fractional fee or leasehold interest in, any Lot or Condominium in the Project. Declarant and any Merchant Builders are Owners, as more particularly set forth throughout this Master Declaration. The foregoing is not intended to include persons or entities who hold an interest in a Lot or Condominium merely as security for the performance of an obligation. The fee owner of a Lot on which apartment buildings are or may be constructed shall be deemed to be an "Owner," subject to the terms of this Master Declaration.

Section 30. "Phase" shall mean and refer to the Property or to one (1) or more Lots within the Annexation Property

which are simultaneously annexed to the Project by the recordation of a Declaration of Annexation in the Office of the County Recorder of San Bernardino County, and for which a Final Subdivision Public Report has been issued by the DRE.

Section 31. "Planned Development" shall mean and refer to one (1) or more Lots within the Project, other than a Condominium Project or a multi-family project in an Apartment Area, which may or may not be defined as a planned development in Section 11003 of the California Business and Professions Code, or any similar California statute hereinafter enacted.

Section 32. "Project" shall mean and refer to the Property and to all Improvements, including the Residences, constructed thereon, and to all portions of the Annexation Property which are annexed to the Property in accordance with the provisions of this Master Declaration.

Section 33. "Property" shall mean and refer to all of that certain real property described in paragraph A of the recitals hereinabove.

Section 34. "Residence" shall mean and refer to the individual dwelling and the related Improvements which are constructed upon the same or a separate Lot, and which are designed and intended for use and occupancy by a single family.

Section 35. "Rules and Regulations" shall mean and refer to the Rules and Regulations adopted by the Board pursuant to the By-Laws and this Master Declaration, as they may be amended, from time to time.

Section 36. "Sub-Association" shall mean any California nonprofit corporation or unincorporated association which is established to facilitate the operation of any Condominium Project or Planned Development, or other portion of the Project.

Section 37. "VA/FHA" shall mean and refer to the United States Veterans Administration and the Federal Housing Administration.

Section 38. Application of Definitions. The aforesaid Definitions shall be applicable to this Master Declaration and to any supplements or amendments hereto, filed or recorded pursuant to the provisions of this Master Declaration, unless the context shall prohibit such application.

ARTICLE II

GENERAL PLAN OF DEVELOPMENT

Section 1. Introduction. Jess Ranch has been designed by Declarant as a planned community, which, when completed, will consist of approximately four thousand (4,000) Residences, including attached and detached single-family Residences, Condominiums and apartments, together with various Common Area Improvements and related amenities. The Project will be developed in accordance with the general plan of development submitted to and approved by the VA and the FEA.

As presently scheduled, Jess Ranch is to be developed in a series of Phases over a period of approximately ten (10) years. Declarant intends to convey certain portions of the Annexation Property within Jess Ranch to Merchant Builders for the purpose of constructing Residences and related improvements on such Lots, and marketing the same to members of the general public. Declarant or any Merchant Builder, at their option, may form one (1) or more Sub-Associations for the purposes of administering and maintaining those portions of the Annexation Property; provided, however, that the terms and provisions set forth in such Additional Declarations shall not conflict with the terms and provisions set forth in this Master Declaration. The Additional Declarations may impose such further terms and provisions as Declarant or Merchant Builders may deem advisable, taking into account the particular nature of the type of housing product and specific requirements of each such Phase of the Project. In the event of any conflict between any Additional Declaration and this Master Declaration, this Master Declaration shall control. The Sub-Association shall have jurisdiction over all Lots in a Planned Development or Condominiums in a Condominium Project.

As each Planned Development or Condominium Project is developed, and any other Annexation Property developed with Residences where no Sub-Association shall be formed, Declarant or any Merchant Builder shall be obligated to annex such areas to the Project. Declarant, or with Declarant's prior consent, any Merchant Builder shall record a Declaration of Annexation of said Phase which shall serve to impose the covenants set forth in this Master Declaration upon said Phase, and subject said Phase to the jurisdiction of the Master Association. The voting rights in the Master Association, and the obligations of Owners, including Declarant or any Merchant Builder, for the payment of Assessments levied by the Master Association shall be adjusted as set forth in the Declaration of Annexation.

Section 2. Rights and Obligations of Owners. Each Owner of a Lot or Condominiums in the Project shall automatically become a Member of the Jess Ranch Master Association and shall be obligated for the payment of Assessments to the Master Associa-

tion. In addition, each Owner, his family members, tenants and invitees will be entitled to the use and enjoyment of the Common Area of the Project, including that Common Area which may be annexed to the Project pursuant to the provisions of this Master Declaration. The Master Association shall be responsible for the ownership, maintenance and operation of the Common Area of Jess Ranch.

Section 3. Declarant's Control of Development. In order that the Project be completed and established as a planned community, Declarant shall have the sole discretion and control over all aspects of construction of Residences and Improvements owned by itself or Merchant Builders, ensuring that all such construction shall be in substantial conformance with the plans and specifications approved by the VA/FHA, and over the selling and marketing of Lots or Condominiums in the Project. Further, Declarant shall have the sole discretion and control over all aspects of designing, constructing and completing all of the Common Area, and related amenities, in conformance with the plans and specifications approved by the VA/FHA. Declarant and any Merchant Builder shall have reasonable rights to maintain sales offices, model complexes, signs and displays on any portion of the Project for a period of ten (10) years from the conveyance of the first Lot or Condominium in the Property to a bona fide purchaser, or until all Lots or Condominiums in the last Phase of the Project are sold (and escrows closed), whichever later occurs, in order to market the sale, lease or other conveyance of Lots or Condominiums in the Project.

Section 4. Non-Liability of Declarant. Nothing in this Article or elsewhere in this Master Declaration shall be understood or construed to compel Declarant, or any Merchant Builder, to develop and construct any subsequent Phases of the Project. The purpose of this Article is merely to describe the proposed general plan of development for the Project, and to describe the legal relationship between the Master Association and the Sub-Associations, and to describe the legal relationship between the Property and subsequent Phases which may be annexed to the Property. Without limiting the generality of the foregoing, nothing in this Section or elsewhere in this Master Declaration shall limit the right of Declarant or any Merchant Builders to complete construction of the Project, to alter same or to construct such additional Improvements as Declarant or any Merchant Builder shall deem advisable prior to the completion and sale of all Lots or Condominiums in the Project. Declarant may assign any or all of its rights under this Master Declaration to any successor to all or any part of Declarant's interest in the Project by an express written assignment recorded in the Office of the County Recorder of San Bernardino County.

ARTICLE III
RESERVATION OF EASEMENTS AND
OTHER PROPERTY RIGHTS IN
THE COMMON AREA

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

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

(a) The right of the Master Association to reasonably limit the number of guests of Owners;

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

(c) The right of the Master Association to charge reasonable fees for admission for the use of the Common Area;

(d) The right of the Master Association to suspend the voting rights and rights and easements of use and enjoyment of the Common Area of any Member, and the persons deriving such rights and easements from any Member for any period during which any Assessment against such Member's Lot or Condominium remains unpaid and delinquent; and after Notice and Hearing, to impose monetary penalties or suspend such use rights and easements for a period not to exceed thirty (30) days for any noncontinuing violation of this Master Declaration or Rules and Regulations, it being understood that any suspension for either non-payment of any Assessments or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligations to pay Assessments as provided herein;

(e) The right of the Master Association, in accordance with its Articles, By-Laws and this Master Declaration, to borrow money for the purpose of improving the Common Area and related Improvements with the assent of sixty-seven percent (67%) of the voting power of the Master Association, excluding Declarant, and/or, subject to the terms and provisions of the Article herein entitled "Mortgage Protection," to mortgage, pledge, deed in trust or oth-

erwise hypothecate any or all of its real or personal property, as security for money borrowed or debts incurred;

(f) Subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," the right of the Master Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless (1) an instrument approving said dedication or transfer is signed by Delegates representing sixty-seven percent (67%) of the voting power of the Master Association and a certificate executed by the President and the Secretary of the Master Association evidencing such approval shall be recorded in the Office of the County Recorder for San Bernardino County, and (2) a written notice of the proposed dedication or transfer is sent to every Owner not less than fifteen (15) days nor more than thirty (30) days in advance; provided, however, that the dedication or transfer of easements for utilities or for other public purposes consistent with the intended use of the Common Area shall not require the prior approval of the Members of the Master Association;

(g) The right of Declarant and any Merchant Builders (and their sales agents, representatives and customers) to the nonexclusive use of the Common Area, and the facilities located thereon, without charge for sales, display access and exhibit purposes, which rights Declarant hereby reserves; provided, however, that such use shall cease upon the earlier of: the expiration of ten (10) years from the first close of escrow for the sale of the first Lot in the Project; or (2) the date on which neither Declarant nor any Merchant Builder owns a Lot or Condominium in the Project. Such use shall not unreasonably interfere with the rights of enjoyment of other Owners as provided herein;

(h) The right of the Master Association to grant concessions for snack bars and other commercial activities relating to the use and enjoyment of the Common Area by the Owners; provided that any such contract shall have an original term not exceeding one (1) year;

(i) The right of the Master Association to reasonably restrict access to the Common Area;

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

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

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

Section 3. Delegation of Common Area Use Rights. Any Owner who resides within the Project may delegate, in accordance with the By-Laws, his rights of use and enjoyment to the Common Area, and any recreational facilities thereon, to the members of his immediate family and any other persons residing within his Residence. In the event an Owner has rented or leased his Residence, his rights of use and enjoyment to the Common Area, and any recreational facilities thereon, shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner shall forfeit any rights of use and enjoyment to the Common Area, and any recreational facilities thereon, for the duration of such tenancy. In the event of a conditional sales contract, the seller under the contract shall be deemed to delegate his rights of use and enjoyment to the Common Area, and any recreational facilities thereon, to the purchaser under the contract.

Section 4. Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Master Association, not release his Lot, Condominium or other property owned by him from the liens and charges imposed by the Master Association by waiver of the use and enjoyment of the Common Area, and any facilities thereon, or by abandonment of his Lot, Condominium or any other property in the Project.

Section 5. Easements for Parking. Temporary guest or recreational parking shall be permitted within the Common Area only within spaces and areas clearly marked for such purpose. The Master Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Common Area in accordance with Section 22658 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement on public streets, including the removal of any violating vehicle by those so empowered.

Section 6. Easements for Vehicular and Pedestrian Traffic. In addition to the general right and easements for access, use and enjoyment granted herein, there shall be, and Declarant hereby covenants, for itself and its successors and as-

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signs, that each and every Owner shall have a nonexclusive easement appurtenant to his Lot or Condominium for vehicular and pedestrian traffic over all private streets, drives and walkways within the Project.

Section 7. Easements for Unintentional Encroachments.

In the event an Improvement to a Lot or Condominium is constructed, reconstructed or altered, in accordance with the terms and provisions of this Master Declaration, encroaches upon an adjacent Lot or Condominium by not more than two feet (2') due to unwillful placement, settling or shifting of the Improvement, there shall be an easement appurtenant to such Lot or Condominium on and over such adjacent Lot or Condominium for purposes of the encroachment.

Section 8. Easements for Utilities.

The rights and duties of the Owners of Lots or Condominiums within the Project with respect to sanitary sewer, water, electricity, gas and telephone lines, cable television (or CATV) lines and other facilities shall be governed by the following:

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

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

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

(d) In the event of a dispute between Owners respecting the repair or rebuilding of the aforesaid connections, cables and/or lines, or the sharing of the cost thereof, upon written request of one (1) of such Owners addressed to the Master Association, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

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

Section 9. Easements for Maintenance of the Common Area. In the event it becomes necessary for the Master Association to enter upon any Lot or Condominium for purposes of (a) maintaining the Common Area; or (b) bringing an Owner and/or his Lot or Condominium into compliance with this Master Declaration in accordance with the provisions set forth herein, the Master Association, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon such Owner's Lot or Condominium for the performance of such work. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by such entry, the Master Association shall repair the same at its expense. Notwithstanding the foregoing, in the event of an emergency, such right of entry shall be immediate.

Section 10. Easements for Clustered Mailboxes. In order to comply with the various requirements of the County and the United States Postal Service, mailboxes may be installed on certain Lots within the Project. Easements are hereby created on and over the affected Lots in favor of all Owners and the United States Postal Service for delivery and deposit of mail.

Section 11. Easements Over Sidewalks. Declarant hereby covenants for itself, its successors and assigns, that each and every Owner, his tenants and invitees shall have nonexclusive reciprocal easements appurtenant on and over all sidewalks located on Lots within the Project for pedestrian access, use and enjoyment.

