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ADDITIONAL DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
CARRIAGE LANE

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CARRIAGE LANE

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DESCRIPTION

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- EXHIBIT "B" - By-Laws of Carriage Lane Homeowners Association
- EXHIBIT "C" - Legal Description of Common Area in Phase I of the Project Over Which Association Has Easement for Maintenance and Control
- EXHIBIT "D" - Legal Description of Property Which May Be Annexed to Phase I of the Project by Grantor
- EXHIBIT "E" - Sideyard Easement Map and Drainage Pattern for Phase I

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

CARRIAGE LANE

THIS ADDITIONAL DECLARATION is made on this 23rd day of October, 1978, by GRANT PROPERTIES, a partnership ("Grantor").

P R E A M B L E

A. Grantor is the Owner of certain real property in the City of Anaheim, County of Orange, State of California, described as follows:

Lots 1 to 29, inclusive, of Tract No. 10031, as shown on a Subdivision Map, recorded on March 24, 1978, in Book 428, Pages 27 to 29, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County.

B. Grantor has deemed it desirable, for the efficient preservation of the values and amenities in the real property described above ("Project") and in the additional properties which may be annexed thereto pursuant to the provisions of this Additional Declaration, to create a corporation under the General Nonprofit Corporation Law of the State of California to which should be delegated and assigned the powers of maintaining and administering the Common Area and administering and enforcing the covenants and restrictions; and collecting and disbursing the assessments and charges hereinafter created.

C. Grantor will or has caused such corporation, the Members of which shall be the respective Owners of Lots in the Project, including the Owners of Lots in real property annexed pursuant to this Additional Declaration, to be formed for the purpose of exercising such functions.

D. Grantor will develop and convey all of the Project (as hereinafter defined), pursuant to a general plan for all of the Project and subject to certain protective covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges, all running with the Project as hereinafter set forth.

E. The Project is located in the Annexable Area of the Properties as defined in that certain Master Declaration of Covenants, Conditions and Restrictions for the ANAHEIM HILLS PLANNED COMMUNITY which was recorded on April 28, 1977, as Instrument No. 43624, in Book 12169, Pages 209 et seq., Official Records of Orange County, California. Said Master Declaration of Covenants,

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Conditions and Restrictions for the ANAHEIM HILLS PLANNED COMMUNITY, as it may be amended from time to time, is hereinafter called the "Master Declaration". The Project was annexed to the Properties covered by the Master Declaration by means of a Notice of Annexation of Territory which was recorded on March 24, 1978, as Instrument No. 31916, in Book 12609, Pages 994 et seq., of Official Records of Orange County, California.

F. Grantor hereby declares that all of the Project shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following easements, restrictions, covenants, conditions and equitable servitudes, all of which are for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Project, in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale of the Project or any portion thereof. The covenants, conditions, restrictions, reservations, easements, and equitable servitudes set forth herein shall run with the Project and shall be binding upon all persons having any right, title or interest in the Project or any part thereof, their heirs, successors and assigns; shall inure to the benefit of every portion of the Project and any interest therein; and shall inure to the benefit of and be binding upon each Owner and his respective successors-in-interest; and may be enforced by any Owner and his successors-in-interest, and by the Association (as hereinafter defined).

ARTICLE I

DEFINITIONS

Unless otherwise expressly provided, the following words and phrases when used in this Additional Declaration shall have the meanings hereinafter specified.

Section 1. "ARC" shall mean the Architectural Review Committee created pursuant to Article VII hereof.

Section 2. "Articles" shall mean the Articles of Incorporation of the Association which have been or will be filed in the Office of the Secretary of State of the State of California, a copy of which is attached hereto as Exhibit "A", as they may be amended from time to time.

Section 3. "Annual Assessment" shall mean the charge against each Owner and his Lot, representing a portion of the total, ordinary costs to the Association of maintaining, improving, repairing, replacing, managing and operating the Common Area, which are to be paid uniformly and equally by each Owner to the Association, as provided herein.

Section 4. "Special Assessment" shall mean a charge against a particular Owner and his Lot, directly attributable to the Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of this Additional Declaration.

Section 5. "Reconstruction Assessment" shall mean a charge against each Owner and his Lot, representing a portion of the cost to the Association for reconstruction of any portion or portions of the Improvements on the Common Area pursuant to the provisions of this Additional Declaration.

Section 6. "Capital Improvement Assessment" shall mean a charge against each Owner and his Lot, representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Area which the Association may from time to time authorize, pursuant to the provisions of this Additional Declaration.

Section 7. "Association" shall mean Carriage Lane Homeowners Association, a corporation formed under the General Nonprofit Corporation Law of the State of California, its successors and assigns. The "Association" constitutes a "Sub-Association" as that term is defined in the Master Declaration.

Section 8. "Board" shall mean the Board of Directors of the Association, elected in accordance with the By-Laws of the Association.

Section 9. "By-Laws" shall mean the By-Laws of the Association which have been or will be adopted by the Board, a copy of which is attached hereto as Exhibit "B", as they may be amended from time to time.

Section 10. "Close of Escrow" shall mean the date on which a deed conveying any portion of the Project is recorded in the Office of the Orange County Recorder.

Section 11. "Common Area" shall mean all the real property and Improvements, which may include slopes, landscaped areas and appurtenances which are or may be owned by the Association for the common use and enjoyment of all of the Owners or over which the Association has an easement for maintenance as provided herein. The Common Area over which the Association shall have an easement for maintenance at the time of conveyance of the first Lot in the Project is described in Exhibit "C" which is attached hereto and incorporated herein by this reference. Additional Common Area might be transferred to the Association, in fee or by easement, in the future pursuant to the terms of Article XIV. The Common Area located within any future increment of development of the Project shall be similarly conveyed to the Association, prior to the Close of Escrow for the sale of the first Lot in that increment of the Project pursuant to a Final Subdivision Public Report as issued by the California Department of Real Estate.

