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**MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
THE BRIDGES AT RANCHO SANTA FE
A PLANNED RESIDENTIAL DEVELOPMENT**

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 AND RESERVATION OF EASEMENTS
 FOR
THE BRIDGES AT RANCHO SANTA FE

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**MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
THE BRIDGES AT RANCHO SANTA FE**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND RESERVATION OF EASEMENTS is made by HCC INVESTORS, LLC, a Delaware limited liability company ("Declarant").

P R E A M B L E:

A. Declarant is the Owner of real property ("Phase 1") in the County of San Diego, State of California, described on Exhibit "G," attached to this Declaration and incorporated herein by this reference.

B. Declarant has deemed it desirable, for the efficient preservation of the attractiveness, desirability, assets and amenities in the Properties (as hereinafter defined), to create a "master planned community" (as defined in Section 2792.32 of Title 10 of the California Code of Regulations) which is also a "planned development," within the meaning of Section 1351(k) of the California Civil Code, pursuant to the Davis-Stirling Common Interest Development Act. The Properties are planned to constitute a "subdivision," as defined in Section 11000 of the California Business and Professions Code, containing two or more product types constructed by two or more Merchant Builders (as defined herein). The general plan for development of the Properties will include a corporation formed pursuant to the California Nonprofit Mutual Benefit Corporation Law to which will be assigned the powers of (1) owning, maintaining and administering the Master Common Area, (2) administering and enforcing the Restrictions, and (3) collecting and disbursing the assessments and charges hereinafter created. Declarant will or has caused such corporation, the Members of which will be the Owners of Lots in the Properties, to be formed to exercise such powers, as required by Section 1363 of the California Civil Code.

C. Declarant intends to develop and convey all of the Properties pursuant to a general plan and subject to the protective covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, liens and charges set forth herein, pursuant to the Davis-Stirling Common Interest Development Act. Declarant alone may execute, acknowledge and Record a Supplemental Master Declaration affecting solely a Phase of Development, so long as Declarant owns all of the real property to be affected by such Supplemental Master Declaration. Such Supplemental Declaration shall not conflict with the provisions of this Master Declaration, but may impose further conditions, covenants and restrictions for the operation, protection and maintenance of that Phase of Development.

D. Declarant hereby declares that the Properties shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the easements,

restrictions, reservations, rights, covenants, conditions and equitable servitudes contained in this Master Declaration, all of which are for the purpose of enhancing and protecting the attractiveness and desirability of the Properties, in furtherance of a comprehensive, general plan for the protection, maintenance, subdivision, improvement and sale of the Properties or any portion thereof. The covenants, conditions, restrictions, rights, reservations, easements and equitable servitudes set forth herein (i) shall run with and burden the Properties and shall be binding upon all Persons having or acquiring any interest in the Properties or any part thereof, their heirs, successors and assigns; (ii) shall inure to the benefit of every portion of the Properties and any interest therein; (iii) shall inure to the benefit of and be binding upon Declarant, Merchant Builders, and their respective successors-in-interest, each Owner and each Owner's successors in interests; and (iv) may be enforced by Declarant, any Merchant Builder, any Owner and the Master Association.

ARTICLE I

1. Definitions.

Unless otherwise expressly provided, the following words and phrases when used herein have the following specified meanings.

1.1. Annexable Territory.

Annexable Territory means the real property described in Exhibit "C" attached hereto and incorporated herein by this reference (excepting Phase 1 therefrom), all or any portion of which may be made subject to this Master Declaration pursuant to the provisions of Article XVI hereof.

1.2. Articles.

Articles means the Articles of Incorporation of the Master Association as amended or restated. A copy of the initial Articles is attached hereto as Exhibit "A."

1.3. Assessment, Annual.

Annual Assessment means a charge against the Owners and their Lots, representing a portion of the Common Expenses, and other assessment components, which are to be levied as provided herein.

1.4. Assessment, Capital Improvement.

Capital Improvement Assessment means a charge which the Board may levy against the Owners and their Lots, representing a portion of the cost to the Master Association for installation or construction of any capital Improvements on any of the Master Common Area. Such charge shall be levied in the same proportion as Annual Assessments.

1.5. Assessment, Reconstruction.

Reconstruction Assessment means a charge which the Board may levy against the Owners and their Lots, representing a portion of the Master Association's cost to reconstruct any Improvements on the Master Common Area. Such charge shall be levied in the same proportion as Annual Assessments.

1.6. Assessment, Special.

Special Assessment means a charge against a particular Owner directly attributable to, or reimbursable by, that Owner, equal to the cost incurred by the Master Association for corrective action performed pursuant to the Restrictions, or a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Special Assessments as provided for herein. Special Assessments shall not include any late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Master Association in the collection of Annual, Capital Improvement or Reconstruction Assessments.

1.7. Beneficiary.

Beneficiary means a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust and the assignees of such Mortgagee or Beneficiary.

1.8. Board or Board of Directors.

Board or Board of Directors means the Board of Directors of the Master Association.

1.9. Budget.

Budget means a written, itemized estimate of the Master Association's income and Common Expenses prepared pursuant to the Bylaws.

1.10. Bylaws.

Bylaws means the Bylaws of the Master Association as adopted by the Board initially in the form of Exhibit "B" attached hereto, as amended or restated.

1.11. Close of Escrow.

Close of Escrow means the date on which a deed is Recorded conveying a Lot pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the DRE. Among other exempt transfers, the term "Close of Escrow" herein shall not include the Recordation of a deed (i) between Declarant and (a) any successor to any rights of Declarant hereunder or (b) any Merchant Builder, or (ii) between Merchant Builders.

1.12. Common Area.

Common Area means that area within any portion of the Properties designated in a Project Declaration as "common area" (as defined in Section 1351(b) of the California Civil Code) for the primary benefit of or maintenance by the Owners within a particular Project or Planned Development within the Properties.

1.13. Common Expenses.

Common Expenses means, subject to the provisions of Section 5.4 of this Master Declaration, those expenses for which the Master Association is responsible under this Master Declaration, excepting Special Benefit Expenses, including the actual and estimated costs of: maintaining, managing, operating, repairing and replacing the Master Common Area, including any Public Property; unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments; managing and administering the Master Association including, but not limited to,

compensation paid by the Master Association to managers, accountants, attorneys and other consultants and employees; all utilities, landscaping, trash pickup and other services benefiting the Master Common Area; maintaining clustered mailboxes and street identification signs; fire, casualty and liability insurance, worker's compensation insurance, and other insurance covering the Properties and the directors, officers and agents of the Master Association; bonding the members of the management body; taxes paid by the Master Association; amounts paid by the Master Association for discharge of any lien or encumbrance levied against the Master Common Area, or portions thereof; all Reserves; Master Association's Shared Expenses incurred and to be paid under the terms of the Shared Use Agreement, defined below; and all other items incurred by the Master Association for any reason whatsoever in connection with the Properties, for the common benefit of the Owners.

1.14. Community Benefit Facility.

Community Benefit Facility means the operation and maintenance of any Improvement or community facility of any kind, or any activity, located within or in proximity to the Properties, as more fully described in the Shared Use Agreement defined below. There is no Community Benefit Facility in Phase 1, but will be created in one or more subsequent Phases of Development by Declarant's recording of a Notice of Addition, pursuant to Sections 16.1 and 16.4 hereof, which describes such Improvement, facility or activity. The cost of such Community Benefit Facility shall be shared by the Master Association and the owner of the Golf Course Property pursuant to the terms of the Shared Use Agreement.

1.15. County.

County means the County of San Diego in the State of California, and its various departments, divisions, employees and representatives. If any portion of the Properties become a part of an incorporated city, then the term "County" includes the city in which the Properties are located.

1.16. Course Owner.

Course Owner means the owner of fee title to the Golf Course Property, and any agent or lessee of such owner responsible for the operation and maintenance of the Golf Course Property.

1.17. Declarant.

Declarant means HCC Investors, LLC, a Delaware limited liability company, its successors and any Person to which it shall have assigned certain specific rights hereunder, in whole or in part, by express written assignment. Any such assignment may include some or all of the rights of the Declarant and may be subject to such conditions or limitations as HCC Investors, LLC may impose in its sole and absolute discretion. As used in this Section, "successor" means a Person who acquires Declarant or substantially all of its assets, or who merges with Declarant, by sale, merger, reverse merger, consolidation, partnership reorganization, sale of stock or assets, operation of law or otherwise.

1.18. Dedicated Master Common Area.

Dedicated Master Common Area means any portion of the Master Common Area which is subject to an unaccepted offer of dedication to a Local Governmental Agency for public access,

use or maintenance. Dedicated Master Common Area may include parks; trails, other recreational or open space amenities, landscaping areas or other Improvements. Dedicated Master Common Area specifically excludes Public Property (as defined herein) which is the maintenance responsibility of the Master Association. Dedicated Master Common Area shall be maintained and used by the Master Association and the Owners in the same manner as all other Master Common Area until the offer of dedication is accepted, whereupon (i) the Dedicated Master Common Area shall be maintained by the accepting Local Governmental Agency and shall be available for use by the general public, and (ii) the Dedicated Master Common Area shall no longer constitute a part of the Master Common Area.

1.19. Deed of Trust.

Deed of Trust means a Mortgage as defined herein.

1.20. DRC.

DRC means the Design Review Committee created pursuant to Article VIII hereof.

1.21. DRE.

DRE means the California Department of Real Estate or such successor governmental agency 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 hereafter enacted.

1.22. Entry Drive.

Entry Drive means that portion of Lot 32 as shown on the map of Tract No. 4569-1, or as shown or described in any resubdivision, certificate of compliance, lot line adjustment or other instrument reconfiguring Lot 32. The Entry Drive is subject to the Shared Use Agreement, defined below. The Entry Drive shall not constitute Master Common Area until it is conveyed in fee simple, in one or more conveyances, to the Master Association and is so designated by Declarant in a Notice of Addition. The cost of Entry Drive operation and maintenance shall be shared by the Master Association.

1.23. Family.

Family means (a) one or more natural persons related to each other by blood, marriage or adoption, or (b) a group of natural persons not all so related, but who maintain a common household in a Residence on a Lot.

1.24. FHLMC.

FHLMC means the Federal Home Loan Mortgage Corporation created by Title II of the Emergency Home Finance Act of 1970, and its successors.

1.25. Fiscal Year.

Fiscal Year means the fiscal accounting and reporting period of the Master Association selected by the Board.

1.26. FNMA.

FNMA means the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and its successors.

1.27. GNMA.

GNMA means the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and its successors.

1.28. Golf Course Property.

Golf Course Property means the real property adjacent to the Properties which is operated as a golf course, and which may include a clubhouse and related recreational facilities. The Golf Course Property is more particularly described in the Shared Use Agreement, defined below and attached hereto as Exhibit "D."

1.29. Improvement.

Improvement means any structure or appurtenance thereto, including, but not limited to, Residences, garages and other buildings, walkways, sprinkler pipes, recreational facilities, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, stairs, decks, landscaping, antennae, the paint on all exterior surfaces, hedges, windbreaks, patios and patio covers, railings, plantings, planted trees and shrubs, poles, signs, storage areas, exterior air conditioning and water-softening fixtures or equipment.

1.30. Local Governmental Agency.

Local Governmental Agency means the City, the County and any other local or municipal governmental entity or agency including, without limitation, any special assessment district, maintenance district or community facilities district.

1.31. Lot.

Lot means any residential lot or parcel of land shown upon any Recorded subdivision map, certificate of compliance, or parcel map of any portion of the Properties at the time of the commencement of Annual Assessments for such lot or parcel (as the boundaries of such lot or parcel may be modified by any Recorded lot line adjustment or certificate of compliance), together with Improvements, if any, thereon, but excepting any Common Area or Master Common Area. The number of Lots existing in any Phase of Development at the time of the commencement of Annual Assessments for such Phase shall not be reduced by the subsequent legal merger (pursuant to California Government Code Section 66499.20^{3/4}) of two or more contiguous Lots under common ownership, for purposes of calculating and allocating (i) Memberships as described in Section 3.3 hereof, (ii) Class A votes as described in Section 4.1.1 hereof, and (iii) Annual, Capital Improvement, Special and Reconstruction Assessments as described in Section 6.1 hereof. Lot also means a condominium as defined in Sections 783 and 1351(f) of the California Civil Code. Any such condominium in a Phase of Development annexed to this Master Declaration by the Recordation of a Notice of Addition shall be defined as a Lot for purposes of this Master Declaration.

1.32. Maintenance Funds.

Maintenance Funds means the accounts created for Master Association receipts and disbursements pursuant to Article VI hereof.

1.33. Manager.

Manager means the Person, firm or agent employed as an independent contractor by the Master Association to perform functions of the Master Association, as limited by the Restrictions and the terms of the agreement between the Master Association and said Person.

1.34. Master Association.

Master Association means The Bridges Community Association, a California nonprofit corporation (formed pursuant to the California Nonprofit Mutual Benefit Corporation Law), its successors and assigns. The Master Association is an "association" as defined in Section 1351(a) of the California Civil Code.

1.35. Master Common Area.

Master Common Area means all the real property and Improvements which are owned in fee simple, by an access and maintenance easement, by lease or by encroachment permit or license by the Master Association, as defined in Section 1351(b) of the California Civil Code, and any Public Property, as defined below. Master Common Area Improvements are intended to include, without limitation, certain walls, certain drainage Improvements and easement areas, certain private streets, sidewalks, landscaped parks, parkways and medians, slopes, trails, and natural open space and fuel modification zone landscaping, which are located on real property designated by Declarant as Master Common Area within the Properties, within adjacent Public Property, or within real property adjacent to the Properties over which the Master Association has an access and maintenance easement. There is no Master Common Area within Phase 1. The Master Association and its Members shall have access easements over the Entry Drive and other Lots or portions of Lots within the Annexable Territory; however, these access easements over the Entry Drive and other Lots shall not constitute Master Common Area until the fee simple interest, or easements for maintenance, are conveyed to the Master Association and are so designated by Declarant in a Notice of Addition. Additional Master Common Area may be annexed to the Properties pursuant to Article XVI hereof.

1.36. Master Declaration.

Master Declaration means this instrument as amended or restated.

1.37. Member, Membership.

Member means any Person holding a Membership. Membership means the property, voting and other rights and privileges of Members as provided in the Restrictions, together with the correlative duties and obligations contained therein.

1.38. Merchant Builder.

Merchant Builder means a Person who acquires a portion of the Properties for the purpose of developing such portion for resale to the general public and who is designated by Declarant as a

Merchant Builder in a Recorded document; provided, however, that the term "Merchant Builder" shall not mean Declarant.

1.39. Mortgage.

Mortgage means any Recorded mortgage or deed of trust or other conveyance of one or more Lots or other portion of the Properties to secure the performance of an obligation, which will be reconveyed upon the completion of such performance.

1.40. Mortgagee, Mortgagor.

Mortgagee means a Person to whom a Mortgage is made and includes the Beneficiary of a Deed of Trust. Mortgagor means a Person who mortgages his or her Lot to another (*i.e.*, the maker of a Mortgage), and includes the Trustor of a Deed of Trust. The term "Trustor" is synonymous with the term "Mortgagor" and the term "Beneficiary" is synonymous with the term "Mortgagee."

1.41. Notice and Hearing.

Notice and Hearing means written notice and a hearing before the Board as provided in the Bylaws.

1.42. Notice of Addition.

Notice of Addition means an instrument Recorded pursuant to Article XVI hereof to annex additional real property to the Properties.

1.43. Oversight Period.

Oversight Period means that period of time commencing on the date of Recordation of this Master Declaration and extending until the earlier to occur of (i) Close of Escrow for the sale of three hundred (300) Lots in the Properties or (ii) ten (10) years following the first Close of Escrow for the sale of a Lot pursuant to a transaction requiring the issuance by the DRE of a Public Report.

1.44. Owner.

Owner means the Person or Persons, including Declarant and Merchant Builders, holding fee simple or long-term ground leasehold interest of Record to any Lot which is part of the Properties. The term "Owner" includes a seller under an executory contract of sale but excludes Mortgagees. For purposes of this Master Declaration, a "long-term ground leasehold interest" means a leasehold interest having an initial term of ten (10) years or longer.

1.45. Person.

Person means a natural individual or any other entity with the legal right to hold title to real property.

1.46. Phase 1.

Phase 1 means all of the real property described in Exhibit "G" of this Master Declaration.

1.47. Phase of Development.

Phase of Development or Phase means (i) Phase 1, (ii) any portion of the Properties covered by a Notice of Addition for which a Public Report has been or will be issued by the DRE, unless otherwise defined in such Notice of Addition, or (iii) any portion of the Properties designated as a Phase of Development in a Recorded Notice of Addition (including all amendments thereto) governing such property.

1.48. Planned Development.

Planned Development means a "planned development" as defined in Section 1351(k) of the California Civil Code, or any similar California statute hereafter enacted, and all property designated in the Project Declaration for such Planned Development as additional "phases of development" if such Planned Development is developed in phased increments.

1.49. Project Association.

Project Association means any California nonprofit corporation or unincorporated association, or its successors, established in connection with a Project Declaration, the membership of which may be composed of Owners of Lots within a Planned Development, or within a Condominium Project as defined in Section 1351(f) of the California Civil Code, within the Properties.

1.50. Project Declaration.

Project Declaration means any declaration of covenants, conditions and restrictions, or similar document, which solely affects a specified portion of the Properties.

1.51. Properties.

Properties means Phase 1, together with such portions of the Annexable Territory which are described in a Notice of Addition. The Properties are a "common interest development" and a "planned development" as defined in Sections 1351(c) and 1351(k), respectively, of the California Civil Code.

1.52. Public Property.

Public Property means all median strips, slopes, berms, landscaping, parks, trails, sidewalks, intersection plazas and irrigation and drainage systems on public property designated by a Local Government Agency for maintenance by the Master Association pursuant to this Master Declaration, any Notice of Addition, any agreement or Recorded map.

1.53. Public Report.

Public Report means a Final Subdivision Public Report issued by DRE in compliance with Sections 11000 *et seq.*, of the California Business and Professions Code, or any similar California statute hereafter enacted.

1.54. Record, File, Recordation.

Record, File, or Recordation means, with respect to any document, the recordation or filing of such document in the office of the San Diego County Recorder.

1.55. Reserves.

Reserves means those Common Expenses for which Master Association funds are set aside pursuant to Article VI of this Master Declaration and Section 1365.5 of the California Civil Code for funding the periodic painting, maintaining, repairing and replacing of the major components of the Master Common Area which would not reasonably be expected to recur on an annual or more frequent basis, such amounts to be determined annually by the Board pursuant to maintenance cost guidelines established in accordance with prudent property management practices generally applied for a "common interest development" (as defined in Section 1351(c) of the California Civil Code) throughout the geographic region in which the Properties are located.

1.56. Residence.

Residence means a structure located on a Lot designed and intended for use and occupancy as a residence by a single Family.

1.57. Restrictions.

Restrictions means this Master Declaration, the Articles, Bylaws and the Rules and Regulations of the Master Association.

1.58. Rules and Regulations.

Rules and Regulations means the rules and regulations adopted by the Board pursuant to this Master Declaration or the Bylaws, as amended or restated.

1.59. Shared Use Agreement.

Shared Use Agreement means the Shared Use and Maintenance Agreement and any amendment thereto or restatement thereof, entered into between Declarant and Master Association for the purpose of granting certain rights and imposing certain obligations with respect to the sharing of the use, maintenance and expenses of the Entry Drive, including the gatehouse, the Slope Maintenance Areas, and any Community Benefit Facilities. The Shared Use Agreement shall be Recorded over the Entry Drive and the Golf Course Property prior to the first Close of Escrow in Phase 1, in substantially the same form as the copy of the Shared Use Agreement which is attached hereto as Exhibit "D."

1.60. Slope Maintenance Areas.

Slope Maintenance Areas means those portions of Lots within Phase 1, which are so designated on Exhibit "E" attached hereto, or within the Annexable Territory, as designated on a Notice of Addition for any Phase of Development. Slope Maintenance Areas include one or more areas subject to conditions, easements reservations or restrictions established by agreement, by law or by matters of Record, including, without limitation, slope areas, open space easement areas, fuel modification zones or other areas, by which a Lot Owner's use of such areas is restricted or prohibited. Slope Maintenance Areas are adjacent to the Golf Course Property and shall be subject to the provisions of Section 10.23 of this Master Declaration and to all the provisions of the Shared Use Agreement, defined above.

1.61. Special Benefit Area.

Special Benefit Area means a group of Lots that share the costs of either (i) maintaining, repairing and replacing specified Improvements on portions of the Master Common Area, or (ii) receiving certain services or programs provided by the Master Association. Special Benefit Areas may be designated by Declarant in this Master Declaration or any Supplemental Master Declaration when Declarant, in its sole discretion, determines that a group of Lots benefits more from the Improvements or services than the Properties as a whole. There is no Special Benefit Area in Phase 1. Slope Maintenance Areas and the Entry Drive are not Special Benefit Areas.

1.62. Special Benefit Expenses.

Special Benefit Expenses means those expenses for which the Master Association is responsible under this Master Declaration (of the type listed in Section 1.13 of this Master Declaration) attributable solely to any Special Benefit Area.

1.63. Supplemental Master Declaration.

Supplemental Master Declaration means any declaration of covenants, conditions and restrictions and reservation of easements or similar document supplementing this Master Declaration for all or a portion of the Properties, which document shall be Recorded in Official Records of the County.

1.64. VA.

VA means the Department of Veterans Affairs of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by mortgages on residential real estate.

ARTICLE II

2. Owner's Property Rights.

2.1. Owner's Easements of Enjoyment.

Every Owner and, to the extent permitted by such Owner's Family, guests, invitees and lessees, and contract purchasers who reside in such Owner's Residence, shall have a right and easement of ingress and egress and of enjoyment in, to and over the Master Common Area, which easement shall be appurtenant to and shall pass with title to every Lot, subject to the Master Association's right to exercise exclusive jurisdiction over and control of the Master Common Area (other than Public Property) and the following provisions:

2.1.1. Guests and Tenants. The Master Association's right to reasonably limit the number of guests and tenants of the Owners using the Master Common Area.

2.1.2. Rules and Regulations. The Master Association's right to establish uniform Rules and Regulations for the use of the Master Common Area.

2.1.3. Improvements. The Master Association's right in accordance with the Restrictions, with the vote or written assent of two-thirds ($\frac{2}{3}$) of the Master Association's voting power, (i) to borrow money for the purpose of improving, repairing, or adding to the Master Common Area, or for any other purpose authorized by the Articles, Bylaws, this Master Declaration, and (ii) in aid thereof, subject to the provisions of Article XIII hereof, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the rights of the Owners.

2.1.4. Additional Master Common Area. The right of Declarant to designate additional Master Common Area pursuant to the terms of this Master Declaration.

2.1.5. Conveyances. Subject to the provisions of Articles V and XIII hereof, the Master Association's right to transfer the Master Common Area for such purposes and subject to such conditions as may be agreed to by the Members. Except for execution and conveyance of easements, licenses, rights-of-way or lot line adjustments, in or over the Master Common Area for purposes consistent with both the use of the Properties as a residential development and the terms of this Master Declaration, as set forth in Section 5.2.4, below, no such dedication, release, alienation or transfer shall be effective, unless an instrument signed by Members entitled to cast at least two-thirds ($\frac{2}{3}$) of the voting power of the Master Association, agreeing to such dedication, release, alienation or transfer has been Recorded.

2.1.6. Declarant and Merchant Builder Rights. The easements, rights and exemptions of Declarant and Merchant Builders pertaining to the development of the Properties, as set forth in Section 2.8 and Article XIV of this Master Declaration.

2.1.7. Refurbishment. The Master Association's right to reconstruct, replace or refinish any Improvement or portion thereof on the Master Common Area.

2.1.8. Maintenance. The Master Association's right to maintain and repair the Master Common Area, including without limitation the right to replace and plant landscaping Improvements upon any portion of the Master Common Area.

2.1.9. Golf Course Easements. Easements for the benefit of the Golf Course Property as described in Article 17 of this Master Declaration.

2.1.10. Resale Office Easements. Easements for the benefit of the Resale Office, as described in Section 14.2.3 of this Master Declaration.

2.1.11. Other Easements. The easements, rights and interests reserved in this Article II and Section 15.8 of this Master Declaration.

2.2. Easements for Vehicular/Pedestrian Access.

In addition to the general easements for use of the Master Common Area reserved herein, Declarant hereby reserves for the benefit of all Owners, nonexclusive easements appurtenant to all the Lots in the Properties for vehicular and pedestrian traffic over any and all private streets and walkways within the Master Common Area, subject to the parking provisions set forth in Section 10.5 hereof. In addition, the Master Association and its Members, their families, tenants and invitees are hereby granted nonexclusive easements for vehicular and pedestrian access, ingress and egress, in and across (i) the Entry Drive, as described in the Shared Use Agreement, and (ii) other portions of Lot 32 of Tract No. 4569-1, as shown on Exhibit "F," attached hereto.

2.3. Easements for Public Service Use.

In addition to the foregoing easements over the Master Common Area, Declarant hereby reserves easements over the Properties for public services of the Local Governmental Agencies, including but not limited to, the right of law enforcement and fire protection personnel to enter upon any part of the Properties for the purpose of carrying out their official duties.

2.4. Waiver of Use.

No Owner may be exempt from personal liability for assessments duly levied by the Master Association, nor release the Owner's Lot from the liens and charges hereof, by waiving the use and enjoyment of the Master Common Area or any facilities thereon or by abandonment of such Owner's Lot.

2.5. Easements for Water and Utility Purposes.

In addition to the foregoing easements over the Master Common Area, Declarant hereby reserves easements over the Properties for public and private utility purposes, including but not limited to, the right of any public or private utility or mutual water district of ingress or egress over the Master Common Area for purposes of reading and maintaining meters, and using and maintaining fire hydrants located in the Properties.

2.6. Taxes.

Each Owner shall take such action as the Master Association may reasonably specify to obtain separate real estate tax assessment of each Lot. If any taxes or assessments may, in the Master Association's opinion, become a lien on the Master Common Area or any part thereof, the Master Association may pay them as a Common Expense.

2.7. Easements for Declarant and Merchant Builders Over Master Common Area.

Easements are reserved over the Master Common Area for the benefit of Declarant and Merchant Builders, as set forth in Sections 14.2.2 and 14.2.3 of this Master Declaration.

2.8. Right to Grant Easements.

Declarant hereby reserves, together with the right to grant and transfer the same, easements over the Master Common Area (owned in fee simple by the Master Association) or any portion thereof, for the exclusive use by an Owner or Owners of contiguous property as a yard, recreational, gardening, and/or landscaping area. Any such easement may be conveyed by the

Declarant prior to the last Close of Escrow for sale of a Lot in the Properties. Such conveyance must be approved in advance by the Board of Directors of the Master Association. The purpose of the easement, the portion of the Master Common Area affected, the Lot to which the easement is appurtenant, and any restrictions on use of the easement area shall be identified in the Recorded grant of easement.

2.9. Delegation of Use.

Any Owner entitled to the right and easement of use and enjoyment of the Master Common Area may delegate those rights and easements to such Owner's tenants, contract purchasers or subtenants who reside in such Owner's Residence, subject to reasonable regulation by the Board.

2.10. Title to the Master Common Area.

2.10.1. Transfer. As each Phase of Development is developed by Declarant or a Merchant Builder, Declarant or such Merchant Builder, as applicable, may convey or cause to be conveyed to the Master Association, in fee simple or by easement, Master Common Area (excluding Public Property) serving such Phase of Development, free and clear of any and all monetary encumbrances and liens (other than nondelinquent taxes and assessments), subject to reservations, easements, covenants, and conditions then of Record, including those set forth in this Master Declaration, or as contained in the deed conveying such Master Common Area. The Master Association must accept title to each and every conveyance by Declarant or by a Merchant Builder of Master Common Area, and the Master Association shall execute each such deed and any accompanying escrow instructions if requested to do so by Declarant or a Merchant Builder. No Owner shall interfere with the exercise by the Master Association, Declarant or a Merchant Builder of its rights hereunder.

2.10.2. Commencement of Maintenance. Notwithstanding any conveyance of Master Common Area to the Master Association, the Master Association's responsibility to maintain the Master Common Area located in any Phase of Development shall not begin until (i) the Master Common Area is completed in accordance with the plans approved by the County and (ii) Annual Assessments in such Phase of Development have commenced; except that, if such Phase of Development consists of only Master Common Area, the Master Association's maintenance responsibility therefor shall commence on the later to occur of (i) completion of the Master Common Area in accordance with the plans therefor approved by the County, and (ii) the first day of the month immediately following the month in which the deed is Recorded conveying such property to the Master Association. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant or a Merchant Builder are contractually obligated to maintain the landscaping or other Improvements on the Master Common Area, the Master Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Such maintenance performed by the contractors or subcontractors of Declarant or Merchant Builders shall not postpone the commencement of Annual Assessments pursuant to this Master Declaration nor entitle an Owner to claim any offset or reduction in the amount of such assessments. If the Dedicated Master Common Area or any other portion of the Master Common Area is dedicated to and accepted for maintenance by a Local Governmental

Agency, then the Master Association may, but need not, maintain the area if the Local Governmental Agency either fails to maintain the area or elects to cease maintaining the area.

2.10.3. Character of Master Common Area Improvements. The nature, design, quantity, quality and all other attributes of the Master Common Area, and the facilities and amenities thereon, shall be determined in Declarant's sole and absolute discretion or by a Merchant Builder (with Declarant's written consent). The Master Association shall be unconditionally obligated to accept title to and maintenance responsibility for the Master Common Area when such title and maintenance responsibility is tendered by Declarant or by a Merchant Builder pursuant to Sections 2.10.1 and 2.10.2 above, or pursuant to the terms of the Shared Use Agreement. However, if any proposed conveyance of Master Common Area contains active recreational facilities (such as a swimming pool, spa or clubhouse), which are not anticipated to be constructed as Master Common Area as of the date of Recordation of this Master Declaration, then such conveyance need not be accepted by the Master Association, unless Owners (other than Declarant and all Merchant Builders) representing a majority of the voting power affirmatively vote in favor of, or consent in writing to, such proposed conveyance. If a dispute arises between the Master Association and Declarant or between the Master Association and any Merchant Builder in connection with the nature, design, condition, quantity, quality or other attributes of the Master Common Area, the completion thereof, the state of title thereto or the acceptance of title or maintenance responsibility therefor, then the Master Association shall be obligated to accept title to and assume maintenance responsibility for such Master Common Area and the Improvements and facilities thereon pending resolution of such Master Common Area dispute. Such Master Common Area and Improvements shall be deemed to be completed when completed in accordance with the plans therefor approved by the County.

2.11. Master Cable Television Service Easement.

All of the Properties are subject to nonexclusive easements of access, ingress, and egress, for purposes of installing, operating, maintaining, repairing, inspecting, removing and replacing a cable television system and telecommunication service lines, facilities, and equipment, for the benefit of Declarant and its subsidiaries, transferees, successors and assigns, as reserved and granted by reservations and conveyances of Record and the provisions hereof. Such easements are freely transferable by Declarant to any other individual or entity and their successive owners for the purpose of providing a community cable television system and telecommunication services to the Properties and to other real property. All such community cable television and telecommunication lines, facilities and equipment shall remain the property of Declarant, its subsidiaries, successors, transferees and assigns, and transfer of all or any portion of the Properties does not imply the transfer of any such community cable television and telecommunication easements or the lines, facilities or equipment located thereon. Exercise of the easements reserved in this Section 2.12 shall not unreasonably interfere with the reasonable use and enjoyment of the Properties.

ARTICLE III

3. The Bridges Community Association.

3.1. Organization of Master Association.

The Master Association is or shall be incorporated under the name of The Bridges Community Association, as a corporation not for profit organized under the California Nonprofit Mutual Benefit Corporation Law, as required by Section 1363 of the California Civil Code.

3.2. Duties and Powers.

The Master Association has the duties and powers set forth in the Restrictions and also has the general and implied powers of a nonprofit public benefit corporation, generally to do all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers set forth in the Restrictions.

3.3. Membership.

Every Owner shall automatically be a Member and shall remain a Member until such Owner's Lot ownership ceases, at which time such Owner's Membership shall automatically cease. Ownership of a Lot is the sole qualification for Membership. Memberships are not assignable except to the Person to whom title to the Lot has been transferred, and every Membership is appurtenant to and may not be separated from the fee ownership of such Lot.

3.4. Transfer.

The Membership of any Owner may not be transferred, pledged or alienated in any way, except upon the transfer or encumbrance of such Owner's Lot, and then only to the transferee or Mortgagee of such Lot. A prohibited transfer is void and will not be reflected upon the books and records of the Master Association. A Member who has sold Lot to a contract purchaser under an agreement to purchase may delegate Membership rights to the contract purchaser. The delegation must be in writing and must be delivered to the Board before the contract purchaser may vote. The contract seller shall remain liable for all charges and assessments attributable to the contract seller's Lot which accrue before fee title to the Lot is transferred. If an Owner fails or refuses to transfer Membership to the purchaser of such Owner's Lot upon transfer of fee title (or long-term leasehold) thereto, the Board may record the transfer upon the Master Association's books. Until satisfactory evidence of such transfer has been presented to the Board, the purchaser will not be entitled to vote at Master Association meetings. The Master Association may levy a reasonable transfer fee against a new Owner and such Owner's Lot (which fee shall be added to the Annual Assessment chargeable to such new Owner) to reimburse the Master Association for the administrative cost of transferring the Membership to the new Owner on the Master Association's records. Such fee may not exceed the Master Association's actual cost involved in changing its records.