Section 12. Easements for Drainage. There are hereby created and reserved over each Lot in the Project easements for drainage according to the patterns for drainage created by the approved grading plans for the Project, as well as according to

the actual, natural and existing patterns for drainage. Each Owner covenants and agrees that he shall not obstruct or otherwise interfere with said drainage patterns of waters from adjacent Lots in the Project over his Lot, or in the alternative, that in the event it is necessary and essential to alter said drainage pattern for the protection and use of his Lot, he will make adequate provisions for proper drainage.

Section 13. Easement for Private Recreational Facilities. Declarant hereby reserves for itself, together with the right to assign the same to others, nonexclusive easements appurtenant to the Common Area streets now or hereafter annexed to the Project for purposes of vehicular and pedestrian ingress, egress, access, use and enjoyment of such Common Area streets for access to and from that certain private recreational facility to be situated on Lot J of Tract 12796-1, and such additional private recreational facilities which may later be constructed in the Annexation Property. Such easement shall be deemed incorporated by reference in all conveyances of title to the Common Area, as more particularly set forth in Section 14 hereof.

Section 14. Title to the Common Area. Declarant hereby covenants for itself, its successors and assigns, that it will convey to the Master Association, fee simple title to or a nonexclusive easement in, the Common Area, free and clear of all liens and encumbrances, subject to the Covenants set forth in this Master Declaration or which are of record at the time of the conveyance. Declarant or any Merchant Builder, following Declarant's approval thereof, will similarly convey to the Master Association, from time to time, in fee simple or by easement, any Common Area located in the Annexation Property which is designated in this Master Declaration or in any Declaration of Annexation for conveyance to the Master Association.

Section 15. Easements for Construction and Sales. Declarant hereby reserves for itself and Merchant Builders, for a period of ten (10) years from the recordation of this Master Declaration or until all Lots or Condominiums in the Project are sold (and escrows closed), whichever occurs first, nonexclusive easements for access, ingress and egress on and over the Project to carry on normal sales activity, including the operation of models complexes and sales offices, and the display of promotional signs and exhibits in connection with the sale or lease of Lots or Condominiums in the Project.

Section 16. Reservation of Construction Rights by Declarant and Merchant Builders. In order that the Project be completed and established as a planned community, nothing in this Master Declaration shall limit the right of Declarant to: (a) complete construction of any Improvements in the Project; (b) redesign or otherwise modify the Improvements owned by Declarant

or any Merchant Builders; (c) construct such additional Improvements on any portion of the Project owned by Declarant or any Merchant Builders; or (d) otherwise control all aspects of constructing the Project or selling or leasing of Lots or Condominiums in the Project. Furthermore, nothing in this Master Declaration shall limit the right of Declarant or any Merchant Builders to establish additional licenses, easements and rights-of-way in favor of Declarant or any Merchant Builders, utility companies or others as may, from time to time, be reasonably necessary for the development of the Project. The foregoing rights established and reserved by Declarant and any Merchant Builders shall be subject only to the applicable regulations and requirements of the County, the VA and the DRE. The foregoing rights of Declarant and any Merchant Builders may be assigned to any successor to all or part of Declarant's or any Merchant Builder's interest in the Project by an express assignment recorded with the County Recorder of San Bernardino County.

Section 17: Easements in Favor of Declarant. Notwithstanding such other easements reserved herein by Declarant, Declarant further reserves for itself, its successors and assigns, nonexclusive easements on, over and across all Common Area not set aside as Restricted Common Area for the purposes of access, operation, use and enjoyment of all private recreational amenities as may be constructed by Declarant, in accordance with the preliminary development plan for Jess Ranch.

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

ARTICLE IV

THE MASTER ASSOCIATION

Section 1. Membership. Every person or entity who is an Owner, as defined in Article I above, shall be a Member of the Master Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot or Condominium in the Project merely as security for the performance of an obligation. All memberships in the Master Association shall be appurtenant to the Lot or Condominium owned by each Member, and membership in the Master Association shall not be assignable, except to the person or entity to whom the title to the Lot or Condominium has been transferred. Ownership of such Lot or Condominium shall be the sole qualification for membership in the Master Association. The memberships in the Master Association shall not be transferred, pledged or alienated in any way, except upon the transfer of title to said Lot or Condominium, and then only to the purchaser or Mortgagee of such Lot or Condominium. Any attempt to make a prohibited membership transfer shall be void and will not be reflected in the books of the Master Association. The Master Association may levy a reasonable transfer fee against new Owners and their Lots and Condominiums (which fee shall be a Compliance Assessment chargeable to such new Owner) to reimburse the Master Association for the administrative cost of transferring the memberships to the new Owners on the records of the Master Association.

Section 2. Delegate Districts and Selection of Delegates. The Project shall be divided into Delegate Districts as follows:

(a) Sub-Associations. If a Sub-Association is created for the administration of any Planned Development or Condominium Project within the Project, then the real property comprising such Planned Development or Condominium Project shall constitute a Delegate District. The election of a Delegate to the Master Association for such Delegate District shall be accomplished in the manner specified in the Additional Declaration creating such Sub-Association, or in its By-Laws; or if no such manner is specified, then the Delegate shall be elected in the manner provided in the Additional Declaration for the election of a member of the Board of Directors of the Sub-Association.

(b) Portions of the Project Without a Sub-Association. In the event that a Sub-Association is not created for any portion of the Project, then the various Delegate Districts for such portions of the Project shall be established by the Declarant, from time to time, by the recording of a written instrument signed by the Declarant containing a legal description of the portion of the Project

which shall constitute a Delegate District for purposes of this Master Declaration. The Delegate to represent any Delegate District established as set forth in this subsection shall be elected by Members holding the majority of the voting power in such Delegate District in accordance with the voting procedures set forth herein.

Section 3. Classes of Membership. Within any such Delegate District, there shall be two (2) classes of voting memberships:

Class A. Class A Members shall be all Owners, with the exception of Declarant and any Merchant Builder. Each Class A Member shall be entitled to one (1) vote for each Lot or Condominium, and with respect to an Owner of a multi-family Lot developed as rental apartments within an Apartment Area, one (1) vote for every three (3) apartment units included within any such multi-family Lot. If the allocation of votes to an Owner within such multi-family Lot creates a fraction, then the Owner shall cast one (1) entire vote for such fraction. Declarant shall become a Class A Member with respect to Lots, Condominiums or apartments owned or voted by Declarant within a Delegate District upon the conversion of Declarant's Class B membership, as provided below. When more than one (1) person or entity holds an interest in any Lot, Condominium or apartment, all such persons shall be Members. The vote for such Lot, Condominium or apartment shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot or Condominium. The Master Association shall not be required to recognize the vote or written assent of any such co-Owner, except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Master Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot or Condominium it owns, and for each Lot or Condominium for which a Merchant Builder holds an interest in said Lot or Condominium which would otherwise qualify the Merchant Builder as an Owner, as defined in Article I above. As to each such Delegate District, the Class B membership shall cease as to that Delegate District and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) When the total votes outstanding in the Class A membership in a Phase equal the total votes in the Class B membership in such Phase;

(b) Two (2) years from the date of the original issuance of the most recent Final Subdivision Pub-

lic Report by the DRE for any portion of that Delegate District; or

(c) December 31, 1995.

Section 4. Voting. Those Members appearing in the official records of the Master Association as record Owners of Lots or Condominiums located in any Delegate District shall be entitled to notice of any meeting of Members within any Delegate District. If there is more than one (1) record Owner of any Lot or Condominium, any and all Members owning such Lot or Condominium may attend any meeting of the Members, but in no event shall more than one (1) vote be cast with respect to any such Lot or Condominium. In the event of any dispute as to the entitlement of any Member to vote or the results thereof, the Board shall act as arbitrators and a decision of the Board shall, if rendered in writing, be final and binding upon the Members; provided, however, that the Board shall have no jurisdiction to determine any matters relating to the entitlement of Declarant to vote or the manner of the exercise of its vote.

Section 5. Proxies. Every Member entitled to attend, vote or exercise consents with respect to any meeting of the Members in the Delegate District may do so either in person or by proxy, duly authorized by an instrument in writing and filed with the Board of the Master Association prior to the meeting to which it is applicable. Any designation of a proxy to act for a Member may be revoked at any time by written notice to the Board or by attendance in person by such Member at the meeting for which such designation was given.

Section 6. Annual Meetings; Selection and Removal of Delegates. There shall be an annual meeting of the Members in any such Delegate District not less than ten (10) days nor more than sixty (60) days prior to every annual meeting of the Master Association. The first meeting of the Members in such Delegate District, whether annual or special, shall be held no later than forty-five (45) days after the close of escrow for the sale of a majority of the Lots or Condominiums authorized for sale under the first Final Subdivision Public Report issued by the DRE for such Delegate District, and in no event shall the first meeting be held later than six (6) months after the first close of escrow for the sale of a Lot or Condominium in such Delegate District. At the first meeting of the Members and at each subsequent annual meeting, the Members shall elect a Delegate to represent them. Said Delegate shall continue in office for one (1) year or until his successor is elected, whichever is later, unless such Delegate is removed with or without cause by the vote in person or by proxy at a duly constituted meeting of at least a majority of a quorum of the Members in such Delegate District, but in no event shall the Delegate be removed unless the votes cast in favor of

such removal equal the lesser of: (a) the number of votes which elected the Delegate to his current term, or (b) a majority of the total voting power in the Delegate District.

Section 7. Notice of Meetings. Meetings of the Members in any such Delegate District shall be held in the Delegate District, or at such other convenient location on or near the Project as may be designated in the notice of the meeting. Written notice of meetings shall state the place, date and time of the meeting, and those matters which the Board intends to present for action by the Members. Notice of any meeting at which Delegates are to be elected shall include the names of all those who are nominees at the time the notice is given to Members. The Secretary of the Master Association shall cause notice of meetings to be sent to each Member within the Delegate District no later than ten (10) days prior to such meeting. A special meeting of the Members in such Delegate District may be called at any reasonable time and place, by written request, (a) by Declarant, for so long as Declarant is the sole Class B Member, (b) by the Delegate representing Members in such Delegate District, (c) by Members in the Delegate District representing five percent (5%) of the total voting power within such Delegate District, or (d) so long as Declarant or any Merchant Builder owns any Lot in such Delegate District, by Members of the Delegate District representing fifteen percent (15%) of the voting power residing in Members, other than Declarant or any Merchant Builder. Written request for a special meeting shall be effective when delivered to the chairman of the Board, or any officer of the Master Association. The Secretary of the Master Association shall then cause notice to be given to Members entitled to vote that a meeting will be held at a time and place fixed by the Board of the Master Association not less than ten (10) days nor more than sixty (60) days after receipt of the written request. Notice of special meetings shall specify the date, time and place thereof, and the general nature of the business to be undertaken.

Section 8. Quorum. The presence at any meeting, in person or by proxy, of the Members entitled to vote at least twenty-five percent (25%) of the total votes within such Delegate District shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Members present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirements shall be the presence, in person or by proxy, of the Members entitled to vote at least twenty-five percent (25%) of the total votes within such Delegate District. A time and place for the adjourned meeting shall be fixed by those in attendance at the original meeting. Unless otherwise expressly provided, any

action authorized hereunder may be taken at any meeting at which quorum is present of such Members owning Lots in an Delegate District for which a Sub-Association has not been created, upon the affirmative vote of Members having a majority of the total voting power therein present at such meeting in person or by proxy.

Section 9. Voting by Delegates.

(a) Qualification. Each Delegate District shall elect one (1) Delegate to the Master Association to exercise the voting power of all Members in such Delegate District. The chairman of any meeting at which a Delegate is elected shall certify in writing to the Board the name, address and telephone number of the Delegate elected, and the Delegate District which the Delegate represents. Only Members of the Master Association shall be eligible for election as Delegates. If the Member is a corporation, partnership or other such entity, the authorized agent of such corporation, partnership or other entity shall be eligible for election as a Delegate. Upon the termination of any Delegate's membership in the Master Association, such Delegate's term of office shall immediately terminate and a new Delegate shall be elected in his place. Delegates may designate a substitute Delegate in the event of illness or other excuse by giving notice of such intended absence to the Secretary of the Master Association.