Section 12. "Common Expenses" shall mean the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Area (including unpaid Annual Assessments, Special Assessments, Reconstruction Assessments and Capital Improvement Assessments), including those costs not paid by the Owner responsible for payment; the costs of common street lighting; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs

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of all utilities, gardening and other services benefiting the Common Area; the costs of fire, casualty and liability insurance, workmen's compensation insurance, and other insurance all covering the Common Area; the costs of bonding the members of the management body; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Project, or portions thereof; and the costs of any other item or items designated by, or in accordance with other expenses incurred by, the Association for any reason whatsoever in connection with the Project, for the benefit of all of the Owners.

Section 13. "Grantor" shall mean GRANT PROPERTIES, a partnership, its successors, and any Person to which it shall have assigned any rights hereunder by an express written assignment. Grantor constitutes a "Participating Builder" as that term is defined in the Master Declaration.

Section 14. "Additional Declaration" shall mean this instrument as it may be amended from time to time. The "Additional Declaration" constitutes an "Additional Declaration" as that term is defined in the Master Declaration.

Section 15. "Dwelling Unit" shall mean a detached building located on a Lot designed and intended for use and occupancy as a residence by a single Family.

Section 16. "Family" shall mean (1) a group of natural Persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of not more than five (5) Persons not all so related, inclusive of their domestic servants, who maintain a common household.

Section 17. "Improvement" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to buildings, outbuildings, walkways, bicycle trails, sprinkler pipes, garages, carports, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, poles and signs.

Section 18. "Lot" shall mean any residential lot or parcel of land shown upon any recorded subdivision map or recorded parcel map of the Project, which is subject to this Additional Declaration, with the exception of any separate Common Area parcel or lot.

Section 19. "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association, pursuant to Article V hereof.

Section 20. "Master Association" shall mean Anaheim Hills Planned Community Association, a corporation formed under the General Nonprofit Corporation Law of the State of California, as further described in the Master Declaration.

Section 21. "Member" shall mean any person or entity holding a membership in the Association as provided herein.

Section 22. "Mortgage" shall mean any mortgage or deed of trust or other conveyance of a Lot or other portion of the Project to secure the performance of an obligation, which will be void and reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used herein shall be synonymous with the term "Mortgage".

Section 23. "Mortgagee" shall mean a Person to whom a Mortgage is made and shall include the beneficiary of a Deed of Trust; "Mortgagor" shall mean a Person who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor", and the term "Beneficiary" shall be synonymous with the term "Mortgagee".

Section 24. "Notice and Hearing" shall mean written notice and a public hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person or by counsel at Owner's expense, as further provided in the By-Laws.

Section 25. "Owner" shall mean and refer to the Person or Persons, including Grantor, holding a fee simple interest of record to any Lot which is a part of the Project, including sellers under executory contracts of sale, but excluding those having such interest merely as security for the performance of an obligation. For purposes of Article VIII only, unless the context otherwise requires, Owner shall also include the family, guests, invitees, licensees and lessees of any Owner.

Section 26. "Person" shall mean a natural individual or any other entity with the legal right to hold title to real property.

Section 27. "Phase I" shall mean all of the real property described in Paragraph A of the Preamble to this Additional Declaration.

Section 28. "Project" shall mean and refer to all of the real property described in Paragraph A of the Preamble to this Additional Declaration, together with such portion of the real property described in Exhibit "D" with respect to which a Notice of Additional Territory has then been recorded subjecting it to this Additional Declaration and to the jurisdiction of the Association as hereinafter provided.

The foregoing definitions shall be applicable to this Additional Declaration, to any Notice of Addition of Territory, and to any Declaration of Amendment recorded pursuant to the provisions of this Additional Declaration unless otherwise expressly provided therein.

ARTICLE II

COMMON AREA PROTECTION

Section 1. Association Control. The Association shall have fee title to or an exclusive easement over the Common Area, in order to perform its duties hereunder, which easement shall include, without limitation, the following appurtenant rights and duties:

- (a) The right of the Association to dedicate, re-lease, alienate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication, release, alienation or transfer shall be effective, unless an instrument signed by Members entitled to cast two-thirds (2/3rds) of the voting power of the Class A Members (excluding the voting power of Grantor), agreeing to such dedication, release, alienation or transfer, has been recorded.
- (b) The right of the Association (by action of the Board) to reconstruct, replace or refinish any Improvement or portion thereof upon the Common Area, in accordance with the original design, finish or standard of construction of such Improvement, and not in accordance with such original design, finish or standard of construction only with the vote or written consent of the Owners holding seventy-five percent (75%) of the voting power of the Association.
- (c) The right of the Association, acting through the Board, to replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Area.
- (d) The right of the Association, acting through the Board, to reasonably restrict access to areas of the Common Area.
- (e) The duty of the Association, acting through the Board, to maintain, landscape, irrigate, repair and otherwise manage the Common Area, including without limitation any drainage systems, slope areas and all facilities, Improvements and landscaping thereon in the location as shown on Exhibit "C" attached hereto, in accordance with the provisions of Article V of this Additional Declaration and the requirements of the City of Anaheim, in such a manner as to enhance the appearance thereof and to preserve established slope ratios, prevent erosion and facilitate the orderly discharge of water through established drainage systems.
- (f) The duty of the Association, acting through the Board, to grant easements, rights of way, or strips of land, where necessary, for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.
- (g) The duty of the Association, acting through the Board, to maintain such policy or policies of liability and fire insurance with respect to the Common Area and personal property, if any, owned by the Association as provided herein.
- (h) The duty of the Association to maintain any and all parkway strips of land extending from the edge of any sidewalk, to the top or the toe of any slope of the Common Area abutting the sidewalk, together with any private drainage systems, as such slopes and drainage systems are shown on Exhibit "C" which is attached hereto and incorporated herein by this reference.

Section 2. Easements for Parking. The Association, through its officers, committees and agents and any applicable governmental authority, is hereby empowered to establish "parking" and "no parking" areas within the Common Area in accordance with the California Vehicle Code, as well as to enforce these parking limitations by all means lawful for such enforcement on county streets, including the removal of any violating vehicles by those so empowered and the right of the police to ticket a violating vehicle.

Section 3. Easements for County Public Service Use. In addition to the foregoing easements over the Common Area, there shall be and Grantor hereby reserves and covenants for itself and all future Owners within the Project, easements for public services of the City of Anaheim, including but not limited to, the right of the police to enter upon any part of the Common Area for the purpose of enforcing the law.