ARTICLE IV

4. Voting Rights.

4.1. Classes of Voting Membership.

The Master Association has three (3) classes of Membership as follows:

4.1.1. Class A. Class A Members are all Owners, except Declarant and Merchant Builders shall not be Class A Members for so long as there exists a Class B Membership. Each Class A Member is entitled to one (1) vote for each Lot owned by such Class A Member which is subject to assessment. Declarant and Merchant Builders shall become Class A Members upon conversion of their respective Class B Memberships as provided below. When more than one (1) Person owns any Lot, all such Persons are Members. The vote for such Lot shall be exercised in accordance with Section 4.2, but no more than one (1) Class A vote may be cast for any Lot.

4.1.2. Class B. The Class B Members are Declarant and all Merchant Builders. The Class B Members are entitled to three (3) votes for each Lot owned which is subject to assessment. The Class B Memberships shall be converted to Class A Memberships immediately upon the first to occur of the following events:

(a) The Close of Escrow for the sale of two hundred twenty-five (225) Lots in the Properties and Annexable Territory; or

(b) The fifth (5th) anniversary of the first Close of Escrow in the Phase of Development for which a Public Report was most recently issued by the DRE; or

(c) The fifteenth (15th) anniversary of the first Close of Escrow for the sale of a Lot in the Properties.

4.1.3. Class C. The Class C Member shall be Declarant irrespective of whether Declarant is or is not an Owner. The Class C Membership shall not be considered a part of the voting power of the Master Association and Declarant is not entitled to exercise any Class C vote except for the purpose of electing those members of the Board which the Class C Membership is entitled to elect hereunder. The Class C Member is entitled to solely appoint and remove a majority of the members of the Board of Directors until the Class C Termination Date. However, notwithstanding anything contained herein to the contrary, Declarant shall not be entitled (using the Class C vote or Class B vote, or otherwise) to elect more than seventy-five percent (75%) of the members of the Board of Directors. The "Class C Termination Date" shall be the first to occur of the following events:

(a) The Close of Escrow for the sale of two hundred twenty-five (225) Lots in the Properties and Annexable Territory.

(b) The fifth (5th) anniversary of the first Close of Escrow in the Phase of Development for which a Public Report was most recently issued by the DRE.

(c) The twenty-fifth (25th) anniversary of the first Close of Escrow for the sale of a Lot in the Properties.

4.2. Voting Rights.

4.2.1. Specified Actions. All voting rights are subject to the Restrictions. Except as provided in Section 15.10 hereof and Section 4.8 of the Bylaws, as long as Declarant holds a veto right, any provision of the Restrictions which expressly requires a vote or written consent of a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the Master Association's voting power before action may be undertaken shall require the approval of such specified percentage of the voting power of the Membership as well as the written consent of Declarant. Except as provided in Section 15.10 hereof and Section 4.8 of the Bylaws, upon termination of Declarant's veto right, any provision of the Restrictions which expressly requires a vote or written consent of Owners representing a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the Master Association's voting power before action may be undertaken shall then require the vote or written consent of Members representing such specified percentage of both (1) the Master Association's total voting power and (2) the Master Association's voting power residing in Members other than Declarant and every Merchant Builder.

4.2.2. Co-Owners. Members are entitled to one (1) vote for each Lot in which they hold the interest required for Membership. When more than one (1) Person holds such interest in any Lot ("co-owner"), all such co-owners are Members and may attend any Master Association meetings, but only one (1) such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Co-owners owning the majority interests in a Lot may designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if the designation has been revoked, the vote for the Lot shall be exercised as the co-owners owning the majority interests in the Lot agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with co-owners' consent. No vote may be cast for any Lot if the co-owners present in person or by proxy owning the majority interests in such Lot cannot agree to said vote or other action. The nonvoting co-owner or co-owners are jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and are entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Master Association in accordance with the voting percentages established in the Restrictions are binding on all Owners and their successors in interest.

4.2.3. Declarant's Veto Right. Declarant shall have a veto right with respect to specified actions of the Master Association as provided in the Restrictions. Such veto right shall terminate on termination of the Oversight Period.

4.2.4. Actions Subject to Veto. The following actions authorized by this Master Declaration, without limitation, are subject to the veto right of Declarant: Actions enumerated under Section 4.2.1; actions for which Mortgagee consent is required under Article 13 of this Master Declaration; the activities listed in Section 5.4 of this Master Declaration; any increase in Annual Assessments as provided in Sections 6.7.1 and 6.7.2 of this Master Declaration; any Capital Improvement Assessment, as provided in Section 6.8 of this Master Declaration; any change in the architectural and landscaping design, as provided in Sections 8.7 and 10.9 of this Master Declaration; modifications to landscaping Improvements or level or frequency of maintenance, as provided in Section 9.2 of this Master Declaration; the creation of Special Benefit Area, as provided in Section 5.4.4 of this Master Declaration; the obligation to provide Declarant with inspection reports, as provided in Section 9.6 of this Master Declaration; and any proposed termination or amendment to this Master Declaration.

ARTICLE V

5. Functions and Jurisdiction of Master Association.

5.1. Permitted Functions.

The Master Association is formed exclusively for those social welfare purposes and activities which are specifically and directly related to (i) equipping, maintaining, operating and utilizing the Master Common Area, including the social, recreational and other Improvements thereon, (ii) collecting assessments to finance the maintenance and utilization of the Master Common Area, the Entry Drive and the Slope Maintenance Areas, and (iii) administering and enforcing the Restrictions (collectively, the "Permitted Functions"). Notwithstanding the foregoing, Permitted Functions do *not* include those activities prohibited by Section 5.4 below. The funds and resources of the Master Association shall be utilized solely and exclusively for the direct costs of Permitted Functions. Nothing in this Subsection 5.1 shall be deemed to preclude the use of the Master Common Area facilities by Declarant or the Merchant Builders for promotional special events and other purposes as authorized by this Master Declaration.

5.2. Powers and Duties.

The Master Association has all of the powers of a California nonprofit public benefit corporation, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Restrictions. Subject to the Restrictions, including without limitation the exemptions of Declarant and Merchant Builders herein, the Master Association has the power to perform any and all lawful acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Master Association. Subject to the foregoing provisions, the Master Association, acting through the Board, has:

5.2.1. Assessments. The power and duty to levy assessments on the Owners of Lots in Phases of Development in which assessments have commenced and to collect and enforce payment of such assessments in accordance with the provisions of Article VI hereof.

5.2.2. Repair and Maintenance. The power and duty to accept fee simple and easement title to and to paint, plant, replace, maintain and repair in a neat and attractive condition, all Master Common Area and all private streets, trails and drives, streetscape architecture, landscaping, utilities, recreational facilities (if any are constructed in accordance with this Master Declaration), monuments or other Improvements thereon, in a safe, sanitary and attractive condition and in good order and repair, and to pay for utilities, gardening and other necessary services for the Master Common Area. Subject to the Restrictions, all of the foregoing obligations of the Master Association shall be discharged when and in such manner as the Board determines in its judgment to be appropriate, provided that the Master Association shall conform with the requirements of any agreements entered into between Declarant or any Merchant Builder and a Local Governmental Agency pertaining to the Properties including, without limitation, any agreements providing for maintenance of Public Property by the Master Association.

5.2.3. Utility Services. The power and duty to obtain for the benefit of the Master Common Area, commonly metered water, gas, electric or other utility services necessary for the maintenance of the Master Common Area.

5.2.4. Easements and Rights-of-Way. Subject to the provisions of Article XIII of this Master Declaration, the power but not the duty to execute and convey to any Person easements, licenses, rights-of-way or lot line adjustments in, on, over or under the Master Common Area, and fee title to parcels or strips of land which comprise a portion of the Master Common Area with a value of Ten Thousand Dollars (\$10,000.00) or less, for purposes consistent with both the use of the Properties as a residential development and with the terms of this Master Declaration, including without limitation constructing, installing, erecting, operating, maintaining or conducting thereon, therein and thereunder: (i) roads, streets, walks, trails, driveways, parkways, landscaping, park areas, open space areas and slope areas; (ii) underground lines, cables, wires, conduits, or other devices for the transmission of power or signals for lighting, heating, television, telephone and other similar purposes; (iii) sewers, storm water drains, retention basins and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; and (iv) any similar Improvements, facilities or uses not inconsistent with the use of such property pursuant to this Master Declaration.

5.2.5. Rights of Entry and Enforcement. The power but not the duty, after Notice and Hearing, to enter any Lot without being liable to any Owner, except for physical damage caused by such entry, for the purpose of enforcing by peaceful means the provisions of this Master Declaration, or for the purpose of maintaining or repairing any such Lot if for any reason whatsoever the responsible Owner fails to maintain and repair any such area as required by the Restrictions; provided that no items of construction on any such Lot may be altered or demolished except pursuant to judicial proceedings. The cost of any enforcement action or any

maintenance and repair completed in compliance with these provisions is the responsibility of the Owner and may be assessed against the responsible Owner, as a Special Assessment. The responsible Owner shall pay promptly all amounts due for such work, and the costs and expenses of collection. Any physical damage caused by entry upon any Lot shall be repaired by the entering party. The Master Association may also commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Restrictions and to enforce, by mandatory injunctions or otherwise, all of the provisions of the Restrictions. If an action is brought by the Master Association, the prevailing party is entitled to recover reasonable attorneys' fees.

5.2.6. Legal and Accounting Services. Subject to Section 5.2.11, the power but not the duty, if deemed appropriate by the Board, to retain and pay for legal and accounting services necessary or proper in operating the Master Common Area, enforcing the Restrictions, and performing any of the other Master Association duties or rights.

5.2.7. Contracts. Except as otherwise approved by the DRE and as provided in this Master Declaration, neither Declarant nor any of its agents shall enter any contract which would bind the Master Association or the Board for a period in excess of one (1) year.

5.2.8. Bonds. Subject to the provisions of Section 15.10 of this Master Declaration, the power and duty to execute any and all documents necessary to exonerate any bond, letter of credit or other consideration posted by Declarant or a Merchant Builder upon satisfaction of the obligation for which such security was posted.

5.2.9. Audit. The power and duty to permit any Owner, who may be accompanied by an accountant or other consultant, at said Owner's sole expense to audit or inspect the Master Association's books and records; provided that such audit or inspection is made during normal business hours and without unnecessary interference with the operations of the Manager or the Master Association.

5.2.10. Guests and Tenants. The power but not the duty to reasonably regulate access, ingress and egress to and from the Master Common Area and the Properties, and to reasonably limit the number of guests and tenants using the Master Common Area.

5.2.11. Litigation. The power but not the duty to initiate, defend, settle or intervene in mediation, arbitration, judicial or administrative proceedings on behalf of the Master Association in matters pertaining to (a) the application or enforcement of the Restrictions and (b) damage to the Master Common Area. Any recovery by the Master Association with respect to any damage to or defect in the Master Common Area shall be utilized solely for the purpose of paying for the costs of obtaining the recovery and for correcting such Master Common Area damage or defect.

5.2.12. Insurance. The power and duty to maintain liability and fire insurance with respect to the Master Common Area and personal property, if any, owned by the Master Association as provided herein in furthering the purposes of and protecting the interests of the Master Association and Members and as directed by the Restrictions.

5.2.13. Shared Use Agreement. The power and duty to execute the Shared Use Agreement, and any amendments or restatements thereof, and to comply with its rights and obligations of the Shared Use Agreement, including without limitation, the obligations to pay the Shared Expenses, and to perform such other duties as are specifically set forth therein.

5.3. Rules and Regulations.

The Board may adopt such Rules and Regulations as it deems proper for the use and occupancy of the Properties. To be effective, a copy of the Rules and Regulations, as adopted, amended or repealed, must be posted in a conspicuous place in the Master Common Area or must be mailed or otherwise delivered to each Owner. When mailed, delivered or posted, the Rules and Regulations shall have the same force and effect as if they were set forth herein; provided, however, that the Rules and Regulations shall be enforceable only to the extent that they are consistent with this Master Declaration, any applicable Supplemental Master Declaration, the Articles and the Bylaws, and may not be used to amend any of such documents.

5.4. Prohibited Activities.

Notwithstanding any other provisions of this Master Declaration or the other Restrictions, the Master Association is expressly prohibited from undertaking or performing any of the following activities, or expending or otherwise utilizing Maintenance Association funds or resources therefor, and the following activities shall not constitute Permitted Functions of the Master Association:

5.4.1. Property Manager. The Master Association shall not hire any full time employees; rent, lease or otherwise furnish offices, personnel or other facilities, whether located within the Properties or off-site; nor utilize any Master Common Area as office space or other facilities for an "on-site" Manager or for performing other Master Common Area day-to-day administrative activities. The Master Association Manager shall at all times be a professional manager employed as an independent contractor officed at its own place of business.

5.4.2. Offsite Nuisances. The Master Association shall not use any assessments or expend Master Association funds or resources to abate any annoyance or nuisance emanating from outside the physical boundaries of Phases of Development in which Annual Assessments have commenced.

5.4.3. Political Activities or Contributions. The Master Association shall not engage in any Federal, State or local political activities or activities intended to influence a governmental action affecting areas outside the boundaries of the Properties (e.g., endorsement or support of (a) legislative or administrative actions by a Local Governmental Agency which affect persons or property outside the Properties, (b) candidates for elected or

appointed office, and (c) initiatives, recall elections or other ballot proposals). The Master Association is prohibited from conducting, sponsoring, participating in or expending funds or resources on any activity, campaign or event, including without limitation any social or political campaign, event or activity, which does not directly and exclusively pertain to a Permitted Function.

5.4.4. Subassociation or Special Benefit Area. For so long as Declarant has a veto right under Section 4.2.3 of this Master Declaration, neither the Master Association nor any Owner nor any Merchant Builder, without the prior written consent of Declarant, shall (a) form an association (as defined in Section 1351(a) of the California Civil Code) to manage any portion of the Properties or (b) create a Special Benefit Area or other such device to apportion any Common Expenses of the Master Association against fewer than all of the Owners and their Lots.

5.4.5. Mortgagee Consents. For so long as Declarant has a veto right under Section 4.2.3 of this Master Declaration, the Master Association may not, without the prior written consent of Declarant, take any action listed in Section 13.4 of the Master Declaration for which the consent of Owners or first Mortgagees is required.

5.4.6. Reserved Rights of Declarant and Merchant Builders. For so long as Declarant or any Merchant Builder is entitled to exercise any right, or avail itself of any exemption, in Article XIV or elsewhere in this Master Declaration, neither the Master Association, nor the Board, nor any Owner shall take any action which is inconsistent with, or which would abrogate, any such right or exemption.

ARTICLE VI

6. Covenant for Maintenance Assessments.

6.1. Creation of Assessment Obligation.

Declarant and each Merchant Builder, for each Lot owned, hereby covenants to pay, and each Owner, by acceptance of a deed to a Lot, whether or not it shall be so expressed in such deed, is deemed to covenant to pay to the Master Association (a) Annual Assessments, (b) Capital Improvement Assessments, (c) Special Assessments, and (d) Reconstruction Assessments; such assessments to be established and collected as provided herein. The Master Association may not levy or collect any Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose or purposes for which it is levied. Except as provided in this Section 6.1, all such assessments (other than Special Assessments), together with interest, costs and reasonable attorneys' fees for the collection thereof, are a charge and a continuing lien upon the Lot against which such assessment is made. Each such assessment (including Special Assessments), together with interest, costs and reasonable attorneys' fees, is also the personal obligation of the Person who was the Owner of the Lot at the time when the assessment fell due. The personal obligation for delinquent

assessments may not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

6.2. Maintenance Funds.

The Board shall Budget, establish and maintain at least the following separate accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Master Association, and from which disbursements shall be made, as provided herein, in the Master Association's performance of its functions under the Restrictions:

6.2.1. General Operating Fund. A General Operating Fund for current expenses of the Master Association, exclusive of current expenses attributable to the Improvements and maintenance responsibilities included within each Special Benefit Area.

6.2.2. General Reserve Fund. An adequate General Reserve Fund for the deposit of Reserves attributable to Improvements within the Master Common Area, exclusive of Reserves attributable to Improvements included in each Special Benefit Area.

6.2.3. Special Benefit Area Operating Fund. A Special Benefit Area Operating Fund for Special Benefits Expenses of each Special Benefit Area which has been completed and is subject to maintenance by the Master Association.

6.2.4. Special Benefit Area Reserve Fund. An adequate Special Benefit Area Reserve Fund for the deposit of Reserves attributable to each Special Benefit Area which has been completed and is subject to maintenance by the Master Association.

6.2.5. Miscellaneous Maintenance Funds. Any other Maintenance Funds which the Board of Directors may deem necessary.

6.3. Disbursements.

All amounts deposited into the Maintenance Funds must be used solely for the purposes authorized by the Restrictions. The Board is authorized to transfer interest and other earnings on the General Reserve Fund and Special Benefit Area Reserve Fund into the respective Operating Fund in order to satisfy income taxes payable by the Master Association attributable to such interest and earnings. The signatures of either two (2) Directors of the Master Association or one (1) Director and one (1) officer of the Master Association who is not also a Director of the Master Association shall be required for the withdrawal of money from the Master Association's Reserve funds. Disbursements from the particular Maintenance Funds shall be limited to specific purposes as follows:

6.3.1. Special Benefit Area Reserves. Disbursements from each Special Benefit Area Reserve Fund shall be made solely for the purpose of funding Reserve expenditures attributable to the Special Benefit Area for which the fund was created.

6.3.2. Special Benefit Area Operations. Disbursements from each Special Benefit Area Operating Fund shall be made solely for the purpose of funding the current operating Special Benefit Expenses of the Special Benefit Area for which the fund was created.

6.3.3. General Reserves. Disbursements from the General Reserve Fund shall be made solely for the purpose of funding those Reserve expenditures which are not Budgeted to a Special Benefit Area.

6.3.4. General Operations. Disbursements from the General Operating Fund shall be made for such purposes as are necessary for the discharge of the Master Association's responsibilities under the Restrictions, for the common benefit of all Owners, other than those purposes specified in Sections 6.3.1 through 6.3.3 above.

Nothing contained herein shall preclude the establishment of additional Maintenance Funds by the Master Association earmarked for specified purposes authorized by the Restrictions. The Master Association shall not impose or collect an assessment, penalty or fee which exceeds the amount necessary for the purpose or purposes for which it is levied.

If the Master Association decides to use or transfer Reserve funds to pay for litigation, the Master Association must notify its Members of the decision in the next available mailing. Such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the Reserve funds will be replaced, and a proposed budget for the litigation. The notice must state that the Members have a right to review an accounting for the litigation as provided in Section 1365.5 of the California Civil Code which will be available at the Master Association's office. The accounting shall be updated monthly.

6.4. Master Common Area Damage or Neglect.

If any maintenance, repair or replacement of the Master Common Area is necessitated in the sole judgment of the Board as a result of the willful or negligent act or neglect of a Project Association, its members, guests or invitees, or an Owner or Owner's family, guests, or invitees, such maintenance, repairs or replacements shall be performed at the expense of such Project Association or Owner, after Notice and Hearing, and a Special Assessment therefor shall be levied against such Project Association or Owner; provided, however, that the liability of an individual Project Association or Owner for such damage to the Master Common Area shall not be absolute, but shall only be that for which the Project Association or Owner is legally responsible under California law. The foregoing shall include, without limitation, any settlement damage to wall footings adjoining a Lot or Master Common Area caused by any excavation, construction or excess irrigation occurring on such adjacent Lot or Master Common Area.

6.5. Annual Assessments.

Each Annual Assessment shall constitute an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the General Operating and Reserve Funds, the Special Benefit Area Operating and Reserve Funds, and any other Maintenance Fund established by the Master

Association. Sums sufficient to pay Common Expenses shall be assessed as Annual Assessments against the Owners of Lots as follows:

6.5.1. Assessment Units. The Master Association Common Expenses and Special Benefit Expenses (if any) shall be allocated among the Owners and their respective Lots within the Properties based upon the number of Assessment Units chargeable to each such Lot. Unless otherwise provided in a Supplemental Master Declaration, each Lot, and the Owner thereof, shall be allocated one (1) Assessment Unit.

6.5.2. General Assessment Component. The Common Expenses of the Master Association, exclusive of Common Expenses Budgeted to the Special Benefit Area ("General Assessment Component"), shall be allocated among all of the Lots and the Owners thereof in the Properties, based upon the number of Assessment Units chargeable to each such Owner.

6.5.3. Special Benefit Area Assessment Component. The Special Benefit Expenses of the Master Association comprising Special Benefit Area Operating and Reserve Funds Budgeted to any particular Special Benefit Area ("Special Benefit Area Assessment Component") shall be assessed to the Owners of Lots designated in a Supplemental Master Declaration as Lots to which the exclusive or disproportionate maintenance of such Special Benefit Area has been allocated. Any Supplemental Master Declaration covering a Lot subject to a Special Benefit Area Assessment Component shall: (i) Identify the Special Benefit Area, if existing, or describe the Special Benefit Area if proposed; (ii) Identify the Lots covered by the Supplemental Master Declaration which are entitled to use the facilities of the Special Benefit Area or which are obligated to bear the exclusive or disproportionate maintenance of such Special Benefit Area and which shall be obligated to pay the Special Benefit Area Assessment Component attributable to such Special Benefit Area; and (iii) Specify the Special Benefit Expenses comprising the Special Benefit Area Assessment Component attributable to such Special Benefit Area. Unless otherwise provided in such Supplemental Master Declaration, the proportionate share of the Special Benefit Area Assessment Component of Special Benefit Expenses chargeable to each Lot located in such Special Benefit Area shall be a fraction, the numerator of which is the number of Assessment Units allocated to the Lot in the Special Benefit Area, and the denominator of which is the total number of Assessment Units allocated to all Lots located in or authorized to be created in such Special Benefit Area.

Annual Assessments shall be levied against the Owners of Lots in the amounts as set forth in the Master Association Budget on file with the DRE.

6.6. Commencement of Annual Assessments.

6.6.1. Commencement Date. Annual Assessments shall commence as to each Lot in each Phase of Development on the first day of the first month following the month in which the first Close of Escrow occurs for the sale of a Lot in such Phase of Development of the Properties. Each and every Lot in such Phase shall thereafter be subject to its share of the

then established Annual Assessment as set forth herein. The first Annual Assessment shall be adjusted according to the number of months remaining in the fiscal year established pursuant to the Bylaws.

6.6.2. Payment Procedure. The Board shall fix the amount of the Annual Assessment to be levied against Lots at least thirty (30) days in advance of each Annual Assessment period. However, unless otherwise established by the Board, the initial Annual Assessment shall be levied in accordance with the most recent Budget on file with and approved by the DRE. Written notice of any increase in the amount of the Annual Assessment or any Capital Improvement or Reconstruction Assessment shall be sent by first class mail to every Owner subject thereto, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. All installments of Annual Assessments shall be collected in advance on a regular basis by the Board, at such frequency and on such due dates as the Board determines from time to time in its sole and absolute discretion. Each installment of an Annual Assessment may be paid to the Master Association in one (1) check or in separate checks, as payments attributable to deposits into specified Maintenance Funds. If any payment of an Annual Assessment installment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the payment received by the Master Association from that Owner shall be credited in order of priority first to the General Operating Fund until that portion of the Annual Assessment has been satisfied, then to any applicable Special Benefit Area Operating Fund until that portion of the Annual Assessment has been satisfied, then to the General Reserve Fund until that portion of the Annual Assessment has been satisfied, then to any applicable Special Benefit Area Reserve Fund until that portion of the Annual Assessment has been satisfied, then to any other Maintenance Funds established by the Master Association.

6.6.3. Excess Funds. The Board of Directors may determine that excess funds remaining in the Operating Funds, over and above the amounts used for the operation of the Properties, may be used to reduce the following year's Annual Assessment attributable to such Operating Funds, or to pay any obligation for Shared Expenses as provided in the Shared Use Agreement.

6.6.4. Exemption. Until (i) a notice of completion (if applicable) of a Master Common Area Improvement has been Recorded, (ii) such Master Common Area Improvement has been placed into use, or (iii) the completion date for such Master Common Area Improvement specified in the Planned Construction Statement on file with the DRE with respect to such Master Common Area Improvement, whichever occurs first, each Owner (including Declarant and the Merchant Builders) is exempt from paying that portion of any Annual Assessment which is for the purpose of defraying expenses and Reserves directly attributable to the existence and use of such Master Common Area Improvement.

6.7. Limitations on Annual Assessment Increases.
The Board shall not levy, for any fiscal year, an Annual Assessment which exceeds the "Maximum Authorized Annual Assessment" as determined pursuant to Sections 6.7.1 and 6.7.2

below, unless first approved by the vote of Members representing at least (i) in the case of an increase in the General Assessment Component, a majority of votes at a meeting or written ballot of Members in which more than fifty percent (50%) of the total voting power of the Master Association is represented, and (ii) in the case of an increase in a Special Benefit Area Assessment Component, a majority of votes at a meeting or written ballot of the Owners of Lots participating in the Special Benefit Area generating such Special Benefit Area Assessment Component at which more than fifty percent (50%) of the total voting power attributable to such Special Benefit Area is represented.

6.7.1. Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the fiscal year immediately following the fiscal year in which Annual Assessments commence, the Maximum Authorized Annual Assessment per Lot is one hundred twenty percent (120%) of the amount of Annual Assessments disclosed in the current Budget of the Master Association filed with the DRE at the time Annual Assessments commence. The provisions of this Section 6.7.1 shall be applied separately to the General Assessment Component and the Special Benefit Area Assessment Component, if any, of the Annual Assessment. Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary to address an Emergency Situation as defined in Section 6.7.4 below.

6.7.2. Maximum Authorized Assessment for Subsequent Fiscal Years. Beginning with the fiscal year immediately following the fiscal year in which Annual Assessments commence, the Maximum Authorized Annual Assessment in any fiscal year is one hundred twenty percent (120%) of the level of Annual Assessments levied in the immediately preceding fiscal year; provided that distribution of the Budget for the current fiscal year in accordance with Section 1365(a) of the California Civil Code or other applicable law is a prerequisite to any increase in the Maximum Authorized Annual Assessment for such fiscal year pursuant to this Subsection. The provisions of this Subsection shall be applied separately to the General Assessment Component and the Special Benefit Area Assessment Component, if any, of the Annual Assessment. Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary to address an Emergency Situation as defined in Section 6.7.4 below.

6.7.3. Supplemental Annual Assessments. If the Board determines that the important and essential functions of the Master Association may be properly funded by an Annual Assessment less than the Maximum Authorized Annual Assessment, it may levy such lesser Annual Assessment. If the Board levies an Annual Assessment in an amount less than the Maximum Authorized Annual Assessment for any fiscal year and thereafter, during such fiscal year, determines that the important and essential functions of the Master Association cannot be funded by such lesser Annual Assessment, the Board may levy one (1) or more supplemental Annual Assessments up to the Maximum Authorized Annual Assessment.

6.7.4. Automatic Assessment Increases. Notwithstanding any other provisions of this Section 6.7, upon the annexation of any portion of the Annexable Territory

pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Master Common Area in or abutting such Annexable Territory, so long as (i) the annexation of such Annexable Territory is permitted by DRE, and (ii) the amount of such increase does not result in the levy of an Annual Assessment which is greater than the maximum potential Annual Assessment disclosed in all Public Reports for the Properties previously issued by the DRE.

6.7.5. Emergency Situations. For purposes of Sections 6.7.1, 6.7.2 and 6.8, an "Emergency Situation" is any one of the following:

(a) Court Ordered Items. An extraordinary expense required by an order of a court.

(b) Safety Items. An extraordinary expense necessary to repair or maintain the Properties or any portion thereof for which the Master Association is responsible where a threat to personal safety on the Properties is discovered.

(c) Reasonably Unforeseen Items. An extraordinary expense necessary to repair or maintain the Master Common Area or any portion thereof for which the Master Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this Subparagraph (c), the Board shall adopt a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the Notice of Assessment.

6.8. Capital Improvements.

The Board may levy, in any fiscal year, a Capital Improvement Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a Capital Improvement upon the Master Common Area, including fixtures and personal property related thereto; provided that all proposed Capital Improvement Assessments which exceed five percent (5%) of the Master Association's Budgeted Common Expenses for such Fiscal Year shall require the vote of Members representing at least a majority of votes at a meeting or written ballot of Members in which is represented more than fifty percent (50%) of the total voting power attributable to Members subject to such Capital Improvement Assessment. In the case of a proposed Capital Improvement to a Special Benefit Area, any Capital Improvement Assessment which exceeds five percent (5%) of the Master Association's Budgeted Special Benefit Expenses shall also require the majority votes at a meeting or written ballot of the Owners of Lots in the Special Benefit Area benefitting thereby at which more than fifty percent (50%) of the total voting power attributable to such Special Benefit Area is required. Notwithstanding the foregoing, the Board may levy in any fiscal year a Capital Improvement Assessment applicable to that fiscal year without the vote of the Members

if such Capital Improvement Assessment is necessary for addressing an Emergency Situation as defined in Section 6.7.5. All Capital Improvement Assessments must be levied against all Lots in the same manner and in the same proportions as Annual Assessments are levied, and they shall be collected in the manner and frequency determined by the Board.

6.9. Uniform Rate of Assessment.

Annual Assessments, Capital Improvement Assessments and Reconstruction Assessments shall be assessed equally against all Owners and their Lots, except as may be otherwise provided herein with respect to Special Benefit Areas and in a Notice of Addition. A single Owner of multiple Lots shall pay all such assessments for each Lot owned, regardless of whether the Lots are consolidated by a subsequent legal merger. The Master Association may, subject to the provisions of Section 9.4 and Article XI hereof, levy Special Assessments against selected Owners who have caused the Master Association to incur special expenses due to willful or negligent acts of said Owners, their tenants, families, guests, invitees or agents. All installments of Annual Assessments shall be collected in advance on a regular basis by the Board, at such frequency as the Board shall determine.

6.10. Maintenance Subsidy Agreements.

Notwithstanding any other provisions of this Master Declaration or the Bylaws regarding the term and termination of contracts with Declarant or Merchant Builders for providing services to the Master Association, Declarant (and any Merchant Builder with the consent of Declarant) may enter into one or more written maintenance agreements with the Master Association under which Declarant (or such Merchant Builder, as the case may be) shall pay all or any portion of the operating Common Expenses or Special Benefit Expenses and perform all or any portion of the Master Association's maintenance responsibilities in exchange for a temporary suspension of Annual Assessments. Each such maintenance agreement shall extend for a term and shall be on such conditions as are approved by the DRE, and may require Owners to reimburse Declarant or any of such Merchant Builders, through the Master Association, for a portion of the costs expended in satisfaction of Common Expenses or Special Benefit Expenses, as the case may be.

6.11. Exempt Property.

The following property subject to this Master Declaration is exempt from the assessments herein:

- (a) All portions of the Properties dedicated to and accepted by a Local Governmental Agency; and
- (b) The Master Common Area.

ARTICLE VII

7. Nonpayment of Assessments: Remedies.

7.1. Nonpayment of Assessments: Remedies.

Any installment of an assessment is delinquent if not paid within fifteen (15) days of the due date

established by the Board. Any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein bears interest at the maximum rate permitted by law commencing thirty (30) days from the date the assessment becomes due until paid. The Board may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(d)(2). The Master Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. The Master Association need not accept any tender of a partial payment of an assessment installment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender does not waive the Master Association's right to demand and receive full payments thereafter. Before the Master Association may place a lien upon an Owner's Lot to collect a past due assessment, the Master Association shall send a written notice to the Owner by certified mail which contains the following information: (i) the fee and penalty procedure of the Master Association, (ii) an itemized statement of the charges owed by the Owner, including the principal owed, any late charges and the method of calculation, any attorneys' fees, (iii) the collection practices used by the Master Association, and (iv) a statement that the Master Association may recover the reasonable costs of collecting past due assessments.

7.2. Notice of Delinquent Assessment.

No action may be brought to enforce any assessment lien herein unless at least thirty (30) days has expired following the date a Notice of Delinquent Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot, and a copy thereof has been Recorded by the Master Association. Such Notice of Delinquent Assessment must recite (a) a good and sufficient legal description of any such Lot, (b) the record Owner or reputed Owner thereof, (c) the amount claimed (which may at the Master Association's option include interest on the unpaid assessment and late charges as described above plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), (d) the Master Association's name and address, and (e) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Master Association to enforce the lien by sale. Recordation of the Notice of Delinquent Assessment creates a lien on the Lot as provided in Section 1367 of the California Civil Code. The Notice of Delinquent Assessment must be signed by an authorized Master Association officer or agent, and said lien is prior to any declaration of homestead Recorded after the date on which this Master Declaration is Recorded. The lien continues until paid or otherwise satisfied.

7.3. Foreclosure Sale.

A sale to foreclose a Master Association lien may be conducted by the Board, its attorneys or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the California Civil Code, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in Mortgages, or in any other manner permitted by law. The Master Association, through duly authorized agents, may bid on the Lot at foreclosure sale, and acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, the Master Association or the purchaser at the sale may

file suit to secure occupancy of the defaulting Owner's Lot, and the defaulting Owner shall be required to pay the reasonable rental value of the Lot during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner.

7.4. Curing of Default.

Upon the timely curing of any default for which the Master Association Filed a Notice of Delinquent Assessment, the Master Association's officers shall Record an appropriate Release of Lien upon payment by the defaulting Owner of a reasonable fee, to be determined by the Board, to cover the cost of preparing and Recording such release. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by the liens upon any Lot created hereunder shall be conclusive upon the Master Association and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee, to be determined by the Board.