(b) Allocation of Delegate Votes. Each Delegate shall be entitled to cast, with respect to Lots or Condominiums (but excluding Lots within an Apartment Area), one (1) vote for each Lot or Condominium subject to this Master Declaration and located in the Delegate District represented by such Delegate. With respect to residential Lots within the Apartment Area, each Delegate shall be entitled to cast one (1) vote for every three (3) apartment units included within any Lot within the Apartment Area subject to this Master Declaration and located in his Delegate District. Each Delegate shall be entitled to cast the votes representing the Lots or Condominiums in his Delegate District with respect to each such Lot or Condominium only during such periods as the Owner of such Lot or Condominium may be entitled to cast votes for the election of a Delegate, as provided in this Master Declaration or in any Additional Declaration, whichever is applicable.

(c) Delegate Voting. All voting rights shall be subject to the Master Declaration and the By-Laws of the Master Association. Whenever a matter which the Master Declaration or the By-Laws requires to be approved by the vote of Delegates representing a majority or other specified per-

centage of the total voting power of the Master Association is presented to the Delegates for approval, the written notice of the substance of such action shall be given to the Delegates at least sixty (60) days prior to the date on which the action shall be discussed at the meeting of Delegates. During the sixty (60) day period prior to the meeting, the Delegates shall submit the action to a vote of the Members within their respective Delegate Districts. Except with respect to enforcement by the Master Association of certain bonded obligations of Declarant or any Merchant Builder, all actions shall require the approval of: (1) the specified percentage of the voting power of the Delegates, and (2) such specified percentage of the voting power of the Delegates attributable to Members, other than Declarant and all Merchant Builders. Each Delegate shall cast the votes which he represents in such manner as he may, in his sole discretion, deem appropriate, acting on behalf of all Members owning Lots or Condominiums in his Delegate District; provided, however, that in the event twenty-five percent (25%) or more of the Class A Members in such Delegate District shall determine at any duly constituted meeting of the Members in such Delegate District to instruct their Delegate as to the manner in which he is to vote on any issue to be voted on by the Delegates, then the Delegate representing such Delegate District shall cast all of the voting power in such Delegate District in the same proportion, as nearly as possible, as all of the voting Members in such Delegate District shall have voted "for" or "against" such issue, in person or by proxy. In the event that twenty-five percent or more of the Class A Members do not exercise their right to vote, then such Delegate shall vote, in his own discretion, without instruction from the Members whom he represents, and may cast all of the votes which he represents as a unit, or apportion some of the votes in favor of a given proposition and some of the votes in opposition to such proposition. It shall be conclusively presumed, for all purposes of Master Association business, that any Delegate casting votes on behalf of the Members owning Lots or Condominiums in his Delegate District will have acted with the authority and consent of all such Members. All agreements and determinations lawfully made by the Master Association, in accordance with the voting procedures established herein and in the By-Laws, shall be deemed to be binding upon all Members and Owners, and their respective successors and assigns.

Section 10. Vesting of Voting Rights. The voting rights attributable to any given Lot or Condominium in the Project, as provided for herein, shall not vest until the Assessments

provided for hereinbelow have been levied by the Master Association against said Lot or Condominium.

Section 11. Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote at any meeting of the Members in any Delegate District for any period during which such Owner is delinquent in the payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver of discharge of the Member's obligation to pay the Assessments provided for in this Master Declaration.

ARTICLE V
POWERS AND DUTIES OF THE
MASTER ASSOCIATION

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

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

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

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

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

(d) Obtain, for the benefit of the Common Area, all commonly metered water, gas and electric services, and may provide for refuse collection and cable (or master antenna) television service;

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

(f) Grant nonexclusive easements over the Common Area in favor of all Sub-Associations for the express purpose of permitting such Sub-Associations to perform their maintenance responsibilities pursuant to any Additional Declaration recorded by the Declarant or any Merchant Builder;

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

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

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

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

(k) Contract with Declarant, its successors or assigns, for the purpose of entry into a maintenance or subsidy agreement, where Assessments may be abated or Common Area may be maintained for a period of time, made by and between Declarant and the Master Association, for the purpose of reducing the financial obligations of Owners in the Project during the initial Phases of development of the Project;

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

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

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

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

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

(c) Maintain and repair all portions of the Common Area in a neat, clean, safe, attractive, sanitary and orderly condition at all times. In the event any maintenance or repairs to the Common Area are required due to the willful or negligent acts or omissions of an Owner or Owners, the Master Association shall levy the cost of such maintenance and repair as a Compliance Assessment against the Lot(s) or Condominium(s) of the responsible Owner(s);

(d) In addition to all other provisions set forth herein respecting the maintenance of the Common Area, maintain all private sewers, storm drains, private streets, if any, street signs, monument signs, theme fences and walls, sidewalks and lighting facilities located within the Common Area in a condition comparable to the condition initially approved by the County;

(e) Without limiting the generality of the foregoing, maintain and repair all Common Area and related Improvements, as set forth in the Article herein entitled "Repair and Maintenance," and as may be designated by Declarant in any recorded Declaration of Annexation;

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

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

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

(1) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than

forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year, and shall contain the following information:

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

(ii) The amount of the total cash reserves of the Master Association which are then currently available for the major repair or replacement of Common Area Improvements, and for other contingencies;

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

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

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

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

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

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

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

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

This annual report shall ordinarily be prepared by an independent certified public accountant for any fiscal year. However, if for any reason the report is not prepared by an independent certified public accountant, it shall be accompanied by the certificate of an authorized officer of the Master Association that the statements were prepared without audit from the books and records of the Master Association; and

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

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

(j) Formulate, adopt and enforce such Rules and Regulations as it may deem proper for the operation of the Common Area, as more particularly described below. Notice of adoption of any such Rules and Regulations and of any change, amendment or repeal thereof, shall be given in writing to each Member, shall be posted in a prominent place within the Common Area and shall be placed on file in the principal office of the Master Association. In the event of any conflict between such Rules and Regulations and this Master Declaration, this Master Declaration shall prevail;

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

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

(m) Within ten (10) days of the mailing or delivery of a written request from an Owner, provide said Owner with a copy of this Master Declaration, the Rules and Regulations, and the By-Laws and Articles for the Master Association, together with a true statement in writing as to the amount of any delinquent Assessments, penalties, attor-

neys' fees and other charges therein as provided by this Master Declaration or other management documents of the Board as of the date of such request. The Board may impose a fee for providing the foregoing, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents. In the case of a prospective purchaser of a Lot or Condominium, the Master Association shall make available to such prospective purchaser all of the above-referenced documentation. For purposes hereof, the term "available" shall mean available for inspection in the principal office of the Master Association during normal business hours or such other mutually agreeable arrangement.

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

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

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

Section 7. Right of Entry for Emergency. The Board, any person authorized by the Board or any Owner may enter any Lot or Condominium in the event of any emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Master Association shall repair the same at its expense.

Section 8. Right of Entry for Repairs. The Board, or any person authorized by the Board, shall have the right to enter, upon reasonable notice, any Lot or Condominium to effect necessary repairs which the Owner has failed to perform or which are necessary in connection with the repairs to the Common Area,

or an adjoining Lot or Condominium. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Master Association shall repair the same at its expense.

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

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

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

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

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

(4) A management agreement, the terms of which have been approved by the VA/FHA.

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

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

(d) Paying compensation to Directors, to Delegates or to officers of the Master Association for services performed in the conduct of the Master Association's business; provided, however, that the Board may cause a Director, Delegate or officer to be reimbursed for expenses incurred in carrying on the business of the Master Association; or

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

Section 10. Licenses, Easements and Rights of Way. The Board, for and on behalf of the Master Association, is authorized and empowered to grant such licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains and other public utility purposes over those portions of the Common Area upon which no building or other structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Area, or for the preservation of the health, safety, convenience and welfare of the Owners. Such licenses, easements and rights-of-way may be granted at any time prior to twenty-one (21) years after the death of the individuals who have signed this Master Declaration, and their issue who are in being as of the date hereof, and the right to grant such licenses, easements and rights-of-way is hereby expressly reserved.

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

Section 12. Master Association Rules and Regulations. The Board shall also have the power to adopt, amend and repeal Rules and Regulations, as it deems reasonable, which may include the establishment of a system of fines and penalties enforceable as Compliance Assessments. The Rules and Regulations shall govern such matters in furtherance of the purposes of the Master Association, including, without limitation, the use of the Common Area, signs, parking restrictions and enforcement, trash collection, minimum standards for maintenance of Lots consistent with such standards as may be set forth in this Master Declaration or adopted by the Architectural Control Committee, and any other matter which is within the jurisdiction of the Master Association; provided, however, that the Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Master Declaration, the Articles or By-Laws. A copy of the Rules and Regulations as they may, from time to time, be adopted, amended or repealed, or a notice setting forth the adoption,

amendment or repeal of specific portions of the Rules and Regulations, shall be delivered to each Owner. The Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Master Declaration, and shall be binding on the Owners and their successors in interest, whether or not actually received thereby. The Rules and Regulations, as adopted, amended or repealed, shall be available at the principal office of the Master Association to each Owner upon request. In the event of any conflict between any such Rules and Regulations and any other provisions of this Master Declaration, or the Articles or By-Laws, the provisions of the Rules and Regulations shall be deemed to be superseded.

ARTICLE VI

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant and any Merchant Builder, for each Lot or Condominium owned within the Project, hereby covenants, and each Owner of any Lot or Condominium, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Master Association: (a) Annual Assessments; (b) Special Assessments for capital improvements and such other purposes set forth herein; (c) Compliance Assessments, including, but not limited to, costs incurred by the Master Association in the repair of damage to the Common Area for which such Owner was responsible and costs incurred by the Master Association in bringing such Owner and his Lot or Condominium into compliance with this Master Declaration; and (d) such other assessments as the Master Association may periodically establish. The Annual and Special Assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot or Condominium against which each such Assessment is made. Each Annual Assessment and each Special Assessment, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall also be the personal obligation of the Owner of such property at the time when the Assessment fell due. Each Compliance Assessment levied against an Owner, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be the personal obligation of the Owner of the property at the time of the Assessment. The personal obligation for delinquent Assessments shall not pass to an Owner's successors in title unless expressly assumed by them.

Section 2. Purpose of Annual Assessments: Levy and Collection. The Annual Assessments levied by the Master Association shall be used exclusively to promote the health, safety and welfare of all Owners in the Project, and to maintain and improve

the Common Area. The Master Association, by and through the Board, shall levy and collect Assessments from the Owner of each Lot or Condominium in the Project in an amount sufficient to cover all of the Common Expenses incurred by the Master Association in connection with the performance and execution of its powers and duties set forth in this Master Declaration, the By-Laws and the Articles. Annual Assessments shall be collected on a monthly installment basis.

Section 3. Annual Assessments - Basis. Annual Assessments payable to the Master Association shall be assessed equally against all Owners of Lots and Condominiums, with the exception of an Owner of a Lot developed in the Apartment Area, who shall be charged on the basis of one (1) Assessment for every three (3) apartment units included in such Lot. In the event the allocation of Assessments to an Owner within the Apartment Area creates a fraction, then the Owner shall be obligated for a full Assessment attributable to such fraction. Each Owner's proportionate share of the Annual Assessments shall be a fraction, the numerator of which shall be the number of Lots or Condominiums owned by such Owner, and the denominator of which shall be the total number of Lots or Condominiums in the Project which are subject to assessment. Until the first day of the fiscal year immediately following the close of escrow for the sale of the first Lot or Condominium in the Project to an Owner, the maximum monthly Assessment under this Article shall be as set forth in the Master Association Budget as reviewed and approved by the DRE. From and after the first day of the fiscal year immediately following the conveyance of the first Lot or Condominium to an Owner, the maximum Annual Assessment may be increased each fiscal year by the greater of either (a) ten percent (10%), or (b) the percentage increase in the Consumer Price Index (Long Beach/Los Angeles Metropolitan Area - All Items) or other comparable index, but not to exceed twenty percent (20%) above the maximum Assessment for the previous year without the vote or written assent of a majority of the voting power of the Master Association residing in Members, other than the Declarant. From and after the first day of the fiscal year immediately following the conveyance of the first Lot or Condominium to an Owner, the maximum Annual Assessment may be increased by more than provided above only with the vote or written assent of Delegates representing a majority of the voting power of the Master Association. The Board may fix the Annual Assessment at an amount not in excess of the maximum Annual Assessment. Notwithstanding the foregoing, following the annexation of any subsequent Phase to the Project pursuant to the provisions set forth in this Master Declaration, the maximum Annual Assessment may be automatically increased (or decreased) for all Lots or Condominiums in the Project on the first day of the month fol-

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

Section 4. Special Assessments for Capital Improvements. In addition to the Annual Assessments authorized above, the Board may levy a Special Assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, replacement or repair of a capital Improvement within the Common Area, including fixtures and personal property related thereto; provided that whenever any such Special Assessment for all Lots and Condominiums exceeds five percent (5%) of the budgeted gross expenses of the Master Association, such Special Assessment shall require the affirmative vote or written assent of Delegates representing a majority of the voting power of the Master Association residing in Members, other than Declarant. Every Special Assessment shall be levied upon the same basis as that prescribed for the levying of Annual Assessments.