Section 4. Waiver of Use. No Owner may exempt himself from personal liability for assessments duly levied by the Association, nor release the Lot or other property owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area or by abandonment of his Lot or any other property in the Project.

ARTICLE III

MEMBERSHIP IN ASSOCIATION

Section 1. Membership. Every Owner of a Lot shall be a Member of the Association, as well as a member of the Master Association. Memberships in the Association shall not be assignable, except to the successor-in-interest of the Owner, and every membership in the Association shall be appurtenant to and may not be separated from the fee ownership of such Lot. Ownership of such Lot shall be the sole qualification for membership in the Association.

Section 2. Transfer. The Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Lot, and then only to the purchaser or Mortgagee of such Lot. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Lot to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Lot until fee title to the Lot sold is transferred. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his name to the purchaser of such Lot upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association.

ARTICLE IV

VOTING RIGHTS

Section 1. Classes of Voting Membership. The Association shall have two (2) classes of voting membership as follows:

Class A. Class A Members shall originally be all Owners with the exception of the Grantor for so long as there exists a Class B membership. Class A Members shall be entitled to one (1) vote for each Lot owned.

Grantor shall become a Class A Member with regard to Lots owned by Grantor upon conversion of Grantor's Class B membership as provided below. When more than one Person holds an interest in any Lot, all such Persons shall be Members. The vote for such Lot shall be exercised in accordance with Article IV, Section 2 of this Additional Declaration, and in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Grantor, and it shall be entitled to three (3) votes for each Lot owned by Grantor. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earliest:

(a) When the total votes outstanding in the Class A membership, inclusive of votes attributable to any property annexed to the Project, equal the total votes outstanding in the Class B membership; or

(b) Two (2) years from the date of original issuance of the most recently issued Public Report for a phase of development of the overall Project; or

(c) Four (4) years from the date of original issuance of the Final Subdivision Public Report for Phase I of the Project.

Section 2. Vote Distribution. Except as otherwise provided in Section 1 of this Article, Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one Person holds such interest or interests in any Lot ("co-owner"), all such co-owners shall be Members and may attend any meetings of the Association, but only one such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such co-owners may from time to time all designate in writing one of their number to vote. Fractional votes shall not be allowed, and the Class A vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such Lot shall be exercised as the majority of the co-owners of the Lot mutually agree. Unless the Board receives a written objection from a co-owner, it shall be presumed that the corresponding co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Lot where the majority of the co-owners present in person or by proxy and representing such Lot cannot agree to said vote or other action. The non-voting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the By-Laws of the Association, shall be deemed to be binding on all Owners, their successors and assigns. Said voting rights shall be subject to the restrictions and limitations provided in this Additional Declaration and in the Articles of Incorporation and By-Laws of the Association.

ARTICLE V

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Grantor, for each Lot owned within the Project, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (1) Annual Assessments for Common Expenses, (2) Capital Improvement Assessments, (3) Special Assessments, and (4) Reconstruction Assessments; such assessments to be established and collected as hereinafter provided. Such assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the property against which such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of such property at the time when the assessment fell due. Subject to the provisions of this Additional Declaration protecting first Mortgagees, the personal obligation for the delinquent assessments shall pass to the successors-in-title of such Owner. The Board of Directors shall establish no fewer than two (2) separate accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under the provisions of this Additional Declaration. Each of the Maintenance Funds shall include: (1) an Operating Fund for current expenses of the Association, and (2) a Reserve Fund for replacements, painting and repairs (which would not reasonably be expected to recur on an annual or less frequent basis) of the Common Area Improvements to the extent necessary under the provisions of this Additional Declaration. The Board of Directors shall not commingle any amounts deposited into any of the Maintenance Funds with one another.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the common health, safety, benefit, recreation and welfare of the Owners and for the improvement and maintenance of the Common Area as provided herein. However, disbursements from the Reserve Fund shall be made by the Board of Directors only for the specific purposes specified in this Article V. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Nothing in this Additional Declaration shall be construed in such a way as to permit the Association to use any assessments to abate any nuisance or annoyance emanating from outside the boundaries of the Project. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts deposited into any such Fund are earmarked for specified purposes authorized by this Additional Declaration.

Section 3. Damage to Common Area by Owners. The foregoing maintenance, repairs or replacements within the Common Area arising out of or caused by the willful or negligent act of the Owner, his family, guests or invitees shall be done at said Owner's expense or, after Notice and Hearing, a Special Assessment therefor shall be made by the Board against his Lot.

Section 4. Basis of Maximum Annual Assessment. Until January 1 of the year immediately following the conveyance of the first improved Lot in the Project to an Owner, the maximum Annual Assessment under Article V shall be the amount as set forth in the Final Subdivision Public Report issued by the California Department of Real Estate for the Project.

(a) From and after January 1 of the year immediately following close of escrow for the sale of the first improved Lot to an Owner, the maximum Annual Assessment may be increased, without a vote of the membership, above the maximum Annual Assessment for the previous year, effective January 1 of each year, by not more than the greater of (1) ten percent (10%), or (2) the percentage by which the U.S. Bureau of Labor Statistics, Los Angeles - Long Beach Metropolitan Area, All Items Consumer Price Index ("Index") has increased as of the date of the increase over the level of the Index as of the date the Annual Assessment was last established.

(b) From and after January 1 of the year immediately following close of escrow for the sale of the first improved Lot to an Owner, the maximum Annual Assessment may be increased above the greater of (1) ten percent (10%), or (2) said percentage by which the Index has so increased as provided above, by the vote or written assent of fifty-one percent (51%) of each class of Members.

(c) The Board of Directors may fix an Annual Assessment at an amount not in excess of the maximum.

Section 5. Capital Improvement and Reconstruction Assessments. In addition to the Annual Assessments authorized above, the Board of Directors of the Association may levy a Capital Improvement Assessment or Reconstruction 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 or other such addition upon the Common Area, including fixtures and personal property related thereto; provided that whenever the aggregate Capital Improvement Assessments in any fiscal year exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, such excess shall have the vote or written assent of a majority of the voting power of both classes of membership.