7.5. Cumulative Remedies.

The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Master Association may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

7.6. Mortgage Protection.

No lien created under this Article VII, nor any breach of this Master Declaration, nor the enforcement of any provision hereof defeats or renders invalid the rights of the Beneficiary under any Recorded first Deed of Trust (meaning any deed of trust with first priority over other deeds of trust) upon a Lot made in good faith and for value. After a Beneficiary or other Person obtains title to a Lot by judicial foreclosure or by means set forth in a Deed of Trust, the Lot shall remain subject to the Master Declaration and the payment of all installments of Assessments accruing after the date the Beneficiary or other Person obtains title.

7.7. Priority of Assessment Lien.

Mortgages Recorded before a Notice of Delinquent Assessment have lien priority over the Notice of Delinquent Assessment. Sale or transfer of any Lot does not affect the assessment lien, except that the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage extinguishes the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer relieves such Lot from lien rights for any assessments thereafter becoming due. No Person who obtains title to a Lot pursuant to a judicial or nonjudicial foreclosure of the first Mortgage is liable for the share of the Common Expenses, Special Benefit Expenses or assessments chargeable to such Lot which became due prior to the acquisition of title to the Lot by such Person. Such unpaid share of Common Expenses, Special Benefit Expenses or assessments is a Common Expense collectible from all of the Owners including such Person. The Board of Directors of the Master Association has the power to take such action as is necessary to make any assessment lien of the Master Association encumbering a Lot subordinate to the interests of the Department of Veteran Affairs of the State of California

under its Cal-Vet loan contracts, with respect to such Lot to the same extent that the assessment lien would be subordinate to the lien or charge of a first mortgage or first deed of trust of record encumbering such Lot.

7.8. Receivers.

In addition to the foreclosure and other remedies granted the Master Association herein, each Owner, by acceptance of a deed to such Owner's Lot, hereby conveys to the Master Association all of such Owner's right, title and interest in all rents, issues and profits derived from and appurtenant to such Lot, subject to the right, power and authority of the Master Association to collect and apply such rents, issues and profits to any delinquent Assessments owed by such Owner, reserving to the Owner the right, prior to any default by the Owner in the payment of Assessments, to collect and retain such rents, issues and profits as they may become due and payable. Upon any such default the Master Association may, upon the expiration of thirty (30) days following delivery to the Owner of the "Notice of Delinquent Assessment" described herein, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness secured by the lien described herein, (a) enter in or upon and take possession of the Lot or any part thereof, (b) in the Master Association's name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and (c) apply the same, less allowable expenses of operation, to any delinquencies of the Owner hereunder, and in such order as the Master Association may determine. The entering upon and taking possession of the Lot, the collection of rents, issues and profits and the application thereof, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

7.9. Alternative Dispute Resolution.

Disputes between an Owner and the Master Association regarding the assessments imposed by the Master Association may be submitted to alternative dispute resolution in accordance with Civil Code Section 1354 if such Owner pays in full (i) the amount of the assessment in dispute, (ii) any late charges, (iii) any interest, and (iv) all fees and costs associated with the preparation and filing of a Notice of Delinquent Assessment (including mailing costs and attorneys' fees not to exceed four hundred twenty-five dollars (\$425), and states by written notice that such amount is paid under protest, and the written notice is mailed by certified mail not more than thirty (30) days from the Recording of a Notice of Delinquent Assessment. Upon receipt of such written notice, the Master Association shall inform the Owner in writing that the dispute may be resolved through alternative dispute resolution as set forth in Civil Code Section 1354.

The right of any Owner to utilize alternative dispute resolution under this Section may not be exercised more than two times in any single calendar year, and not more than three times within any five calendar years. Nothing within this Section shall preclude any Owner and the Master Association, upon mutual agreement, from entering into alternative dispute resolution in excess of the limits set forth herein. An Owner may request and be awarded through alternative dispute resolution reasonable interest to be paid by the Master Association in the total amount paid under items (i) through (iv) above, if it is determined that the assessment levied by the Master Association was not correctly levied.

ARTICLE VIII

8. Design Control.

8.1. Members of Committee.

The Design Review Committee, sometimes referred to herein as the "DRC," shall be comprised of three (3) members. The initial members of the DRC shall be representatives of Declarant until one (1) year after the original issuance of the Public Report for the Properties ("First Anniversary"). After the First Anniversary the Board may appoint and remove one (1) member of the DRC, and Declarant may appoint and remove a majority of the members of the DRC and fill any vacancy of such majority, until the earlier to occur of (a) Close of Escrow for the sale of two hundred and seventy (270) Lots in the Properties, or (b) the fifth (5th) anniversary following the most recent Close of Escrow to a Class A member of the first Lot in any Phase of the Properties under the authority of a Public Report, after which the Board may appoint and remove all of the members of the DRC. DRC members appointed by the Board must be Members, but DRC members appointed by Declarant need not be Members. Subject to the provisions of Section 8.2.6 below, the DRC has 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 conform harmoniously to the exterior design and existing materials of Improvements within the Properties. Board members may also serve as DRC members.

8.2. Review of Plans and Specifications: Guidelines.

8.2.1. DRC Review of Improvements. The review of plans and specifications submitted for all Improvements including, without limitation, (i) the construction of a Residence, all landscaping and other Improvements by an Owner on a Lot not improved with a Residence at the time of the Close of Escrow from Declarant or a Merchant Builder, (ii) the construction or installation of any Improvements on a Lot improved with a Residence at the time of the Close of Escrow from Declarant or a Merchant Builder shall be the responsibility of the DRC, and (iii) the alteration or removal of existing completed Improvements. The DRC shall perform such other duties as the Board assigns to it, including inspection of construction in progress to assure conformance with plans approved by the DRC.

8.2.2. General Review Requirements. No construction, installation or alteration of any Improvement, including landscaping, of any type in the Properties, may be commenced or maintained until the plans and specifications therefor, showing the nature, kind, shape, height, width, exterior color scheme, materials and location thereof, have been submitted to and approved in writing by the DRC; provided, however, that any Improvement may be repainted without DRC approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article VIII apply to the construction, installation and alteration of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Section 714, the County Building Code, applicable zoning regulations, and associated County ordinances. Declarant and each Merchant Builder need not seek or obtain DRC approval

of any Improvements constructed on the Properties by Declarant or the Merchant Builder. Each Owner may reconstruct in a timely manner any damaged or destroyed Improvement on the Lot of the Owner with the same materials and to the same specifications as were originally approved, without Declarant or DRC approval.

8.2.3. DRC Review Procedures. The Owner submitting the plans and specifications ("Applicant") shall obtain a written, dated receipt therefor from an authorized agent of the DRC. Until changed by the Board, the address for submission of such plans and specifications is the Master Association's principal office. The DRC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, landscape plans, floor plans, site plans, drainage plans, lighting plans, elevation drawings and descriptions or samples of exterior material and colors. Until receipt by the DRC of any required plans and specifications, the DRC may postpone review of any plans submitted for approval. The DRC shall transmit its decision and the reasons therefor to the applicant at the address set forth in the application for approval within forty-five (45) days after the DRC receives all required materials. Any application submitted pursuant to this Section shall be deemed approved unless the DRC transmits written disapproval or a request for additional information or materials to the Applicant within forty-five (45) days after the date the DRC receives all required materials. The Applicant shall meet any review or permit requirements of the County prior to making any construction, installation or alterations permitted hereunder.

8.2.4. DRC Approval of Plans and Specifications. The DRC shall approve Improvement plans and specifications submitted for its approval only if it determines that (i) the installations, construction or alterations contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, (ii) the appearance of any structure affected thereby will be in harmony with the surrounding structures, (iii) the installation, construction or alteration thereof will not detract from the beauty, wholesomeness and attractiveness of the Master Common Area or the enjoyment thereof by the Members, and (iv) the maintenance thereof will not become a burden on the Master Association. The DRC may condition its approval of plans and specifications for any Improvement upon any of the following: (i) the Applicant's furnishing the Master Association with a cash deposit protecting against damage to the Properties, including the Master Common Area Improvements or the Slope Maintenance Areas, and any mechanic's lien or other encumbrance which may be Recorded against the Properties, as a result of such work, (ii) such changes therein as it deems appropriate, (iii) the Applicant's agreement to grant appropriate easements to the Master Association for the maintenance of the Improvements, (iv) the Applicant's agreement to install (at its sole cost) water, gas, electrical or other utility meters to measure any increased consumption, (v) the Applicant's agreement to reimburse the Master Association for the cost of such maintenance, or (vi) the Applicant's agreement to complete the proposed work within a stated period of time. The DRC may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted.

8.2.5. Design Guidelines. The Board shall issue rules and guidelines, the "Community Design Guidelines" or "DRC Rules," setting forth standards, specifications and procedures for the design of Improvements and for the submittal of plans for review. The DRC shall administer and enforce the DRC Rules in the performance of its review and approval responsibilities. The DRC may provide that the amount of any plan review fee be uniform, or that it be determined in any other reasonable manner, such as by the reasonable estimated cost of the work contemplated, or the actual cost to the DRC for conducting its review. The DRC may not change the DRC Rules and the architectural and landscaping design of the Properties as established by Declarant, without the prior written consent of Declarant for so long as Declarant is entitled to exercise its veto right under Section 4.2.3 of this Master Declaration.

8.3. Meetings of the DRC.

The DRC shall meet as necessary to perform its duties. The DRC may, by resolution unanimously adopted in writing, designate a DRC representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the DRC except the granting of variances pursuant to Section 8.8. In the absence of such designation, the vote or written consent of a majority of the DRC constitutes an act of the DRC.

8.4. No Waiver of Future Approvals.

The DRC's approval of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the DRC's approval does not waive any right to withhold approval of any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval.

8.5. Compensation of Members.

The DRC's members shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them or its duly authorized representative in performing DRC duties.

8.6. Inspection of Work.

The DRC or its duly authorized representative may inspect any work for which approval of plans is required under this Article VIII ("Work"). The right to inspect includes the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the DRC-approved plans for the Work or with the requirements of this Master Declaration ("Noncompliance").

8.6.1. Time Limit. The DRC's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60) days after the Work has been completed and the DRC has received written notice from the Owner that the Work has been completed. If the DRC fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

8.6.2. Remedy. If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the DRC, the DRC shall notify the Board in

writing of such failure. Upon Notice and Hearing, the Board shall determine whether there is a Noncompliance-and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a Noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board may Record a Notice of Noncompliance (if permitted by law) and commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the Noncompliance.

8.7. Scope of Review.

The DRC shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed Improvement solely on the basis of aesthetic considerations, consistency with this Master Declaration, and the overall benefit or detriment which would result to the immediate vicinity and the Properties generally. The DRC shall consider the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The DRC's approval or disapproval shall be based solely on the considerations set forth in this Article VIII. The DRC is not responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The DRC may not consider the impact of views from other Residences or Lots as factors in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement. Neither Declarant nor any Merchant Builder warrants any protected views within the Properties, and no Residence or Lot is guaranteed the existence or unobstructed continuation of any particular view.

8.8. Variance.

The DRC may authorize variances from compliance with design provisions of this Master Declaration, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, and must be signed by a majority of the DRC. Such variances need not be Recorded, but the Owner shall be responsible for any such Recordation. The Board must approve any variance recommended by the DRC before any such variance becomes effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Master Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance does not waive any of the terms and provisions of this Master Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor does it affect the Owner's obligation to comply with all applicable governmental ordinances affecting the use of the Lot and Residence.

8.9. Pre-Approvals.

The DRC may authorize pre-approval of certain specified types or classes of Improvements if, in the exercise of the DRC's judgment, preapproval of such types or classes of Improvements is appropriate in carrying out the purposes of this Master Declaration.

8.10. Appeals.

For so long as Declarant has the right to appoint and remove a majority of the DRC's members, the DRC's decisions are final, and there is no appeal to the Board. When Declarant is no longer entitled to appoint and remove a majority of the DRC's members, the Board may adopt policies and procedures for the appeal of DRC decisions to the Board. The Board has no obligation to adopt or implement any appeal procedures, and in the absence of Board adoption of appeal procedures, all DRC decisions are final.

ARTICLE IX

9. Maintenance and Repair Obligations.

9.1. Maintenance Obligations of Owners.

Each Owner shall, at the Owner's sole expense, subject to the provisions of this Master Declaration requiring DRC approval, install Improvements, and thereafter maintain, repair, replace and restore all portions of the Owner's Lot, whether or not the Lot is improved with a Residence, and all Improvements located on the Owner's Lot (except for any portion of the Lot which constitutes Master Common Area or Slope Maintenance Areas) in a neat, sanitary and attractive condition, free of any weeds, trash or debris. Such maintenance responsibilities include, but are not limited to, the maintenance of the entire Lot and Residence, as well as any fence or wall constructed on the Lot along the Lot line abutting any Master Common Area, Golf Course Property, or Public Property, unless such fence or wall is designated as Master Common Area herein or in a Supplemental Master Declaration. In addition, each Owner shall maintain certain portions of any Lot that may be designated in this Master Declaration or any Notice of Addition as requiring special fire protection or natural open space maintenance by the Owner (except for any portion of the Lot which constitutes Slope Maintenance Areas), and such maintenance shall comply with applicable Local Governmental Agency standards and guidelines. Also, each Owner whose Lot utilizes a private drainage system installed by Declarant or any Merchant Builder is responsible for the maintenance and repair of that portion of the system which is located on the Owner's Lot. If any Owner permits a Lot, improved with a Residence or unimproved, or any Improvement which such Owner is responsible for installing or maintaining, to fall into disrepair or to become unsafe, unsightly or unattractive, fails to remain without such installation or to otherwise violate this Master Declaration, the Board may seek any remedies at law or in equity which it may have. In addition, the Board may, after Notice and Hearing, enter upon such Owner's Lot to make such repairs or to perform such maintenance and charge the cost thereof to the Owner. Said cost shall be a Special Assessment enforceable as set forth herein.

9.2. Maintenance Obligations of Master Association.

After the completion of the construction or installation of the Improvements on the Master Common Area by Declarant or any Merchant Builder, no improvement, excavation or work which in any way alters the Master Common Area may be made or done by any person other than the Master Association or its authorized agents. Unless otherwise expressly provided in this Master Declaration, upon commencement of Annual Assessments on the Lots in a Phase the Master Association shall maintain, paint, repair and replace all completed Improvements on the

Master Common Area in such Phase, including but not limited to, all landscaping, slope plantings, fuel modification areas, private streets, parkways, medians, private irrigation systems, trails, sewers, storm drains, parking areas and any recreational facilities, in a safe, sanitary and attractive condition and in good order and repair, and shall likewise provide for the commonly metered utilities serving the Master Common Area. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the Master Common Area; however, the level and frequency of such maintenance shall not be altered without the written consent of Declarant while Declarant's veto right is in effect under Section 4.2.3 of this Master Declaration. The Master Association may add or remove any landscaping Improvements to or from the Master Common Area (subject to the prior written approval of Declarant during the effectiveness of Declarant's veto right under Section 4.2.3 of this Master Declaration), and shall ensure that the landscaping on the Master Common Area is maintained free of weeds and disease. The Master Association is not responsible for the maintenance of any portions of the Master Common Area which have been dedicated to and accepted for maintenance by a state, local or municipal governmental agency or entity.

9.3. Party Walls.

Unless otherwise specifically designated by the DRC, each wall or fence which is placed on the property line between the Lots (the "Party Wall") is a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions apply thereto.

9.3.1. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a Party Wall shall be shared equally by the Owners of the Lots connected by such Party Wall. However, each Owner shall be solely responsible for repainting the side of any Party Wall facing the Lot.

9.3.2. Destruction by Fire or Other Casualty. If a Party Wall is destroyed or damaged by fire or other casualty, any Owner whose Lot is affected thereby may restore it, and the Owner of the other Lot which is affected thereby shall contribute equally to the cost of restoration thereof without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

9.3.3. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article is appurtenant to the land and passes to such Owner's successors in title.

9.4. Damage to Master Common Area by Owners.

The Board may levy the cost of any maintenance, repairs or replacements by the Master Association within the Master Common Area arising out of or caused by the willful or negligent act of an Owner, or an Owner's tenants, family, guests or invitees, as a Special Assessment against such Owner after Notice and Hearing.

9.5. Damage to Residences-Reconstruction.

If all or any portion of any Residence is damaged or destroyed by fire or other casualty, the Owner of such Residence shall either (i) rebuild, repair or reconstruct the Residence in a manner which will restore it substantially to its appearance and condition immediately prior to the casualty or as otherwise approved by the DRC, or (ii) clear the land and neatly landscape the Lot in a manner satisfactory to the DRC. The Owner of any damaged Residence and the DRC shall proceed with all due diligence, and the Owner shall cause such reconstruction or clearing to commence within three (3) months after the damage occurs and to be completed within nine (9) months after damage occurs, unless prevented by causes beyond such Owner's reasonable control. A transferee of the Lot which is damaged or upon which is located a damaged Residence shall commence and complete reconstruction or clearing and landscaping in the respective periods which would have remained for the performance of such obligations if the Owner of the Lot at the time of the damage still held title to the Lot. However, no such transferee may be required to commence or complete such reconstruction in less than thirty (30) days from the date such transferee acquired title to the Lot.

9.6. Inspection.

The Board shall have the Master Common Area and all Improvements thereon inspected at least once every two (2) years in order to (a) determine whether the Master Common Area is being maintained adequately in accordance with the standards of maintenance established in Section 9.2 hereof, (b) identify the condition of the Master Common Area and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (c) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future. The Board may employ such experts and consultants as necessary to perform the inspection and make the report required by this Section.

The Board shall have a report of the results of the inspection required by this Section prepared. The report shall be furnished to Declarant, for so long as Declarant holds a veto right under Section 4.2.3 of this Master Declaration, and to the Owners, within the time set forth for furnishing Owners with the Budget. The report must include at least the following:

- (a) a description of the condition of the Master Common Area, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;
- (b) a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;
- (c) if any maintenance, repair or replacement is to be deferred, the reason for such deferral;
- (d) a summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;

(e) a report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and

(f) such other matters as the Board deems appropriate.

ARTICLE X

10. Use Restrictions.

The Properties shall be held, used and enjoyed subject to the following restrictions and the exemptions of Declarant and Merchant Builders set forth in this Master Declaration.

10.1. Single Family Residence.

Each Lot shall be used as a residence for a single Family and for no other purpose. Subject to the terms of any covenant not to transfer, rent or lease that may exist between an Owner and Declarant or a Merchant Builder, an Owner that rents a Lot to a single Family shall do so pursuant to a written lease or rental agreement subject to all of the provisions of this Master Declaration.

10.2. Business or Commercial Activity.

No part of the Properties may ever be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storage, vending or other nonresidential purposes, including without limitation any activity for which the provider is compensated or receives any consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license; except Declarant and Merchant Builders may use any portion of the Properties for a model home site and display and sales offices in accordance with Article XIV hereof. This Section 10.2 does not preclude any of the above-described activities without external evidence thereof, provided that: (a) such activities are conducted in conformance with all applicable governmental ordinances; (b) the patrons or clientele of such activities do not visit the Lot or park automobiles or other vehicles within the Properties; (c) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside the boundaries of the Lot; (d) no such activity increases the Master Association's liability or casualty insurance obligation or premium; and (e) such activities are consistent with the residential character of the Properties and conform with the provisions of this Master Declaration.

10.3. Nuisances.

No noxious or offensive activities may be carried on upon the Properties or on any public street abutting or visible from the Properties. No exterior horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, may be placed or used on any Lot. Noisy, unsightly, unusually painted or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment utilized in connection with ordinary landscape maintenance), or items which may unreasonably interfere

with television or radio reception to any Lot, and objects which create or emit loud noises or noxious odors may not be located, used or placed in the Properties or on any public street abutting the Properties, or exposed to the view of other Owners without the Board's prior written approval. The Board is entitled to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner may (a) permit or cause anything to be done or kept on the Properties or on any public street abutting the Properties which may (i) increase the rate of insurance in the Properties, (ii) result in the cancellation of such insurance, or (iii) obstruct or interfere with the rights of other Owners, or (b) commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all requirements of the local or state health authorities and with all other applicable governmental ordinances regarding occupancy and use of a Residence. Each Owner is accountable to the Master Association and other Owners for the conduct and behavior of persons residing in or visiting the Lot. Any damage to the Master Common Area, personal property of the Master Association or property of another Owner caused by such persons shall be repaired at the sole expense of the Owner of the Lot where such persons are residing or visiting.

10.4. Signs.

Subject to Civil Code Sections 712 and 713, no sign, poster, billboard, balloon advertising device or other display of any kind shall be displayed within the Properties or on any public street within or abutting the Properties except for the following signs, so long as they comply with applicable County ordinances:

- (a) signs (regardless of size or configuration) used by Declarant in connection with construction, alteration or development of the Properties and the Annexable Territory or sale, lease or other disposition of Lots in the Properties or the Annexable Territory,
- (b) entry monuments, community identification signs, or traffic or parking control signs maintained by the Association,
- (c) one (1) nameplate or similar Owner name or address identification sign for each Lot which complies with DRC Rules;
- (d) one (1) sign for a Lot advising of the existence of security services protecting a Lot which complies with DRC Rules;
- (e) one (1) sign on each Lot advertising the Lot for sale, lease or exchange which shall conform with the requirements of the DRC Rules. The DRC Rules may provide that either (i) the dimensions, construction design and materials, height above ground, colors and overall design appearance, shall conform with reasonable standards for sale, lease or exchange signs developed by the Board and made a part of the DRC Rules or (ii) the sign shall be obtained by rent or purchase from the Master Association, or from the Resale Office described in Section 14.2.3 below.

(f) other signs or displays authorized by the DRC Rules or the DRC.

10.5. Parking and Vehicular Restrictions.

10.5.1. Authorized Vehicles. The following vehicles are Authorized Vehicles: standard passenger vehicles, including without limitation automobiles, passenger vans designed to accommodate ten (10) or fewer people, motorcycles and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may also include, in the case of Owners who are current members of the golf club on the Golf Course Property, Owners' golf carts only of the type authorized by the operator of the Golf Course Property for use by its members, and only if the Owner has registered such cart with the Master Association. Authorized Vehicles may be parked in any portion of the Properties intended for parking of motorized vehicles; provided, however, that no Owner may park a vehicle in a manner which either restricts the passage of pedestrians or vehicles over streets or sidewalks within the Properties, or extends beyond the limits of the space where the vehicle is parked.

10.5.2. Prohibited Vehicles. The following vehicles are Prohibited Vehicles: (i) recreational vehicles (*e.g.*, motorhomes, travel trailers, camper vans, boats, etc.), (ii) commercial-type vehicles (*e.g.*, stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks, limousines, etc.), (iii) buses or vans designed to accommodate more than ten (10) people, (iv) vehicles having more than two (2) axles, (v) trailers, inoperable vehicles or parts of vehicles, (vi) aircraft, other similar vehicles or any vehicle or vehicular equipment deemed a nuisance by the Board. Prohibited Vehicles may not be parked, stored or kept on any public or private street within, adjacent to or visible from the Properties except for brief periods (not to exceed four (4) hours) for loading, unloading, making deliveries or emergency repairs. Prohibited Vehicles may only be parked within an Owner's fully enclosed garage with the door closed so long as their presence on the Properties does not otherwise violate the provisions of this Master Declaration.

10.5.3. General Restrictions. Subject to the restriction on Prohibited Vehicles, all vehicles owned or operated by or within the control of an Owner or a resident of an Owner's Lot and kept within the Properties must be parked in the garage of that Owner to the extent of the space available; provided that each Owner shall ensure that any such garage accommodates at least two (2) full-sized Authorized Vehicles. No repair, maintenance or restoration of any vehicle may be conducted on the Properties except within an enclosed garage when the garage door is closed, provided such activity is not undertaken as a business, and provided that such activity may be prohibited entirely by the Board if the Board determines that it constitutes a nuisance.

10.5.4. Parking Regulations. The Board may enforce all parking and vehicle use regulations applicable to the Properties, including removing violating vehicles from the Properties pursuant to California Vehicle Code Section 22658.2 or other applicable ordinances or statutes. There shall be no blocking of the fire access lanes. If the Board fails to

enforce any of the parking or vehicle use regulations, the County may enforce such regulations in accordance with applicable laws and ordinances.

10.6. Animal Restrictions.

No animals, fowl, reptiles, poultry, fish or insects of any kind ("animals") may be raised, bred or kept on the Properties, except that dogs, cats, fish, birds and other usual household pets may be kept on Lots, provided that they are not kept, bred or maintained for commercial purposes, and not kept in unreasonable quantities, in violation of any applicable local ordinance, or in violation of the Restrictions. As used in this Master Declaration, "unreasonable quantities" ordinarily means more than two (2) pets per household; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Master Association, acting through the Board, may limit the size of pets and may prohibit maintenance of any animal which, in the Board's opinion, constitutes a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure or on a leash held by a person capable of controlling the animal. Any Owner shall be liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by such Owner or by such Owner's family, tenants or guests. Each Owner shall clean up after such Owner's animals which have used any portion of the Properties or public street abutting or visible from the Properties.

10.7. Trash and Unsightly Items.

No trash may be kept or permitted upon the Properties or on any public street abutting or visible from the Properties, except in sanitary containers located in appropriate areas screened from view, and no odor may be permitted to arise therefrom so as to render the Properties or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers may be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). No exterior fires are permitted, except barbecue fires contained within receptacles therefor and fire pits in enclosed areas and designed in such a manner that they do not create a fire hazard. No clothing, household fabrics or other unsightly articles may be hung, dried or aired on or over any Lot. No plants or seeds infected with noxious insects or plant diseases may be brought upon, grown or maintained upon the Properties.

10.8. Temporary Buildings.

No outbuilding, tent, shack, shed or other temporary building or Improvement may be placed upon any portion of the Properties either temporarily or permanently, without the prior written consent of the DRC. No garage, carport, trailer, camper, motor home, recreation vehicle or other vehicle may be used as a residence in the Properties, either temporarily or permanently.

10.9. Master Common Area Facilities.

The Master Common Area may not be altered without the prior written consent of the Board and Declarant for so long as Declarant holds a veto right pursuant to Section 4.2.3 of this Master Declaration.

10.10. Outside Installations.

No projections of any type may be placed or permitted to remain above the roof of any building within the Properties, except one or more chimneys and vent stacks originally installed, if at all, by Declarant or by a Merchant Builder, or as otherwise approved by the DRC. No basketball backboard or other fixed sports apparatus may be constructed or maintained in the Properties without the DRC's prior approval. The Board may authorize and regulate portable basketball stands or hoops and other portable sports equipment in the Rules and Regulations. No fence or wall may be erected, altered or maintained on any Lot except with the DRC's prior approval. No patio cover, wiring, or air conditioning fixture, water softeners, or other devices may be installed on the exterior of a Residence or be allowed to protrude through the walls or roof of the Residence (with the exception of those items installed during the original construction of the Residence) unless the DRC's prior written approval is obtained.

10.11. Antennae.

Owners are prohibited from installing any antennae on the exterior of a Residence for any purpose, except for an "Authorized Antenna," which may be installed so long as the proposed location for such installation is reviewed by the DRC prior to installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The DRC may require that the location of the Authorized Antenna be moved so long as such review by the DRC does not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (3) preclude acceptable quality reception.

An "Authorized Antenna" means (i) an antenna that is designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one meter or less in diameter, (ii) an antenna that is designed to receive video programming service, including multichannel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, that is one meter or less in diameter or diagonal measurement, or (iii) an antenna that is designed to receive television broadcast signals, or (iv) a mast supporting an antenna described in subparagraphs (i), (ii), and (iii) above.

The Master Association may adopt additional restrictions on installation or use of an Authorized Antenna on an Owner's Residence as a part of the Master Association's Rules and Regulations so long as such restrictions do not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation maintenance or use of an Authorized Antenna, or (3) preclude acceptable quality reception. The Master Association may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents or employees of the Master Association and other Owners, or for any other safety related reason established by the Master Association.

The Master Association may also (i) prohibit an Owner from installing an Authorized

Antenna on property which such Owner does not own or is not entitled to exclusively use under the Restrictions, or (ii) allow an Owner to install an antenna other than an Authorized Antenna subject to applicable architectural standards and review by the DRC.

This Section 10.11 is intended to be a restatement of the authority granted to the Association under applicable law. All amendments, modifications, restatements and interpretations of the law applicable to the installation, use or maintenance of an antenna shall be interpreted to amend, modify, restate or interpret this Section 10.11.

10.12. Drilling.

No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind may be conducted upon the Properties, nor are oil wells, tanks, tunnels or mineral excavations or shafts permitted upon the surface of any Lot or within five hundred feet (500') below the surface of the Properties.

10.13. Further Subdivision.

Except as otherwise provided herein, no Owner may further partition or subdivide a Lot, including without limitation any division of such Owner's Lot into time-share estates or time-share uses. This provision does not limit the right of an Owner to (a) rent or lease the entire Lot by means of a written lease or rental agreement subject to this Master Declaration; (b) sell such Owner's Lot; or (c) transfer or sell any Lot to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. Any failure by the lessee of such Lot to comply with the Restrictions constitutes a default under the lease or rental agreement.

10.14. Drainage.

No one may interfere with or alter the rain gutters, downspouts or drainage systems originally installed by Declarant or the Merchant Builders, or alter or interfere with the established drainage pattern over any Lot, including any Slope Maintenance Areas, or Master Common Area unless an adequate alternative provision is made for proper drainage in accordance with Article VIII hereof. For the purpose hereof, "established" drainage means the drainage pattern and drainage Improvements which exist at the time that the Lot is conveyed to the Owner by Declarant or Merchant Builder. However, the element of the established drainage pattern of a Lot which provides for drainage from the Lot onto either the Master Common Area or the Golf Course Property may not be altered by an Owner or the DRC.

Each Owner, by accepting a grant deed to a Lot, acknowledges and understands that in connection with the development of the Properties, Declarant or a Merchant Builder may have installed one or more surface drains, "sub-drains," beneath the surface of such Owner's Lot. These drains and all appurtenant improvements constructed or installed by Declarant or a Merchant Builder ("Drainage Improvements"), if any, provide for surface and subterranean drainage of water from and to various portions of the Properties and the Golf Course Property. To ensure adequate drainage, it is essential that the Drainage Improvements, if any, not be modified, removed or blocked without having first made alternative drainage arrangements.

Therefore, no Owner may alter, modify, remove or replace any Drainage Improvements located within such Owner's Lot without receiving prior written approval from the DRC in accordance with Article VIII hereof, and from the Course Owner with respect to any Drainage Improvements draining to the Golf Course Property. In connection with obtaining such approval, the Owner must submit a plan for alternative drainage acceptable to the DRC and the Course Owner. There shall be no violation of the drainage requirements of the applicable Local Governmental Agency, notwithstanding any approvals pursuant to this paragraph.

10.15. Water Supply Systems.

No individual water supply system, sewage disposal system or water softener system is permitted on any Lot unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable Local Governmental Agency.

10.16. Inside Installations.

No window in any Residence may be partially or completely covered, inside or outside, with aluminum foil, newspaper, paint, reflective tint or any other material the DRC deems inappropriate for such use. All Residences constructed by an Owner other than Declarant or a Merchant Builder shall be furnished with completed window coverings or treatments, on all windows to be covered or treated, no later than the first date of occupancy of the Residence. An Owner may use plain clean white sheets to cover windows only in a Residence constructed by Declarant or a Merchant Builder and only for that period after the Close of Escrow which is described in the Guidelines for Improvement.

10.17. Views.

There are no views in the Properties which are protected to any extent by this Master Declaration, and no Owner who becomes subject to the terms hereof shall thereby obtain any view rights whatsoever. Notwithstanding any other provision of any Notice of Addition or Supplemental Declaration recorded pursuant to Section 16.4 of this Master Declaration, each Owner and the Master Association, by accepting a deed to a Lot or any Master Common Area, acknowledges that any construction or installation by Declarant or a Merchant Builder or by other Owners following DRC approval as provided in Article VIII hereof may impair the view of such Owner, and each Owner and the Master Association on behalf of the Members hereby consent to such impairment.

10.18. Solar Energy Systems.

Each Owner may install a solar energy system on the Lot which serves the Residence, so long as (a) the design and location of the solar energy system meet the requirements of all applicable governmental ordinances and the applicable Local Governmental Agencies, and (b) said design and location receive the prior written approval of the DRC.

10.19. Construction and Landscape Covenants.

10.19.1. Construction Obligation.

With respect to any Lot not improved with a Residence at the time of the Close of Escrow, the Owner of such Lot shall commence and complete construction of a Residence and landscaping thereon in conformance with all requirements of timing and design set forth in the Community Design Guidelines, in conformance with any additional covenants of Record binding upon the Owner, and in conformance with plans and specifications approved pursuant to Article VIII hereof. Nothing herein shall prohibit the Owner of multiple contiguous Lots from constructing a single Residence thereon, provided the Owner complies with said Article VIII and applicable laws.

10.19.2. Landscape Obligations and Board Enforcement.

With respect to any Lot not improved with a Residence at the time of the Close of Escrow, the Owner of such Lot shall commence and complete the landscape and irrigation Improvements to the unimproved Lot in conformance with all requirements for the timing of landscape completion and design set forth in the Community Design Guidelines, and in conformance with plans and specifications approved pursuant to Article VIII hereof.

With respect to any Lot containing a Residence constructed by Declarant or a Merchant Builder at the time of the Close of Escrow from Declarant or a Merchant Builder, the Owner of such Lot shall plant and maintain lawns or other landscaping and irrigation, as approved in accordance with Article VIII hereof, within the front and sideyard areas of a Lot which are visible from the streets, within one hundred eighty (180) days after the Close of Escrow. Unpaved portions of any parkway abutting such Lot and a street, shall also be landscaped unless the parkway is to be landscaped and maintained by the Master Association pursuant to the provisions of a Notice of Addition.