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

Section 6. Date of Commencement of Annual Assessments: Due Dates. The Annual Assessments provided for herein shall commence as to all Lots or Condominiums within each Phase of the Project on the first day of the month following: (a) the first conveyance of any Lot or Condominium to a bona fide purchaser; or (b) the conveyance of the Common Area in such Phase to the Master Association, whichever shall first occur. Annual Assessments for Lots improved with multi-family dwellings within an Apartment Area shall commence on the first day of the month following the month in which a certificate of occupancy is issued

for any Improvement on such Lot, but in no event, later than the first day of the eighteenth (18th) month after the close of escrow for the sale by Declarant to a Merchant Builder of such Lot. The first Annual Assessments shall be adjusted according to the number of months remaining in the fiscal year as set forth in the By-Laws. The Board shall fix the amount of the Annual Assessment against each Lot or Condominium at least thirty (30) days in advance of each Annual Assessment period. Written notice of the Annual Assessment shall be sent to every Owner subject thereto at least thirty (30) days in advance of each Assessment period. The due dates shall be established by the Board.

Section 7. Certification of Payment. The Master Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer or agent of the Master Association setting forth whether the Assessments on a specified Lot or Condominium have been paid. If a certificate states that Assessments have been paid, such certificate shall be conclusive evidence of such payment.

Section 8. Reserves. The Annual Assessments shall include reasonable amounts, as determined by the Board, collected as reserves for the future periodic maintenance, repair and replacement of all or a portion of the Common Area, or any such other purpose determined by the Board. All amounts collected as reserves shall be deposited by the Board in a separate bank account for the purposes for which they were collected, and are to be segregated from and not commingled with any other funds of the Master Association.

Section 9. Offsets and Waiver Prohibited. No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Common Area or abandonment of his Lot or Condominium, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Master Association.

Section 10. Exempt Property. The following property subject to this Master Declaration shall be exempt from the Assessments herein:

(a) All property dedicated to and accepted by any public authority;

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

(c) All Common Area.

ARTICLE VII

EFFECT OF NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE MASTER ASSOCIATION

Section 1. Effect of Non-Payment of Assessments:

Remedies of the Master Association. Any installment of an Annual, Special or Compliance Assessment not paid within thirty (30) days after the due date shall be deemed delinquent, shall be subject to reasonable late charges as may, from time to time, be established by the Board in accordance with Section 1725 of the California Civil Code, as the same may be amended, from time to time, and shall bear interest from the due date at ten percent (10%) per annum. The Board, for and on behalf of the Master Association, may commence legal action against the Owner personally obligated to pay the same, or, in the case of an Annual or Special Assessment, may foreclose the lien against his Lot or Condominium. Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California.

Section 2. Notice of Lien.

No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein, unless at least thirty (30) days has expired following 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 Lot or Condominium, and a copy thereof is recorded by the Master Association in the Office of the County Recorder of San Bernardino County. Said notice of claim must recite the name and street address of the record Owner, a good and sufficient legal description of any such Lot or Condominium, the amount claimed (which may, at the Master Association's option, include reasonable late charges as may, from time to time, be established by the Board in accordance with California law, interest on the unpaid Assessment at ten percent [10%] per annum, plus reasonable attorneys' fees and expenses of collection incurred in connection with the debt secured by said lien), and the name and address of the principal office of the Master Association. The notice shall be signed and acknowledged by the President, or Vice President, and the Secretary, or assistant Secretary, of the Master Association. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale.

Any foreclosure sale provided for above is to be conducted by the Board, its attorney or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b and 2924c of the California Civil Code, applicable to the exercise of powers of sale in Mortgages and deeds of trust, or in any other manner permitted by law. The Master Association, through duly authorized agents, shall have the power to bid on the Lot or Condominium at a fore-

closure sale, and to acquire, hold, lease, mortgage and convey the same. Any Owner, by acceptance of a deed for his Lot or Condominium, hereby expressly waives any objection to the enforcement and foreclosure of the lien in this manner.

Section 4. Curing of Default. Upon the timely curing of any default for which a notice of claim or lien was filed by the Master Association, the officers thereof 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 Master Association, but not to exceed Twenty-Five Dollars (\$25.00), to cover the costs of preparing and filing or recording such release.

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

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

ARTICLE VIII

USE RESTRICTIONS - RESIDENTIAL AREAS

The Lots or Condominiums, or Common Area, shall be occupied and used only as follows:

Section 1. Private Single Family Dwelling. With the exception of a Lot improved with apartments, each Lot or Condominium shall be used as a private dwelling for a single family and for no other purpose, except such temporary uses as shall be permitted by Declarant while the Project is being developed and Lots or Condominiums are being sold by Declarant and any Merchant Builders; provided, however, that Declarant reserves, for itself and on behalf of any Merchant Builders, the right, for a period of ten (10) years from recordation hereof or until all Lots or Condominiums in the Project are sold (and escrows closed), whichever shall first occur, to carry on normal sales activity on the Project, including the operation of models and sales offices, provided neither Declarant nor any Merchant Builder shall unreasonably interfere with any other Owner's use of the Common Area.

Section 2. Occupancy Requirements - Age Limitations. The Legislature of the State of California has found and declared that, subject to certain terms and provisions set forth in Section 51.3 of the California Civil Code, as the same may be amended, from time to time, age limitations for senior citizen housing are appropriate. The purpose of this Section is to cause the Project to be subject, at all times, to said Section 51.3 of the California Civil Code. Accordingly, each Lot or Condominium in the Project shall be occupied only by: (a) a person fifty-five (55) years of age or over ("Permissible Occupant"); (b) a spouse, regardless of age, residing with his or her Permissible Occupant spouse; and (c) the individual or individuals, regardless of age, residing with and providing physical or medical support to a Permissible Occupant. Upon the death or dissolution of marriage, or upon the hospitalization or other prolonged absence of the Permissible Occupant, any other person who was an otherwise qualified permanent resident pursuant to the provisions of this Section shall be entitled to continue in residence. The foregoing occupancy restrictions shall not be construed to prohibit any occupant from entertaining guests and invitees of any age in a Lot or Condominium, provided that such visitation shall be for a period not to exceed sixty (60) days in any calendar year. Guests over fifty-five (55) years of age shall be exempt from this provision.

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

Section 4. Conduct Affecting Insurance. Nothing shall be done or kept in any Lot or Condominium, or in the Common Area, which will increase the rate of insurance on the Common Area without the approval of the Master Association. No Owner shall permit anything to be done or kept in his Lot or Condominium, or in the Common Area, which will result in the cancellation of insurance on the Common Area or which would be in violation of any law. If, by reason of the occupancy or use of said premises by the Owner, the rate of insurance on the Common Area shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 5. Liability for Damage to the Common Area. Each Owner shall be liable to the Master Association, pursuant to the laws of the State of California, for any and all costs and expenses which may be incurred by the Master Association to repair any damage to the Common Area which may be sustained by reason of the negligence or willful misconduct of said Owner or of his family, tenants, lessees or contract purchasers, or their respective guests or invitees, whether minor or adult. After approval by a majority of the Board, any such costs and expenses shall be levied by the Board as a Compliance Assessment against such Owner's Lot or Condominium.

Section 6. Signs. Subject to the provisions of California Civil Code, Sections 712 and 713, no sign, poster, display or other advertising device of any kind shall be displayed to the public view on or from any Lot or Condominium, or the Common Area without the approval of the Master Association or the Architectural Control Committee, except such signs as may be used by Declarant for a period of time not to exceed ten (10) years from recordation hereof in connection with the development of the Project and sale of Lots or Condominiums, and except one (1) "for sale," "for lease" or "for exchange" sign of reasonable size (but not exceeding six [6] square feet) on any Lot or Condominium. All signs permitted under this Section shall conform with the County's sign ordinance, if any, and with all applicable governmental regulations.

Section 7. Maintenance of Animals Within the Project. No animals of any kind shall be raised, bred or kept in any Lot or Condominium, or in the Common Area, except one (1) common household pet, including a dog, cat or bird, may be kept in a Lot or Condominium; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose or in unreasonable numbers. Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal on the Common Area. All animals maintained in a Lot or Condominium must be kept either within an enclosure, yard or patio, or on a leash being held by a person capable of control-

ling the animal. The Master Association, upon the approval of a majority of the Board, shall have the right to prohibit maintenance of any animal within the Project which, in the opinion of the Board, constitutes a private nuisance to any other person. Every person bringing an animal upon or keeping an animal in the Project shall be liable pursuant to the laws of the State of California to each and all persons for any injury or damage to persons or property caused by such animal.

Section 8. Quiet Enjoyment. No Owner shall permit or suffer anything to be done or kept upon such Owner's Lot or Condominium which will obstruct or interfere with the rights of quiet enjoyment of the other occupants, or annoy them by unreasonable noises or otherwise, nor will any Owner commit or permit any nuisance on the premises or commit or suffer any immoral or illegal act to be committed thereon. Each Owner shall comply with all of the requirements of the Board of Health and of all other governmental authorities with respect to said premises, and shall remove all rubbish, trash and garbage from his Lot or Condominium. All clotheslines, refuse containers, woodpiles, storage boxes, tools and equipment shall be prohibited from any Lot or Condominium unless obscured from view by a fence or appropriate screen approved by the Architectural Control Committee provided for hereinbelow.

Section 9. Structural Changes. There shall be no structural alteration, construction or removal of any Residence, fence or other structure whatsoever in the Project without the prior written approval of the Board or its designated Architectural Control Committee, as required herein, except such works of construction by Declarant and any Merchant Builder during the development of the Project.

Section 10. Improvements. There shall be no construction, alteration or removal of any Improvement in the Project (other than those repairs or rebuilding permitted under the Article entitled "Damage or Destruction to the Common Area") without the approval of the Architectural Control Committee, as set forth hereinbelow. No Improvement shall be constructed upon any portion of the Common Area, other than such Improvements as shall be constructed: (a) by the Declarant (or a person or entity to whom Declarant assigns its rights as developer), (b) any Merchant Builder (provided that such Merchant Builder shall have first obtained the prior written approval of Declarant), or (c) by the Master Association as provided herein.

Section 11. Windows. No window in any Residence shall be covered in whole or in part, inside or outside, with aluminum foil, newspaper, paint, tint or any other material reasonably deemed inappropriate for such use by the Master Association.

Section 12. Commercial Activity. No Lot or Condominium in the Project shall ever be used, or caused to be used, or allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, mercantile, manufacturing, storage or other nonresidential purposes, except for the rights of Declarant and any Merchant Builders to use any portion of the Project for model home sites, sales offices and displays, and other promotional events, in accordance with the terms and provisions of this Master Declaration. The provisions of this Section shall not preclude professional and administrative occupations so long as there is no evidence of such occupations visible to or affecting the Common Area, and for so long as such occupations are in conformance with all applicable governmental ordinances. Any such use of a Lot or Condominium must be merely incidental to the use of the Lot or Condominium as a Residence.

Section 13. Parking. Except in such areas as designated by Declarant and the Board, no Owner of a Lot or Condominium in the Project shall park, store or keep any vehicle except wholly within his garage. No Owner shall park, store or keep any large commercial type vehicle, any recreational vehicle (including, but not limited to, any camper, motorhome, trailer, boat trailer, mobile home or other similar vehicle, boat, aircraft or golfcart, or any other vehicle deemed to be a nuisance by the Board) or any vehicle other than a private passenger vehicle on any street (public or private) or any other portion of the Project. The foregoing shall not include camper trucks, vans or other similar vehicles when used for everyday transportation, and are subject to approval by the Board. No Owner shall conduct major repairs or major restorations of any motor vehicle of any kind whatsoever in his garage or upon the Common Area, except for emergency repairs thereto and then only to the extent necessary to enable movement thereof to a proper repair facility. Each Owner shall maintain his garage, carport or assigned parking space such that it is readily available for parking. All garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage. In any event, all vehicles shall be parked in compliance with applicable County ordinances.

Section 14. Regulation of Parking. The Master Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Common Area in accordance with Section 22658 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement, including the removal of any violating vehicle by those so empowered.

Section 15. Open Parking. Subject to the provisions of this Master Declaration and the Rules and Regulations of the Mas-

ter Association, all open parking spaces within the Common Area shall be permanently maintained and available on a first-come, first-served basis to all guests and invitees of Owners.