Section 6. Notice and Quorum for any Action Authorizing Under Sections 4 and 5. Written notice of any meeting called for the sole purpose of taking any action by the Members authorized under Sections 4 and 5 shall be sent to all Members not less than

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ten (10) days, nor more than sixty (60) days, in advance of the meeting. At the first such meeting called, the presence of Members or of proxies entitled to cast fifty-one percent (51%) of all votes of each class of membership shall constitute a quorum.

Section 7. Uniform Rate of Assessment. Annual Assessments, Capital Improvement Assessments and Reconstruction Assessments provided for in this Article V must be fixed at a uniform rate for all Lots within the Project; provided, however, that the Association may, subject to the provisions of Section 3 of this Article, levy Special Assessments against selected Owners who have caused the Association to incur special expenses due to willful or negligent acts of said Owners, their guests or agents. All installments of Annual Assessments shall be collected on a regular basis by the Board of Directors, at such frequency as the Board shall determine from time to time.

Section 8. Date of Commencement of Annual Assessments. The Annual Assessments provided for herein shall commence as to all Lots within any phase of development of the Project on the first day of the month following Close of Escrow for the sale of the first Lot within such phase of development of the Project pursuant to a Final Subdivision Public Report as issued by the California Department of Real Estate. A "phase of development" shall mean any portion of the Project which is covered by a Final Subdivision Public Report issued by the California Department of Real Estate. The first Annual Assessment shall be adjusted according to the number of months remaining in the fiscal year as set forth in the By-Laws. The Board of Directors shall fix the amount of the Annual Assessment against each Lot at least sixty (60) days in advance of each Annual Assessment period. Written notice of any change in the amount of any Annual Assessment shall be sent to every Owner subject thereto not less than thirty (30) days prior to the effective date of such change. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association, setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

The Board of Directors shall cause to be prepared an annual balance sheet and operating statement reflecting income and expenditures of the Association for each fiscal year, including deposits in and withdrawals from the Reserve Fund and the Operating Fund, and shall cause to be distributed a copy of each such statement to each Member, and to each first Mortgagee who has filed a written request for copies of the same with the Board of Directors, in the manner provided in the By-Laws of the Association. At least sixty (60) days prior to the beginning of each fiscal year, the Board of Directors shall prepare and distribute to the membership of the Association, a written, itemized estimate (budget) of the income and expenses of the Association during such year in performing its functions under this Additional Declaration (including a reasonable provision for contingencies and deposits into the Reserve Fund, less any expected income and accounting for any surplus from the prior year's respective Maintenance Fund).

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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 Reserve Fund, the Operating Fund and any other Maintenance Fund established by the Association. If the estimated sums prove inadequate for any reason, including nonpayment of any Owner's Annual Assessment, the Board may, at any time, levy Supplemental Annual Assessments, subject to the provisions of Section 4 of this Article, for any of the Maintenance Funds which shall be assessed equally against the Owner of each Lot in the Project.

Each Annual Assessment may be paid by the Owner to the Association in one check or payment or in separate checks, as payments attributable to deposits into specified Maintenance Funds. In the event that any Annual Assessment payment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

At the end of any fiscal year of the Association, the Owners may determine that all excess funds remaining in the Operating Fund, over and above the amounts used for the operation of the Project, may be returned to the Members proportionately, or may be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Project, any amounts remaining in any of the Funds shall be distributed proportionately to or for the benefit of the Members as provided in this Additional Declaration.

ARTICLE VI

EFFECT OF NONPAYMENT OF ASSESSMENTS: REMEDIES OF THE ASSOCIATION

Section 1. Effect of Nonpayment of Assessments: Remedies of the Association. Any installment of an Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the annual percentage rate of eight percent (8%). If any such installment on an assessment is not paid within thirty (30) days after it is due, the Owner responsible therefor may be required further by the Board of Directors to pay a late charge of Five Dollars (\$5.00) or five percent (5%) of the amount of the delinquent installment, whichever is greater. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail an acceleration notice to the Owner and to each first Mortgagee of a Lot which has requested a copy of the notice. The notice shall specify (1) the fact that the installment is delinquent, (2) the action required to cure

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the default, (3) a date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default must be cured, and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of the Annual Assessment for the then current fiscal year and sale of the Lot. The notice shall further inform the Owner of his right to cure after acceleration and to bring a court action to assert the non-existence of a default or any other defense of the Owner to acceleration and sale. If the delinquent installments of Annual Assessments and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment to be immediately due and payable without further demand and may enforce the collection of the full Annual Assessment and all charges thereon in any manner authorized by law and this Additional Declaration, subject to the protection afforded Mortgagees hereunder.

Section 2. Notice of Assessment. No action shall be brought to enforce any assessment lien herein, unless at least thirty (30) days has expired following the date a Notice of Assessment has been 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 Association in the office of the Orange County Recorder. Said Notice of Assessment must recite a sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (plus interest on the unpaid assessment as provided herein, and reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant. Such Notice of Assessment shall be signed and acknowledged by an officer of the Association, and said lien shall be prior to any declaration of homestead recorded after the date on which this Additional Declaration is recorded. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale. Any such sale provided for above is to be conducted by the Board of Directors, its attorneys or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the Civil Code of the State of California, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

Section 4. Curing of Default. Upon the timely curing of any default for which a Notice of Assessment was filed by the Association, the officers thereof are hereby authorized to 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 by 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 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.

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Such certificate shall be furnished to any Owner upon request at a reasonable fee, as determined by the Board, to cover the cost of furnishing such certificate.

Section 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 Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as provided above.

Section 6. Subordination of the Lien to Mortgages. The lien of the assessments provided for herein shall be subordinated to the lien of any first Mortgage (meaning any recorded Mortgage with first priority or seniority over other Mortgages) made in good faith and for value and recorded prior to the date on which the assessment came due. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to a Mortgage foreclosure shall extinguish the lien of such assessments as to installments which became due prior to such sale or transfer, as further provided in Article XI.