If an Owner is in violation of either of the above landscape and irrigation obligations, the Board may seek any remedies at law or in equity which it may have to cure such violation. In addition, the Board may, after Notice and Hearing, enter upon such Owner's Lot to perform such landscape and irrigation work, and charge the cost thereof to the Owner. Said cost shall be a Special Assessment enforceable as set forth herein.

10.20. Change in Grade.

No Owner shall alter the elevation or grading on the Lot which exists on the date of the Close of Escrow for such Lot without the prior written approval of plans by the Declarant or in accordance with Article VIII hereof.

10.21. Exterior Lighting.

Exterior lighting, including, without limitation, permanent or portable fixtures for buildings, recreational facilities, parking areas, landscape and walkways, shall be shielded so that light rays emitted by the fixture project below the horizontal plane passing through the lowest point on the fixture emitting light, shall be controlled so as not to unreasonably disturb any other Lot, and

shall comply with any applicable Local Governmental Agency standards and DRC Rules for exterior lighting.

10.22. Rights of Disabled.

Subject to the provisions of Article VIII hereof, each Owner may modify the Residence and the route over the Lot leading to the front door of the Residence, at Owner's sole expense, in order to facilitate access to the Residence by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such persons, in accordance with Section 1360 of the California Civil Code or any other applicable law or ordinance.

10.23. Slope Maintenance Areas.

10.23.1. Use Limitations.

Slope Maintenance Areas are subject to one or more restrictions upon use by a Lot Owner, including without limitation (i) an exclusive easement appurtenant to the Golf Course Property for access maintenance, repair, installation and replacement of landscaping, natural vegetation, irrigation, drainage facilities, other golf course Improvements, and for the retrieval of golf balls, as provided in the Shared Use Agreement, (ii) an Open Space Easement, Recorded August 11, 1987 as Instrument No. 87-452195 in Official Records, for the purpose of protecting native vegetation and which prohibits, in part, any building, structures or other things from being constructed or maintained, including removal or disturbance of soil or vegetation unless by order of a fire marshall, and (iii) any other matters established by agreement, by law or of Record. Each Owner hereby waives its right of access to and use of any portion of the Owner's Lot designated as Slope Maintenance Areas. No Improvements shall be constructed or maintained upon the Slope Maintenance Areas by an Owner (excluding Declarant or a Merchant Builder) unless (i) the Improvement conforms with the requirements of any open space easement, fuel modification zone, or other matters of law or of Record, restriction, and (ii) the Improvement has been previously approved pursuant to Article VIII hereof and by the Course Owner. No Owner shall use a Lot in any manner which interferes with the Golf Course Property's exclusive easement over the Slope Maintenance Areas, or which causes damage to the Slope Maintenance Areas, as provided in the Shared Use Agreement.

10.23.2. Additional Insured.

In addition to the limitations upon Owners with respect to the use of any Slope Maintenance Areas, the Owner shall cause the Course Owner to be named as an additional insured in the Owner's liability insurance policy for the Lot required pursuant to Section 12.2 hereof. The insurance obligation of the Course Owner with respect to the Slope Maintenance Areas is set forth in the Shared Use Agreement.

ARTICLE XI

11. Damage and Condemnation of Master Common Area.

Damage to or destruction of all or any portion of the Master Common Area and condemnation of all or any portion of the Master Common Area shall be handled in the following manner:

11.1. Repair of Damage.

If the Master Common Area is damaged or destroyed, the Master Association shall cause the Master Common Area to be repaired and reconstructed substantially in accordance with the original plans and specifications, and any restoration or repair of the Master Common Area shall be performed substantially in accordance with the original plans and specifications. If the cost of effecting total restoration of the Master Common Area exceeds the amount of insurance proceeds, then the Master Association shall levy a Reconstruction Assessment against the Lots and their respective Owners equal to the difference between the total restoration cost and the insurance proceeds.

11.2. Damage by Owners.

Each Owner is liable to the Master Association for any damage to the Master Common Area not fully reimbursed to the Master Association by insurance proceeds (including without limitation any deductible amounts under any insurance policies against which the Master Association files a claim for such damage) which may be sustained due to the negligence or willful misconduct of said Owner or the persons deriving their right and easement of use and enjoyment of the Master Common Area from said Owner, or of such Owner's family and guests. The Master Association may, after Notice and Hearing, (i) determine whether any claim shall be made upon the insurance maintained by the Master Association and (ii) levy against such Owner a Special Assessment equal to any deductible paid and the increase, if any, in the insurance premium directly attributable to the damage caused by such Owner or the persons for whom such Owner may be liable as described herein. If a Lot is jointly owned, the liability of its Owners is joint and several, except to the extent that the Master Association has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing, the cost of correcting such damage, to the extent not reimbursed to the Master Association by insurance, shall be a Special Assessment against such Owner.

11.3. Condemnation.

If all or any portion of the Master Common Area is taken by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Master Association and deposited in its General Operating Fund, unless the Master Common Area is located in a Special Benefit Area in which case the award shall be paid to the corresponding Special Benefit Area Operating Fund. No Owner may participate as a party, or otherwise, in any proceedings relating to such condemnation.

ARTICLE XII

12. Insurance.

12.1. Casualty Insurance.

The Master Association shall obtain and maintain fire and casualty insurance with extended coverage for loss or damage to all insurable Improvements installed by Declarant, by a Merchant Builder or by the Master Association on the Master Common Area for the full replacement cost thereof without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Master Association may deem desirable. The Master Association may also insure any other real or personal property it owns against loss or damage by fire and such other hazards as the Master Association may deem desirable, with the Master Association as the owner and beneficiary of such insurance. The policies insuring the Master Common Area must be written in the name of, and the proceeds thereof must be payable to the Master Association. Unless the applicable insurance policy provides for a different procedure for the filing of claims, all claims made under such policy must be sent to the insurance carrier or agent, as applicable, by certified mail and be clearly identified as a claim. The Master Association shall keep a record of all claims made. Subject to any specific provisions of this Master Declaration to the contrary, the Master Association shall use insurance proceeds to repair or replace the property for which the insurance was carried. Premiums for all insurance carried by the Master Association are Common Expenses, unless the insurance is exclusively with respect to a Special Benefit Area in which case such premiums shall be Special Benefit Expenses for such Special Benefit Area.

12.2. Insurance Obligations of Owners.

Each Owner is responsible for insuring the personal property and all other property and Improvements within the Owner's Lot for which the Master Association has not purchased insurance in accordance with Section 12.1 hereof. Each Owner is also responsible for carrying public liability insurance in the amount such Owner deems desirable to cover such Owner's individual liability for damage to person or property occurring inside such Owner's Residence or elsewhere upon the Lot. Such policies shall not adversely affect or diminish any liability under any insurance obtained by the Master Association, and duplicate copies of such other policies shall be deposited with the Board upon the Board's request. Such policies of liability insurance on any Lot which is subject to an exclusive easement for Slope Maintenance Areas shall name the Course Owner as an additional insured with respect to such Slope Maintenance Areas. If any loss intended to be covered by insurance carried by the Master Association occurs and the proceeds payable thereunder are reduced due to insurance carried by any Owner, such Owner shall assign the proceeds of such insurance 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.

12.3. Waiver of Subrogation.

All policies of physical damage insurance the Master Association maintains must provide, if reasonably possible, for waiver of: (a) any defense based on coinsurance; (b) any right of setoff,

counterclaim, apportionment, proration or contribution due to other insurance not carried by the Master Association; (c) any invalidity, other adverse effect or defense due to any breach of warranty or condition caused by the Master Association, any Owner or any tenant of any Owner, or arising from any act or omission of any named insured or the respective agents, contractors and employees of any insured; (d) any rights of the insurer to repair, rebuild or replace, and, if any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured; (e) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot; (f) any denial of an Owner's claim because of negligent acts by the Master Association or other Owners; or (g) prejudice of the insurance by any acts or omissions of Owners that are not under the Master Association's control. As to each policy of insurance the Master Association maintains which will not be voided or impaired thereby, the Master Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by such persons, but only to the extent that insurance proceeds are received in compensation for such loss.

12.4. Liability and Other Insurance.

The Master Association shall obtain comprehensive public liability insurance, including medical payments and malicious mischief, in such limits as it deems desirable with such minimum limits as are set forth in Section 1365.9 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from the Master Association's activities or with respect to property the Master Association maintains or is required to maintain including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Master Association may also obtain Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Owner, the Master Association, Board and Manager, against liability in connection with the Master Common Area, the premiums for which are Common Expenses. The Board shall review all insurance policies at least annually and increase the limits in its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity bonds and other insurance as it deems advisable, insuring the Board, the Master Association's officers and the Manager against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. However, fidelity bond coverage which names the Master Association as an obligee must be obtained by or on behalf of the Master Association for any person or entity handling Master Association funds, including, but not limited to, Master Association officers, directors, trustees, employees and agents and Manager employees, whether or not such persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the Master Association's or Manager's custody during the term of each bond. The aggregate amount of such bonds may not be less than one-fourth (¼) of the Annual Assessments on all Lots in the Properties, plus reserve funds. In addition, the Master Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bond coverage meeting the requirements for planned unit developments established by FNMA, GNMA and FHLMC, so long as any of them is a Mortgagee or an Owner of a Lot in the Properties, except to the extent such coverage is not

reasonably available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable. The Master Association shall, upon issuance or renewal of insurance, but no less than annually, provide the Owners with the notice required by Section 1365.9(c) of the California Civil Code.

12.5. Notice of Expiration Requirements.

If available, each insurance policy the Master Association maintains must contain a provision that said policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice, and every other Person in interest who requests such notice of the insurer.

ARTICLE XIII

13. Rights of Mortgagees.

Notwithstanding any other provision of this Master Declaration, no amendment or violation of the Declaration defeats or renders invalid the rights of the Beneficiary under any Deed of Trust upon one (1) or more Lots made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Lot(s) will remain subject to this Master Declaration. For purposes of this Master Declaration, "first Mortgage" means a Mortgage with first priority over other Mortgages or Deeds of Trust on a Lot, and "first Mortgagee" means the Beneficiary of a first Mortgage. For purposes of any provisions of the Restrictions which require the vote or approval of a specified percentage of first Mortgagees, such vote or approval is determined based upon one (1) vote for each Lot encumbered by each such first Mortgage. In order to induce VA, FHA, FHLMC, GNMA and FNMA to participate in the financing of the sale of Lots, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of the Restrictions, these added provisions control):

13.1. Notice.

Each Beneficiary, insurer and guarantor of a first Mortgage encumbering one or more Lots, upon filing a written request for notification with the Board, is entitled to written notification from the Master Association of:

13.1.1. Loss. Any condemnation or casualty loss which affects either a material portion of the Properties or the Lot(s) securing the respective first Mortgage.

13.1.2. Delinquency. Any delinquency of sixty (60) days or more in the performance of any obligation under the Restrictions, including without limitation the payment of assessments or charges owed by the Owner(s) of the Lot(s) securing the respective first Mortgage, which notice each Owner hereby consents to and authorizes.

13.1.3. Insurance. A lapse, cancellation, or material modification of any policy of insurance or fidelity bond maintained by the Master Association.

13.2. Right of First Refusal.

Each Owner, including each first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage, or by foreclosure of such Mortgage, or by deed or assignment in lieu of foreclosure, shall be exempt from any "right of first refusal" created or purported to be created by the Restrictions.

13.3. Limited Assessment Exemption.

Each first Mortgagee of a first Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Lot free and clear of any claims for unpaid assessments or charges against such Lot which accrued prior to the time such Mortgagee acquires title to such Lot in accordance with Section 7.7 of this Master Declaration.

13.4. Financial Records.

All Beneficiaries, insurers and guarantors of first Mortgages, upon written request to the Master Association, shall have the right to:

13.4.1. Examination of Books. Examine current copies of the Master Association's books, records and financial statements and the Restrictions during normal business hours.

13.4.2. Notice of Meetings. Receive written notice of all meetings of Owners.

13.4.3. Representative. Designate in writing a representative who shall be authorized to attend all meetings of Owners.

13.5. Taxes.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Master Common Area property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Master Common Area property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association.

13.6. Agreements with Agencies.

The Board may enter into such contracts or agreements on behalf of the Master Association as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA, GNMA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Lots with Residences thereon. Each Owner hereby agrees that it will benefit the Master Association and its Members, as a class of potential Mortgage borrowers and potential sellers of their Lots, if such agencies approve the Properties as

a qualifying subdivision under their respective policies, rules and regulations. Each Owner hereby authorizes the Mortgagees to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

ARTICLE XIV

14. Declarant and Merchant Builder Rights and Exemptions.

14.1. Interests of Declarant and Merchant Builders.

Phase 1 is a portion of a larger parcel of land which Declarant is developing into a master planned community. Declarant in cooperation with the County, has created a comprehensive plan for the development of the Properties which includes modern master-planning objectives, formulated for the common good and preservation of the attractiveness and desirability of the community. The completion of the work by Declarant, and Merchant Builders, if any, and the sale of Lots in the Properties, is essential to the establishment and welfare of the Properties as a quality residential community. Each Owner of a Lot which is part of the Properties acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant and Merchant Builders have substantial interests in assuring compliance with, and enforcement of, the covenants, conditions, restrictions and reservations contained in this Master Declaration and any amendments thereto and any Notices of Addition and Supplemental Master Declarations Recorded pursuant to this Master Declaration. Notwithstanding any other provisions of the Restrictions, until the earlier to occur of (i) last Close of Escrow for the sale of a Lot in a Phase of Development following annexation of all of the Annexable Territory, or (ii) the termination of the Oversight Period, the following actions, before being undertaken by the Members or the Master Association, must first be approved in writing by Declarant:

14.1.1. Specified Approvals. Any amendment or action requiring the approval of Declarant pursuant to this Master Declaration, including without limitation all amendments to this Master Declaration, and any amendment or action requiring the approval of first Mortgagees pursuant to this Master Declaration. The Master Association must provide Declarant with all notices and other documents to which a Beneficiary is entitled pursuant to this Master Declaration, and Declarant shall be furnished such notices and other documents without the necessity of a written request;

14.1.2. Annexation. The annexation to the Properties of real property other than the Annexable Territory pursuant to Section 16.1;

14.1.3. Capital Improvement Assessments. The levy of a Capital Improvement Assessment for the construction of new facilities not originally included in the Master Common Area;

14.1.4. Service/Maintenance Reductions. Subject to those provisions of Article VI regarding limitations on yearly Annual Assessment increases, any significant reduction of Master Common Area maintenance or other services or entering into contracts for maintenance or other goods and services benefiting the Master Association or the Master Common Area at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services; and

14.1.5. DRC Rules. The adoption of and any supplement or amendment to the Community Design Guidelines and other rules, guidelines or standards of the DRC, including any pre-approval authorization pursuant to Article VIII of this Master Declaration.

14.2. Rights and Exemptions.

14.2.1. Further Development Rights: View Impairment. Nothing in the Restrictions limits, and no Owner or the Master Association will interfere with, the right of Declarant or any Merchant Builder (with the consent of Declarant) to subdivide and resubdivide any portion of the Properties, or with the right of Declarant and Merchant Builders, either directly or through their respective agents and representatives, to sell, resell, rent or rerent any portion of the Properties, or the right of Declarant or a Merchant Builder to complete excavation, grading, construction of Improvements or other development activities to and on any portion of the Properties owned by Declarant or a Merchant Builder, as applicable, or to alter the foregoing and the construction plans and designs, or to construct such additional Improvements as Declarant or a Merchant Builder deems advisable in the course of developing the Properties so long as any Lot in the Properties or any portion of the Annexable Territory is owned by Declarant or a Merchant Builder. These rights include, but are not limited to, carrying on by Declarant, the Merchant Builders and their respective agents and representatives, of such grading work as may be approved by the Local Governmental Agency having jurisdiction, and erecting, constructing and maintaining on the Properties such structures, signs and displays reasonably necessary for the conduct of the business of completing the work and disposing of the Properties and the Annexable Territory by sale, lease or otherwise. This Master Declaration does not limit the right of Declarant or a Merchant Builder, at any time prior to acquisition of title to a Lot by a purchaser from Declarant or a Merchant Builder, to establish on that Lot, additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others, or to Record a lot line adjustment, as may be reasonably necessary to the proper development and disposal of the Properties and Annexable Territory.

Each Owner, by accepting a deed to a Lot, acknowledges that any construction or installation by Declarant or a Merchant Builder may impair the view of such Owner, and each Owner consents to such impairment. Declarant and Merchant Builders are exempt from any requirement to obtain DRC approval, as further provided in Section 8.2 of this Master Declaration.

14.2.2. Temporary Sales and Development Rights and Easements. Declarant hereby reserves for the benefit of Declarant and Merchant Builders, their respective

agents, subcontractors, invitees, successors in interest and assigns, a nonexclusive easement appurtenant to the Annexable Territory, in and over the Master Common Area for the following purposes: (i) access, ingress, egress, to sales and leasing structures, to market the Properties, the Annexable Territory or the Golf Course Property to Merchant Builders and to prospective purchasers, (ii) the installation and maintenance of advertising and directional signs and media of a design and quantity determined by HCC in its sole discretion; and (iii) to develop, construct, market, sell, lease or otherwise dispose of the Properties, the Annexable Territory or the Golf Course Property. In addition, Declarant and Merchant Builders may use any structures, whether permanent or temporary, they own in the Properties as model home complexes, or real estate sales or leasing offices. Such easements and rights of use within the Properties shall terminate on the last Close of Escrow for the sale of a Lot in the Properties pursuant to a transaction requiring the issuance of a Public Report, at which time Declarant or Merchant Builders, as the case may be, shall restore their respective structures to their previous appearance. Such easements and rights of use shall not unreasonably interfere with the easement rights of the other Owners as provided herein.

14.2.3. Permanent Sales and Leasing Rights and Easements. Declarant shall have the right, at its election, to construct and to operate in perpetuity a facility for the sale, resale and leasing of Lots within the Properties (the "Resale Office"). The Resale Office itself may be located within either the Properties or the Golf Course Property, in a facility approved for such business use by the Local Governmental Agency. Declarant hereby reserves for the benefit of Declarant, its agents, prospective purchasers and other business invitees, assigns and successors in interest, a nonexclusive easement appurtenant to the Resale Office, in and over the Master Common Area for vehicular access, ingress, egress, including entry gate access, during reasonable hours of each day, for the purpose of marketing, showing, reselling and leasing Lots within the Properties. Declarant shall have the right to assign all or a portion of these Resale Office rights, in writing, and to convey title in the Resale Office together with these rights and easements, in a Recorded instrument, to another person or entity. These rights and easements of Declarant, its agents, business invitees, assignees and successors in interest, shall not be limited in duration and shall terminate only when released pursuant to the terms of an instrument executed and Recorded by Declarant or Declarant's assignee or successor in interest.

14.2.4. Assignment of Rights: Prior Approval. All or any portion of the rights of Declarant or a Merchant Builder, as applicable, hereunder and elsewhere in these Restrictions may be assigned by Declarant or such Merchant Builder (with Declarant's consent), as applicable, to any successor in interest to any portion of Declarant's or Merchant Builder's interest in any portion of the Properties or the Annexable Territory (including, without limitation, to any Merchant Builder) by an express written assignment, which specifies the rights of Declarant or such Merchant Builder so assigned.

14.3. Easement Relocation. Master Common Area comprising easements over real property the fee title to which has not been made subject to the Declaration ("Interim Easement Area") may be relocated, modified or terminated by Declarant to accommodate the final plan of development for the future Phase of

Development in which the Interim Easement Area is located. Such relocation, modification or termination shall be set forth in the Recorded instrument annexing fee title to the Interim Easement Area to the Master Declaration. Notwithstanding the foregoing, no such relocation, modification or termination shall prevent access to any Lot.

14.4. Declarant Representative.

Until the later to occur of the date on which Declarant (i) no longer owns a Lot in the Properties or (ii) cannot unilaterally annex property to the Properties, the Master Association shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner and Declarant shall be entitled, without obligation, to have a representative present at all such Board meetings ("Declarant's Representative"). The Declarant's Representative may be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board.

ARTICLE XV

15. General Provisions and Disclosures.

15.1. Enforcement of Restrictions.

All disputes arising under this Master Declaration, other than those described in Section 15.14, or in Section 10.19 if subject to the terms of a separate recorded covenant between an Owner and Declarant or a Merchant Builder which imposes specific enforcement provisions, shall be resolved as follows:

15.1.1. Violations Identified by the Master Association. If the Board determines that there is a violation of the Restrictions, or the DRC determines that an Improvement which is the maintenance responsibility of an Owner needs installation, maintenance, repair, restoration or painting, then the Board shall give written notice to the responsible Owner identifying (i) the condition or violation complained of, and (ii) the length of time the Owner has to remedy the violation including, if applicable, the length of time the Owner has to submit plans to the DRC and the length of time the Owner has to complete the work proposed in the plans submitted to the DRC.

If an Owner does not perform such corrective action as is required by the Board and the DRC within the allotted time, the Board, after Notice and Hearing, may remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner as a Special Assessment.

If the violation involves nonpayment of any type of Assessment, then the Board may collect such delinquent Assessment pursuant to the procedures set forth in Article VII.

15.1.2. Violations Identified by an Owner. If an Owner alleges that another Owner, or the Owner's family, guests or tenants, is violating the Restrictions (other than nonpayment of any type of Assessment), the complaining Owner must first submit the matter to

the Board for Notice and Hearing before the complaining Owner may resort to alternative dispute resolution, as required by Section 1354 of the California Civil Code, or litigation for relief.

15.1.3. Alternative Dispute Resolution. If a dispute exists between or among (i) Declarant, any Merchant Builder, general contractors or brokers, or their agents or employees on the one hand, and any Owner(s) or the Master Association on the other hand, or (ii) any Owner and another Owner, or (iii) the Master Association and any Owner, including any claim based on contract, tort, or statute, arising out of or relating to the rights or duties of the parties under the Restrictions (excluding disputes relating to the payment of any type of Assessments), if the disputing parties agree and subject to Section 1354 of the California Civil Code, the matter will be submitted to alternative dispute resolution so long as the requirements of Sections 15.1.1 and 15.1.2 above have been met, if they are applicable. Nothing herein affects any dispute between Merchant Builders or between Declarant and a Merchant Builder.

15.1.4. Legal Proceedings. Failure to comply with any of the terms of the Restrictions by an Owner, the Owner's family, guests, employees, invitees or tenants, is grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Section 1354 of the California Civil Code and in Sections 15.1.1, 15.1.2 and 15.1.3 above must first be followed, if they are applicable.

15.1.5. Limitation on Expenditures. The Master Association may not incur litigation expenses, including without limitation attorneys' fees, where the Master Association initiates legal proceedings or is joined as a plaintiff in legal proceedings unless it has complied with the applicable requirements of Section 1354 of the California Civil Code. Moreover, any proceeds received from any litigation or alternative dispute resolution by the Master Association must be applied toward the cost of curing the problem and the cost of litigation.

15.1.6. Additional Remedies. The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident of or visitor to such Owner's Lot, to comply with the Restrictions. Such fines or penalties may only be assessed after Notice and Hearing. After Notice and Hearing, the Board may direct the officers of the Master Association to Record a notice of noncompliance (if permitted by law) against the Lot or Lots owned by any Member of the Master Association who has violated any provision of this Master Declaration. The notice shall include a legal description of the Lot and shall specify the provision of the Declaration that was violated, the violation committed, and the steps required to remedy the noncompliance. Once the noncompliance is remedied or the noncomplying Owner has taken such other steps as reasonably required by the Board, the Board shall direct the officers of the Master Association to record a notice that the noncompliance has been remedied.

15.1.7. No Waiver. Failure to enforce any provision hereof does not waive the right to enforce that provision, or any other provision hereof.

15.1.8. Right to Enforce. Declarant, the Board or any Owner (not at the time in default hereunder) may enforce the Restrictions as described in this Article, subject to Section 1354 of the California Civil Code. Each Owner has a right of action against the Master Association for the Master Association's failure to comply with the Restrictions. Each remedy provided for in this Master Declaration is cumulative and not exclusive or exhaustive.

15.1.9. Attorneys' Fees. Any judgment rendered in any action or proceeding pursuant to this Master Declaration shall include a sum for attorneys' fees in such amount as the court or arbitrator, as applicable, may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and costs of court or alternative dispute resolution, as applicable.

15.1.10. County Enforcement Rights. All provisions of this Master Declaration which are zoning in nature and all maintenance requirements under this Master Declaration, may be enforced by the County in its discretion. If the landscape areas on the Master Common Area to be maintained by the Master Association fall into disrepair, or if the Master Association should fail to exercise its rights pursuant to the last three sentences of Section 9.1 hereof, and if the Master Association does not take appropriate corrective action, then the County has the prerogative to order the work done and the cost assessed to the Master Association.

15.2. Severability.

The provisions hereof are independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction does not affect the validity or enforceability of any other provision hereof.

15.3. Term.

This Master Declaration continues in full force unless a Declaration of Termination satisfying the requirements of an amendment to the Master Declaration, as set forth in Section 15.5, is Recorded.

15.4. Interpretation.

This Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of the Master Common Area, and any violation of this Master Declaration is a nuisance. The Article and Section headings have been inserted for convenience only, and may not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular includes the plural and the plural the singular; and the masculine, feminine and neuter each include the other, unless the context dictates otherwise.

15.5. Termination and Amendment.

15.5.1. Procedure. Notice of the subject matter of a proposed amendment to, or termination of, this Master Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Master Association at which a proposed

amendment or termination is to be considered. The resolution can only be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) sixty-seven percent (67%) of the voting power of each class of Members, and (ii) sixty-seven percent (67%) of the Master Association's voting power residing in Members other than Declarant and Merchant Builders; provided that the specified percentage of the Master Association's voting power necessary to amend a specified Section or provision of this Master Declaration may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. In addition, Article XIV hereof may not be amended, nor is any amendment effective which would be counter to Article XIV or any other rights of Declarant, without the prior written consent of Declarant for so long as Declarant owns any portion of the Properties or the Annexable Territory.

15.5.2. Mortgagee Consent. In addition to the notices and consents required by Section 15.5.1, the Beneficiaries of fifty-one percent (51%) of the first Mortgages on all the Lots in the Properties who have requested the Master Association to notify them of proposed action requiring the consent of a specified percentage of first Mortgagees must approve any amendment to this Master Declaration which is of a material nature, as follows:

(a) Lien Priority. Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Beneficiaries, insurers and guarantors of first Mortgages as provided in this Master Declaration.

(b) Assessments. Any amendment which would necessitate a Mortgagee, after it has acquired a Lot through foreclosure, to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(c) Forfeitures and Taxes. Any amendment which would or could result in a Mortgage being canceled by forfeiture, or in a Lot not being separately assessed for tax purposes.

(d) Insurance and Condemnation. Any amendment relating to the insurance provisions as set out in Article XII hereof, or to the application of insurance proceeds as set out in Article XI hereof, or to the disposition of any money received in any taking under condemnation proceedings.

15.5.3. Termination. Termination of this Master Declaration shall require approval by the Members as provided in Section 15.5.1.

15.5.4. Notice. Each Beneficiary of a first Mortgage on a Lot in the Properties which receives proper written notice of a proposed amendment or termination of this Master Declaration by certified or registered mail with a return receipt requested shall be deemed

to have approved the amendment or termination if the Beneficiary fails to submit a response to the notice within thirty (30) days after the Beneficiary receives the notice.

15.5.5. Certification. A copy of each amendment shall be certified by at least two (2) Master Association officers, and the amendment will be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by at least two (2) officers of the Master Association that the requisite number of Owners have either voted for or consented in writing to any termination or amendment adopted as provided above, when Recorded, is conclusive evidence of that fact. The Master Association shall maintain in its files the record of all such votes or written consents for at least four (4) years. The certificate reflecting any termination or amendment which requires the written consent of any of the Beneficiaries of first Mortgages must include a certification that the requisite approval of such first Mortgagees has been obtained.

15.5.6. Declarant Amendments. Notwithstanding any other provisions of this Section 15.5, at any time prior to the first Close of Escrow in Phase 1, or prior to the first Close of Escrow in a subsequent Phase of Development with respect to a Supplemental Master Declaration, Declarant may unilaterally amend or terminate this Master Declaration (or a Supplemental Master Declaration, as the case may be) by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant.

15.5.7. Lender and Regulatory Amendments. Notwithstanding any other provisions of this Section 15.5, for so long as Declarant owns any portion of the Properties or the Annexable Territory, Declarant may unilaterally amend this Master Declaration by Recording a written instrument signed by Declarant in order to conform this Master Declaration to the requirements of the VA, FHA, DRE, FNMA, GNMA or FHLMC or any Local Governmental Agency.

15.6. No Public Right or Dedication. Nothing contained in this Master Declaration constitutes a gift or dedication of all or any part of the Properties to the public, or for any public use.

15.7. Constructive Notice and Acceptance. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Properties does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Properties or any portion thereof.

15.8. Reservation of Easements. Declarant hereby reserves for the benefit of all of the Properties reciprocal easements for access, ingress and egress for all Owners to and from their respective Lots; for installation and repair of utility services; for encroachments of Improvements constructed by Declarant and Merchant Builders or authorized by the DRC over the Master Common Area; for drainage of water over,

across and upon adjacent Lots and Master Common Area resulting from the normal use of adjoining Lots and Master Common Area; for necessary maintenance and repair of any Improvement constructed by Declarant or a Merchant Builder; easements as may be shown on any Recorded subdivision map or Recorded parcel map of any portion of the Properties; and for such other purposes specified in this Master Declaration. Such easements may be used by Declarant and the Merchant Builders, their successors, invitees and purchasers, the Master Association, and all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Properties, for pedestrian walkways, vehicular access and such other purposes specified herein or reasonably necessary for the use, maintenance and enjoyment of a Lot or Master Common Area. Declarant hereby reserves easements for the installation and maintenance of master antenna or master cable television antenna service, as provided in Section 2.11 of this Master Declaration.

15.9. Notices.

Except as otherwise provided herein, notice to be given to an Owner must be in writing and may be delivered personally to the Owner. Personal delivery of such notice to one (1) or more co-owners of a Lot or to any general partner of a partnership owning a Lot constitutes delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation constitutes delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Master Association or, if no such address has been furnished, to the street address of such Owner's Lot. Such notice is deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board, in which case the notice provisions of the Bylaws control. Any notice to be given to the Master Association may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to the Master Association at such address as may be fixed from time to time and circulated to all Owners.

15.10. Enforcement of Bonded Obligations.

If (a) the Master Common Area Improvements in any Phase are not completed prior to the issuance of a Public Report for such Phase by DRE, and (b) the Master Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of Declarant's commitment to complete such Improvements, then the following provisions of this Section will be applicable:

(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 such Improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the Planned Construction Statement appended to the Bond. If the Master Association has given an extension in writing for the completion of any Master Common Area Improvement, then the Board shall be directed to consider

and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

(b) A special meeting of Members for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the Board's failure to consider and vote on the question shall be held no fewer than thirty-five (35) nor more than forty-five (45) days after the Board receives a petition for such a meeting signed by Members representing five percent (5%) of the Master Association's total voting power. A vote of a majority of the Master Association's voting power residing in Members (other than Declarant and all Merchant Builders) 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 Master Association's name.

15.11. Nonliability and Indemnification.

15.11.1. Nonliability and Indemnification of Board, Officers and Committee Members.

(a) General Rule. No Person is liable to any other Person (other than the Master Association or a party claiming in the name of the Master Association) for injuries or damage resulting from such Person's acts or omissions within what such person reasonably believed to be the scope of the Person's Master Association duties ("Official Acts"), except to the extent that such injuries or damage result from the Person's willful or malicious misconduct. No Person is liable to the Master Association (or to any party claiming in the name of the Master Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct. The Master Association is not liable for damage to property in the Properties unless caused by the negligence of the Master Association, the Board, the Master Association's officers, the manager or the manager's staff.

(b) Nonliability of Volunteer Board Members and Officers. A volunteer Board member or volunteer Master Association officer shall not be personally liable to any Person who suffers injury, including without limitation bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all of the applicable conditions specified in Section 1365.7 of the California Civil Code, as modified, amended, or replaced, are met.

(c) Indemnification of Master Association Representatives. The Master Association has the power and the duty to indemnify

Board members, Master Association officers, DRC members, and all other Master Association committee members for all damages and pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person brought because of performance of an Official Act to the fullest extent authorized by California law. Board members, Master Association officers, DRC members, and all other Master Association committee members are deemed to be agents of the Master Association when they are performing Official Acts for purposes of obtaining indemnification from the Master Association pursuant to this Section. The entitlement to indemnification hereunder inures to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any person entitled to such indemnification.

(d) Indemnification of Other Agents of the Master Association. The Master Association has the power, but not the duty, to indemnify any other Person acting as an agent of the Master Association for any damages and pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person because of an Official Act as authorized by California law.

(e) Indemnification by Contract. The Master Association, acting through the Board, also has the power, but not the duty, to contract with any Person to provide indemnification beyond the scope of indemnification authorized by applicable law on such terms and subject to such conditions and the Board may impose.

15.11.2. Nonliability of Owners. Pursuant to California Civil Code Section 1365.9, as amended or restated from time to time, no Owner shall be liable for any cause of action in tort which can be brought against the Owner solely because of the Owner's fee simple ownership interest in the Master Common Area, so long as the Master Association maintains one or more policies of insurance which include coverage for general liability of the Master Association in an amount of at least two million dollars (\$2,000,000) so long as the Properties are composed of no more than one hundred (100) Lots, and at least three million dollars (\$3,000,000) if the Properties are composed of more than one hundred (100) Lots and that insurance is in effect for the cause of action being brought.