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

Section 17. Declarant's Improvements. Nothing in this Article or elsewhere in this Master Declaration shall limit the right of Declarant to complete construction of any Improvements to the Common Area and/or to any Lot or Condominium owned by Declarant and any Merchant Builders, or to alter the foregoing or to construct such additional Improvements to the Common Area as Declarant deems advisable prior to completion and sale of the entire Project. The rights of Declarant under this Master Declaration may be assigned by Declarant to any successor to all or any part of Declarant's interest in the Project, as developer, by an express assignment incorporated in a recorded deed transferring such interest to such successor.

Section 18. Solar Heating. No Owner shall install any solar energy collection panels or similar equipment without the prior written approval of the Architectural Control Committee, which shall have the right to approve or disapprove the size, shape, color, materials, construction or location of such panels or equipment.

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

Section 20. Leasing. No Owner shall be permitted to rent or lease his Lot or Condominium for transient or hotel purposes or for a period of less than thirty (30) days. No Owner may rent or lease less than the entire Lot or Condominium. All rental and lease agreements shall be in writing and shall provide that the terms of such agreement shall be subject in all respects to the provisions of this Master Declaration, By-Laws and Articles, and that any failure by the tenant or lessee to comply with the terms of such documents shall constitute a default under such agreement. Other than the foregoing, there are no restrictions on the right of an Owner to rent or lease his Lot or Condominium.

Section 21. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot or Condominium, or the

Common Area, nor shall oil wells, tanks, tunnels or mineral excavations be permitted upon or in any Lot or Condominium, or the Common Area. No derrick or other structure designed for use in boring for oil, water or natural gas shall be erected, maintained or permitted upon any Lot or Condominium.

Section 22. Trash. No rubbish, trash, garbage or other waste material shall be kept or permitted upon any portion of the Project, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Lots or Condominiums only when set out for a reasonable period of time (not to exceed twenty-four [24] hours before and after scheduled trash collection hours). If trash bins are located in the trash areas in the Common Area, all Owners shall utilize such trash bins for the disposal of their trash. There shall be no outdoor fires whatsoever, except barbeques contained in appropriate receptacles therefor.

Section 23. Drainage. There shall be no interference with the established drainage pattern over any Lot or Condominium within the Project as to affect any other Lot, Condominium or the Common Area, unless adequate alternative provision is made for proper drainage and is approved in writing by the Architectural Control Committee. For purposes hereof, "established" drainage is defined as the drainage which exists at the time such Lot or Condominium is conveyed to a purchaser from Declarant or any Merchant Builder, or later grading changes that are shown on plans approved by the Architectural Control Committee.

ARTICLE IX

ARCHITECTURAL CONTROL - APPROVAL

Section 1. Exemptions From Architectural Control. Except as otherwise provided herein, all Improvements to Lots not subject to the jurisdiction of a Sub-Association shall be subject to architectural approval by the Master Association, in accordance with the provisions of this Master Declaration. Notwithstanding the foregoing, neither Declarant nor any Merchant Builder shall be required to comply with any of the provisions of this Article as they may relate to the original construction and development of the Project by Declarant or any Merchant Builder, in accordance with the plans approved by the County and VA/FHA; provided, however, if Declarant or any Merchant Builder shall desire to construct any Improvements to the exterior of a Residence after such Residence has been completed and approved by the County and VA/FHA, Declarant and any Merchant Builder shall obtain approval for such Improvements from the County and VA/FHA; and, provided further, if Declarant or any Merchant Builder shall retain a Residence for personal use, any Improvements to the exterior of such Residence shall be subject to architectural approval pursuant to this Article.

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

Section 3. Architectural Control Committee. The Architectural Control Committee is hereby authorized with the rights and powers set forth in this Article. Said Committee shall consist of not less than three (3) members nor more than five (5) members, and each initial member shall serve until the first election of the Board. In the event of the failure or inability of any member of the Architectural Control Committee to act, the remaining members shall designate a successor who shall serve for the remainder of the term of the member he replaces. The Declarant shall appoint all of the original members of the Architectural Control Committee, and replacements thereto. Further, Declarant reserves the power to appoint a majority of the members of the Architectural Control Committee until such time as Declarant

or any Merchant Builder shall have annexed to the Master Association the last Phase to be developed in the Project, or until the tenth (10th) anniversary of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. After one (1) year from the date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, the Board shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of the Lots or Condominiums in the Project have been sold, or until the tenth (10th) anniversary date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. All members appointed to the Architectural Control Committee by the Board shall be from the membership of the Master Association. Members appointed to the Architectural Control Committee by the Declarant, however, need not be members of the Master Association. No member of the Architectural Control Committee shall be liable to any person for his decisions or failure to act in making decisions as a member of the Architectural Control Committee. Declarant may, in its discretion and at any time, assign to the Master Association by written assignment its powers of removal and appointment with respect to the Architectural Control Committee, subject to such terms and conditions regarding the exercise thereof as Declarant may impose.

Section 4. Meetings of the Architectural Control Committee. The Architectural Control Committee shall meet, from time to time, as necessary to perform its duties hereunder. The Architectural Control Committee may, by a majority vote of the members thereof, delegate any of its rights and responsibilities hereunder to one (1) or more duly licensed architects, who shall have full authority to act on behalf of the Architectural Control Committee on all matters so delegated.

Section 5. Architectural Approval - Review of Plans and Specifications. The Architectural Control Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans are in conformance with and are harmonious to the exterior design and existing materials of the buildings in the Project. The Architectural Control Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Master Declaration, and perform such other duties as, from time to time, shall be assigned to it by the Board, including the inspection of construction and progress to ensure its conformance with the plans approved by the Architectural Control Committee. No construction, alteration, grading, addition, excavation, modifica-

tion, decoration, redecoration or reconstruction of an Improvement shall be commenced or maintained by any Owner until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Architectural Control Committee and approved in writing by the Architectural Control Committee. The initial address for submission of such plans and specifications, until changed by the Architectural Control Committee, shall be:

Jess Ranch Development Co.
10000 Apple Valley Road
Apple Valley, California 92307

The Architectural Control Committee shall approve the plans and specifications submitted for its approval only if it deems that:

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

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

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

plans and specifications first be approved by the Board of Directors of any Sub-Association having jurisdiction over the Lot or Condominium which is the subject of the submission.

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

Section 7. No Waiver of Future Approvals. The approval of the Architectural Control Committee to any submissions for any work done, or proposed to be done, or in connection with any other matter requiring the approval or consent of the Architectural Control Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent of any similar proposals, plans and specifications, drawings or other matters subsequently or additionally submitted for approval.

Section 8. Compensation of Members. The members of the Architectural Control Committee shall receive no compensation for services rendered, other than reimbursement by the Master Association for expenses incurred in the performance of such members' duties hereunder.

Section 9. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require, the Architectural Control Committee, by the vote or written assent of a majority of the members thereof, may allow reasonable variances as to any of the Covenants contained in this Master Declaration or provisions under the rules and regulations promulgated by the Architectural Control Committee, on such terms and conditions as it shall require; provided, however, that all such variances shall be in keeping with the general plan of development for the Project. The granting of such a variance shall not operate to waive any of the terms and provisions of this Master Declaration for any purpose, except as to the particular Lot or Condominium and particular provision hereof covered by the variance, nor shall it affect in any way the

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

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

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

Section 12. Appeal. In the event plans and specifications submitted to the Architectural Control Committee are disapproved, the party making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Control Committee. The Board shall submit such request to the Architectural Control Committee for review, and the

written recommendations of the Architectural Control Committee will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure by the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the party making such submission.

ARTICLE X

STANDARD ZERO LOT LINE LOTS

Section 1. Introduction. Certain Lots in the Project are improved with a "standard zero lot line" design. Under this system of ownership, the Residence is constructed on or within approximately one foot (1') of the actual side property line and serves as the boundary with the adjacent Lot. This system of ownership is created by the reservation and establishment of permanent easements appurtenant to the Lots to provide access for maintenance of the Zero Lot Line Walls, as defined herein. The rights and obligations of the Owners of Standard Zero Lot Line Lots, and the Owners of any other form of Lots adjoining and affected by a Standard Zero Lot Line Lot, are as set forth in this Article.

Section 2. Definitions. The following definitions shall be applicable to any and all Standard Zero Lot Line Lots located in the Project:

(a) "Boundary Wall" shall mean and refer to any nonstructural wall or fence which borders the rear boundary of a Lot or which extends between the rear boundary of a Lot and a Residence, and which serves as the boundary between Lots.

(b) "Dominant Tenement" shall mean and refer to each Standard Zero Lot Line Lot which has a Zero Lot Line Wall constructed thereon, and which has the easements appurtenant thereto over the adjoining Servient Tenement for maintenance purposes incident to the Zero Lot Line Wall, as set forth in this Article.

(c) "Servient Tenement" shall mean and refer to each Lot which is subject to the easements in favor of an adjoining Dominant Tenement for purposes incident to the Zero Lot Line Wall, as set forth in this Article.

(d) "Zero Lot Line" shall mean and refer to the side property line of a Lot on which (or within one foot [1'] of which) a Residence is located.

(e) "Zero Lot Line Wall" shall mean and refer to that certain structural wall of a Residence which is constructed substantially parallel to and on or within one foot [1'] of the Zero Lot Line, and one (1) side of which is the interior of the Residence on the Dominant Tenement and the

other side of which services as the boundary between the Dominant and Servient Tenements.

Section 3. Rules Applicable to Standard Zero Lot Line

Lots.

(a) Ownership of Zero Lot Line Walls. Each Zero Lot Line Wall, or portion thereof, shall be owned by the Owner of the Lot on which said Wall is located (the "Dominant Tenement"). Notwithstanding said vesting of ownership, all Zero Lot Line Walls constitute party walls, and the rights and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of Zero Lot Line Walls shall be as set forth herein.

(b) Maintenance of Zero Lot Line Walls. The Owner of the Dominant Tenement shall paint, maintain and repair the Zero Lot Line Wall (including that portion which faces the Servient Tenement) in a neat, clean, safe and attractive condition at all times, and shall bear all costs thereof. Notwithstanding the foregoing, in the event that any Zero Lot Line Wall is damaged due to the fault of the Owner of the Servient Tenement, or any member of his family, guests or invitees, such that any painting, maintenance or repairs are required, said Owner shall promptly cause said work to be performed to the reasonable satisfaction of the Owner of the Dominant Tenement, and shall bear all costs thereof. The Owner of the Servient Tenement may landscape, in an attractive manner, or similarly decorate the side of the Zero Lot Line Wall facing his Lot, and shall have an easement for ingress and egress on, over, under and through the adjoining Dominant Tenement up to a distance of twelve inches (12") from the Zero Lot Line for such purposes. In no event, however, may the Owner of the Servient Tenement paint or drive nails, screws, bolts or other objects into a Zero Lot Line Wall, or permit or suffer anything else to be done to such Wall which would tend to damage, alter or impair the structural integrity of such Wall. Further, the Owner of the Servient Tenement shall not, under any circumstances, erect, build, plant or otherwise install any Improvement of any kind within four feet (4') of the Zero Lot Line which would unreasonably impede or interfere with the necessary maintenance and repairs to the Zero Lot Line Wall by the Owner of the Dominant Tenement, or impair the structural integrity of such Wall.

(c) Easement for Maintenance and Repair of Zero Lot Line Walls. The Owner of the Dominant Tenement shall have an easement for ingress, egress and access on, over and across that portion of the Servient Tenement as may be reasonably required by the Owner of the Dominant Tenement to

maintain, paint, repair and/or restore his Zero Lot Line Wall. The Owner of the Dominant Tenement may perform such work during reasonable daylight hours. Except in the case of a bona fide emergency, the Owner of the Dominant Tenement shall give the Owner of the Servient Tenement at least twenty-four (24) hours prior notice of such work. In the event of an emergency, such entry may be made at any time and without notice. Under all circumstances, the Owner of the Dominant Tenement shall use his best efforts to minimize the duration of the work and the inconvenience to the Owner of the Servient Tenement. The Owner of the Dominant Tenement shall not be liable for any damage to any Improvement or other landscaping located within four feet (4') of the Zero Lot Line, which damage is reasonably and necessarily occasioned by such work.

(d) Destruction of Zero Lot Line Walls. In the event any Zero Lot Line Wall is destroyed by fire or other casualty, the Owner of the Dominant Tenement shall be solely responsible for rebuilding same. The cost of such work shall be borne in accordance with the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions.