ARTICLE VII

ARCHITECTURAL CONTROL

Section 1. Members of Committee. The Architectural Review Committee, sometimes referred to in this Declaration as the "ARC", shall consist of at least three (3) members. The initial members of the ARC shall consist of representatives of Grantor, whose business address is 18092 Sky Park South, Suite "A", Irvine, California 92714. Notwithstanding the fact that Grantor may have lost voting control within the Association, Grantor shall have the unrestricted right to appoint and remove a majority of the members of the ARC and to fill any vacancy of such majority until the "turnover date" which shall be the date on which either (a) ninety percent (90%) of the Lots then subject to this Additional Declaration have been sold and the deeds recorded ("close of escrow"), or (b) five (5) years following the date of issuance of the Final Subdivision Public Report for the Project, whichever occurs earlier. Grantor may at any time assign in writing such powers of removal and appointment to any person, subject to the terms and conditions as Grantor may choose to impose. Commencing one (1) year from the date of Close of Escrow for the sale of the first Lot in the Project to a purchaser from Grantor pursuant to a Final Subdivision Public Report, the Board shall have the power to appoint one (1) member to the ARC, until the turnover date. Thereafter, the Board shall have the power to appoint and remove all of the members of the ARC. Persons appointed to the ARC by the Board shall be from the membership of the Association, but Persons appointed to the ARC by Grantor need not be Members of the Association.

Section 2. Review of Proposed Construction. Subject to Article XII of this Declaration, no building, fence, wall, patio cover or other structure shall be commenced, erected, painted or maintained upon the Project, nor shall any exterior addition to

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or change or alteration therein be made until the plans and specifications showing the nature, kind, shape, height, materials and location of the same shall have been submitted to and approved in writing by the ARC as to harmony of external design and color and location in relation to surrounding structures and topography within the Project. The Owner shall obtain a written receipt for the plans and specifications from an authorized agent of the ARC. The ARC shall approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area within the Project, as a whole, or will not unreasonably interfere with the view of a neighboring Owner; that the appearance of any structure affected thereby will be in harmony with the surrounding structures; and that the upkeep and maintenance thereof will not become a burden on the Association. The ARC may condition its approval of proposals or plans and specifications for any Improvement (1) on such changes therein as it deems appropriate, (2) upon the agreement by the Owner submitting the same ("applicant") to grant appropriate easements to the Association for maintenance (as applicable), or (3) upon the agreement of the applicant to reimburse the Association for the cost of maintenance, or all three, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The ARC shall issue rules or guidelines setting forth specific standards of approval, procedures for the submissions of plans for approval (including the requirement of a fee payable to the Association to accompany each application for approval), and any additional reasonable factors which it will take into consideration in reviewing submissions. The ARC may provide that the amount of such fee shall be uniform, or that it may be determined in any other reasonable manner, such as based upon the reasonable cost of the construction, alterations or additions contemplated. The ARC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the ARC of any required plans and specifications, the ARC may postpone review of any plans submitted for approval. Decisions of the ARC and the reasons therefor shall be transmitted by the ARC to the applicant at the address set forth in the application for approval, within thirty (30) days after receipt by the ARC of all materials required by the ARC. Any application submitted pursuant to this Section 2 shall be deemed approved, unless written disapproval or a request for additional materials or information by the ARC shall have been transmitted to the applicant within thirty (30) days after the date of receipt by the ARC of all required materials. The requirements of this Article are in addition to the requirements of the Master Declaration pertaining to architectural control, and the ARC is a distinct entity separate from the Architectural Committee formed pursuant to the Master Declaration.

Section 3. Meetings of the ARC. The ARC shall meet from time to time as necessary to perform its duties hereunder. The ARC may from time to time, by resolution unanimously adopted in writing, designate an ARC 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 ARC, except the granting of variances pursuant to Section 8 hereof. In the absence of such designation, the vote of any two (2) members of the ARC or the written consent of any two (2) members of the ARC, or the written consent of any two (2) members of the ARC taken without a meeting, shall constitute an act of the ARC.

Section 4. No Waiver of Future Approvals. The approval of the ARC to any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the ARC, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

Section 5. Compensation of Members. The members of the ARC shall receive no compensation for services rendered, other than reimbursement by the Association for expenses incurred by them in the performance of their duties hereunder.

Section 6. Inspection of Work. Inspection of work and correction of defects therein shall proceed as follows:

(a) The Committee or its duly authorized representative may at any time inspect any Improvement for which approval of plans is required under this Article VII; provided, however, that the Committee's right of inspection of Improvements for which plans have been submitted and approved shall terminate sixty (60) days after such work of Improvement shall have been completed and the respective Owner shall have given written notice to the Committee of such completion. The Committee's rights of inspection shall not terminate pursuant to this paragraph in the event that plans for the work of Improvement have not previously been submitted to and approved by the Committee. If, as a result of any inspection, the Committee finds that such Improvement was done or is being done without obtaining approval of the plans therefor or was not done or is not being done in substantial compliance with the plans approved by the Committee, it shall notify the Owner in writing of failure to comply with this Article VII within sixty (60) days from the inspection, specifying the particulars of non-compliance. The Committee shall direct the Owner in writing to take such action as may be necessary to remedy the noncompliance.

(b) If a noncompliance exists, the Owner shall immediately upon receipt of such notification commence to remedy or remove the same and shall complete such work within a period of not more than forty-five (45) days from the date that notice of the Committee ruling is given to the Owner. The Committee shall determine the estimated cost of correcting or removing the same. If the Owner does not comply with the Committee ruling within such period, the Committee, at its option, after Notice and Hearing may record a Notice of Noncompliance in the Office of the County Recorder of Orange County and may peacefully remove the noncomplying Improvement

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or otherwise peacefully remedy the noncompliance, and the Owner shall reimburse the Committee, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Committee, the Board shall levy a Special Assessment against such Owner for reimbursement collectible in the same manner as Annual Assessments provided in this Additional Declaration. The right of the Committee to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Committee and the Association may have at law, in equity or in this Additional Declaration.

(c) If for any reason the ARC fails to notify the Owner of any noncompliance within sixty (60) days after receipt of said written notice of completion from the Owner, the Improvement shall be deemed to be in accordance with said approved plans.