15.12. Priorities and Inconsistencies.

If there are conflicts or inconsistencies between this Master Declaration and either the Articles or the Bylaws, then the provisions of this Master Declaration shall prevail. If there are any conflicts or inconsistencies between this Master Declaration and a Supplemental Declaration, a Notice of Addition or the Rules and Regulations, then the provisions of this Master Declaration shall prevail. If there are any conflicts or inconsistencies between this Master Declaration and the Shared Use Agreement, the Shared Use Agreement provisions shall prevail.

15.13. Mergers or Consolidations.

Upon a merger or consolidation of the Master Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Master Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Master Declaration governing the Properties, together with the covenants and restrictions established upon any other property, as one (1) plan.

15.14. Dispute Notification and Resolution Procedure (Declarant or Merchant Builder Disputes).

Any disputes between the Master Association (or any Owners) and the Declarant or Merchant Builder or any director, officer, partner, employer, subcontractor or agent of the Declarant or a Merchant Builder relating to this Master Declaration, the use or condition of the Properties, and/or the construction and installation of any Improvements located thereon not otherwise regulated by Section 1375 of the California Civil Code shall be subject to the following provisions:

15.14.1. Notice. Any person with a claim against the Declarant or Merchant Builder or any director, officer, partner, employer, subcontractor or agent of either (collectively the "Declarant" for purposes of this Section) shall notify the Declarant in writing of the claim, which shall describe the nature of the claim and the proposed remedy (the "Claim Notice").

15.14.2. Right to Inspect and Right to Corrective Action. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, the Declarant and the Claimant shall meet at a mutually acceptable place within the Properties to discuss the claim. At such meeting or at such other mutually agreeable time, Declarant and Declarant's representatives shall have full access to the property that is subject to the claim for the purposes of inspecting the property. The parties shall negotiate in good faith in an attempt to resolve the claim. If the Declarant elects to take any corrective action, Declarant and Declarant's representatives and agents shall be provided full access to the Properties to take and complete corrective action.

15.14.3. Non-Binding Mediation. If the parties cannot resolve the claim pursuant to the procedures described in subparagraph 15.14.2 above, then, if the parties agree, the matter may be submitted to nonbinding mediation pursuant to the mediation procedures adopted by the American Arbitration Association or any successor thereto or to any other entity offering mediation services that is acceptable to the parties. No Person shall serve as a mediator in any dispute in which the Person has any financial or personal interest in the result of the mediation, except by the written consent of all parties. Prior to accepting any appointment, the prospective mediator shall disclose any circumstances likely to create a presumption of bias or prevent a

prompt commencement of the mediation process. If the matter is submitted to mediation, then the following shall apply:

(a) Within ten (10) days of the selection of the mediator, each party shall submit a brief memorandum setting forth its position with regard to the issues that need to be resolved. A party's pre-mediation memorandum may not be disclosed by the mediator to the other party without the consent of the party submitting the same. The mediator shall have the right to schedule a pre-mediation conference and all parties shall attend unless otherwise agreed. The mediation shall be commenced within ten (10) days following the submittal of the memorandum and shall be concluded within fifteen (15) days from the commencement of the mediation unless the parties mutually agree to extend the mediation period. The mediation shall be held in Orange County, California, or such other place as is mutually acceptable to the parties.

(b) The mediator shall have discretion to conduct the mediation in the manner in which the mediator believes is most appropriate for reaching a settlement of the dispute. The mediator is authorized to conduct joint and separate meetings with the parties and to make oral and written recommendations for settlement. Whenever necessary, the mediator may also obtain expert advice concerning technical aspects of the dispute, providing the parties agree and assume the expenses of obtaining such advice. The mediator does not have the authority to impose a settlement on the parties.

(c) Prior to the commencement of the mediation session, the mediator and all parties to the mediation shall execute an agreement pursuant to California Evidence Code Section 1152.5(c) or successor statute in order to exclude the use of any information, testimony, admission or evidence produced or made at or in connection with the mediation and any subsequent dispute resolution forum, including, but not limited to, court proceedings or arbitration hearings. Pursuant to California Evidence Code Section 1152.5(a), the agreement shall specifically state:

(i) Except as otherwise provided in this section, evidence of anything said or of any admission made in the course of the mediation is not admissible evidence or subject to discovery, and disclosure of this evidence shall not be compelled in any civil action or proceeding in which, pursuant to law, testimony can be compelled to be given.

(ii) Except as otherwise provided in this section, unless the document otherwise provides, no document prepared for the purpose of, or in the course of, or pursuant to, the mediation, or copy thereof, is admissible in evidence or subject to

discovery, and disclosure of such a document shall not be compelled, in any civil action or proceeding in which, pursuant to law, testimony can be compelled to be given.

(d) Persons other than the parties, their representatives and the mediator may attend mediation sessions only with the permission of the parties and the consent of the mediator. Confidential information disclosed to a mediator by the parties or by witnesses in the course of the mediation shall not be divulged by the mediator, without the consent of the disclosing party. All records, reports, or other documents received by the mediator while serving in such capacity shall be confidential. There shall be no stenographic record of the mediation process.

(e) The expenses of witnesses for either party shall be paid by the party producing such witnesses. All other expenses of the mediation, including required traveling and other expenses of the mediator, and the expenses of any witnesses, or the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the parties unless they agree otherwise.

15.14.4. Judicial Reference. If the parties cannot resolve the claim pursuant to the procedures described in subparagraph 15.14.3 above, then, if the parties agree, prior to the commencement of any litigation in any court of competent jurisdiction, the parties may submit the claim to general judicial reference pursuant to California Code of Civil Procedure Sections 638(1) and 641-645.1 or any successor statutes thereto. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. Declarant shall not be required to participate in the judicial reference proceeding unless it is satisfied that all necessary and appropriate parties will participate.

The general referee shall have the authority to try all issues, whether of fact or law, and to report a statement of decision. The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services/ENDISPUTE ("JAMS") for judicial reference (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

- (a) The proceedings shall be heard in the County;
- (b) The referee must be a retired judge or an attorney with substantial experience in relevant real estate matters;

(c) Any dispute regarding the selection of the referee shall be resolved by the entity providing the reference services or, if no entity is involved, by the court with appropriate jurisdiction;

(d) The referee may require one or more pre-hearing conferences;

(e) The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge;

(f) A stenographic record of the hearing shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals;

(g) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable; and

(h) The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

15.14.5. Litigation. The Master Association and each Owner may not commence litigation against the Declarant or the Merchant Builder (as the case may be) without complying with the procedures described in subparagraphs 15.14.1, 15.14.2, 15.14.3 and 15.14.4 above.

15.14.6. Miscellaneous. Notwithstanding any other provision herein to the contrary, in any dispute between the Master Association and/or any Owner and the Declarant or the Merchant Builder (as the case may be), each party shall bear its own attorneys fees.

Any and all communications by and between the parties, whether written or oral, which are delivered by the parties or their attorneys or other representatives in an effort to settle the matter shall be considered communications undertaken in the course of effecting a settlement or compromise as such shall not be admissible as an admission on the part of any party or any representative or agent of that party to be utilized for any such purpose in any action or proceeding.

Nothing herein shall be considered to reduce or extend any applicable statute of limitation. If at any time an action would be barred by a statute of limitation if not filed within sixty (60) days, then such action may be filed notwithstanding any other provision of this Section. This Section 15.14 shall not be amended without the written consent of Declarant.

15.15. Additional Provisions.

Notwithstanding the provisions contained in the Restrictions, the Master Association and the Owners should be aware that there may be provisions of various laws, including without limitation the Davis-Stirling Common Interest Development Act codified at Sections 1350 *et seq.* of the California Civil Code and the federal Fair Housing Act codified at Title 42 United States Code, Sections 3601 *et seq.*, which may supplement or override the Restrictions. Declarant makes no representations or warranties regarding the future enforceability of any portion of the Restrictions.

15.16. No Representations or Warranties.

No representations or warranties of any kind, express or implied, have been given or made by Declarant or by any Merchant Builder, or by their respective agents or employees in connection with the Properties, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned development, except as specifically and expressly set forth in this Master Declaration and except as may be filed by Declarant or by a Merchant Builder (with the consent of Declarant) from time to time with the DRE.

15.17. Slope Improvements.

Improvements such as Residences, pools, spas, concrete slabs, decks, planters and walls that have not been designed by qualified soils and structural engineers to compensate for expansive soil conditions and slope creep should not be located adjacent to the top or toe of slopes. Minor lifting and cracking of Improvements constructed at the top or toe of slopes may occur even when such Improvements are constructed with qualified professional assistance.

15.18. Effect of Expansive Soil.

The soil within the Properties may be composed of formations that have "highly expansive" characteristics. Soils testing should be performed, special construction techniques should be used and precautions must be taken when constructing First Improvements or modifying existing Improvements as the soil expands when it is wet thus causing Improvements to lift and crack. The following information and/or recommendations should be considered by each Owner and its consultants prior to making or modifying any Improvements:

(a) Special consideration and attention is required in designing concrete and masonry Improvements such as masonry walls and planters, concrete slabs, pools, spas and decking. For example, steel reinforcing bars may be required in lieu of steel mesh in foundations and concrete patio slabs. Block walls may require extra horizontal and vertical steel reinforcing bars. Pools and spas located at the top or bottom of a slope or on expansive soils require special design techniques.

(b) Adequate drainage and irrigation control should be utilized. The construction or modification of Improvements should not result in

ponding of surface drainage water. The landscape irrigation system should be designed to prevent excessive saturation of expansive soils. Water must drain away from the Residence footings and other Improvements constructed upon the Lot and obstructions such as walls should not be constructed across swales unless adequate replacement drainage Improvements have been installed or created. Planters created by walkways next to a Residence should be lined with an impervious surface and should contain drain inlets to drain excess water. Drainage onto adjacent Lots is not permitted unless an easement has been granted over such adjacent Lot for such purpose.

15.19. Grading.

The grading and drainage design of a Lot by any Owner or by any contractors or agents of an Owner in the course of installing Improvements such as Residences, patios, planters, walls, swimming pools or spas shall not direct surface water flow toward the Residence or onto adjacent property or trap water so that it ponds and floods. Drainage devices such as concrete ditches, area drain lines and gutters should be carefully designed and installed with professional assistance. Drainage devices, if any, installed by the Declarant or by a Merchant Builder that are designed to serve more than one Lot, Common Area or Master Common Area should not be altered or modified in a manner that will redirect or obstruct the drainage through these drainage devices. Any grading and drainage modifications are subject to applicable codes of the Local Governmental Agency, subject to approval by the DRC or Declarant, and subject to the terms of any other drainage easements that may be of record.

15.20. Hillside Characteristics.

Even a Hillside Lot which has been certified geotechnically safe to build upon may experience minor horizontal or vertical movement over time. While horizontal and vertical movement (often described as "slope creep") is generally minor in nature and does not always occur, it may affect Improvements such as Residences, pools, spas, patios, walls, slabs, planters, decking and the like. Slope creep can cause Improvements to tilt and crack and may cause cracking or lifting in brickwork or concrete in a manner that will allow these Improvements to function yet not meet the Owner's cosmetic expectations. Professional soils and structural engineers should be retained to design such Improvements to mitigate the effects of slope creep and to ensure compliance with special rules for such Improvements that are required under the Uniform Building Code or other applicable regulations. If possible, Improvements should not be constructed within ten (10) feet of the edge, top or toe of a slope. Even with professional assistance, minor lifting and cracking can occur. Settlement of fill areas is natural and expected. Settlement in very deep fills may not be uniform and will settle at different rates. The difference between the areas of settlement is known as the "differential settlement." A post tension foundation system may mitigate the effects of differential settlement, yet may be subject to minor tilting.

15.21. Entry Drive and Gate.

15.21.1. Use of Entry Drive. Access to the Properties is provided over the Entry Drive, defined in Section 1.20, above. Within the Entry Drive will be located a restricted-

access gate ("Entry Gate"). The use of the Entry Drive and Entry Gate will be shared by all persons desiring access to the Properties, including: (i) the Master Association and its Members, and their families, guests, agents and employees; (ii) the Golf Course Property owners, members, guests, agents and employees; (iii) Declarant and any Merchant Builders; (iv) construction personnel and equipment working on the construction of Improvements within the Properties and the Golf Course Property; (v) members of the public and other persons pursuant to the easement for the sale and marketing of the Properties, as described in Section 14.2.2 of this Declaration; (vi) members of the public and other persons pursuant to the easement for the operation of a Resale Office described in Section 14.2.3; and (vii) all persons granted Entry Drive access rights pursuant to the Shared Use Agreement defined in Section 1.58, above. As a result of these multiple rights of access over the Entry Drive, access into the Properties may be open to the public for an extended period of time.

15.21.2. Operation of Entry Gate. Under the terms of the Shared Use Agreement, first Declarant and then the owner of the Golf Course Property are granted the right and responsibility to operate, manage and insure the Entry Drive, which includes the right to establish policies and procedures for the Entry Gate. Therefore, Declarant and the Golf Course Property owner shall have the right to determine whether and in what manner to control access through the Entry Gate including providing no access control, providing electronically-operated (unmanned) access control, providing personnel to control access at the Entry Gate, or providing a combination of such methods. If access control personnel are utilized, Declarant and the Golf Course Property owner shall have the right to determine the hours of service and number of such personnel.

15.21.3. Cost of Entry Drive and Gate Operation. As more particularly described in the Shared Use Agreement, Owners within the Properties will pay up to fifty percent (50%) of the costs of the operation, management and insurance of the Entry Drive and Entry Gate, with the Golf Course Property being responsible for the balance of such costs.

15.21.4. No Security. The Entry Gate is not intended to provide privacy or security for the Owners and their property within the Properties. All methods of Entry Gate access control will result in non-resident persons gaining access into the Properties. Further, it is likely that access controls will not prevent some persons, who are intent upon violating those controls, from gaining access to the Properties. Therefore, Owners are cautioned against a false sense of security and are encouraged to undertake no less than normal and customary measures to protect the safety of persons and property within the Properties. Neither the Declarant, the Master Association nor the Golf Course Property are responsible to provide security within the Properties, and no representations are made as to the adequacy of any controlled access facilities in limiting vehicular or pedestrian access into the Properties.

15.22. Electric Power Lines and Electromagnetic Fields. Electric transmission and distribution lines are located within the Properties. These lines are owned, operated and maintained by San Diego Gas and Electric. Numerous scientific and epidemiological studies have been conducted as to whether there are any adverse health affects

from electric and magnetic fields ("EMF") generated by electric power lines. Although the California Department of Education has established site selection standards for locating new schools near power lines with voltages of 50 kV or greater, no state agency has established any setback or other limitations on construction of residential housing in the vicinity of electric power lines. In November 1993, the California Public Utilities Commission ("PUC") found that recent EMF studies have not concluded that an EMF health hazard actually exists. However, the PUC also found that additional research is necessary to determine if there is a health hazard from EMF. The California Department of Health Services is conducting research in this area. Further information on this subject is available from the Electric and Magnetic Fields Program, California Department of Health Services, 5900 Hollis Street, Emeryville, California 94608. The telephone number is (510) 450-3818.

15.23. Fuel Modification Zones.

Certain natural and landscaped open space areas within the Slope Maintenance Areas, and within the Golf Course Property, have been designated as "Fuel Modification Zones" by the County of San Diego. The purpose of these zones is to limit the risk of damage to adjacent Residences from fire. Provided that the Fuel Modification Zones are maintained by the Golf Course Property in accordance with the plans and conditions approved by the County of San Diego, as amended, each Owner hereby releases and waives any and all claims for personal injury and property damage which they may have against the Golf Course Property as a result of, or relating to, a fire.

15.24. No View.

Although each Owner may, at the time of the purchase of a Lot, enjoy what is perceived to be a view from the Lot, neither Declarant nor its agents have made any representations or promises concerning any present or future view from any Lot. Further, the payment of any "premium" for a Lot is based solely upon the location of the Lot and does not create any representation concerning view. Any view which may be perceived to exist from a Lot may be impaired or blocked by the construction of Residences, other Improvements and landscaping within the Properties, within the Golf Course Property, or on property adjacent to the Properties. Owners have no rights regarding the preservation of any view.

15.25. Lien Instruments.

Lots within the Properties may be subject to one or more Instruments Imposing a Lien on Real Property with Power of Sale, or other forms of agreements affecting real property (collectively the "Lien Instruments"), recorded to secure certain obligations of Owners to Declarant and Declarant's successors or assignees. The obligations of Owners under the Lien Instruments may include (i) the obligations to commence and complete construction of a Residence, and to retain ownership of the Lot for a period of time, (ii) the obligation to pay a resale transfer fee to Declarant, or Declarant's designee, equal to a percentage of the total purchase price on all future transfers of an ownership interest in a Lot, or (iii) other obligations of Owners. If an Owner fails to perform the obligations stated in the Lien Instruments, Declarant may be granted specified enforcement rights, including without limitation, the right to repurchase the Lot or to sell the Lot to pay any amounts owed under the Lien Instruments. The Lien Instruments may contain

provisions for their expiration and termination as encumbrances on a Lot. Reference to the Lien Instruments in this Declaration is for information purposes only. The rights and obligations of Owners and Declarant with respect to the matters described in the Lien Instruments shall be interpreted and governed by the particular terms of the respective Recorded Lien Instrument.

15.26. Indemnity.

Each Owner, by the acceptance of a deed or other conveyance of a Lot, acknowledges and agrees that neither the Declarant nor any Merchant Builder shall be liable or responsible for any damage to Improvements that have been constructed or modified by an Owner or that is the result of improvements that have been constructed or modified by an Owner. Improvements should not be installed, constructed or modified without the assistance of qualified consultants. For example, professional soils and structural engineers should be consulted to determine the existing soil conditions and such Improvements or modifications should be designed to compensate for any expansive soil within the Lot.

15.27. Property Lines and Dimensions.

The boundaries and dimensions of each Lot, the Master Common Area, the Entry Drive, Slope Maintenance Areas, and other areas and Improvements (collectively, the "Described Areas"), within the Properties are delineated on Recorded subdivision (tract) maps, lot line adjustments, or parcel maps, and on plot plans, Improvement plans and other engineering plans pertaining to the Properties (collectively, the "Plans"). If there is a discrepancy between the Plans and the actual as-built conditions of the Described Areas, the as-built conditions will control. Similarly, various Exhibits are attached to this Master Declaration, to the Notices of Addition and to the Shared Use Agreement. The depictions set forth on the Exhibits are for illustrative purposes only and in the event of a conflict between an Exhibit and the actual as-built conditions of the Described Areas, the as-built conditions will control. The usable or buildable area, location and configuration of the Described Areas may fluctuate from that shown in the Plans and Exhibits.

15.28. Preliminary Title Report.

The preliminary title report issued by the title company that insures the title to a Lot which is available for review, inspection and approval by any prospective purchaser as a condition to the Close of Escrow will reveal matters of Record that, unless removed as a condition to the Close of Escrow, will continue to be effective against the Lot after the Close of Escrow. The preliminary title report describes easements and rights of Record which include, without limitation, the following:

15.28.1. Utility Easements. The Lots are or will be subject to easements in favor of utility companies for the installation and maintenance of utility lines and facilities that provide service to the Properties. The location of the various lines and facilities are totally within the control of the respective utility companies although facilities such as electrical vaults, telephone, street lights and cable television boxes are generally located in the area behind the curb or sidewalk.

15.29. Captions.

All captions or titles used in this Master Declaration are intended solely for convenience of reference and shall not affect that which is set forth in any of the terms or provisions hereof.

ARTICLE XVI

16. Annexation of Additional Property to the Properties.

Additional real property may be annexed to Phase 1 and such additional real property may become subject to this Master Declaration by any of the following methods:

16.1. Additions by Declarant.

Declarant may add the Annexable Territory, or any portion or portions thereof (including any Master Common Area located therein), to the Properties and bring such added territory within the general plan of this Master Declaration without the approval of the Master Association, the Board, or Members. As each Phase is developed, Declarant may, with respect thereto, Record a supplemental declaration ("Supplemental Master Declaration") which may supplement this Master Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase.

16.2. Other Additions.

In addition to the provisions for annexation specified in Section 16.1 above, additional real property may be annexed to the Properties and brought within the general plan of this Master Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3) of the Master Association's voting power.

16.3. Rights of Added Territory Members.

Subject to the provisions of Section 16.4, upon the Recording of a Notice of Addition containing the provisions as set forth in this Section, all provisions contained in this Master Declaration will apply to the real property described in such Notice of Addition (the "Added Territory") in the same manner as if it were originally covered by this Master Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Master Declaration with respect to the Added Territory will be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Lots within the Added Territory, as well as within the property originally subject to this Master Declaration, will be the same as if the Added Territory were originally covered by this Master Declaration. From and after the first day of the first month following the first Close of Escrow in the Added Territory, the Owners of Lots located in the Added Territory shall share in the payment of assessments to the Master Association to meet Common Expenses (and Special Benefit Expenses, as applicable) of the entire Properties as provided in Article VI hereof. Voting rights attributable to the Lots in the Added Territory do not vest until Annual Assessments have commenced as to such Lots.

16.4. Notice of Addition.

The additions authorized under Sections 16.1 and 16.2 must be made by Recording a Notice of Addition, or other similar instrument (which notice or instrument may contain the Supplemental Declaration, if any, affecting each such Phase), with respect to the Added Territory ("Notice of Addition") which will extend the general plan of this Master Declaration to such Added Territory. The Notice of Addition for any addition under Section 16.1 must be signed by Declarant. The Notice of Addition for any addition under Section 16.2 must be signed by at least two (2) officers of the Master Association to certify that the requisite Member approval under Section 16.2 was obtained. The Recordation of said Notice of Addition effectuates the annexation of the Added Territory described therein, and thereupon said Added Territory will constitute a part of the Properties, become subject to this Master Declaration and encompassed within the general plan of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the Master Association's functions, powers and jurisdiction; and the Owners of Lots in the Added Territory will automatically become Members. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Master Declaration as may be necessary to reflect the different character, if any, of the Added Territory, or as Declarant deems appropriate in the development of the Added Territory, and as are not inconsistent with the general plan of this Master Declaration. In no event, however, may such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Master Declaration as the same pertain to the real property originally covered by this Master Declaration.

16.5. Deannexation and Amendment.

Declarant (or Declarant and a Merchant Builder acting together if the Phase is owned by a Merchant Builder) may amend a Notice of Addition or delete all or a portion of a Phase from coverage of this Master Declaration and the Master Association's jurisdiction, so long as Declarant or a Merchant Builder is the owner of all of such Phase and provided that (a) an amending instrument or a Notice of Deletion of Territory, as applicable, is Recorded in the same manner as the applicable Notice of Addition was Recorded, (b) Declarant or the Merchant Builder has not exercised any Master Association vote with respect to any portion of such Phase, (c) assessments have not yet commenced with respect to any portion of such Phase, (d) Close of Escrow has not occurred for the sale of any Lot in such Phase, and (e) the Master Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase.

ARTICLE XVII

17. Golf Course Provisions.

The value and desirability of the Properties are enhanced by the proximity and attractiveness of the adjacent Golf Course Property. In purchasing a Lot within the Properties, Owners consider both the inherent benefits and the inherent risks commonly understood to be characteristics of a golf course and the game of golf. The following reservation of easement rights, disclosures and covenants, are intended to expressly identify certain necessary and typical golf course

characteristics. Each Owner by acceptance of title to a Lot acknowledges that these easement rights and disclosures are understood, and agrees to be bound by these covenants:

17.1. Golf Course Easements.

Owners' rights of use and enjoyment of a Lot and Master Common Area are subject to the following easements hereby reserved by Declarant for the benefit of the Golf Course Property, together with the right to transfer all or a portion of the same to the Course Owner, its agents, tenants, lessees, invitees, successors in interest and assignees.

17.1.1. Lot Easement. A nonexclusive easement, appurtenant to the Golf Course Property, in, over and across each Lot within the Properties, and the airspace above each Lot, for the purpose of accommodating the flight of golf balls through the air over the Lot, and the entry of golf balls onto the Lot, and any buildings or other improvements thereon; and

17.1.2. Master Common Area Easements. Nonexclusive easements appurtenant to the Golf Course Property, in, over and across (i) the Master Common Area streets, including the Entry Drive, for the purpose of vehicular and pedestrian access, ingress, egress, and crossing, to include, without limitation, golf carts authorized by the golf course for use by its members, golf course maintenance vehicles, and the vehicles of golf course members and guests, and (ii) only the Entry Drive portion of the Master Common Area streets for the purpose of temporary special event or tournament parking, in conformance with applicable laws.

17.2. Golf Course Privileges. The Properties are constructed adjacent to the Golf Course Property, which is a private facility. **The purchase of a Lot does not confer upon the Owner any golf course membership privileges, or the right to use the golf course or any other facilities associated therewith ("Facilities").** In order to use the Facilities, Owners will be required to purchase a membership, pay fees, and satisfy such other conditions as may be required by the owner of the golf course. Declarant has provided no representations, warranties or assurances respecting the availability of golf course memberships to Owners, the amount of any fees, or other conditions of use of the Facilities.

17.3. Access to Golf Course.

Ownership of a Lot does not include any access rights to or over the Golf Course Property from the Lot. Owners are expressly prohibited from any access to the Golf Course Property from any Lots.

17.4. Golf Ball Overflight and Damage.

Living adjacent to or near the Golf Course Property carries with it the risk of damage caused to persons and property by golf balls coming on the Lots and the Properties from the golf course. Declarant has provided no assurances whatsoever concerning the frequency with which golf balls will enter the Lots, including the yards and buildings thereon, and has provided no guaranties as to what, if any, action may be taken by the Course Owner to mitigate such entry.

17.5. Water Over-Spray.

The Golf Course Property may be served by well water or reclaimed water and there may be over spray of such water onto the Lots and the Properties. **This condition may have an adverse impact on landscaping and improvements located on the Lots and the Properties.**

17.6. Pesticide Over-Spray.

There may be an over spray onto the Properties of pesticides, herbicides and fertilizer applied to the golf course. **These substances may have an adverse effect on landscaping and improvements located on the Lots and the Properties, and may temporarily cause unpleasant odors to affect persons on the Lots and the Properties.**

17.7. Golf Course Disturbances.

Golf course maintenance, including mowing, and play begins immediately after daylight up to seven (7) days per week. Golf course maintenance, including irrigation, may be carried on during nighttime and daylight hours. In addition, noise and lights will be produced from the use of the golf course clubhouse, driving range and parking lot. **These uses will create noise and other disturbances which may impact and inconvenience Owners and any occupants of the Lots.**

17.8. View Obstruction.

The golf course achieves its attractive condition through the cultivation of a variety of plants, shrubs and trees. **As trees and shrubs mature, as new trees and shrubs are planted to enhance the condition of the golf course, and as other golf course improvements or facilities are constructed for the benefit of the golf course, views of the golf course from the adjacent Lots will be impacted and even blocked.** Declarant and the Course Owner make no representation that views existing from a Lot will be preserved, and they assume no responsibility for maintaining golf course landscaping and other improvements or facilities in a particular manner to impact or protect any such views.

17.9. Reconfiguration of Golf Course.

The Course Owner has the right to operate and maintain the Golf Course Property in any manner that it deems necessary for the beneficial use of the Golf Course Property. **As a result, the Golf Course Property may undergo reconstruction and regrading from time to time, and such work may change the layout of the course, the location of landscaping, and may cause periods of extra noise, earth vibration and dust.**

17.10. Continuation of Golf Course Use.

Declarant can provide no representations or promises that the Golf Course will continue to be used as a golf course for any particular period of time. **Use of the Golf Course could change in the future, and any future uses are unknown by Declarant.**

17.11. Golf Course Representative.

The Master Association shall provide the Course Owner with written notice of all meetings of the Board as if such Person were an Owner. The Course Owner shall be entitled, without

obligation, to have a representative present at all such Board meetings ("Golf Course Representative"). The Golf Course Representative may be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board.

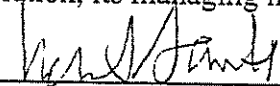
17.12. Release and Indemnification.

Owners, by acceptance of a deed to their Lot, for themselves and on behalf of their family, guests, tenants, invitees and licensees, hereby release Declarant, the Course Owner, the Golf Course Property architect, the Golf Course Property operator, and their respective partners, officers, directors, shareholders, trustees, agents and lessees (collectively the "Released Parties"), from all claims, demands, expenses, damages, costs, causes of action, obligations, attorney fees and liabilities including, without limitation, damage to Lots and other property damage and damages for personal injury or death (collectively the "Claims") which in any way arise from or relate to the matters disclosed above. Owners shall indemnify, defend and hold the Released Parties free and harmless from any and all Claims made by the guests, tenants, invitees or licensees of Owners against any of the Released Parties.

This Master Declaration is dated for identification purposes January 28, 1999

HCC INVESTORS, LLC, a Delaware limited liability company

By: Lennar San Jose Holdings, Inc., a California corporation, its managing member

By: 

Name: Robert Santos

Title: Vice President

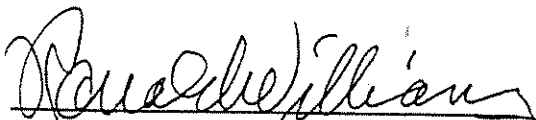
"Declarant"

[NOTARY ACKNOWLEDGMENT ON FOLLOWING PAGE]

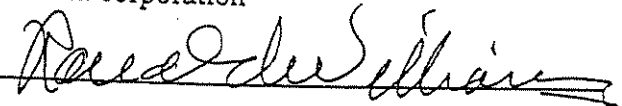
SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust recorded on February 4, 1998, in the Official Records of San Diego County, California, as File No. 1998-0055941, which Deed of Trust is between HCC Investors, LLC, a Delaware limited liability company, as Trustor, Lawyers Title Insurance Corporation, as Trustee, and Palo Alto Town & Country Village, Inc., a California corporation, and Ronald Williams, as Beneficiary, hereby expressly subordinates such Deed of Trust and its beneficial interests thereunder to the foregoing Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for The Bridges at Rancho Santa Fe ("Declaration") and any Notice of Annexation recorded pursuant to Article 16 of the Declaration ("Notice") and to all easements to be conveyed to the Association in accordance with the Declaration or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration, which shall remain in full force and effect.

Dated: Jan. 28, 1999


Ronald Williams

Palo Alto Town & Country Village, Inc.,
a California corporation

By: 

Name: Ronald Williams

Title: President

By: _____

Name: _____

Title: _____

[NOTARY ACKNOWLEDGMENT ON FOLLOWING PAGE]

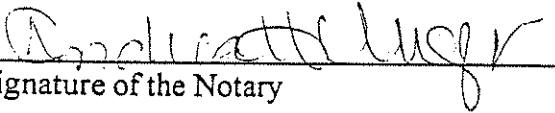
STATE OF CALIFORNIA

COUNTY OF SANTA CLARA

)
) ss.
)

On January 28, 1999, before me, Andrea H. Unger, Notary Public, personally appeared RONALD WILLIAMS, personally known to me to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

Witness my hand and official seal.


Signature of the Notary

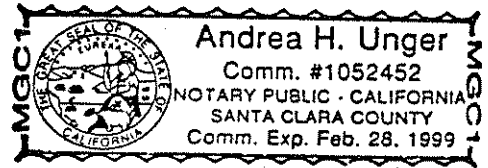


EXHIBIT "A"

ARTICLES OF INCORPORATION OF THE MASTER ASSOCIATION

EXHIBIT "C"

LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

EXHIBIT "C"
LEGAL DESCRIPTION
OF
ANNEXABLE PROPERTY
(CONTINUED)

PARCEL 1:

PARCELS 1, 2, 3 AND 4 OF PARCEL MAP NO. 10117, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF COUNTY RECORDER OF SAN DIEGO COUNTY, JUNE 12, 1980 AS FILE/PAGE NO. 80-188276 OF OFFICIAL RECORDS.

PARCEL 2:

PARCEL 4 OF PARCEL MAP NO. 4371, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JANUARY 9, 1976 AS FILE/PAGE NO. 76-007677 OF OFFICIAL RECORDS.

PARCEL 3:

PARCEL 2 OF PARCEL MAP NO. 10358, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, AUGUST 21, 1980 AS FILE/PAGE NO. 80-268456 OF OFFICIAL RECORDS.

PARCEL 4:

PARCELS 1, 2, 3 AND 4 OF PARCEL MAP NO. 11163, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, APRIL 2, 1981 AS FILE/PAGE NO. 81-101503 OF OFFICIAL RECORDS.

EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-2, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12118, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 13, 1988.

PARCEL 5:

THE SOUTHWEST QUARTER OF SECTION 10, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO THE UNITED STATES GOVERNMENT SURVEY, APPROVED NOVEMBER 19, 1880.

EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-1, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

ALSO EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-3, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12274, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 8, 1988.

ALSO EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-4, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 13020, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY MARCH 10, 1993.

PARCEL 6:

THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER, THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER AND THE SOUTHEAST QUARTER OF SECTION 9, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES GOVERNMENT SURVEY, NOVEMBER 19, 1880.

EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-1, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

ALSO EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-2, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12118, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 13, 1988.

ALSO EXCEPTING THEREFROM THAT PORTION LYING WITHIN COUNTY OF SAN DIEGO TRACT NO. 4569-4, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 13020, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 10, 1993.