(e) Alterations. No additions, alterations, repairs or restoration to any Walls shall be commenced, erected or maintained until the plans and specifications showing the nature, kind, shape, height, materials, location and approximate cost of same shall have been approved in writing by the Architectural Control Committee and by the County, if necessary.

(f) Indemnification by Dominant Tenement Owner. Each Owner of a Dominant Tenement shall indemnify and save the Owner of the respective Servient Tenement harmless from and against any and all liability arising out of or otherwise resulting from any negligent act or omission of the Owner of the Dominant Tenement relating to the exercise of its rights or the performance of its obligations hereunder.

(g) Indemnification by Servient Tenement Owner. Each Owner of a Servient Tenement shall indemnify and save the Owner of the respective Dominant Tenement harmless from and against any and all liability arising out of or otherwise resulting from any negligent act or omission of the Owner of the Servient Tenement relating to the exercise of its rights or the performance of its obligations hereunder.

(h) Boundary Walls. Ownership of each Boundary Wall, or portion thereof, shall be vested in the Owner of the Lot upon which said Wall, or portion thereof, is located. Notwithstanding said vesting of ownership, the rights

and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of the Boundary Walls shall be as set forth herein.

(i) Maintenance of Boundary Walls. The Owner of each Standard Zero Lot Line Lot shall maintain any Boundary Wall located upon his Lot in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. Wherever a Boundary Wall serves as the boundary between two (2) or more Lots in the Project, the Owners of such Lots shall share equally in the cost and responsibility of such maintenance. Notwithstanding the foregoing, if any Boundary Wall is damaged or destroyed as the proximate result of any act or omission of any Owner, or any member of his family, guests and/or invitees (without regard to fault), so as to deprive the adjoining Owner of the full use and benefit thereof, such Owner shall rebuild said Wall and shall bear all of the costs thereof. If any Boundary Wall is damaged or destroyed by some other cause, other than the act or omission of an adjoining Owner, all Owners whose Lots adjoining such Wall shall rebuild same and share equally in the cost thereof. Each Owner shall maintain any Boundary Wall for which he is responsible in a uniform color scheme, and may construct, erect, raise, remove or otherwise alter any such Boundary Wall only in accordance with the provisions of that Article herein entitled "Architectural Control - Approval."

(j) Legal Relationships. The relationship between the Standard Zero Lot Line Lots and other Lots in the Project as Dominant and/or Servient Tenements for purposes of this Article is set forth on Exhibit "D" attached hereto and incorporated herein by this reference.

Section 4. Right to Contribution. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to and shall run with the land, and shall be binding upon the Owners, and their successors, assigns and grantees.

ARTICLE XI
MODIFIED ZERO LOT LINE WALLS
AND EASEMENTS

Section 1. Introduction. Certain Lots are improved with a "modified zero lot line" design, where each Residence is situated upon its respective Lot in such a manner as to create a front yard, back yard and a side yard. Under this system of ownership, the Residence is constructed substantially parallel to and within approximately four feet (4') of the side property line, as shown on the recorded Tract Map, but actually serves as the effective boundary with an adjoining Lot. As described in this Article, this design utilizes two (2) types of boundary walls and fences: Zero Lot Line Walls and Decorative Walls, which are described and defined hereinbelow. The rights and responsibilities of all Owners with respect to Zero Lot Line Walls and Decorative Walls shall be as set forth in this Article.

Section 2. Zero Lot Line Walls. The particular structural wall of a Residence which is located upon the "effective" Lot line shall be referred to as a "Zero Lot Line Wall." Zero Lot Line Walls serve as the effective boundary between certain contiguous and adjacent Lots in the Project. Each Residence shall be constructed with its Zero Lot Line Wall located parallel to the actual property line between said Lots. The zero lot line system of ownership is created by the establishment of permanent easements appurtenant to the Lots, as more particularly described hereinbelow.

Section 3. Establishment of Zero Lot Line Easements. In order to create and establish a zero lot line system of ownership within the Project, Declarant shall create, establish and reserve permanent and perpetual easements appurtenant to certain Lots (hereinafter referred to as the "Dominant Tenements") on, over and across those certain portions of their respective adjacent Lots (hereinafter referred to as the "Servient Tenements"); which are more particularly shown and explained on Exhibit "E." Said easements shall be used for landscaping purposes only, and shall be subject to each and all of the covenants set forth in this Master Declaration.

Section 4. Ownership of Zero Lot Line Walls. Ownership of each Zero Lot Line Wall shall be vested in the Owner of the Servient Tenement upon which the Zero Lot Line Wall is located. Notwithstanding said vesting of ownership, the rights and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of the Zero Lot Line Walls shall be as set forth herein.

Section 5. Maintenance of Zero Lot Line Walls. The Owner of the Servient Tenement shall paint, maintain, and repair the Zero Lot Line Wall, including that portion which faces the

Dominant Tenement Owner's Lot, in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. Notwithstanding the foregoing, in the event any painting, maintenance or repair is required due to the fault of the Owner of the Dominant Tenement, the Owner of the Dominant Tenement shall promptly cause said work to be performed and shall bear all costs thereof.

Section 6. Use and Maintenance of Easement Areas.

Each Dominant Tenement Owner shall have the right and responsibility to landscape and otherwise maintain the Easement Area appurtenant to his Lot in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. Said Owner shall not, however, plant any tree, shrub or other landscaping upon the Easement Area which would: (a) impair or otherwise threaten the structural integrity of any adjacent Residence; or (b) interfere with the Servient Tenement Owner's right of access, as more particularly set forth hereinbelow. Neither the Dominant Tenement Owner nor the Servient Tenement Owner shall construct, install or erect any Improvement upon any Easement Area, except as expressly permitted by the Architectural Control Committee. The Owner of the Dominant Tenement shall not drive any nail, screw or other object into the Zero Lot Line Wall or otherwise damage the appearance or structural integrity thereof.

Section 7. Servient Tenement Owner's Access Rights.

The Owner of the Servient Tenement shall have an easement for ingress, egress and access on, over and across the Easement Area and the Dominant Tenement Owner's Lot as may be reasonably necessary to allow the Owner of the Servient Tenement to paint, maintain and repair the Zero Lot Line Wall and his Residence. Except in the case of a bona fide emergency, the Owner of the Servient Tenement shall give the Owner of the Dominant Tenement at least twenty-four (24) hours prior written notice of his intention to enter upon the Dominant Tenement Owner's Lot and the Easement Area, and shall perform all necessary work during reasonable daylight hours. In the event of an emergency, such entry may be made at any time and without notice. Under all circumstances, the Owner of the Servient Tenement shall use his best efforts to minimize the duration of the work and the inconvenience to the Owner of the Dominant Tenement.

Section 8. Indemnification by Dominant Tenement

Owner. Each Owner of a Dominant Tenement shall indemnify and save the Owner of the respective Servient Tenement harmless from and against any and all liability arising out of or otherwise resulting from any negligent act or omission of the Owner of the Dominant Tenement relating to the exercise of its rights or the performance of its obligations hereunder.

Section 9. Indemnification by Servient Tenement Owner. Each Owner of a Servient Tenement shall indemnify and save the Owner of the respective Dominant Tenement harmless from and against any and all liability arising out of or otherwise resulting from any negligent act or omission of the Owner of the Servient Tenement relating to the exercise of its rights or the performance of its obligations hereunder.

Section 10. Decorative Walls. Any wall or fence which:
(a) generally parallels the street in front of any Zero Lot Line Residence or connects any such front wall and the Residence, or
(b) borders the side yard of any Zero Lot Line Lot on a corner Lot is referred to in this Master Declaration as a "Decorative Wall."

Section 11. Ownership of Decorative Walls. Ownership of each Decorative Wall, or portion thereof, shall be vested in the Owner of the Lot upon which said Wall, or portion thereof, is located. Notwithstanding said vesting of ownership, the rights and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of the Decorative Walls shall be as set forth herein.

Section 12. Maintenance of Decorative Walls. The rights and responsibilities of the Owners of Zero Lot Line Lots with respect to the maintenance and repair of Decorative Walls shall be as follows:

(a) Corner Lot Side Walls. The Owner of each Zero Lot Line Lot on a corner Lot shall maintain any Decorative Wall located along his side yard in a neat, clean, safe, sanitary and attractive condition at all times, shall perform all structural repairs and shall bear all costs thereof.

(b) Front Walls. As a result of the Zero Lot Line system of ownership, that portion of any Decorative Wall which bounds the Easement Area portion of any Servient Tenement Lot is of primary benefit to the Owner of the Dominant Tenement to which such Easement Area is appurtenant. Accordingly, each Owner shall maintain and perform all structural repairs of any Decorative Wall, or portion thereof, which bounds any Easement Area appurtenant to such Owner's Lot. Each Owner shall keep his respective Decorative Walls in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. Each Owner shall remain secondarily liable for the maintenance of any Decorative Wall, or portion thereof, located upon such Owner's Lot for which the Owner of an adjacent Lot is primarily responsible, pursuant to this paragraph. In the event it becomes necessary for such Owner to perform any maintenance for which he is only secondarily liable, said Owner shall have a

right of indemnification for all costs incurred in the performance of such maintenance from the Owner who is primarily liable.

Notwithstanding the foregoing, in the event any maintenance or repair is required due to the fault of any other Owner, such Owner shall bear all the costs of such maintenance. Each Owner shall maintain any and all Decorative Walls for which he is primarily responsible in a uniform color scheme and may construct, erect, raise, remove or otherwise alter any such Wall, including any portion thereof which is owned by an adjacent Lot Owner, only in accordance with the provisions of that Article herein entitled "Architectural Control - Approval."

Section 13. Boundary Fences. Any wall or fence which borders the rear boundary of any Lot or which extends between the rear boundary and a Residence is referred to in this Master Declaration as a "Boundary Fence." Ownership of each Boundary Fence, or portion thereof, shall be vested in the Owner of the Lot upon which said Fence, or portion thereof, is located. Notwithstanding said vesting of ownership, the rights and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of the Boundary Fences shall be as set forth herein.

Section 14. Maintenance of Boundary Fences. The Owner of each Zero Lot Line Lot shall maintain any Boundary Fence located upon his Lot in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. In the event any such Boundary Fence serves as the effective boundary between two (2) or more Lots in the Project, the Owners of such Lots shall share equally in the cost and responsibility of such maintenance. Notwithstanding the foregoing, in the event any maintenance or repair is required due to the fault of any other Owner, such Owner shall bear all costs of such maintenance. Each Owner shall maintain any Boundary Fence for which he is responsible in a uniform color scheme and may construct, erect, raise, remove or otherwise alter any such Boundary Fence only in accordance with the provisions of that Article herein entitled "Architectural Control - Approval."

Section 15. Right of Contribution. The right of any Owner to contribution from any other Owner for work performed pursuant to this Article shall be appurtenant to and shall run with the land, and shall be binding upon the Owners and their successors, assigns and grantees.

ARTICLE XII
COMMON WALLS

Section 1. Introduction. Each Owner has a vested interest in the continued maintenance and repair of the system of "Common Walls" within the Project. For purposes of this Article, "Common Wall" shall mean and refer to any fence or wall, or portion thereof, which is located substantially parallel to and within approximately two feet (2') of the boundary line separating two (2) Residential Lots, and which serves as the boundary between said Lots, including, but not limited to, a wall, or portion thereof, which comprises a part of any Residence or garage. "Common Wall" shall not, however, mean or refer to any fence or wall, or portion thereof, which serves as a boundary between a Residential Lot and any Common Area Lot. Each Owner's rights and obligations with respect to the Common Walls is set forth hereinbelow.

Section 2. Ownership of Common Walls. Ownership of each Common Wall, or portion thereof, shall be vested in the Owner of the Lot upon which the Common Wall, or portion thereof, is located. Notwithstanding said vesting of ownership, the rights and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of the Common Walls shall be as set forth hereinbelow.

Section 3. Maintenance of Common Wall Surfaces. The Master Association shall be responsible for the painting and maintenance of the exterior of all Residences in the Project, as more fully set forth in that Article herein entitled "Obligation to Maintain." Each Owner shall maintain the side of any fence or wall, or portion thereof, which faces his Lot in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. Each Owner may landscape, in a neat and attractive way, the side of any exterior Common Wall, or portion thereof, which faces his Lot, and may paint, wallpaper, panel or similarly decorate the interior of any Common Wall, or portion thereof, which comprises a portion of such Owner's Residence or patio. No Owner shall drive nails, screws, bolts or other objects more than half way through any Common Wall, interfere with the adjacent Owner's use and enjoyment of the Common Wall, or impair in any way the structural integrity of the Common Wall.