Section 7. Nonliability of ARC Members. Neither Grantor, the ARC nor any member thereof, nor their duly authorized ARC representatives shall be liable to the Association, or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the ARC's duties hereunder, unless due to the willful misconduct or bad faith of the ARC. The ARC shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Project generally. The ARC shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features, but shall not be responsible for reviewing, nor shall 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.

Section 8. Variance. The ARC may authorize variances from compliance with any of the architectural provisions of this Additional 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, must be signed by at least two (2) members of the ARC, and shall become effective upon recordation thereof in the Office of the County Recorder of Orange County. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Additional Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Additional Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance and shall not necessarily serve as a basis for subsequent variances with respect to other Lots. The granting of any variance shall not affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting his use of the premises, including but not limited to zoning ordinances and lot set-back lines or requirements imposed by the County of Orange, the City of Anaheim, or any other governmental authority.

ARTICLE VIII

USE RESTRICTIONS

All real property within the Project shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemption of Grantor in Article XII hereof:

Section 1. Single Family Residence. Subject to Section 3 of this Article VIII, each Lot shall be used as a residence for a single family and for no other purpose.

Section 2. Business or Commercial Activity. Subject to Section 3 of this Article VIII, no part of the Project shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, merchantile, storage, vending or other such non-residential purposes; except Grantor and its successors or assigns, may use any portion of the Project owned by it for model home sites, and display and sales offices during the construction and sales period, and excepting professional and administrative occupations without external evidence thereof, for so long as such occupations are in conformance with ordinances of the City of Anaheim and are merely incidental to the use of the Dwelling Unit as a residential home.

Section 3. Real Estate Business. No Dwelling Unit, Lot, Improvement or portion of the Common Area shall be used in the conduct of any real estate business, gainful occupation, profession, trade office or other non-residential activity; provided, however, that Grantor and its successors and assigns shall have the right to conduct such activities on any portion of the Project owned by Grantor or on the Common Area, if any, in connection with the sale of Lots to the public.

Section 4. Nuisances. No noxious or offensive activity (including but not limited to the repair of motor vehicles) shall be carried on, in or upon any Lot or the Common Area, nor shall anything be done therein which may be or become an unreasonable annoyance or a nuisance to any other Owner. The Board of Directors shall have the right to determine in accordance with the By-Laws if any noise, odor or activity producing such noise, odor or interference constitutes a nuisance. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smokey vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or other items which may unreasonably interfere with television or radio reception of any Owner in the Project, shall be located, used or placed on any portion of the Project without the prior written approval of the ARC.

Section 5. Signs. No sign, poster, display, billboard or other advertising device of any kind shall be displayed to the public view on any portion of the Project or any Lot, without the prior written consent of the ARC, except one sign for each Dwelling Unit, of not more than six (6) square feet, plain block letters, advertising the property for sale or rent may be placed

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on any portion of a Lot except on the Common Area, and except signs, regardless of size, used by Grantor, its successors or assigns, to advertise the Project during the construction and sale period. All signs or billboards and the conditions promulgated for the regulation thereof shall conform to the requirements of all applicable governmental ordinances.

Section 6. Parking and Vehicular Restrictions. No Owner of a Lot shall park, store or keep any vehicle except wholly within the parking area designated therefor, and any inoperable vehicle shall be stored only in enclosed garages. No Owner shall park, store or keep on any property or street (public or private) within the Project, or upon any uncovered parking space, so as to be visible from anywhere in the Project, any large commercial-type vehicle (dump truck, cement-mixer truck, oil or gas truck, etc.), or any recreational vehicle (camper unit, motor home, truck, trailer, boat trailer, mobile home or other similar vehicle). The above excludes camper trucks up to and including three-quarter (3/4) ton when used for everyday-type transportation and subject to approval by the Board of Directors. No Owner of a Lot shall conduct major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of any Lot or upon the Common Area, except wholly within the Owner's garage, and then only when the garage door is closed; provided, however, that such activity shall at no time be permitted if it is determined by the Board or its agent to be a nuisance. Garage doors shall remain closed except for reasonable periods while the garages are being used. Garages shall be used for garage purposes only and shall not be converted to other uses, and each garage shall be so maintained that adequate space is available therein to park at least two (2) full-sized automobiles. Notwithstanding the foregoing, these restrictions shall not be interpreted in such a manner so as to permit any activity which would be contrary to any ordinance of the City of Anaheim.

Section 7. Animal Restrictions. No animals, insects, livestock, reptiles or poultry of any kind shall be raised, bred or kept on any Lot or the Common Area, except usual and ordinary dogs, cats, fish, birds and other household pets (excluding, without limitation, equine, bovine, sheep, swine, goats and other such animals) may be kept on Lots subject to rules and regulations adopted by the Board, provided that they are not kept, bred or maintained for commercial purposes or in unreasonable quantities. As used in this Additional Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per household, provided, however, that the Association (or the ARC or such other person or entity as the Association may from time to time designate) may determine that a reasonable number in any instance may be more or less. The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Project must be kept within an enclosure, an enclosed patio or on a leash being held by a person capable of controlling the animal. The enclosure must be so maintained that the animal cannot escape therefrom and shall be subject to the approval of the ARC. Furthermore, any Owner shall be absolutely liable to each and all remaining Owners,

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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 Project by an Owner or by members of his family, his tenants or his guests; and it shall be the absolute duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Common Area or any portion of another's Lot. Notwithstanding the foregoing, these restrictions shall not be interpreted in such a manner so as to permit (1) the maintenance of any animals which are not permitted to be maintained in the Project under the ordinances of the City of Anaheim or (2) the maintenance of any animals which may otherwise be permitted on the Project by the ordinances of the City of Anaheim.

Section 8. Trash. No rubbish, trash or garbage or other waste material shall be kept or permitted upon any Lot or Common Area, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed 24 hours) before and after scheduled trash pick-up hours. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor and fire pits in the patios designed in such a manner that they do not create a fire hazard. No clothing or household fabrics shall be hung, dried or aired in such a way in the Project as to be visible to other property, and no lumber, grass, shrub or tree clippings or plant waste, metals, bulk material or scrap or refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Project except within an enclosed structure or appropriately screened from view. If trash bins are located in the trash areas on the Common Area, which have been approved by the City of Anaheim for collection, all Owners shall utilize such trash bins for the disposal of their trash. In the event trash bins have not been provided, or the trash areas cannot be located so as to provide a primary access drive in a circulating pattern, then all Owners shall place their private refuse containers at locations approved by the City of Anaheim on the property on collection days as established from time to time by the City of Anaheim, and promptly remove such refuse containers after collection. Every Owner acknowledges and agrees that the City of Anaheim cannot, in the interests of traffic safety, collect refuse from dead-end drives or from residential areas which require the trash collection vehicle to back up in order to negotiate a turn, a cul-de-sac, or to back out.