PARCEL 7:

A PARCEL OF LAND 20 FEET IN WIDTH ALONG THE SOUTHERLY BOUNDARY OF THE SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 9, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO BASE AND MERIDIAN, ACCORDING TO UNITED STATES GOVERNMENT SURVEY APPROVED OCTOBER 27, 1875, DESCRIBED AS FOLLOWS:

BEGINNING AT THE EASTERLY LINE OF SAID SOUTHWEST QUARTER OF THE NORTHWEST QUARTER OF SECTION 9, TOWNSHIP 13 SOUTH, RANGE 3 WEST, AND CONTINUING WESTERLY APPROXIMATELY 660 FEET TO THE EXISTING ROADWAY FOR INGRESS AND EGRESS FOR THE SOUTHEAST QUARTER OF THE NORTHWEST QUARTER AND FOR THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 9, RANGE 3 WEST, SAN BERNARDINO BASE AND MERIDIAN.

PARCEL 8:

LOTS 33 THROUGH 55, 56, 57, 58 INCLUSIVE OF COUNTY OF SAN DIEGO TRACT 4569-2, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12118, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 13, 1988.

PARCEL 9:

LOTS 59 THROUGH 120, INCLUSIVE OF COUNTY OF SAN DIEGO TRACT 4569-3, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12274, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, DECEMBER 8, 1988.

PARCEL 10:

LOTS 121 THROUGH 186 INCLUSIVE OF COUNTY OF SAN DIEGO TRACT NO. 4569-4, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 13020, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, MARCH 10, 1993.

PARCEL 11:

PARCELS M, N, O, P, T,U, V, W, X, Y, Z, AA, BB, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, AS PER CERTIFICATE OF COMPLIANCE RECORDED NOVEMBER 20, 1998 AS INSTRUMENT NO. 1998-0755851, AS MORE FULLY DESCRIBED AS:

PARCEL "M" B/C 98-0164

LOT 15 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY AND THE NORTHEASTERLY 3.00 FEET THEREOF, TOGETHER WITH THAT PORTION OF LOT 16 OF SAID MAP NO. 12109 LYING EASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE MOST WESTERLY CORNER OF SAID LOT 15; THENCE ALONG THE SOUTHWESTERLY PROLONGATION OF THE NORTHWESTERLY LINE OF SAID LOT 15 SOUTH 77° 58' 19" WEST, 3.00 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET SOUTHWESTERLY FROM THE NORTHEASTERLY LINE OF SAID LOT 16; THENCE ALONG SAID LINE SOUTH 12° 19' 39" EAST, 247.93 FEET TO THE SOUTHERLY LINE OF SAID LOT 16; THENCE ALONG SAID LINE NORTH 80° 57' 38" EAST, 3.01 FEET TO THE MOST EASTERLY CORNER OF SAID LOT 16.

PARCEL "N" B/C 98-0164

LOT 16 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 17 OF SAID MAP NO. 12109.

PARCEL "O" B/C 98-0164

LOT 17 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 18 OF SAID MAP NO. 12109.

PARCEL "P". B/C 98-0164

LOT 18 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF.

PARCEL "T" B/C 98-0164

LOT 23 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 24 OF SAID MAP NO. 12109.

PARCEL "U" B/C 98-0164

LOT 24 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 25 OF SAID MAP NO. 12109

PARCEL "V" B/C 98-0164

LOT 25 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 26 OF SAID MAP NO. 12109.

PARCEL "W" B/C 98-0164

LOT 26 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF.,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 27 OF SAID MAP NO. 12109

PARCEL "X" B/C 98-0164

LOT 27 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THAT PORTION OF LOT 28 OF SAID MAP NO. 12109 LYING EASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE MOST EASTERLY CORNER OF SAID LOT 28; THENCE ALONG THE SOUTHEASTERLY LINE AND THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 32° 29' 59" WEST, 30.43 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET WESTERLY FROM THE EASTERLY LINE OF SAID LOT 28; THENCE ALONG SAID LINE SOUTH 1° 03' 24" EAST, 297.01 FEET TO THE SOUTHERLY LINE OF SAID LOT 28; THENCE ALONG SAID LINE NORTH 80° 15' 49" EAST; 3.03 FEET TO THE SOUTHEASTERLY CORNER OF SAID LOT 28.

PARCEL "Y" B/C 98-0164

LOT 28 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THAT PORTION LYING EASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE MOST EASTERLY CORNER OF SAID LOT 28; THENCE ALONG THE SOUTHEASTERLY LINE AND THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 32° 29' 59" WEST, 30.43 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET WESTERLY FROM THE EASTERLY LINE OF SAID LOT 28; THENCE ALONG SAID LINE SOUTH 1° 03' 24" EAST, 297.01 FEET TO THE SOUTHERLY LINE OF SAID LOT 28; THENCE ALONG SAID LINE NORTH 80° 15' 45" EAST, 3.03 FEET TO THE SOUTHEASTERLY CORNER OF SAID LOT 28.

TOGETHER WITH THAT PORTION OF LOT 29 OF SAID MAP NO. 12109 LYING EASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE MOST EASTERLY CORNER OF SAID LOT 29 THENCE ALONG THE SOUTHERLY LINE THEREOF SOUTH 80° 15' 49" WEST, 3.00 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET WESTERLY FROM THE EASTERLY LINE OF SAID LOT 29; THENCE ALONG SAID LINE NORTH 13° 55' 03" WEST 258.81 FEET TO A POINT ON THE NORTHEASTERLY LINE OF SAID LOT 29.

PARCEL "Z" B/C 98-0164

LOT 29 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THAT PORTION LYING EASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE MOST EASTERLY CORNER OF SAID LOT 29 THENCE ALONG THE SOUTHERLY LINE THEREOF SOUTH 80° 15' 49" WEST, 3.00 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET WESTERLY FROM THE EASTERLY LINE OF SAID LOT 29; THENCE ALONG SAID LINE NORTH 13° 55' 03" WEST, 258.81 FEET TO A POINT ON THE NORTHEASTERLY LINE OF SAID LOT 29.

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 30 OF SAID MAP NO. 12109.

PARCEL "AA" B/C 98-0164

LOT 30 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 31 OF SAID MAP NO. 12109.

PARCEL "BB" B/C, 98-0164

LOT 31 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

PARCEL 12:

THE SOUTH HALF OF THE NORTHWEST QUARTER OF SECTION 10, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO BASE AND MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES GOVERNMENT SURVEY THEREOF.

PARCEL 13:

THE SOUTH HALF OF THE NORTHEAST QUARTER, TOGETHER WITH THE NORTHEAST QUARTER OF THE SOUTHEAST QUARTER OF SECTION 10, TOWNSHIP 13 SOUTH, RANGE 3 WEST, SAN BERNARDINO MERIDIAN, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO UNITED STATES GOVERNMENT SURVEY THEREOF.

PARCEL 14:

LOT 32 OF COUNTY OF SAN DIEGO TRACT 4569-1, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988.

EXHIBIT "D"

SHARED USE AGREEMENT

RECORDING REQUESTED BY:
NORTH AMERICAN
TITLE COMPANY

WHEN RECORDED MAIL TO:

Lennar Communities
24800 Chrisanta Drive, Suite 200
Mission Viejo, CA 92691
Attn: T. Wilson

(Space Above for Recorder's Use)

SHARED USE AND MAINTENANCE AGREEMENT

This Shared Use and Maintenance Agreement ("Agreement"), is entered into by HCC INVESTORS, LLC, a Delaware limited liability company ("HCC"), and THE BRIDGES COMMUNITY ASSOCIATION, a California nonprofit mutual benefit corporation ("Master Association"). HCC and Master Association (collectively the "Parties") are entering into this Agreement with reference to the following recitals:

PREAMBLE

A. HCC is the owner and developer of real property in the unincorporated Rancho Santa Fe area of San Diego County identified to the California Department of Real Estate ("DRE") as Phase 1 of a master planned residential community known as The Bridges at Rancho Santa Fe ("The Bridges"). Current plans call for The Bridges to include an eighteen hole golf course ("Golf Course Property").

B. Phase 1 is subject to a Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for The Bridges at Rancho Santa Fe ("Master Declaration"), which shall be recorded in the Official Records of San Diego County, California. Except as otherwise defined herein, the capitalized terms in this Agreement have the same meaning given them in the Master Declaration.

C. The single family Lots to be developed in The Bridges are served by private streets. Access to these Lots and the Golf Course Property is provided through an "Entry Drive" (defined below) which is a portion of "Lot 32" (defined below).

D. The Golf Course Property and Lot 32 are described on Exhibit "A" attached to this Agreement, and the Parties intend this Agreement to be recorded as an encumbrance upon said real property.

E. As the "Annexable Territory", defined in the Master Declaration, is developed by HCC, these developed areas or "Phases" will become subject to the Master Declaration (collectively referred to as the "Properties"). Pursuant to the Master Declaration, the Master Association has been formed to manage and maintain the Master Common Areas within the Properties and to participate in the sharing of uses and expenses as provided in this Agreement.

F. The Properties include certain slope areas adjacent to the Golf Course Property ("Slope Maintenance Areas," defined below), the appearance and consistent maintenance of which will benefit all of The Bridges community. Slope Maintenance Areas within each Phase of the Properties will be maintained and repaired as a part of the maintenance of the Golf Course Property, and the costs of such maintenance and repair will be shared by the Master Association and the "Course Owner" defined below.

G. The Parties also foresee that the need to share other services or the operation and maintenance of other facilities, benefitting both The Bridges community and the Golf Course Property (a "Community Benefit Facility," defined below), may arise in future Phases.

H. If developed as planned, the Golf Course Property will include a clubhouse and recreational facilities, to be used by persons who may be either residents or nonresidents of The Bridges community. HCC currently owns fee title to the Golf Course Property, but may transfer all or a portion of its interest therein to others, as described below.

I. The Parties desire to provide in this Agreement for (i) ownership of Lot 32, (ii) easements for use of the Entry Drive, other streets and the Slope Maintenance Areas, (iii) rights and duties concerning operation, maintenance and expense sharing for the Entry Drive, the Slope Maintenance Areas and future Community Benefit Facilities; and (iv) drainage easements over the Golf Course Property.

THEREFORE, the Parties hereby declare that: the real property described on Exhibit A, and the Properties, are to be held, conveyed, used and improved subject to the easements and covenants contained herein for the use and maintenance of the Entry Drive, the Slope Maintenance Areas, the Golf Course Property, the Master Common Area and any Community Benefit Facility, to enhance the value and desirability of the Properties; all provisions of this Agreement are hereby imposed as equitable servitudes on the Properties and the Golf Course Property (collectively the "Benefited Properties"); and all provisions of this Agreement shall, unless otherwise stated, run with the Benefited Properties and be binding upon and inure to the benefit of the Benefited Properties, and all parties having or acquiring any right, title, or interest in the Benefited Properties, or any portion thereof or interest therein. Further, the Parties do agree as follows:

1. Effective Date. This Agreement shall be effective as of the date ("Effective Date") of the first close of escrow for the sale of a Lot in Phase 1, in a transaction requiring the issuance of a Final Subdivision Public Report by the DRE ("Close of Escrow").

2. Definitions.

2.1 Community Benefit Expense. Community Benefit Expense means all expenses incurred in operating and maintaining an Improvement, other community facility, or any activity defined as a Community Benefit Facility, pursuant to Sections 2.2 and 5.3 below.

2.2 Community Benefit Facility. Community Benefit Facility means any Improvement or community facility of any kind (other than the Entry Drive and Slope Maintenance Areas), or any other activity, located or performed within or in proximity to the Properties, which is: (i) operated and maintained or performed by or on behalf of Course Owner or Master Association; (ii) described in any Notice of Addition of Territory or Supplemental Master Declaration ("Notice of Addition") to the Master Declaration, recorded by the "Declarant" therein pursuant to Sections 16.1 and 16.4 of the Master Declaration; and (iii) determined by HCC to serve or benefit both the Golf Course Property and the Properties, with such determination to be a right personal to HCC, made in the exercise of its sole discretion.

2.3 Course Owner. Course Owner means the owner from time to time of fee title to the Golf Course Property, being HCC or its successor in interest thereto, and any agent or lessee of such owner who is responsible for the operation and maintenance of the Entry Drive or the Slope Maintenance Areas.

2.4 Entry Drive and Entry Gate. Entry Drive means (i) the portion of Lot 32 which is the private entry street from Aliso Canyon Road, along Seven Bridges Road, to the furthest point of vehicular access to the parking lot or lots serving the Golf Course Property clubhouse and other member facilities, together with the Improvements thereto including the street and walkways, walls, fences, signs, landscaping, lighting, fountains, and all utilities serving those Improvements, and (ii) any portions of the Golf Course Property located adjacent to said private entry street at the intersection of Aliso Canyon Road, upon which said Improvements may encroach, all as shown on Exhibit "B" attached to this Agreement. Entry Drive Improvements also include the Entry Gate, an access-control facility within the Entry Drive which may include one or more gates, controlled-access arms, buildings, walls or fences, operated pursuant to Section 5.1.3 below. The Entry Drive does not include either the "Residential Streets" defined below, or the structure housing mailboxes. If there is any discrepancy between the depiction of Entry Drive and Entry Gate Improvements on said Exhibit and their actual as-built conditions, the as-built conditions will control.

2.5 Entry Drive Expenses. Entry Drive Expenses means all expenses incurred by Course Owner in operating, managing, maintaining, repairing, replacing and insuring the Entry Drive and all Improvements therein, pursuant to Section 5.1 below.

2.6 Fiscal Year. Fiscal Year means the fiscal year adopted by the Board of the Master Association.

2.7 Lot 32. Lot 32 means Lot 32 on the Map of Tract No. 4569-1, described on Exhibit "A" attached to this Agreement, or as shown or described in any resubdivision, certificate of compliance, lot line adjustment or other instrument reconfiguring Lot 32, which may enlarge or reduce the Lot 32 land area, and which HCC shall have the right to cause to be Recorded over all or any portion of Lot 32, at any time prior to the conveyance of fee title to all of Lot 32 by HCC.

2.8 Residential Streets. Residential Streets means those portions of the Properties, other than the Entry Drive, designated on any subdivision map, certificate of compliance or lot line adjustment as "private streets."

2.9 Shared Expenses. Shared Expenses means the sum of the actual Entry Drive Expenses, Slope Maintenance Expenses and Community Benefit Expenses, which sum is shared by Master Association and Course Owner pursuant to Section 7, below.

2.9.1 Actual Shared Expenses. Actual Shared Expenses means the Shared Expenses actually incurred by Course Owner for the immediately preceding Fiscal Year.

2.9.2 Estimated Shared Expenses. Estimated Shared Expenses means an estimate of the Shared Expenses to be incurred by Course Owner during the next Fiscal Year.

2.10 Slope Maintenance Areas. Slope Maintenance Areas means those portions of certain Lots within the Properties, the approximate location of which are shown on Exhibit "B" attached to this Agreement. Slope Maintenance Areas within Phase 1 are described in Exhibit "E" attached to the Master Declaration, and any Slope Maintenance Areas within subsequent Phases of the Properties, will be described in a Notice of Addition. All Slope Maintenance Areas described in the Master Declaration and any Notice of Addition shall be subject to this Agreement. If there is any discrepancy between the information contained within said Exhibits and the actual as-built conditions of the Slope Maintenance Areas, the as-built conditions will control.

2.11 Slope Maintenance Expenses. Slope Maintenance Expenses means all expenses incurred by Course Owner in operating, maintaining, repairing, replacing and insuring the Slope Maintenance Areas and the Improvements pursuant to Section 5.2 below. Because Slope Maintenance Areas are part of the Golf Course Property, some or all of Course Owner's actual expenses of operation and maintenance exclusive to the Slope Maintenance Areas may not be reasonably ascertainable. Therefore, Course Owner shall have the right to determine such Slope Maintenance Expenses by proration of expenses attributable to such larger area on either the basis of the ratio that the actual square footage of the Slope Maintenance Areas bears to the approximate square footage of such larger area, or such other method of proration that Course Owner may determine more closely approximates its actual expense. Any such proration shall be calculated utilizing the best available cost information for the operation and maintenance of the Golf Course Property. In such case, these prorated expenses of operation and maintenance shall be deemed to be the actual Slope Maintenance Expenses.

3. Lot 32 Ownership. Title to Lot 32 is held by HCC. HCC shall transfer fee title to all of Lot 32 to the Master Association, in a single conveyance or in multiple conveyances of portions of Lot 32, not later than the earlier of (i) the date of the Close of Escrow for the first sale of a Lot in the fifth (5th) Phase of the Properties, or (ii) the ten (10) year anniversary of the Effective Date. Such conveyance shall be by a grant deed free of all liens and encumbrances other than the reservations then of record and then-current real property taxes constituting a lien on the property but not delinquent, and subject to the reservation of easements and other provisions of this Agreement.

4. Rights of Use and Reservation of Easements. HCC covenants that the Entry Drive, the Golf Course Property, the Lots, and the Master Common Area, shall be held, used, maintained and conveyed subject to the reservations of easements described as follows:

4.1 Entry Drive Rights of Use and Easements.

4.1.1 HCC Rights and Easements. HCC hereby reserves for itself and its agents, invitees, successors in interest and assignees, every right of use and enjoyment of the Entry Drive which may be necessary or convenient for the use, development, construction and marketing of the Properties, the Annexable Territory and the Golf Course Property. Such use and enjoyment shall be limited only by the requirements that it be in conformance with applicable laws. These rights of use and enjoyment shall automatically be reserved or excepted for the benefit of HCC and others by the Recording of the grant deed transferring the Entry Drive from HCC to the Master Association, and shall include (i) the temporary marketing, construction and development rights and easements, and the permanent marketing rights and easements, all as more specifically described in Sections 14.2.2 and 14.2.3 of the Master Declaration, and (ii) the rights and easements appurtenant to the Golf Course Property described in Section 4.1.3, below.

4.1.2 Master Association Easement. HCC hereby grants to the Master Association, its agents, invitees and Members, and the families, tenants and invitees of Members, a non-exclusive easement, appurtenant to the Master Common Area and the Lots, over the Entry Drive, for the purpose of (i) vehicular and pedestrian access, ingress and egress, (ii) use of the clustered mailboxes located therein, and (iii) as to the Master Association and its agents, the maintenance, repair and replacement of both the structure housing mailboxes and the clustered mailboxes located inside the structure, together with the right of access, ingress and egress thereto.

4.1.3 Course Owner Rights and Easements. HCC hereby reserves over the Entry Drive rights and easements appurtenant to the Golf Course Property, for the benefit of the successor Course Owner, its agents, tenants, lessees, invitees, successors in interest and assignees, which rights and easements shall be automatically granted upon the conveyance by HCC of the Golf Course Property to the successor Course Owner, and shall include, without limitation, the following:

(a) Nonexclusive easements for (i) vehicular and pedestrian access, ingress and egress related to the construction, operation, maintenance, marketing and

use of the Golf Course Property, including, without limitation, access for golf carts and golf course maintenance vehicles, (ii) temporary special event parking in conformance with applicable laws, and (iii) the installation and maintenance of directional and other signs, monuments and media serving the Golf Course Property; and

(b) An exclusive easement, right and obligation to operate, maintain, repair and replace the Entry Drive and all Improvements thereto, in conformance with the Entry Drive operation and maintenance provisions of this Agreement, for the benefit of the respective easements in favor of the Golf Course Property, the Master Association, the Owners of Lots, HCC and any Merchant Builders.

4.2 Slope Maintenance Areas Easement for Course Owner. HCC hereby reserves over the Slope Maintenance Areas exclusive rights and easements appurtenant to the Golf Course Property, for the benefit of the successor Course Owner, its agents, tenants, lessees, invitees, successors in interest and assignees, which rights and easements shall be automatically granted upon the conveyance of the Golf Course Property to the successor Course Owner, and shall include the following:

(a) An exclusive easement for access, ingress and egress, together with the right and obligation to cultivate, maintain, install, repair and replace landscaping, natural vegetation, irrigation and drainage facilities, cart paths, and other golf course Improvements; and

(b) An exclusive easement for access, ingress and egress to retrieve golf balls.

These rights and easements shall also be automatically reserved over the Slope Maintenance Areas in the conveyance by HCC of any Lot to an Owner.

4.3 Master Common Area Easement for Course Owner. HCC hereby reserves over the Residential Streets, including the Master Common Area as defined in the Master Declaration, non-exclusive easements appurtenant to the Golf Course Property, for the benefit of the successor Course Owner, its agents, tenants, lessees, invitees, successors in interest and assignees, and for the purpose of vehicular and pedestrian access, ingress, egress and crossing, including, without limitation, golf carts authorized for use by the Course Owner, golf course maintenance vehicles, and the vehicles of golf course members and guests. This non-exclusive easement shall be automatically granted upon the conveyance of the Golf Course Property to the successor Course Owner.

4.4 Golf Course Property Drainage Easements. HCC hereby reserves over the Golf Course Property non-exclusive easements, appurtenant to the adjacent residential Lots and the Master Common Area in each Phase of Development, for drainage of surface waters from the Properties, provided that such Lot drainage and the design and construction of any facilities for the

conveyance of such Lot drainage, shall conform with Lot drainage plans and specifications approved pursuant to Article VIII, Design Control, of the Master Declaration, and approved by Course Owner pursuant to Section 10.14 of the Master Declaration. These drainage easements shall respectively be granted automatically to the Owner of a Lot upon the conveyance of a Lot by HCC, and granted automatically to the Master Association upon the conveyance of Master Common Area by HCC.

5. Operation and Maintenance Covenants.

5.1 Entry Drive Operation and Maintenance. Operation and maintenance of the Entry Drive includes operating, managing and insuring the Entry Drive and maintaining, repairing and replacing all Improvements located within the Entry Drive (excluding the clustered mailboxes and the structure housing them), in accordance with (i) all laws, and (ii) the "Accounting Procedures" defined as the provisions in Section 7.4, below.

5.1.1 HCC Maintenance. From the Effective Date, HCC shall operate and maintain the Entry Drive in accordance with the Accounting Procedures herein, until title to the Golf Course Property, together with the exclusive Entry Drive maintenance easement described in Section 4.1.3(b), above, is transferred to the Course Owner.

5.1.2 Course Owner Maintenance. From the date of the transfer of the Golf Course Property to a successor Course Owner, with the exclusive Entry Drive maintenance easement, the successor Course Owner shall operate and maintain the Entry Drive in accordance with the Accounting Procedures, and shall maintain its Entry Drive golf course signs, monuments and media, but excluding HCC signs, media and the mailbox structure and clustered mailboxes to be maintained by the Master Association.

5.1.3 Entry Gate. HCC shall have the right, in its sole discretion, to establish the methods of operating the Entry Gate. Until the issuance of the first Certificate of Occupancy for a residence within The Bridges and the actual occupancy of such residence (the "Occupancy Date"), such methods of operation may include (i) operation without any access control, (ii) electronically-operated (unmanned) access control, (iii) operation with access-control personnel of such number and during such hours as HCC may determine, or (iv) operation using a combination of these methods. Course Owner shall have the same rights to establish the methods of Entry Gate access control, provided that Course Owner shall not operate the Entry Gate in any manner which either interferes in any way or at any time, seven days per week, with the access rights of HCC for marketing, construction and development purposes as described in Section 4.1.1 above, or which unreasonably interferes with the access right of the Master Association and its Members, as described in Section 4.1.2, above. After the Occupancy Date, unless otherwise agreed between HCC or the Course Owner and the Owner of the occupied residence or residences, the Entry Gate shall be operated by not less than one person, on a twenty-four hour basis.

5.2 Slope Maintenance Areas Operation and Maintenance. Course Owner shall operate and maintain the Slope Maintenance Areas, including the cultivation, maintenance and

replacement of landscaping and natural vegetation, and the maintenance, repair, installation and replacement of all other Improvements therein, such as irrigation and drainage facilities, in compliance with applicable laws, and in accordance with the Accounting Procedures (the "Slope Maintenance Responsibilities"). Slope Maintenance Responsibilities shall commence as to Phase 1 on the first day of the month following the Effective Date, and as to Slope Maintenance Areas in each subsequent Phase of development on the first day of the month following the first Close of Escrow for a Lot in such Phase.

5.2.1 Insurance. Course Owner shall maintain liability insurance insuring the Slope Maintenance Areas and the Owners of Lots subject to an easement for Slope Maintenance Areas, against liability arising from Course Owner's performance of its Slope Maintenance Responsibilities. This insurance obligation may be fulfilled by naming the Owners of such Lots as an additional insured under a liability insurance policy maintained for the Golf Course Property. Costs attributable to this insurance obligation, if any, shall be a Slope Maintenance Expense.

5.2.2 Slope Damage and Repair. Except for the liability of others for damage caused to the Slope Maintenance Areas described in Section 6.1 below, Course Owner shall be responsible, at its sole cost, for the repair and replacement of slopes, landscaping and other improvements within the Slope Maintenance Areas, damaged as the direct result of either (i) Course Owner's negligence or willful misconduct in the performance of its Slope Maintenance Responsibilities ("Course Owner's Acts"), or (ii) the subsurface condition, grading or compaction of the Slope Maintenance Areas (collectively "Slope Conditions"). Costs of repair and replacement necessitated by Course Owner's Acts or Slope Conditions shall not be a Slope Maintenance Expense. However, repair and replacement of slopes, landscaping and other improvements within the Slope Maintenance Areas damaged as the direct result of fire, flood, earthquake or other natural disaster, shall be a Slope Maintenance Expense.

5.3 Community Benefit Facility Operation and Maintenance. Any Community Benefit Facility shall be operated and maintained, including the obligation to insure, repair and replace such Improvement or facility, as applicable, or shall be performed, in compliance with the terms of the Notice of Addition which describes the respective Community Benefit Facility, and with the Accounting Procedures. If Master Association is to operate and maintain or provide the Community Benefit Facility, then, to the extent they are reasonably applicable, provisions of the Accounting Procedures pertaining to Course Owner shall instead mean Master Association, and the provisions pertaining to Master Association shall instead mean Course Owner.

6. Limitation on Liability for Slope Maintenance Areas.

6.1 Golf Course Limitation. Except for liability for Course Owner's Acts and Slope Conditions, described in Section 5.2.2 above, Course Owner shall have no responsibility or liability to Master Association, to any Lot Owner, or to any other owners' association ("Project Association"), for any slope damage, slope failure or other loss to Slope Maintenance Areas resulting from (i) the drainage of water into or across the slope which does not conform with

drainage plans approved pursuant to Article VIII of the Master Declaration, or (ii) any other act or use by Master Association, any Lot Owner or a Project Association.

6.2 Owner Limitation. Course Owner shall indemnify and hold the Owner of any Lot subject to Slope Maintenance Areas free from all loss or liability for injury to persons and property damage arising directly from the performance by Course Owner of its Slope Maintenance Responsibilities, which does not include injury and damage resulting from fire, flood, earthquake and other natural disasters.

7. Allocation and Accounting of Shared Expenses.

7.1 Master Association's Share. The Master Association's share of Shared Expenses ("Master Association's Share") shall be an amount not to exceed fifty percent (50%) of Shared Expenses, and shall be determined from time to time by multiplying fifty percent (50%) of the Shared Expenses by a fraction, the numerator of which is the number of Lots in the Properties for which Annual Assessments have commenced, pursuant to the Master Declaration, and the denominator of which is two hundred six (206).

7.2 Course Owner's Share. Course Owner's share of Shared Expenses shall be the difference from time to time between total Shared Expenses and the Master Association's Share.

7.3 Payment. Shared Expenses shall be paid in twelve (12) equal monthly installments ("Installment") which shall be due on the first day of each calendar month, commencing on the first day of the first full month following the Effective Date, and continuing on the first day of each calendar month thereafter ("Due Date").

7.4 Accounting Procedures.

7.4.1 Estimated Shared Expenses. No less than sixty (60) nor more than ninety (90) days prior to the first day of the Fiscal Year of the Master Association, Course Owner shall deliver to the Master Association Board a budget showing the Estimated Shared Expenses. Master Association shall pay to Course Owner the Master Association's Share of the Estimated Shared Expenses as provided in Section 7.3, above.

7.4.2 Actual Shared Expenses. No later than sixty (60) days after the first day of each Fiscal Year of the Master Association, Course Owner shall deliver to the Master Association Board a statement showing the Actual Shared Expenses. If the Master Association's Share of the Estimated Shared Expenses exceeds its share of the Actual Shared Expenses, Course Owner shall apply such amount toward the Master Association's Share due in the succeeding Fiscal Year. If the Master Association's share of the Actual Shared Expenses exceeds its share of the Estimated Shared Expenses, then it shall pay such excess amount ("Deficit") to Course Owner within sixty (60) days after receipt of the statement of Actual Shared Expenses. If the Deficit cannot be so paid in full by the Master Association either from excess Operating Funds or other

Maintenance Funds due to an insufficiency of funds, or from a supplemental Annual Assessment due to the limitations set forth in Section 6.7.3 of the Master Declaration, then the Master Association shall pay the Deficit in full no later than the last day of the then-current Fiscal Year.

7.4.3 Limitation on Increases. Any Estimated Shared Expenses prepared by Course Owner which would cause Shared Expenses to exceed one hundred and twenty percent (120%) of the Actual Shared Expenses for the preceding Fiscal Year, must be approved in advance by the vote or written consent of at least a majority of the voting power of the Master Association exercised in accordance with the Master Declaration. Notwithstanding the foregoing, a proposed increase may cause Shared Expenses to exceed one hundred twenty percent (120%) of the Actual Shared Expenses for the preceding Fiscal Year without approval of Master Association, if such increase is necessary for an "Emergency Situation," as defined below.

7.4.4 Capital Improvements. If Course Owner determines the need for capital improvements to the Entry Drive, Slope Maintenance Areas, or any Community Benefit Facility (collectively the Shared Facilities"), the cost of which, in the aggregate, exceeds five percent (5%) of the Estimated Shared Expenses for the current Fiscal Year, then the vote or written consent of at least a majority of the voting power of Master Association shall be required to approve the cost of such expenditure ("Capital Improvement Fee"). Notwithstanding the foregoing, a Capital Improvement Fee in excess of five percent (5%) of the Estimated Shared Expenses for the current Fiscal Year may be levied by Course Owner, if such increase is necessary for an Emergency Situation. The Master Association's Share of such Capital Improvement Fee shall be paid by Master Association within sixty (60) days of the due date established by Course Owner. If the Capital Improvement Fee cannot be so paid in full by the Master Association either from excess Operating Funds or other Maintenance Funds due to an insufficiency of funds, or from a supplemental Annual Assessment due to the limitations set forth in Section 6.7.3 of the Master Declaration, then the Master Association shall pay the Capital Improvement Fee in full no later than the last day of the then-current Fiscal Year.

7.4.5 Emergency Situations. An "Emergency Expense" is any one of the following pertaining to the Shared Facilities, or any part or improvement thereof: (a) an expense required by an order of a court, or (b) an expense necessary to repair or maintain the Shared Facilities, where a threat to personal safety is discovered; or (c) an expense necessary to repair or maintain the Shared Facilities that could not have been reasonably foreseen by Course Owner in preparing and distributing the statement of Estimate Shared Expenses. Course Owner shall decide whether an increase is an Emergency Situation. However, prior to the imposition or collection of the expense of an Emergency Situation, Course Owner shall provide a written statement of the reasons why the expense could not have been reasonably foreseen, and such written statement shall be distributed to Master Association within thirty (30) days of such expenditure.

7.4.6 Records. Upon reasonable notice to Course Owner, an authorized representative of the Master Association's Board shall be entitled, during normal business hours, at Course Owner's place of business, to inspect and copy, at its sole expense, the records of Course

Owner relating to the Shared Expenses. Course Owner shall maintain all such records for each Fiscal Year for at least three (3) years after the end of such Fiscal Year.

7.4.7 Accounting and Collections. Course Owner shall deposit all amounts collected from Master Association attributable to Shared Expenses and any Capital Improvement Fee in a federally insured financial institution. The amounts shall be used exclusively for the operation, maintenance, repair, replacement and insurance of the respective Shared Facilities for which they were collected. Annually Course Owner shall provide Master Association's Board with a written statement of receipts and disbursements from the account during the preceding year, and its balance at the end of that year. This statement shall be included with the statement of Actual Shared Expenses required above.

7.4.8 Nonpayment of Shared Expenses. Any Installment shall be delinquent if not paid within fifteen (15) days of the Due Date, and if delinquent the Master Association may be required to pay a late charge equal to ten percent (10%) of the delinquent Installment, or ten dollars (\$10.00) whichever is greater. If any Installment is not paid within thirty (30) days after the Due Date, such Installment plus all reasonable costs of collection (including attorney fees), shall bear interest at the maximum legal rate, commencing thirty (30) days after the Due Date until paid.

8. Dispute Resolution. Any disputes between Master Association (or any Owners) and HCC or Course Owner, or between HCC and Course Owner, and including any directors, officers, partners, shareholders, members or agents of such parties, relating to this Agreement, the use or condition of the Entry Drive, Master Common Area, Slope Maintenance Areas or Golf Course Property, or the construction of any Improvements thereon, shall be subject to the dispute notification and resolution procedure set forth in Sections 15.14.1 through 15.14.6 of the Master Declaration, which are incorporated herein by this reference. In applying the provisions of said Sections, the term "Declarant" therein shall mean HCC.

9. General Provisions.

9.1 Recordation. This Agreement shall be recorded by the Parties in the Office of the San Diego County Recorder, thereby encumbering the real property described in Exhibit "A" attached hereto.

9.2 Amendment and Termination. This Agreement may be amended, restated or terminated only by a written agreement executed by all Parties and recorded in the Office of the San Diego County Recorder; provided, however, that HCC shall have the unilateral right to execute and record any amendment or restatement of this Agreement which is for the purpose of (i) correcting a legal description contained in Exhibit "A," attached hereto, or (ii) revising to enlarge or reduce the real property described in "Exhibit A," attached hereto, if such real property is owned solely by HCC, and such revision corresponds with a resubdivision, certificate of compliance, lot line adjustment or other instrument reconfiguring or affecting either Lot 32 or the Golf Course Property.