Section 4. Structural Maintenance of Common Walls. The structural maintenance of Common Walls shall include, but not be limited to, such repair, restoration and/or periodic replacement as is reasonably necessary to maintain the Common Walls in a neat, safe and structurally sound condition at all times. Where a Common Wall, or portion thereof, comprises a portion of one (1) Residence or garage only, it shall be the obligation of the Owner of such Residence or garage to structurally maintain such Wall,

or portion thereof, and to bear all costs thereof. Where a Common Wall, or portion thereof, comprises a portion of two (2) Residences or garages, it shall be the mutual obligation of the Owners of each such Residence or garage to structurally maintain such Wall, or portion thereof, and to share equally in the costs thereof. Where a Common Wall, or portion thereof, does not comprise a portion of any Residence or garage, it shall be the mutual obligation of the Owners of each of the adjacent Residential Lots to structurally maintain such Wall, or portion thereof, and to share equally in the costs thereof. Notwithstanding the foregoing, in the event any structural maintenance is required due to the willful or negligent acts or omissions of any Owner, such Owner shall bear the cost thereof.

Section 5. Easements Regarding Placement of Common Walls. There shall be a permanent easement appurtenant to the land for the placement of all Common Walls, where such Walls were originally installed by Declarant, regardless of whether such Walls are located precisely upon the boundary separating two (2) Residential Lots. In addition, in the event a Common Wall, or portion thereof, is not located upon the actual boundary line, but is located substantially parallel to and within two feet (2') of the boundary line separating two (2) Residential Lots, such that a portion of one (1) Owner's Lot is located upon an adjacent Owner's side of the Common Wall, there shall be a permanent easement appurtenant to the adjacent Lot on, over and across the surface of that portion of the first Owner's Lot which is located between the boundary line and the Common Wall.

Section 6. Easements for Repair of Common Walls. Each Owner of a Residential Lot shall have an easement over each adjacent Lot as reasonably necessary to allow such Owner to maintain the Common Walls in accordance with the provisions set forth herein. Such Owner shall give the Owner of the adjacent Lot twenty-four (24) hours prior notice of the work to be done, and shall perform such work during reasonable daytime hours, except in case of emergency, in which case such work may be performed at any time and without prior notice. The Owner performing the work shall use best efforts to minimize the inconvenience to the Owners of the adjacent Lots when performing the work.

Section 7. Right to Contribution. The right of any Owner to contribution from any other Owner for work performed pursuant to this Article shall be appurtenant to and shall run with the land, and shall be binding upon the Owners and their successors, assigns and grantees.

Section 8. Disputes. In the event of a dispute between the Owners of adjacent Lots with respect to any of the matters set forth in this Article, the Owner of either Lot may sub-

mit the matter to the Board, whose decision shall be binding upon the Owners of both Lots.

ARTICLE XIII

REPAIR AND MAINTENANCE

Section 1. Repair and Maintenance by the Master Association. Without limiting the generality of the Article herein entitled "Powers and Duties of the Master Association," the Master Association shall have the duty to maintain, in a neat, clean, safe, sanitary, attractive and orderly condition at all times, the following upon the Common Area as designated in this Master Declaration, or in any subsequent Declaration of Annexation which may be recorded, from time to time:

(a) Maintain, repair, restore, replace and make necessary improvements to all Common Area and Improvements located thereon, which shall include, without limitation, all of the following:

(1) All private walkways, bicycle paths, pedestrian paths and trails located on the Common Area;

(2) All drainage swales, greenbelts, storm drains and other drainage facilities, landscape berms and easements located within the Common Area;

(3) All septic tanks as may be installed by Declarant during the course of construction of the Project in a clean and sanitary condition at all times;

(4) All major and minor park and recreation areas within the Project, including, without limitation, all athletic fields and related equipment and amenities, and picnic/barbeque areas located therein;

(5) All entry area treatments along Apple Valley Road, and any and all other secondary entries to the Project;

(6) Exterior surfaces (defined to mean the side fronting any public right-of-way or the Common Area) of those theme fences and walls surrounding the perimeter of the Project;

(7) The parkways, including, without limitation, all pedestrian trails, adjacent landscaping and lighting facilities; and

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

Section 2. Relationship With Sub-Associations. For purposes of this Master Declaration, a Sub-Association shall be deemed responsible for the maintenance or other obligations, if any, of Lots or Condominiums if an Additional Declaration, re-

corded by Declarant or a Merchant Builder, designates such area within the Project to be maintained by such Sub-Association. The members of a Sub-Association shall not amend any such Additional Declaration to terminate or modify the maintenance responsibilities of such Sub-Association without the prior written approval of the Board of the Master Association. In the event that any Owner or Sub-Association shall permit any Improvement, which is the responsibility of such Owner or Sub-Association to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, the Board, after consulting with the Architectural Control Committee, and after affording the Owner of such property, or the Board of Directors of such Sub-Association, Notice and Hearing, the Master Association shall have the right, but not the obligation, to correct such condition, and to enter upon such Owner's Lot or such common area for the purpose of doing so, and such Owner or Sub-Association, as the case may be, shall promptly reimburse the Master Association for the cost thereof. Such cost may be levied by the Master Association as a Compliance Assessment enforceable in the manner as set forth in this Master Declaration.

Section 3. Repair and Maintenance by Owners. Except as the Master Association shall be obligated to repair and maintain, as has been provided in this Master Declaration, and except as a Sub-Association shall be obligated to maintain the Lots or Condominiums within its jurisdiction, every Owner shall:

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

(b) Install, within ninety (90) days after conveyance of title to a Lot to an Owner (other than a Merchant Builder), the landscaping of his Lot in a neat and attractive condition, including all necessary landscaping and gardening, to properly maintain and periodically replace, when necessary, the trees, plants, grass and other vegetation originally placed on such Lot by Declarant or any Merchant Builder, if any. The foregoing shall not include that landscaping to be maintained by the Master Association, or a Sub-Association pursuant to an Additional Declaration. The Board may adopt Rules and Regulations proposed by the Architectural Control Committee to regulate landscaping permitted within the Project. In the event that any Owner shall fail to install and maintain landscaping in conformance with the Rules and Regulations, or shall allow his landscaping to de-

teriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board, after Notice and Hearing, may enter such Owner's property for the purpose of remedying the condition, and such Owner shall promptly reimburse the Master Association for the cost thereof. Such cost may be levied by the Board as a Compliance Assessment.

Section 4. Damage and Destruction Affecting a Residence - Duty to Rebuild. Subject to the terms of any Additional Declaration affecting Residences, in the event any Residence is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of such Residence to repair or reconstruct said Residence in a manner which will restore it to its condition and appearance immediately prior in time to such damage or destruction, or as otherwise approved by the Architectural Control Committee. The affected Owner shall be obligated to proceed, with all due diligence hereunder, and shall be responsible for commencing reconstruction within three (3) months after the damage occurs, and completing such reconstruction as soon as reasonably possible thereafter.

ARTICLE XIV

DAMAGE OR DESTRUCTION TO THE COMMON AREA

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

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

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

(c) If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of total repair and reconstruction to the Common Area, the Owners shall, by the written consent or vote of Delegates repre-

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

Section 2. Election by Owners Not to Restore Damaged Common Area.

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

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

(c) In the event the Owners shall have so voted not to rebuild the Common Area, unless the County shall agree to the contrary, it shall be the obligation of the Master Association and each of the Owners to rebuild the private streets, utilities and open spaces, at least to the extent said streets, utilities and open spaces were accepted initially by the County in lieu of payment of fees due pursuant to law.

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

Section 4. Notification by Master Association of Defects. The Board agrees that in the event of any alleged defect in any improved Common Area for which the Master Association alleges that Declarant may be responsible, the Board will provide Declarant with written notice of such defect and will grant De-

clarant a reasonable opportunity to repair, replace or otherwise cure such defect. The Master Association agrees that Declarant, or its authorized agents, and not the Master Association shall determine the material and methods to be used in effecting such repair, replacement or cure. In accordance with the condition described in the preceding sentence, the Master Association agrees to provide Declarant, or its authorized agents, a reasonable opportunity to repair or replace any defective material or workmanship upon the Master Association's discovery of the same.

ARTICLE XV

CONDEMNATION

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

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

ARTICLE XVI

COVENANT AGAINST PARTITION

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

ARTICLE XVII

INSURANCE

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

(a) Casualty and Fire Insurance. A policy or policies of casualty and fire insurance with extended coverage endorsement for the full replacement value (without deduction for depreciation) of the Common Area, together with all Improvements located thereon. Said policies shall be maintained for the benefit of the Master Association, the Owners and their respective Mortgagees, as their interests may appear.

(b) Public Liability Insurance. A policy or policies of comprehensive public liability insurance (with cross-liability endorsement, if obtainable) insuring the Master Association, the Board, the Owners and the Declarant, and the agents and employees of each of the foregoing, against any liability to the public or to any Owner, his family, invitees and/or tenants, arising from or incident to the ownership, occupation, use, maintenance and/or repair of the Common Area. The limits of liability under this Section shall be set by the Board and shall be reviewed at least annually by the Board, and increased or decreased at the discretion of the Board; provided, however, that said limits shall not be less than One Million Dollars (\$1,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence; and provided further, that if the Federal Home Loan Mortgage Company (FHLMC) and/or the Federal National Mortgage Association (FNMA) participate in the financing of Lots or Condominiums in the Project, said limits shall not be less than the minimum limits required under the then current FHLMC and/or FNMA regulations.

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

of the Master Association, or twenty-five percent (25%) of the estimated annual operating expenses of the Project, including reserves, whichever is greater.

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

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

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

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

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

Section 6. Premiums, Proceeds and Settlement. Insurance premiums for all blanket insurance coverage and any other insurance coverage which the Board has determined is necessary to protect the interests of the Master Association, the Owners and their respective Mortgagees, shall be a Common Expense to be in-

cluded in the Annual Assessments levied by the Master Association. All insurance proceeds paid to the Master Association shall be disbursed as follows: (a) in the event of any damage or destruction to the Common Area, such proceeds shall be disbursed in accordance with the provisions of the Article herein entitled "Damage or Destruction to the Common Area"; and (b) in the event of any other loss, the proceeds shall be disbursed as the Board shall deem appropriate subject to the limitations set forth in the Article herein entitled "Mortgagee Protection." The Master Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) Directors of the Master 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 Master Association and its Members.

Section 7. Rights and Duties of Owners to Insure.

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

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

ARTICLE XVIII

MORTGAGEE PROTECTION

Section 1. Mortgagee Protection Provisions. Notwithstanding any other provisions in this Master Declaration to the contrary, in order to induce the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), and other lenders and investors, to participate in the financing of the sale of Lots or Condominiums in the Project, the following provisions contained within this Article are added hereto, and to the extent these added provisions conflict with any other provisions in this Master Declaration, these added provisions shall control. The Master Declaration, the Articles and the By-Laws for the Master Association are hereinafter collectively referred to in this Article as the "constituent documents."

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

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

(c) Except as provided by statute in case of condemnation or substantial loss to the Lots or Condominiums, and/or the Common Area, unless sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written

approval, neither the Master Association nor the Owners shall be entitled to:

(1) Change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner's Lot or Condominium;

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

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

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

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

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

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

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

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

naming the Mortgagees, as their interests appear, as additional insureds.

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

(g) Each holder, insurer or guarantor of a first Mortgage who has filed with the Master Association a written request for notice shall be entitled to timely written notice of: (1) any condemnation or eminent domain proceeding, and any loss or taking resulting from such proceeding which affects the Project, or any portion thereof; (2) any substantial damage or destruction to the Project, or any portion thereof, when such loss exceeds Ten Thousand Dollars (\$10,000.00); (3) any default in the performance by an individual Owner of any obligation under the constituent documents, including, without limitation, the nonpayment of Assessments, which is not cured within sixty (60) days after the Master Association learns of such default, which notice shall state the length of time which such Owner has been delinquent; (4) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Master Association; (5) any abandonment or termination of the Project; and (6) any proposed action that requires the consent of a specified percentage of eligible Mortgagees.

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

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

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

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

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

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

Section 2. Violation of Mortgagee Protection Provisions. No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, the Master Association or any Owner in the Project may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation and/or to recover damages; provided, however, that any such violation shall not defeat or render invalid the lien of any Mortgage or deed of trust made in good faith and for value. Said covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee's sale or otherwise.