Section 9: View Obstructions. No fence, structure, Improvement or vegetation shall be constructed or planted anywhere on a Lot, if to do so may interfere with the view from any adjacent or nearby Lot, except that Grantor may vary or exceed said height or location of any Improvement in accordance with its architectural and landscaping plans. In the event of a dispute between Lot Owners as to the obstruction of a view, such dispute shall be submitted to the ARC whose decision in such matter shall be binding. Any such obstruction shall, upon request of the ARC, be removed or otherwise altered to the satisfaction of the ARC by the Owner of the Lot upon which the obstruction is located. Each Owner by

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accepting a deed to a Lot hereby acknowledges that any construction by Grantor may impair the view of such Owner and hereby consents to such impairment.

Section 10. Temporary Buildings. No outbuilding, basement, tent, shack, shed or other temporary building or Improvement of any kind shall be placed upon any portion of the Project either temporarily or permanently, without the prior approval of the ARC. No garage, trailer, camper, motor home or recreation vehicle shall be used as a residence in the Project, either temporarily or permanently.

Section 11. Common Area Facilities. Nothing shall be altered or constructed in or removed from the Common Area except upon the written consent of the ARC, subject to the provisions of this Additional Declaration limiting construction on portions of the Common Area.

Section 12. Outside Installations. No radio station or shortwave operators of any kind shall operate from any Lot or Dwelling Unit unless approved by the Board of Directors. No exterior radio antenna, C.B. antenna, television antenna, or other antenna of any type shall be erected or maintained in the Project. A master antenna or antennae or cable television antenna or antennae may, but need not, be provided for the use of all Owners, and Grantor may grant easements for such purposes. No swimming pool, tennis court, basketball backboard or other fixed sports apparatus shall be constructed, maintained, or reconstructed in the Project without the prior written approval of the ARC. No fence or wall shall be erected, altered or maintained on any Lot in the Project, except with the prior written approval of the ARC. All walls or fences initially constructed by Grantor shall be permanently maintained by the Owners of the Lots on which they are located, and all other walls or fences shall be maintained in a good state of repair subject to the approval of the ARC. Any alterations or modifications of the walls or fences not addressed herein shall be subject to the prior written approval of the ARC.

Section 13. Insurance Rates. Nothing shall be done or kept in the Project which will increase the rate of insurance on any property insured by the Association without the approval of the Board, nor shall anything be done or kept in the Project which would result in the cancellation of insurance on any property insured by the Association or which would be in violation of any law.

Section 14. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of any Lot or within five hundred fifty feet (550') below the surface of the Project. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon any Lot.

Section 15. Further Subdivision. No Owner shall further partition or subdivide his Lot; provided, however, that this provision shall not be construed to limit the right of an Owner (1)

to rent or lease his Lot by means of a written lease or rental agreement subject to the restrictions of this Additional Declaration, so long as the Lot is not leased for transient or hotel purposes; (2) to sell his Lot; or (3) to 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. The terms of any such lease or rental agreement shall be subject in all respects to the provisions of this Additional Declaration and the By-Laws of the Association, and any failure by the lessee of such Lot to comply with the terms of this Additional Declaration or the By-Laws of the Association shall constitute a default under the lease or rental agreement.

Section 16. Drainage. There shall be no interference with the established drainage pattern over any Lot within the Project, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the ARC. For the purposes hereof, "established" drainage is defined as the drainage which exists at the time the overall grading of any Lot is completed by Grantor, or that which is shown on any plans approved by the ARC, which may include drainage from the Common Area over any Lot or Lots in the Project.

Section 17. Water Supply Systems. No individual water supply, sewage disposal system, or water softener system shall be permitted on any Lot in the Project unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water district, the Orange County Health Department, the ARC, and all other applicable governmental authorities.

Section 18. Repairs by Owners. If all or any portion of any Lot or Dwelling Unit is damaged or destroyed by any cause whatsoever, it shall be the duty of the Owner of said Lot or Dwelling Unit to rebuild, repair or reconstruct such Dwelling Unit in a manner which will restore it substantially to its appearance and condition immediately prior to such damage or destruction. The Owner or Owners of any damaged Lot or Dwelling Unit shall be obligated to proceed with all due diligence hereunder, and shall commence reconstruction within six (6) months after the damage occurs and complete reconstruction within one (1) year after the damage occurs, unless prevented by causes beyond their reasonable control. It shall be the duty of each Owner, at his sole cost and expense, subject to the provisions of this Additional Declaration regarding ARC approval, to maintain, repair, replace and restore his Lot and Dwelling Unit in a neat, sanitary and attractive condition.

Section 19. Buildings.

(a) No Dwelling Unit shall be erected, altered, placed, or permitted to remain on any Lot other than one detached single family dwelling and a private garage for not more than four (4) cars, which, subject to the provisions hereof, may or may not be attached to the Dwelling Unit. No part of the construction on any Lot shall exceed two (2) stories in height above the pad, as noted on the master grading plan on file

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with the City of Anaheim. Chimneys, railings, mechanical appurtenances, cupolas, etc., provided such are, in the sole opinion of the ARC, of normal size, height and distribution and in keeping with the maintenance of views, may rise above the two-story construction limit.

(b) The minimum livable floor area of all Dwelling Units constructed or erected on any Lot shall not be less than 1400 square feet; cellars, basements, patios, porches and garages are specifically excluded from inclusion in minimum livable area.

(c) All service yards or service areas and clothesline areas on any Lot or portion of the Lot shall, subject to the provisions hereof, be enclosed or fenced in such a manner that such yards or areas will be obstructed from view from any Lot or street on the same or substantially similar grade.