9.3 Attorneys' Fees. If an action is commenced to enforce or interpret any provision hereof, the prevailing party as determined by a final court judgment shall be entitled to recover from the other party, reasonable attorney fees and expenses incurred in the action as the court may award, including but not limited to, expert witness fees, photocopying and telephone charges, deposition costs, travel expenses and investigation expenses.

9.4 Exhibits. Exhibits "A and B" are attached and incorporated herein by this reference.

9.5 Interpretation. The provisions hereof shall be interpreted to give effect to their fair meaning and shall be construed as though prepared by both Parties. The entire agreement of the Parties is set forth herein, and all prior negotiations, documents and discussions are superseded. The Parties acknowledge there are no applicable representations, warranties or terms which are not stated herein. The invalidity of any provision shall not affect the validity of any other provision. Section headings are for convenience only and may not be used in interpretations. All interpretations are to be made in accordance with California law.

9.6 Notices. All notices and consents required or allowed shall be in writing and shall be sent to the addresses shown beside the signatures of the Parties. A party may change its address for notices and consents by giving notice to the other party. Notice may be delivered by personal delivery, facsimile transmission during normal business hours of the recipient, an overnight delivery service, or U.S. mail sent certified. Notices and consents are effective on the earlier of the date received, the date of the delivery receipt, or the third day after postmark, as applicable.

9.7 Waiver. No right or remedy will be waived unless the waiver is in writing and signed by the party claimed to have made the waiver. One waiver will not be interpreted as a continuing waiver.

9.8 Mortgage Protection. No portion of this Agreement shall operate to defeat or render invalid, in whole or in part, the rights of the beneficiary, insurer, guarantor, or holder of any mortgage or deed of trust encumbering any portion of the Golf Course Property, Lot 32 and the Properties; provided that, after foreclosure of any such mortgage or deed of trust, the property encumbered by the foreclosed mortgage or deed of trust shall remain subject to all the easements, rights, obligations, and other provisions of this Agreement.

[SIGNATURES ON FOLLOWING PAGE]

EXHIBIT "A"

LEGAL DESCRIPTION OF GOLF COURSE AND LOT 32

Lot 32 Description:

Lot 32 of Tract No. 4569-1 according to Map thereof No. 12109 filed on July 6, 1988, in the Office of the San Diego County Recorder, California.

Golf Course Property Description:

The Golf course Property is described as Parcels 1, 2 and 3 as shown on Exhibit "A" attached to that Grant of Open Space Easement (Recreational) recorded on August 11, 1987, as Instrument No. 87-452194, and rerecorded on April 14, 1988, as Instrument No. 88-172855, in Official Records of San Diego County, California.

EXHIBIT "B"

DRAWING DEPICTING GOLF COURSE, LOT 32,
ENTRY DRIVE AND SLOPE MAINTENANCE AREAS

EXHIBIT "B" To Shared Use Agreement

THE BRIDGES AT RANCHO SANTA FE

| LEGEND | |
|--------|---------------------------|
| SYMBOL | DESCRIPTION |
| | ENTRY DRIVE- INCL. LOT 32 |
| | SLOPE MAINTENANCE AREA |
| | GOLF COURSE |

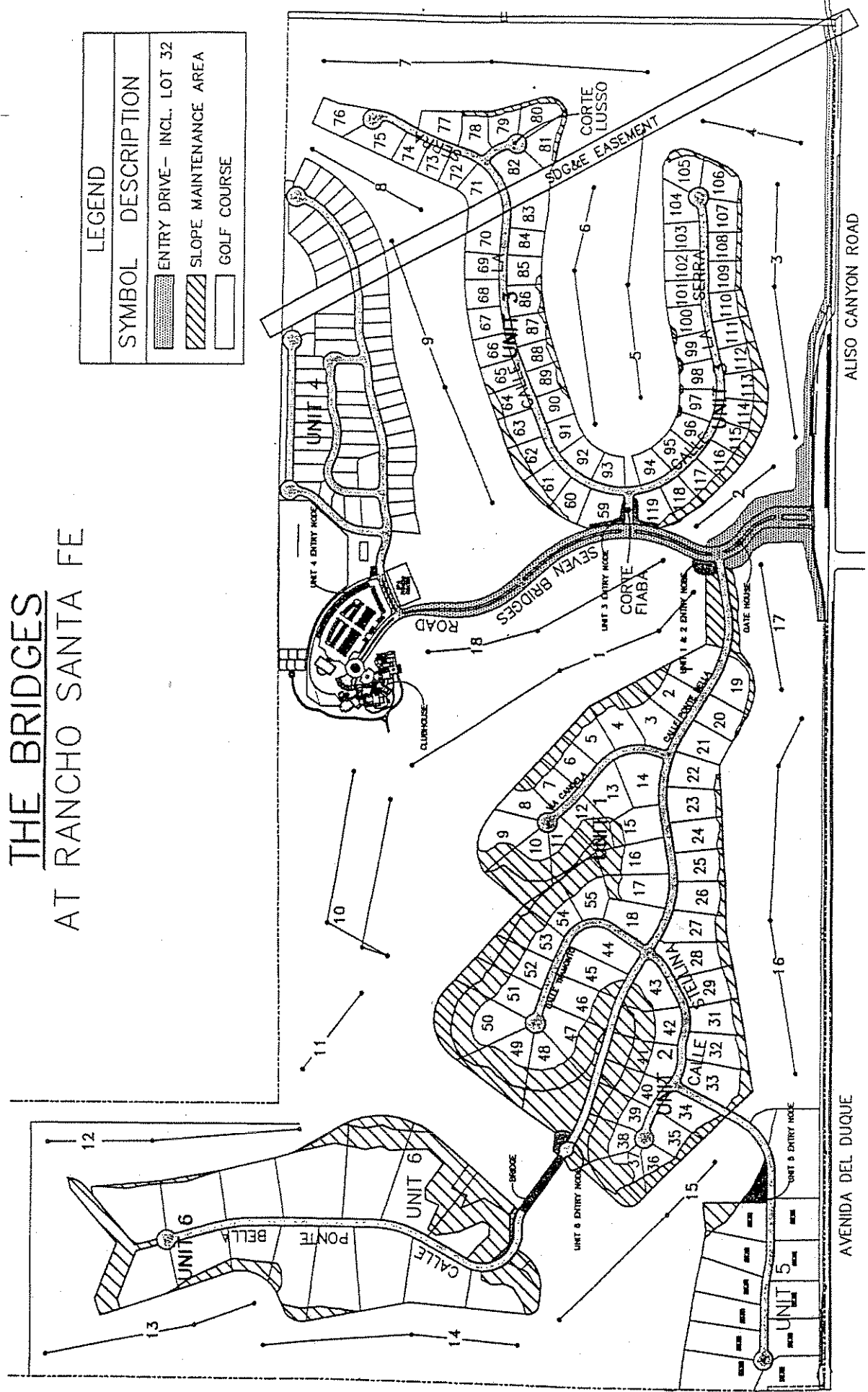
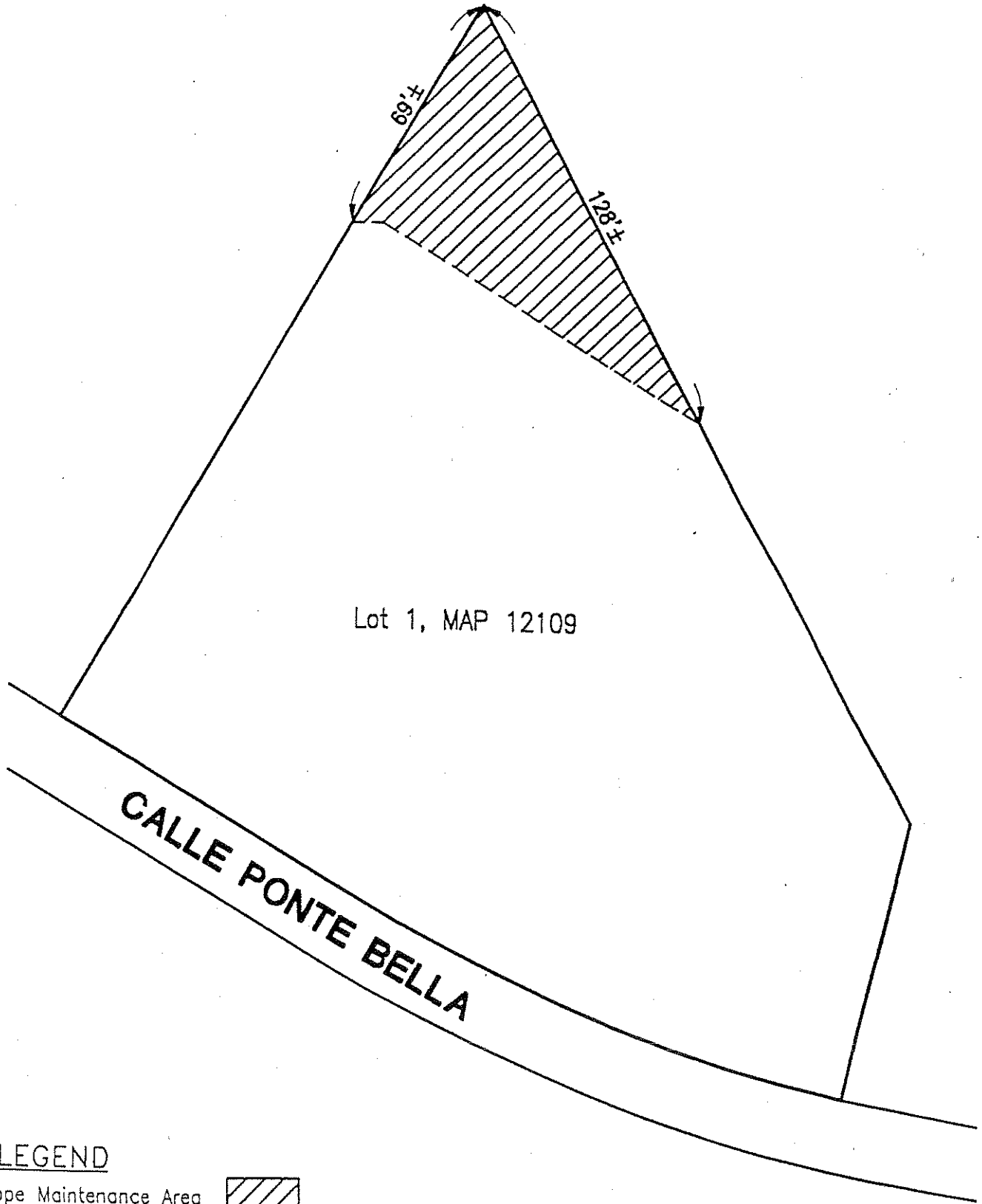


EXHIBIT "E"

DRAWING SHOWING LOCATION OF SLOPE MAINTENANCE AREAS IN PHASE 1

EXHIBIT "E"
SLOPE MAINTENANCE AREA



LEGEND

Slope Maintenance Area



Property Line



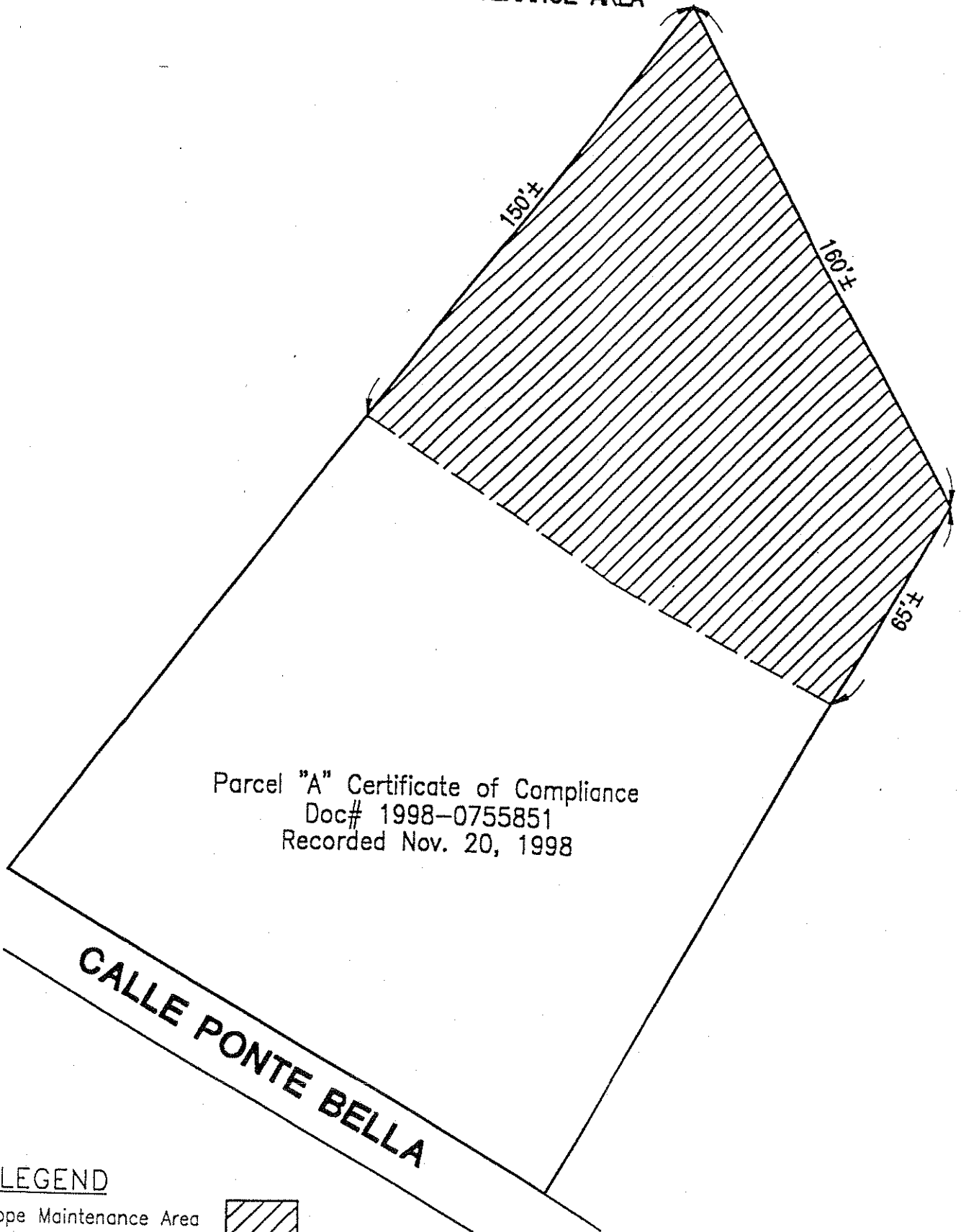
Top of Slope



NOTE:

This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA



LEGEND

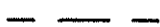
Slope Maintenance Area



Property Line



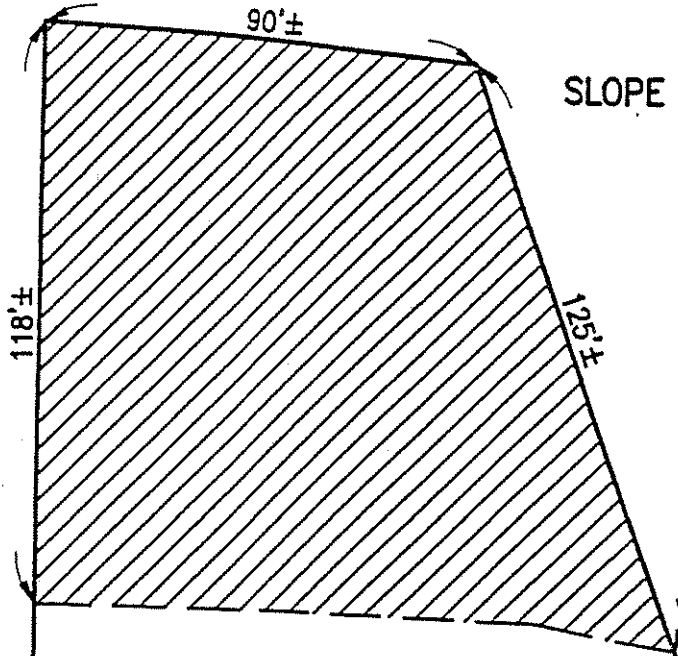
Top of Slope



NOTE:

This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA



Parcel "B" Certificate of Compliance
Doc# 1998-0755851
Recorded Nov. 20, 1998

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

VIA CANDELA

CALLE PONTE BELLA

LEGEND

Slope Maintenance Area



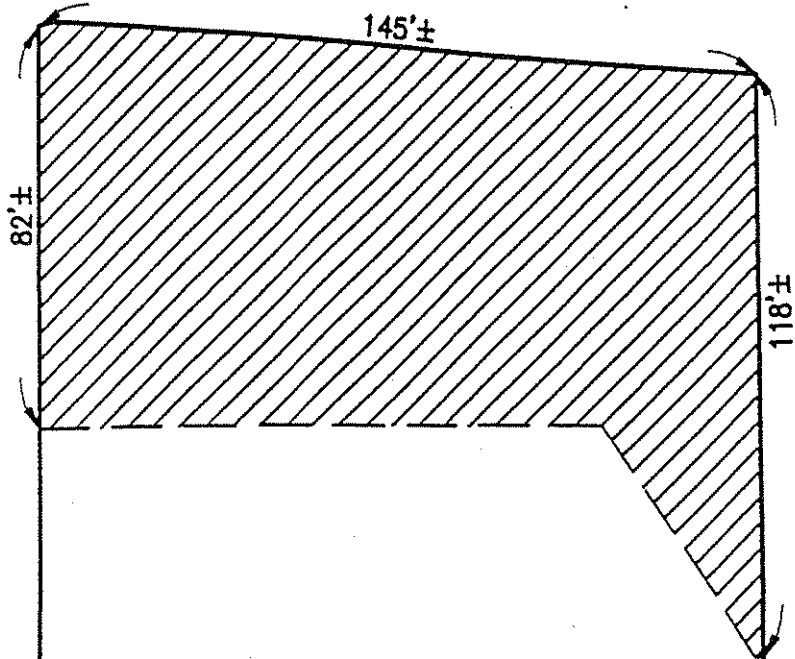
Property Line



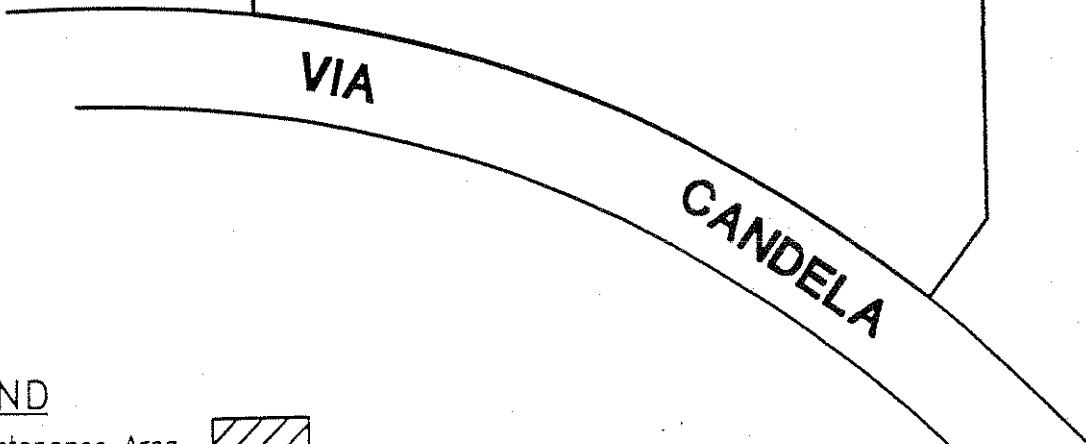
Top of Slope






EXHIBIT "E"
SLOPE MAINTENANCE AREA



Parcel "C" Certificate of Compliance
Doc# 1998-0755851
Recorded Nov. 20, 1998

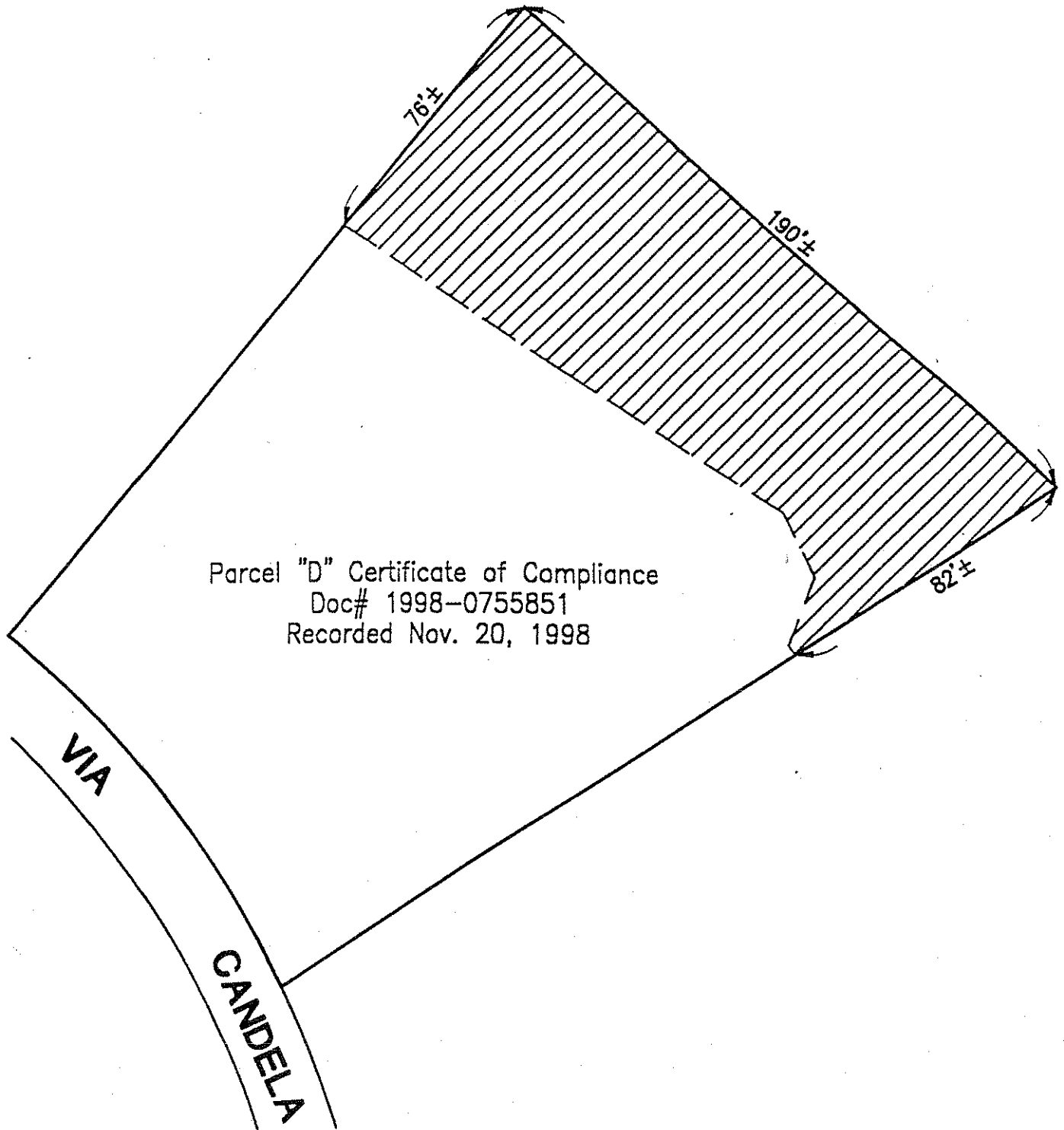


LEGEND




- Slope Maintenance Area 
- Property Line 
- Top of Slope 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA

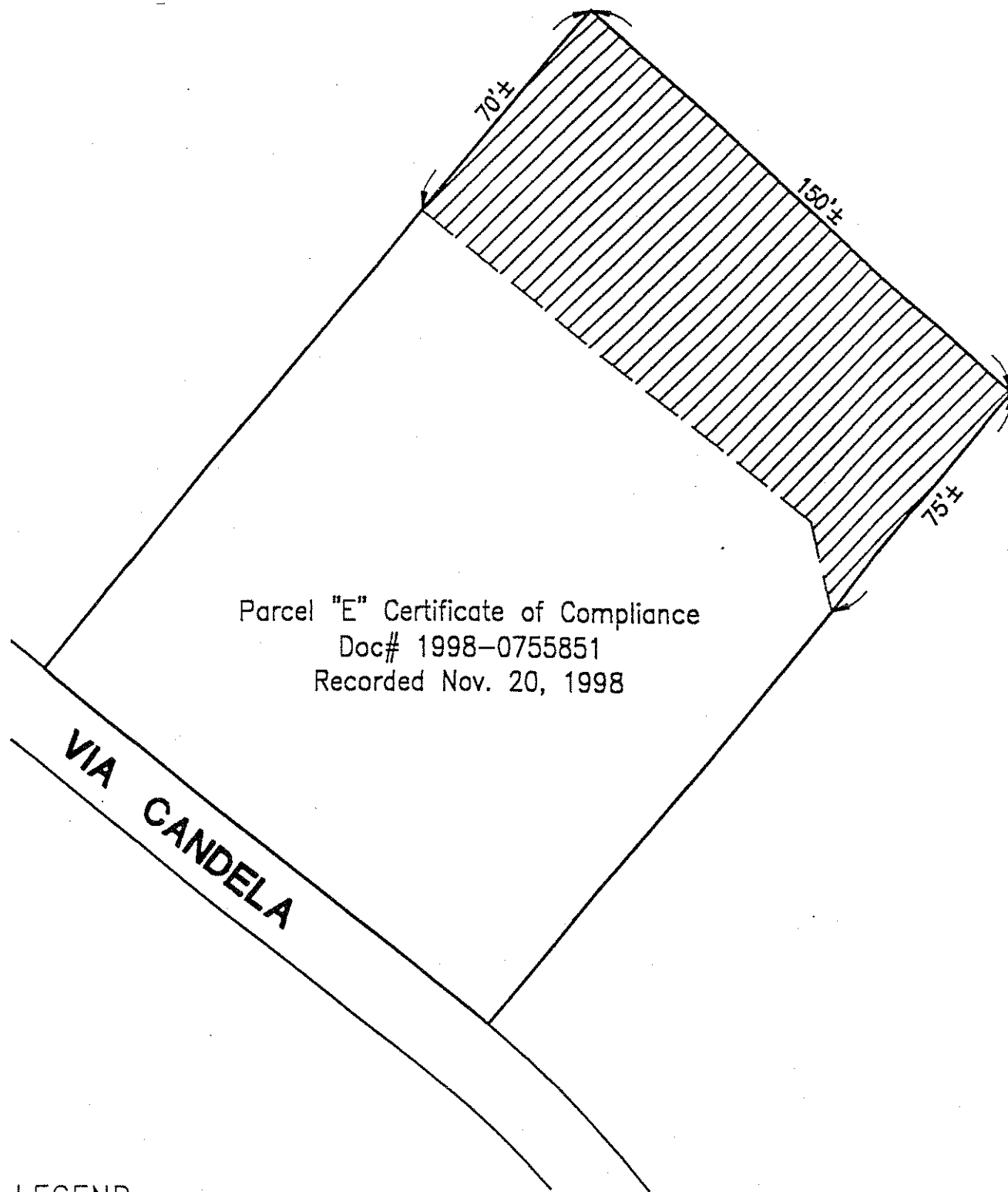


LEGEND

- Slope Maintenance Area 
- Property Line 
- Top of Slope 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA



LEGEND

Slope Maintenance Area



Property Line



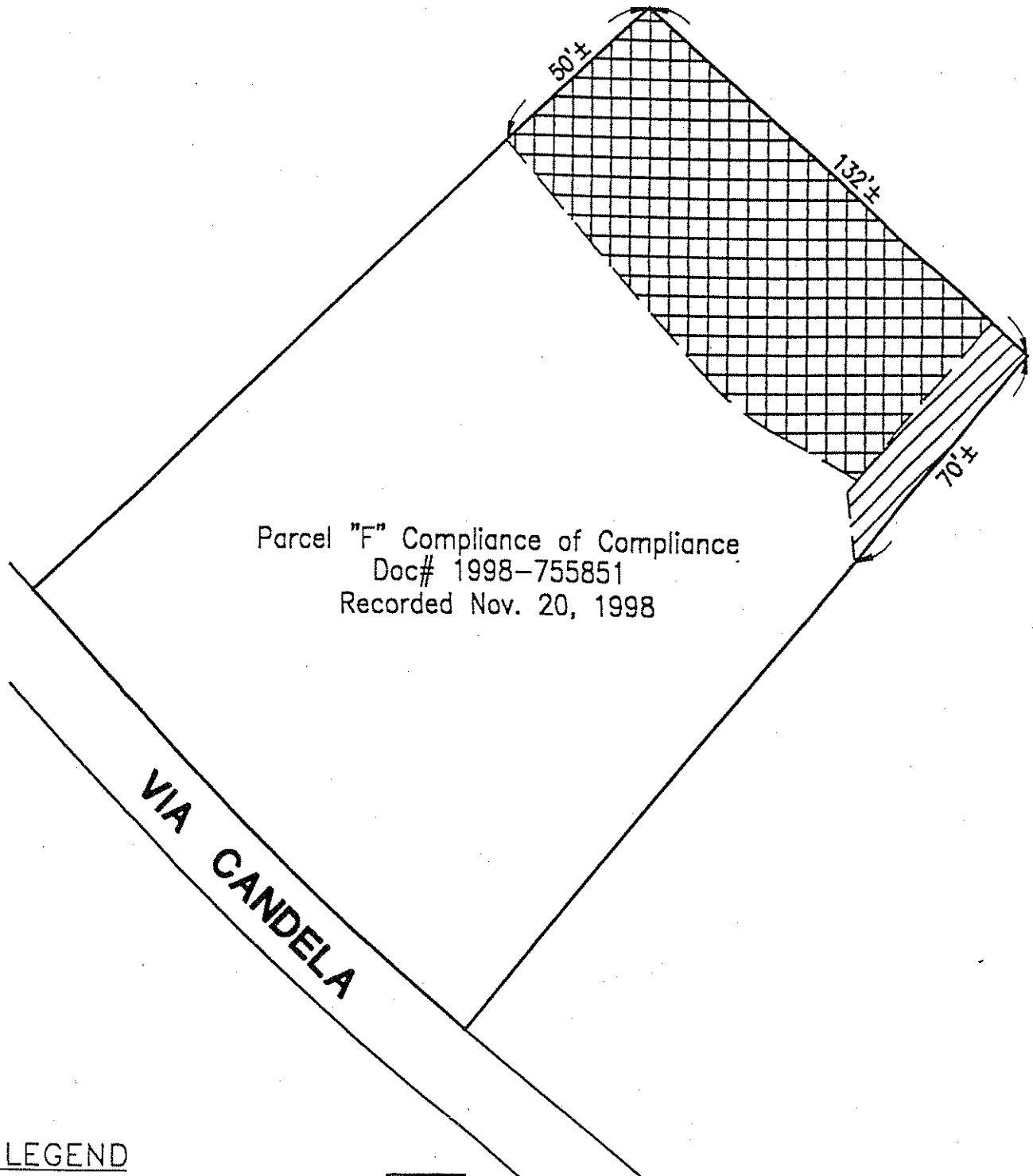
Top of Slope



NOTE:

This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA



LEGEND

Slope Maintenance Area



Slope Maintenance Area
that includes Fuel Modification Zone



Property Line



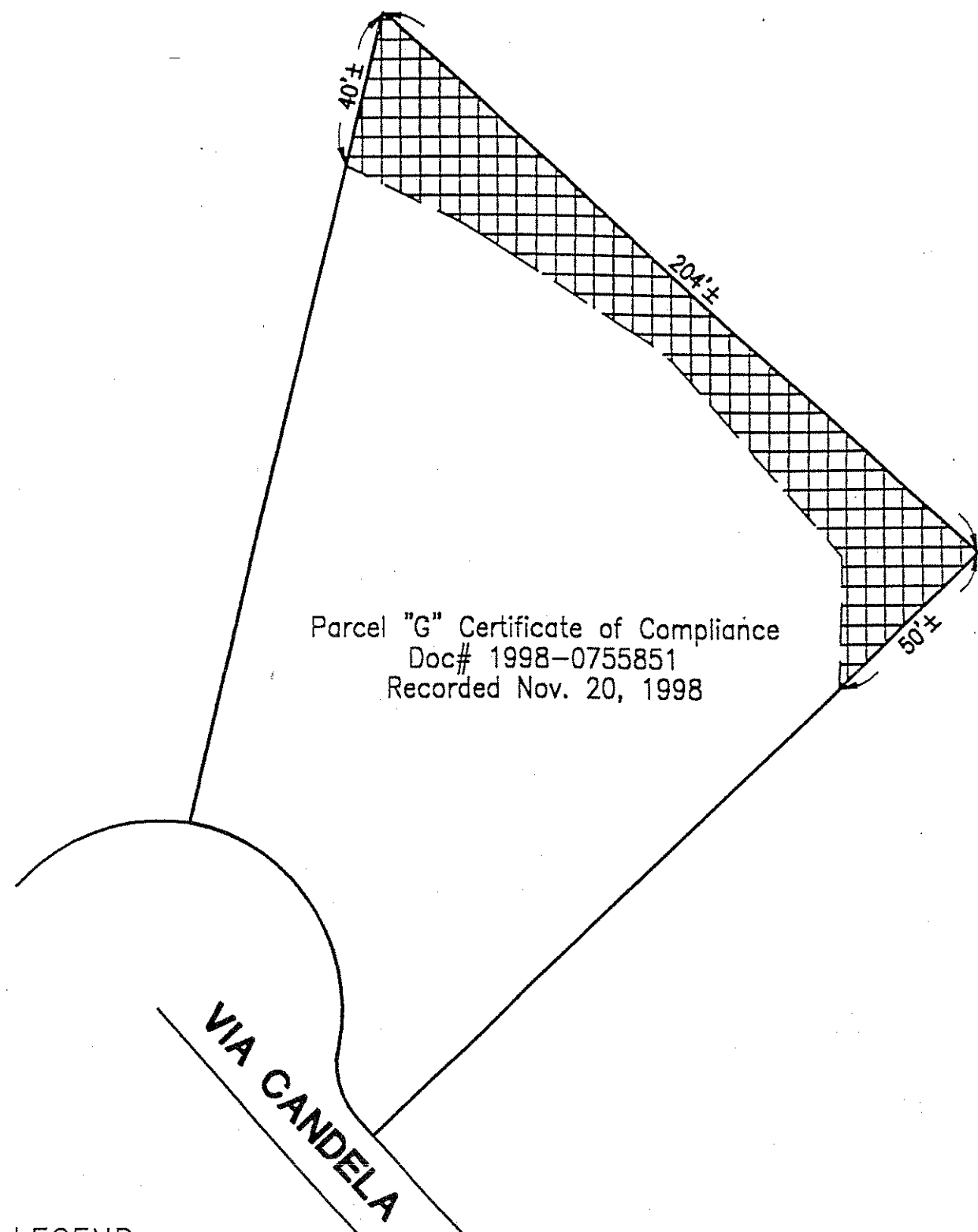
Top of Slope






NOTE:

This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA



LEGEND

- Slope Maintenance Area that includes Fuel Modification Zone 
- Property Line 
- Top of Slope 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA

NATURAL OPEN SPACE

(a part of the Slope Maintenance Area)

105'±

246'±

117'±

80'±

40'±

Parcel "H" Certificate of Compliance
 Doc# 1998-0755851
 Recorded Nov. 20,1998


NOTE:
 This depiction is for illustrative purposes only.
 All dimensions are approximations only.