ARTICLE XIX

ANNEXATION OF ADDITIONAL PROPERTY

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

Section 1. Phased Development of the Project. As set forth in Article II herein entitled "General Plan of Development," Declarant intends to develop the Project in a series of Phases, each of which may be annexed to the Project. However, Declarant is under no obligation to continue development of the Project. In addition, Declarant may elect to annex some or all future Phases in any given order and at any given time. No annexation hereunder shall be effective unless the procedures set forth in this Article have been executed.

Section 2. Annexation Pursuant to General Plan. All or any part of the real property described as Annexation Property in the Article herein entitled "Definitions," and described in Exhibit "B" to this Master Declaration, may be annexed to the Property and added to the scheme of this Master Declaration and be subjected to the jurisdiction of the Master Association without the assent of the Master Association or its Members, provided and on condition that:

(a) Any annexation pursuant to this Section shall be made prior to three (3) years from the date of the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Project;

(b) The development of the Annexation Property shall be in substantial conformance with the overall general plan of development for the Project originally submitted to and approved by the County, the DRE and VA/FHA with the processing papers for the Project; further, detailed plans for the development of each Phase shall have been submitted to and approved by VA/FHA prior to its annexation; and

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

Section 3. Annexation Pursuant to Approval. Upon obtaining the approval in writing of the Master Association, pursuant to the vote or written assent of Delegates representing sixty-seven percent (67%) of the total voting power of the Master Association Members, the owner of any property who desires to annex said property to the scheme of this Master Declaration and to subject it to the jurisdiction of the Master Association may file or record a Declaration of Annexation, as described in Section 4 of this Article.

Section 4. Declaration of Annexation. The annexation of additional property authorized under this Article shall be made by filing of record a Declaration of Annexation, or similar

instrument, covering said additional property, and the Declaration of Annexation shall expressly provide that the scheme of this Master Declaration shall extend to such additional property. The Declaration of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Master Declaration which are necessary to reflect the different character, if any, of the Annexation Property, and which are not inconsistent with the general scheme of this Master Declaration. Except as set forth in this Section, no Declaration of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Master Declaration. All Declarations of Annexation shall be approved as to form by Declarant, in writing, prior to recordation thereof.

Section 5. Effective Date of Annexation. Notwithstanding anything to the contrary herein, any annexation pursuant to the provisions of this Article shall be effective only upon the close of escrow for the sale of the first Lot or Condominium in a Phase of the Project which has been annexed.

Section 6. Amendments to Declarations of Annexation. Notwithstanding any other provisions in this Master Declaration to the contrary, a Declaration of Annexation may be amended by the requisite affirmative vote of Members (and first Mortgagees, if applicable), as set forth in the Article herein entitled "General Provisions," in only the annexed property described in said Declaration of Annexation, rather than all Members (and first Mortgagees, if applicable) in the Project, on the following conditions: (a) such amendment applies only to the annexed property described in said Declaration of Annexation; and (b) such amendment shall in no way contradict, revoke or otherwise alter any of the covenants set forth in this Master Declaration.

Section 7. Right of De-Annexation. Declarant hereby reserves the right to de-annex any property which may be annexed to the Property pursuant to this Master Declaration, and to delete said property from the scheme of this Master Declaration and from the jurisdiction of the Master Association, provided and on condition that the de-annexation shall be made prior to the closing of the sale of the first Lot or Condominium in the Phase to be de-annexed, and a draft of the Revocation of Declaration of Annexation has been submitted to and approved by the VA/FHA.

ARTICLE XX

ENFORCEMENT OF BONDED OBLIGATIONS

Section 1. 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 by the DRE, and the Master Association is obligee under a bond or other arrangement (hereinafter referred to as the "Bond") to secure a performance of the commitment of Declarant to complete such improvements, the following provisions shall apply:

(a) The Board shall consider and vote on the question of action by the Master 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 Master Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

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

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

ARTICLE XXI

APARTMENT AREA OWNERSHIP

Section 1. Delegation of Vote. The Owner of any multi-family Lot(s) in an Apartment Area, in its sole discretion, may, from time to time, delegate its votes in the Master Association to the tenants of its apartment units in whatever manner it deems advisable, provided that the Owner of the apartments shall notify the Board of such delegation. Any fractional votes created by such a delegation may be rounded off by the Owner of the apartments, so long as the total vote delegated does not exceed the amount such Owner is entitled, pursuant to the Article herein entitled "The Master Association."

Section 2. Applicability of Master Declaration. An Apartment Area Owner shall be considered an "Owner," as defined in this Master Declaration, and the real property upon which said apartments are located shall be considered a "Lot" with respect to the provisions of this Master Declaration.

Section 3. Payment of Assessments. Each Owner of apartments in the Project shall pay all Assessments in accordance with the Article herein entitled "Assessments."

Section 4. Delegation of Use. An Apartment Area Owner may delegate its right of enjoyment in and to the Common Area to tenants of its apartment units, and such tenants may further delegate such rights of enjoyment to the members of the tenants' families and the tenants' bona fide guests (subject to the Rules and Regulations pertaining to guests as are applied to other Members).

Section 5. Conversion of Apartments. An Apartment Area Owner, in its sole discretion, may elect to convert its portion of the Apartment Area to a Condominium Project or Planned Development, pursuant to all applicable ordinances and laws affecting such conversions. of the California Civil Code. In such event, the Owners of Lots or Condominiums in such converted apartment buildings shall all be "Owners," as defined in this Master Declaration, and shall be assessed at the same rate as other Owners, shall have the same voting rights as other Class A members of the Master Association, and shall be subject to all other terms and provisions of this Master Declaration in the same manner as other Members.

ARTICLE XXII

GENERAL PROVISIONSSection 1. Enforcement.

(a) The Master Association or the Owner of any Lot or Condominium in the Project, including the Declarant, shall have the right to enforce, by proceedings at law or in equity, all of the covenants now or hereafter imposed by this Master Declaration and the By-Laws, respectively (and the Rules and Regulations duly adopted by the Master Association), including, without limitation, the right to prosecute a proceeding at law or in equity against the person or persons who have violated or are attempting to violate any of said covenants, to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

(b) The result of every act or omission whereby any of the covenants contained in this Master Declaration or the provisions of the By-Laws are violated, in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance shall be applicable against every such result and may be exercised by any Owner, by the Master Association or by its successors in interest.

(c) The remedies herein provided for breach of the covenants contained in this Master Declaration or the provisions of the By-Laws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

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

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

(f) The Board, for and on behalf of the Master Association, may assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend said Owner's voting rights and right to use the recreational facilities, if any, for the period during which any Assessment against said Owner's Lot or Condominium remains unpaid; provided, however, the requirements for Notice and Hearing set

forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(g) The Board, for and on behalf of the Master Association, may, after Notice and Hearing, temporarily suspend an Owner's voting rights and right to use the recreational facilities for a period not to exceed thirty (30) days for any infraction of the Master Association's published Rules and Regulations; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

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

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

Section 3. Term. The covenants set forth in this Master Declaration shall run with and bind the Project, and shall inure to the benefit of the Master Association and be enforceable by the Board or the Owner of any land subject to this Master Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Master Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by Delegates representing sixty-seven percent (67%) of the voting power of the Master Association, agreeing to terminate said covenants and restrictions, in whole or in part, has been recorded within one (1) year prior to the termination of the initial fifty (50) year term or within one (1) year prior to the termination of any successive ten (10) year period.

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

Section 5. Singular Includes Plural. Whenever the context of this Master Declaration may so require, the singular

shall include the plural, and the masculine shall include the feminine and neuter.

Section 6. Amendments. This Master Declaration may be amended only by an affirmative vote of Delegates representing not less than sixty-seven percent (67%) of both the Class A and Class B voting power of the Master Association. As long as there is Class B membership, any amendments to this Master Declaration shall require the prior approval of the VA. At such time when the Class B membership shall cease and be converted to Class A membership, any and all amendments to this Master Declaration shall be enacted by requiring the vote or written assent of Delegates representing both: (a) sixty-seven percent (67%) of the total voting power of the Master Association, and (b) sixty-seven percent (67%) of the votes of Members, other than the Declarant; provided, however, that the percentage of the voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision. In addition, in the event that FNMA participates in the financing of Lots or Condominiums in the Project, the written consent of not less than sixty-seven percent (67%) of the first Mortgagees shall be required for any amendment which affects or purports to affect any of the following:

- (a) The legal status of the Project as a planned development;
- (b) Voting rights;
- (c) Assessments, including the levy and collection thereof, enforcement provisions for nonpayment and subordination of liens for nonpayment;
- (d) Responsibility for Common Area maintenance;
- (e) Reserves for maintenance, repair and replacement of Common Area;
- (f) Insurance or fidelity bonds;
- (g) Common Area use rights;
- (h) Boundaries of any Lot or Condominium;
- (i) Ownership interest in Common Area;
- (j) Encroachment by Improvements into Common Area, or by Common Area into individual Lots or Condominiums;
- (k) Leasing of Lots or Condominiums;
- (l) Restrictions on alienation, including, but not limited to, rights of first refusal;
- (m) Mortgagee protection provisions as set forth in that Article hereinabove entitled "Mortgagee Protection," and such other provisions in this Master Declaration for which the consent of Mortgagees shall be required or which are expressly for the benefit of Mortgagees, insurers or guarantors of Mortgages; and

(n) Annexation or de-annexation of additional property to or from the Project.

Notwithstanding the foregoing, in the event any first Mortgagee receives a written request from the Board to approve any amendment to this Master Declaration, and such first Mortgagee does not deliver a negative response in writing to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved such proposed amendment. This amendment provision shall not be amended to allow amendments by less than the percentages set forth hereinabove. An amendment made in accordance with the provisions set forth hereinabove shall be effective when executed by the President and Secretary of the Master Association who shall certify that the amendment has been approved by the membership and, where appropriate, by the first Mortgages, in the percentages set forth hereinabove and recorded in the Office of the County Recorder for San Bernardino County. Upon such recordation, the amendment shall be effective and binding upon all Owners and all Mortgagees, regardless of whether such Owner or such Mortgagee consented to such amendment.

Section 7. Encroachments. None of the rights and obligations of the Owners created herein or by the deed shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful conduct of said Owner.

Section 8. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by registered or certified mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Master Association for the purpose of service of such notice, or to the Lot or Condominium of such person if no address has been given to the Master Association. If such notice is not sent by regular mail, it shall be deemed to have been delivered when received. Such address may be changed, from time to time, by notice in writing to the Master Association.

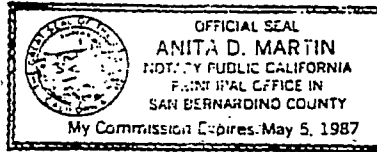
Section 9. Attorneys' Fees. If any Owner defaults in making a payment of Assessments or in the performance or observance of any provision of this Master Declaration, and the Master Association has obtained the services of an attorney in connection therewith, the Owner covenants and agrees to pay to the Master Association any costs or fees incurred, including reasonable

STATE OF CALIFORNIA)
)
COUNTY OF San Bernardino) ss.

On November 23, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared GARY A. LEDFORD, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person that executed the within instrument as a general partner on behalf of JESS RANCH DEVELOPMENT CO., the limited partnership therein named, and acknowledged to me that the limited partnership executed the same.

WITNESS my hand and official seal.

Anita D. Martin
Signature of Notary Public



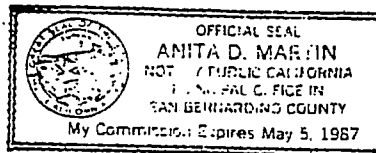
(SEAL)

STATE OF CALIFORNIA)
)
COUNTY OF San Bernardino) ss.

On November 23, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared GARY A. LEDFORD, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same.

WITNESS my hand and official seal.

Anita D. Martin
Signature of Notary Public



(SEAL)

attorneys' fees, regardless of whether legal proceedings are instituted. In case a suit is instituted, the prevailing party shall recover the cost of the suit, in addition to the aforesaid costs and fees.

Section 10. Property Exemption. All public property within the Project shall be exempt from the provisions of this Master Declaration.

Section 11. Additional Covenants in Favor of the VA. So long as there is Class B membership in the Master Association, the following actions shall require the prior approval of the VA: annexation of additional property, mergers and consolidations, any Special Assessments and any amendment to this Master Declaration.

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

"DECLARANT"

JESS RANCH DEVELOPMENT CO.,
a California limited partnership

BY:

Gary A. Leford
GARY A. LEFORD
A General Partner

"MERCHANT BUILDER"

BY:

Gary A. Leford
GARY A. LEFORD,
a married man, as his sole and
separate property