LEGEND

Slope Maintenance Area that includes Fuel Modification Zone 

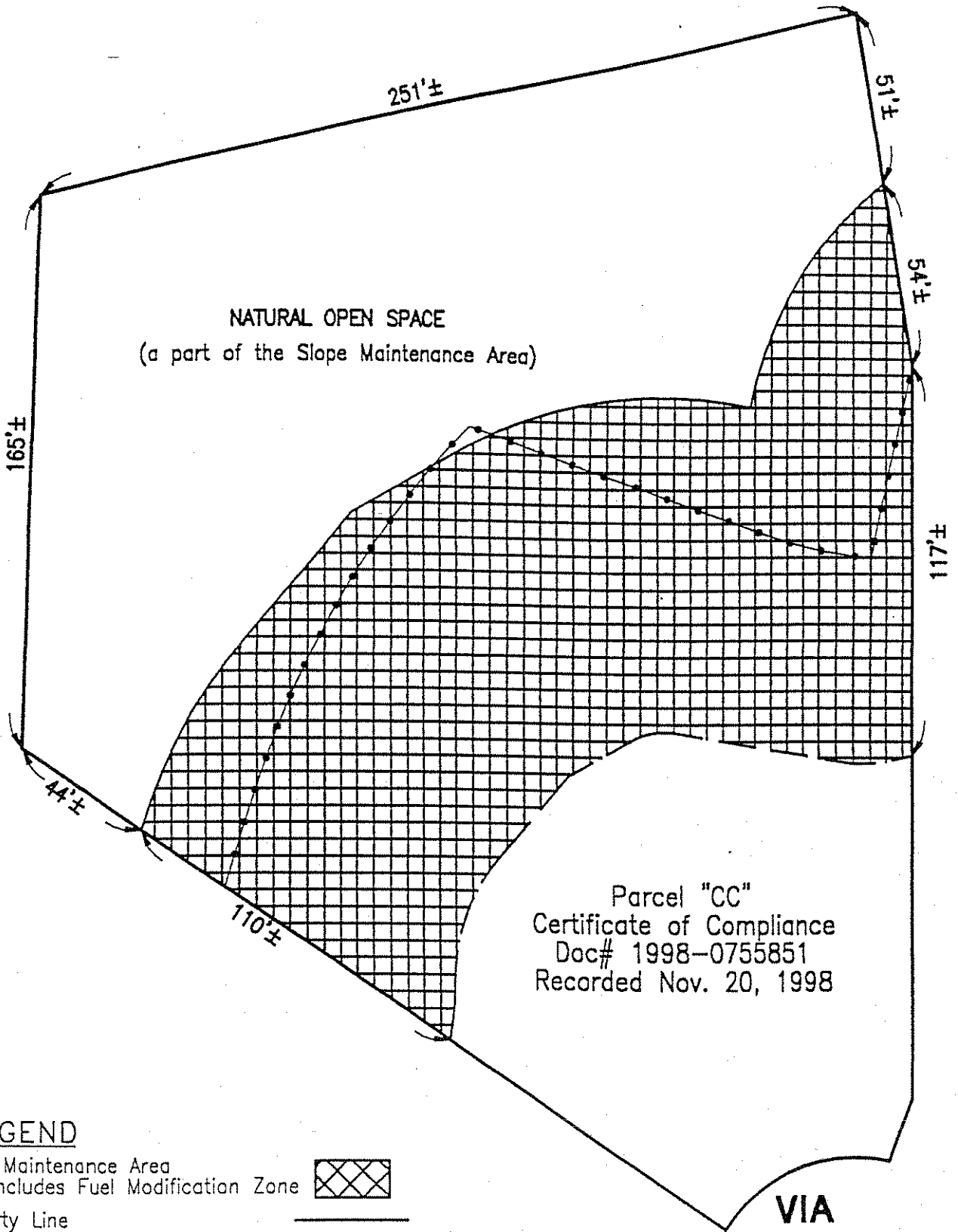
Property Line 

Top of Slope 

Limit of Open Space Easement Per Document No. 87-452195 Recorded 8-11-87 

VIA CANDELA





EXHIBIT "E"
SLOPE MAINTENANCE AREA



Parcel "CC"
Certificate of Compliance
Doc# 1998-0755851
Recorded Nov. 20, 1998

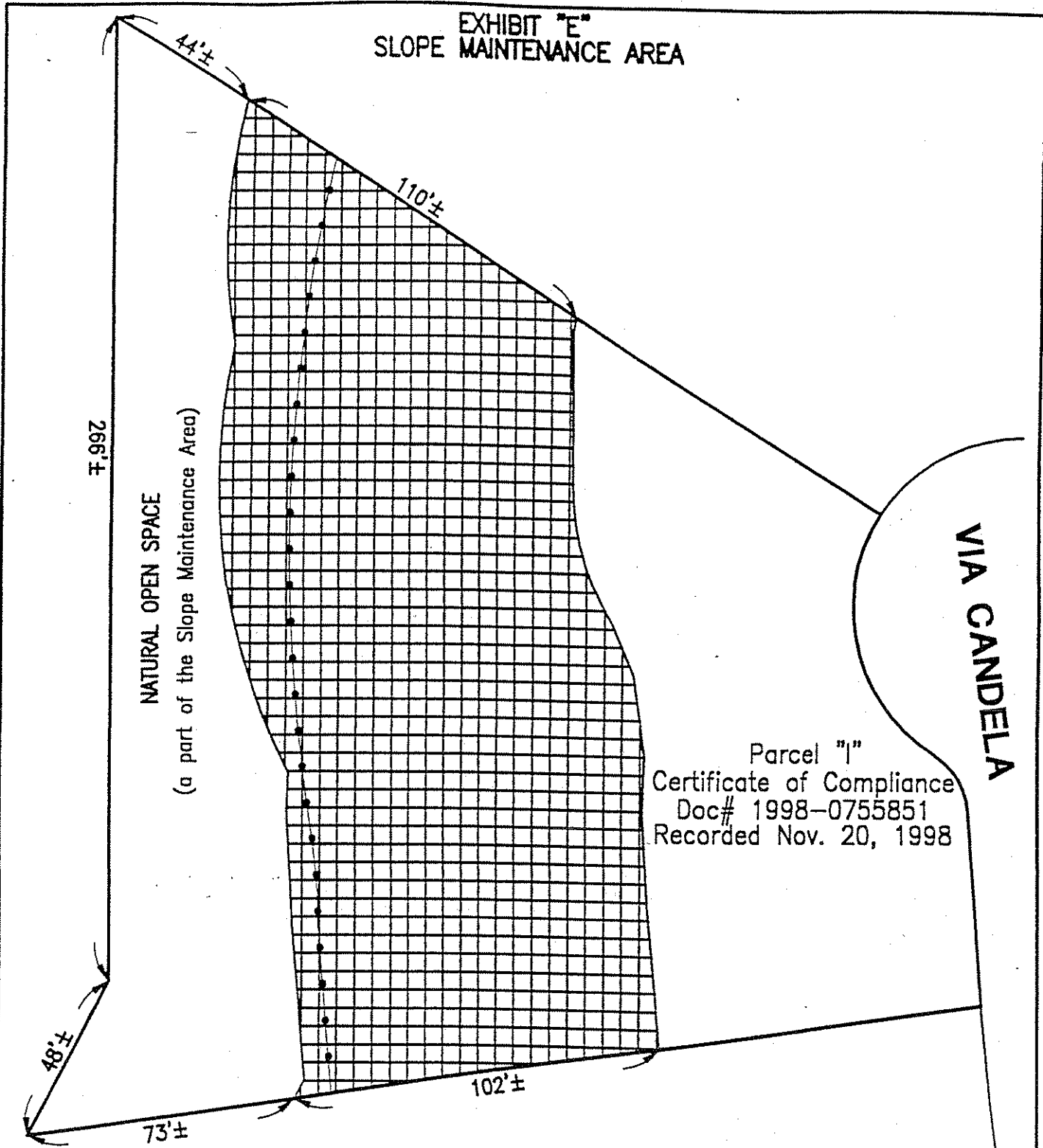
VIA
CANDELA

LEGEND

- Slope Maintenance Area that includes Fuel Modification Zone 
- Property Line 
- Top of Slope 
- Limit of Open Space Easement Per Document No. 87-452195 Recorded 8-11-87 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.





EXHIBIT "E"
SLOPE MAINTENANCE AREA



Parcel "I"
Certificate of Compliance
Doc# 1998-0755851
Recorded Nov. 20, 1998

VIA CANDELA

LEGEND

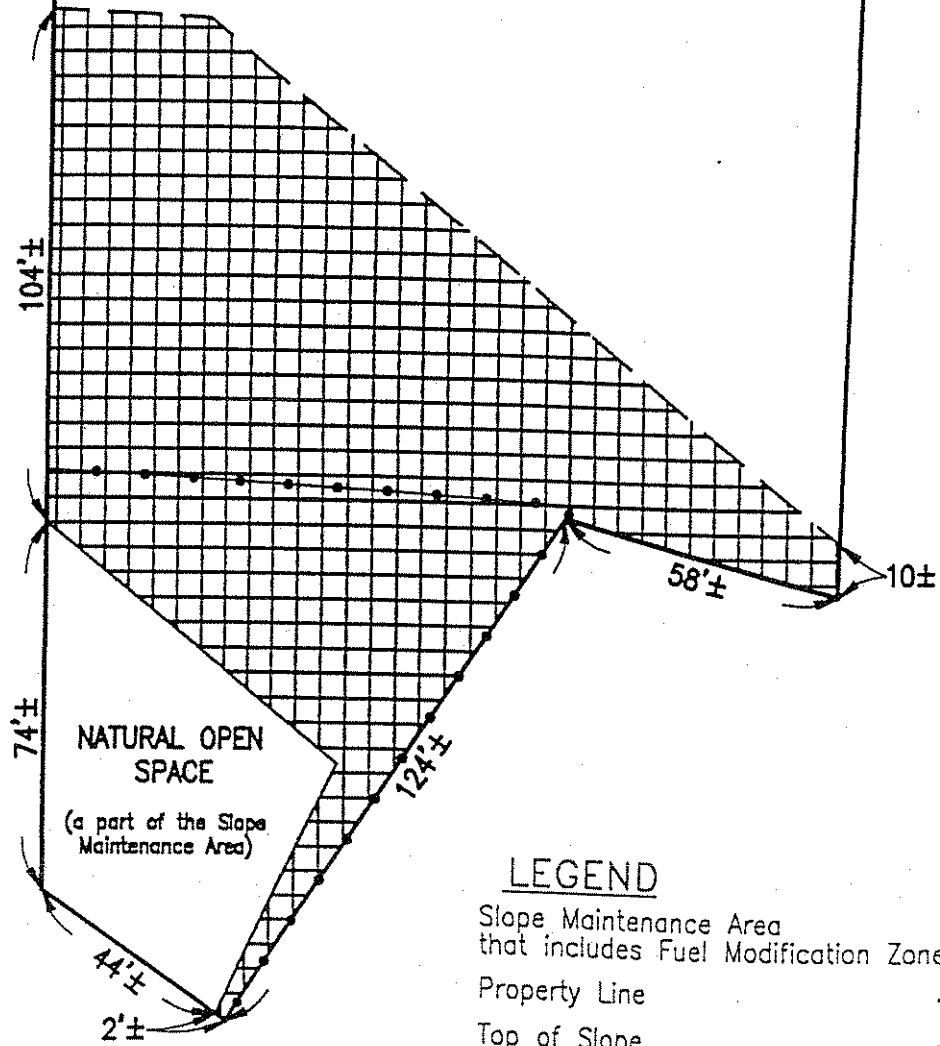
- Slope Maintenance Area that includes Fuel Modification Zone 
- Property Line 
- Top of Slope 
- Limit of Open Space Easement Per Document No. 87-452195 Recorded 8-11-87 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA

VIA CANDELA

Parcel "J" Certificate of Compliance
Doc# 1998-0755851
Recorded Nov. 20, 1998



NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

Per Document No. 87-452195
Recorded 8-11-87





EXHIBIT "E"
SLOPE MAINTENANCE AREA

VIA CANDELA

Parcel "K" Certificate of Compliance
Doc# 1998-0755815
Recorded Nov. 20, 1998

10'±
7'±

LEGEND

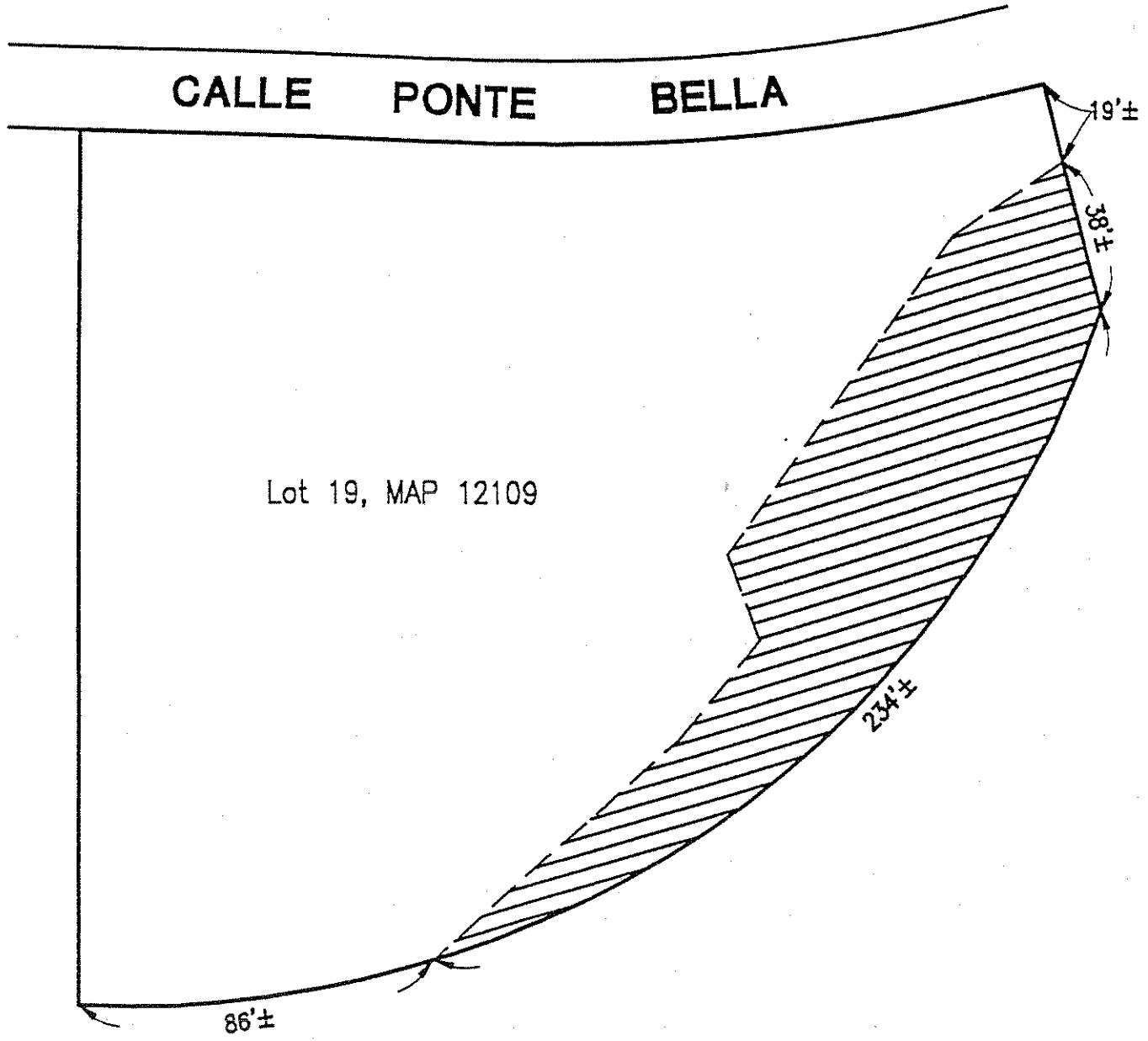
- Slope Maintenance Area that includes Fuel Modification Zone 
- Property Line 
- Top of Slope 
- Limit of Open Space Easement Per Document No. 87-452195 Recorded 8-11-87 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.




EXHIBIT "E"
SLOPE MAINTENANCE AREA

CALLE PONTE BELLA

Lot 19, MAP 12109



LEGEND

- Slope Maintenance Area 
- Property Line 
- Top of Slope 

NOTE:
This depiction is for illustrative purposes only.
All dimensions are approximations only.

EXHIBIT "E"
SLOPE MAINTENANCE AREA

CALLE PONTE BELLA

212'±

Parcel "S" Certificate of Compliance
Doc# 1998-0755851
Recorded Nov. 20, 1998

40'±

72'±

48'±

LEGEND

Slope Maintenance Area



Property Line



Top of Slope



NOTE:

This depiction is for illustrative purposes only.
All dimensions are approximations only.

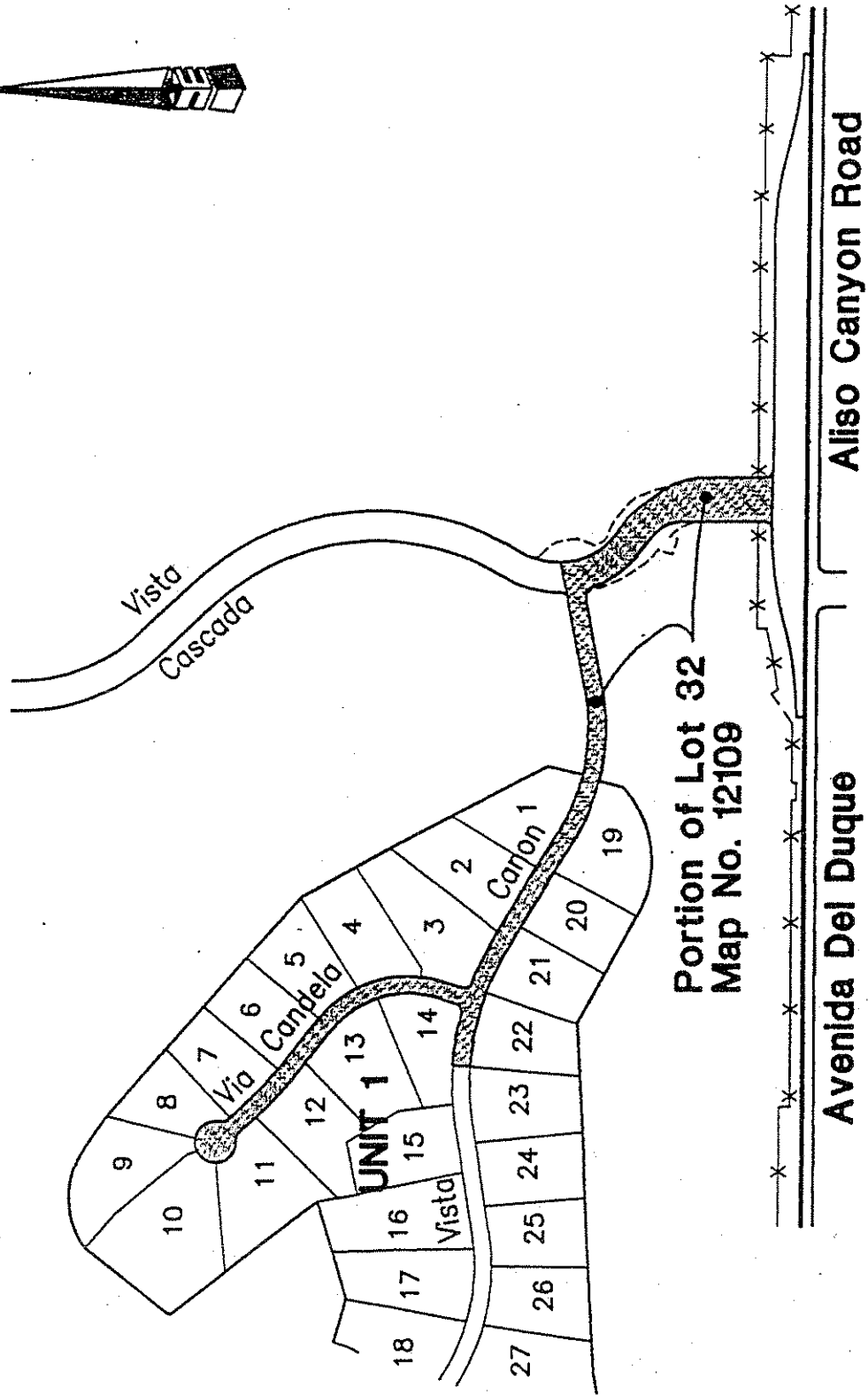
EXHIBIT "F"

DRAWING SHOWING LOCATION OF PORTIONS OF LOT 32 OF TRACT NO. 4569-1
OVER WHICH EASEMENTS ARE RESERVED FOR MASTER ASSOCIATION

Access Easement Exhibit

N DIEGUITO ENGINEERING, INC.
 4407 MARQUETTE, SUITE 108
 ENCINITAS, CA 92024
 PHONE: (760) 753-3025

**CIVIL ENGINEERING • PLANNING
 LAND SURVEYING**



Portion of Lot 32
 Map No. 12109

EXHIBIT "G"

LEGAL DESCRIPTION OF PHASE 1

Lots 1 and 19 of Tract No. 4569-1 according to Map thereof No. 12109, filed on July 6, 1988, in the Office of the County Recorder of San Diego County, California; and

Parcels "A" through "L," inclusive, and Parcels "Q," "R," "S" and "CC," described on Exhibit "A" to Certificate of Compliance, filed on November 20, 1998, as Document No. 1998-0755851 in Official Records of the San Diego County Recorder's Office, and described on pages G-2 through G-7 of this Exhibit "G".

EXHIBIT "G"

SDE 4444
OCTOBER 31, 1998
File: 4444ba_u1_legal.doc

LEGAL DESCRIPTION OF PHASE I
(continued)



LEGAL DESCRIPTION
PARCEL "A" B/C 98-0164

ALL OF LOT 2 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 3 OF SAID MAP NO. 12109.

LEGAL DESCRIPTION
PARCEL "B" B/C 98-0164

LOT 3 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THAT PORTION OF LOT 4 OF SAID MAP NO. 12109 LYING SOUTHEASTERLY OF THE FOLLOWING DESCRIBED LINE:

COMMENCING AT THE MOST EASTERLY CORNER OF SAID LOT 4; THENCE ALONG THE NORTHEASTERLY LINE THEREOF NORTH 28°30'41" WEST, 3.01 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET NORTHWESTERLY FROM THE SOUTHEASTERLY LINE OF SAID LOT 4, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE ALONG SAID PARALLEL LINE SOUTH 56°55'01" WEST, 277.25 FEET TO THE SOUTHERLY LINE OF SAID LOT 4.

LEGAL DESCRIPTION
PARCEL "C" B/C 98-0164

LOT 4 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THAT PORTION LYING SOUTHEASTERLY OF THE FOLLOWING DESCRIBED LINE:

COMMENCING AT THE MOST EASTERLY CORNER OF SAID LOT 4; THENCE ALONG THE NORTHEASTERLY LINE THEREOF NORTH 28°30'41" WEST, 3.01 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET NORTHWESTERLY FROM THE SOUTHEASTERLY LINE OF SAID LOT 4, SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE ALONG SAID PARALLEL LINE SOUTH 56°55'01" WEST, 277.25 FEET TO THE SOUTHERLY LINE OF SAID LOT 4.

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 5 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "D" B/C 98-0164**

LOT 5 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 6 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "E" B/C 98-0164**

LOT 6 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 7 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "F" B/C 98-0164**

LOT 7 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 8 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "G" B/C 98-0164**

LOT 8 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 9 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "H" B/C 98-0164**

LOT 9 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE EASTERLY 3.00 FEET THEREOF,

ALSO EXCEPTING THEREFROM THAT PORTION LYING SOUTHWESTERLY OF THE FOLLOWING DESCRIBED LINES:
BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID LOT 9, BEING A POINT THE ARC OF A 48.00 FOOT RADIUS CURVE CONCAVE SOUTHEASTERLY, A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 39°02'38" EAST; THENCE NORTHEASTERLY ALONG THE ARC OF SAID CURVE 10.79 FEET THROUGH A CENTRAL ANGLE OF 12°52'56", SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID LINE NORTH 18°10'46" WEST, 20.49 FEET; THENCE NORTH 39°02'38" WEST, 218.88 FEET; THENCE NORTH 48°48'29" WEST, 106.13 FEET TO THE MOST WESTERLY CORNER OF SAID LOT 9.

**LEGAL DESCRIPTION
PARCEL "I" B/C 98-0164**

LOT 11 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

TOGETHER WITH THE NORTHWESTERLY 39.00 FEET OF LOT 12 OF SAID MAP NO. 12109,

ALSO TOGETHER WITH THAT PORTION OF LOT 16 OF SAID MAP NO. 12109 LYING NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINES:
BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THE SOUTHEASTERLY LINE OF SAID NORTHWESTERLY 39.00 FEET OF LOT 12; THENCE ALONG THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 44°28'25" WEST, 3.59 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET SOUTHWESTERLY FROM THE NORTHEASTERLY LINE OF SAID LOT 16; THENCE ALONG SAID LINE NORTH 12°19'39" WEST, 48.32 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 16; THENCE ALONG SAID LINE NORTH 72°52'59" EAST, 3.01 FEET TO THE MOST NORTHERLY CORNER OF SAID LOT 16.

**LEGAL DESCRIPTION
PARCEL "J" B/C 98-0164**

LOT 12 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE NORTHWESTERLY 39.00 FEET THEREOF,

TOGETHER WITH THE NORTHWESTERLY 55.00 FEET OF LOT 13 OF SAID MAP NO. 12109,

ALSO TOGETHER WITH THAT PORTION OF LOT 15 OF SAID MAP NO. 12109 LYING NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THE SOUTHEASTERLY LINE OF SAID NORTHWESTERLY 55.00 FEET OF LOT 13; THENCE ALONG THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 46°03'53" WEST, 3.08 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET SOUTHWESTERLY FROM THE NORTHEASTERLY LINE OF SAID LOT 15; THENCE ALONG SAID LINE NORTH 30°57'50" WEST, 58.16 FEET TO THE NORTHWESTERLY LINE OF SAID LOT 15; THENCE ALONG SAID LINE NORTH 77°58'19" EAST, 3.17 FEET TO THE MOST NORTHERLY CORNER OF SAID LOT 15.

ALSO TOGETHER WITH THAT PORTION OF LOT 16 OF SAID MAP NO. 12109 LYING NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINES:
BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THE SOUTHEASTERLY LINE OF SAID NORTHWESTERLY 39.00 FEET OF LOT 12; THENCE ALONG THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 44°28'25" WEST, 3.59 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET SOUTHWESTERLY FROM THE NORTHEASTERLY LINE OF SAID LOT 16; THENCE ALONG SAID LINE SOUTH 12°19'39" EAST, 45.35 FEET TO THE SOUTHWESTERLY PROLONGATION OF THE SOUTHEASTERLY LINE OF SAID LOT 12; THENCE ALONG SAID LINE NORTH 77°58'19" EAST, 3.00 FEET TO THE MOST SOUTHERLY CORNER OF SAID LOT 12.

**LEGAL DESCRIPTION
PARCEL "K" B/C 98-0164**

LOT 13 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE NORTHWESTERLY 55.00 FEET THEREOF,

TOGETHER WITH THE NORTHWESTERLY 55.00 FEET OF LOT 14 OF SAID MAP NO. 12109,

ALSO TOGETHER WITH THAT PORTION OF LOT 15 OF SAID MAP NO. 12109 LYING NORTHEASTERLY OF THE FOLLOWING DESCRIBED LINES:
BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THE SOUTHEASTERLY LINE OF SAID NORTHWESTERLY 55.00 FEET OF LOT 14; THENCE ALONG THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 67°11'18" WEST, 3.11 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET SOUTHWESTERLY FROM THE NORTHEASTERLY LINE OF SAID LOT 15; THENCE ALONG SAID LINE NORTH 7°42'19" WEST, 57.16 FEET AND NORTH 30°57'50" WEST, 82.19 FEET TO THE SOUTHWESTERLY PROLONGATION OF THE SOUTHEASTERLY LINE OF SAID NORTHWESTERLY 55.00 FEET OF LOT 13; THENCE ALONG SAID LINE NORTH 46°03'53" EAST, 3.08 TO SAID NORTHEASTERLY LINE OF LOT 15.

**LEGAL DESCRIPTION
PARCEL "L" B/C 98-0164**

LOT 14 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE NORTHWESTERLY 55.00 FEET THEREOF,

TOGETHER WITH THAT PORTION OF LOT 15 OF SAID MAP NO. 12109 LYING EASTERLY OF THE FOLLOWING DESCRIBED LINES:

BEGINNING AT THE SOUTHWESTERLY TERMINUS OF THE SOUTHEASTERLY LINE OF SAID NORTHWESTERLY 55.00 FEET OF LOT 14; THENCE ALONG THE SOUTHWESTERLY PROLONGATION THEREOF SOUTH 67°11'18" WEST, 3.11 FEET TO A LINE RUNNING PARALLEL WITH AND DISTANT 3.00 FEET SOUTHWESTERLY FROM THE NORTHEASTERLY LINE OF SAID LOT 15; THENCE ALONG SAID LINE SOUTH 7°42'19" EAST, 68.36 FEET TO THE SOUTHERLY LINE OF SAID LOT 15, BEGINNING A POINT ON THE ARC OF A 620.00 FOOT RADIUS CURVE CONCAVE SOUTHERLY, A RADIAL LINE THROUGH SAID POINT BEARS NORTH 4°28'34" WEST; THENCE EASTERLY ALONG THE ARC OF SAID CURVE 3.00 FEET TO THE SOUTHEASTERLY CORNER OF SAID LOT 15.

**LEGAL DESCRIPTION
PARCEL "Q" B/C 98-0164**

ALL OF LOT 20 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 21 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "R" B/C 98-0164**

LOT 21 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE SOUTHEASTERLY 3.00 FEET OF LOT 22 OF SAID MAP NO. 12109.

**LEGAL DESCRIPTION
PARCEL "S" B/C 98-0164**

LOT 22 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

EXCEPTING THEREFROM THE SOUTHEASTERLY 3.00 FEET THEREOF,

TOGETHER WITH THE EASTERLY 3.00 FEET OF LOT 23 OF SAID MAP NO. 12109.

LEGAL DESCRIPTION
PARCEL "CC" B/C 98-0164

LOT 10 OF COUNTY OF SAN DIEGO TRACT NO. 4569-01, IN THE COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF, NO. 12109, FILED IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY, JULY 6, 1988,

TOGETHER WITH THAT PORTION OF LOT 9 OF SAID MAP NO. 12109 LYING SOUTHWESTERLY OF THE FOLLOWING DESCRIBED LINES:
BEGINNING AT THE SOUTHWESTERLY CORNER OF SAID LOT 9, BEING A POINT THE ARC OF A 48.00 FOOT RADIUS CURVE CONCAVE SOUTHEASTERLY, A RADIAL LINE THROUGH SAID POINT BEARS SOUTH 39°02'38" EAST; THENCE NORTHEASTERLY ALONG THE ARC OF SAID CURVE 10.79 FEET THROUGH A CENTRAL ANGLE OF 12°52'56", SAID POINT BEING THE TRUE POINT OF BEGINNING; THENCE LEAVING SAID LINE NORTH 18°10'46" WEST, 20.49 FEET; THENCE NORTH 39°02'38" WEST, 218.88 FEET; THENCE NORTH 48°48'29" WEST, 106.13 FEET TO THE MOST WESTERLY CORNER OF SAID LOT 9.