(d) No Dwelling Unit shall be located on any Lot nearer to the front, side or rear Lot lines than the minimum building setback lines for the Lots in the Project as shown on the master grading plan on file with the City of Anaheim.

Section 20. Landscape and Irrigation Control. Within one hundred eighty (180) days after the close of escrow for the sale of a Lot with a Dwelling Unit thereon in the Project from Grantor to a purchaser, the Owner shall plant lawns or otherwise landscape his front yard (and any side yard abutting a public street), in accordance with a landscape plan approved in writing by the ARC pursuant to Article VII of this Additional Declaration. Said plan shall provide for a predominance of living vegetation and shall include landscaping sufficient to prevent drainage or flow of water from said Owner's Lot onto any adjacent sidewalk, parkway or Lot. All vegetation on the Lots shall be irrigated and fertilized regularly. In the event of the failure of an Owner to comply with any of the foregoing requirements (which failure shall be regarded as a nuisance), the ARC or its duly authorized agents shall, after Notice and Hearing, have the right to enter upon the offending property and remove weeds, rubbish or other materials and do all things necessary to place such property in compliance with this Section, including the installation, irrigation and fertilization of lawns and landscaping. The Owner of the offending Lot shall be personally liable for all costs and expenses incurred by the ARC in taking such corrective acts, plus all costs incurred in collecting the amounts due. Such Owner shall pay to the Association, as a Special Assessment, all amounts due for work performed by the ARC pursuant to this Section within five (5) days after receipt of written demand therefor. The ARC or its representative may, from time to time at any reasonable time, enter upon and inspect any Lot subject to this Additional Declaration for the purposes of ascertaining compliance therewith.

Section 21. Violation of Governing Instruments. There shall be no violation of the restrictions of this Additional Declaration or of the rules and regulations of the Association adopted in

accordance with the provisions of the By-Laws of the Association. If any Owner, his family, guest, licensee, lessee or invitee violates any of such rules, regulations or restrictions, the Board, after Notice and Hearing, may impose a reasonable Special Assessment upon such Owner for each violation and may suspend the right of such Owner and his family, guests and lessees to use the Common Area recreational facilities as further provided in the By-Laws of the Association. Such Special Assessment shall be collectible in the same manner as Annual Assessments hereunder, but the Board shall give such Owner reasonable Notice and an opportunity for a formal Hearing before invoking any such Special Assessment or suspension.

ARTICLE IX

DAMAGE, DESTRUCTION OR CONDEMNATION OF COMMON AREA

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

(a) In the event of damage or destruction to the Common Area the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed. The difference between the insurance proceeds available and the actual cost shall be levied as a Reconstruction Assessment equally against each of the Lot Owners, collectible in the same manner as Annual Assessments hereunder.

(b) If at any time all or any portion of the Common Area, or any interest therein, be taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the holder or holders of fee title to such area, their Mortgagees, and the Association, as their interests may appear. Any such award payable to the Association shall be deposited in the Operating Fund. No Member shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation. The Association shall have the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members.

(c) Each Owner shall be liable to the Association for any damage to the Common Area not fully reimbursed to the Association by insurance which may be sustained by reason of the negligence or willful misconduct of said Owner or his family and guests, both minor and adult. Notwithstanding the foregoing, the Association, acting through the Board reserves the right (1) to determine whether any claim shall be made upon the insurance maintained by the Association and (2) to charge, after Notice and Hearing, a Special Assessment equal to the increase, if any, in the insurance premium directly attributable to the damage caused by such Owner. In the case of joint ownership of a Lot, the liability of such Owners shall be joint and several, except to the extent

that the Association has previously contracted in writing with such joint Owners to the contrary. The cost of correcting such damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against the Lot and may be collected as provided herein for the collection of Annual Assessments.

ARTICLE X

INSURANCE

Section 1. Common Area.

(a) Casualty. The Association shall keep all Improvements of the Common Area insured against loss or damage by fire for the full replacement cost thereof, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area shall be written in the name of, and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are Common Expenses included in the Annual Assessments made by the Association.

(b) Liability. The Association shall have the power to and shall obtain Workmen's Compensation insurance and comprehensive public liability insurance, in such limits as it shall deem desirable, and such other liability insurance as it may deem desirable, insuring each Owner, the Association, Board of Directors, and managing agent, if any, from liability in connection with the Common Area.

Section 2. Insurance Obligations of Owners. Each Owner shall insure his entire Dwelling Unit, including, without limitation, the structural portions of his Dwelling Unit, against loss or damage by fire or by any other casualty, under the standard form of extended endorsement now in use in the State of California or under such other insurance as may be required by any Mortgagee or under such other insurance as may be required by any Mortgagee of the Dwelling Unit. All such insurance shall be for the full replacement cost of the Dwelling Unit. Each Owner shall, within thirty (30) days after recordation of the conveyance of his Lot from Grantor and thereafter at least ten (10) days prior to the expiration, termination, cancellation or modification of any existing policy, furnish to the Association duplicate copies of policies or certificates thereof, showing that such insurance is currently in force certified by the insurance company or by its

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duly authorized agent. All such policies shall contain a provision that the same shall not be cancelled or terminated except upon at least thirty (30) days' written notice to the Association.

Section 3. Waiver of Subrogation. As to each policy of insurance maintained by the Association, which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, Grantor, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss.

Section 4. Liability and Other Insurance. The Association shall have the power to and shall obtain comprehensive public liability insurance, including medical payments, liquor liability insurance and malicious mischief, in such limits as it shall deem desirable, insuring against liability for bodily injury, death and property damage arising from the activities of the Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Association shall also obtain, through the Board, Workmen's Compensation insurance and such other liability insurance as it may deem desirable, insuring each Lot Owner and the Association, Board of Directors and the managing agent, from liability in connection with the Common Area, the premiums for which are a Common Expense included in the Annual Assessments levied against the Owners. All insurance policies shall be reviewed at least annually by the Board of Directors and the limits increased 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 and the managing agent 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.

ARTICLE XI

MORTGAGEE PROTECTION

Notwithstanding any and all provisions hereof to the contrary, in order to induce the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA") to participate in the financing of the sale of Lots within the Project, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Additional Declaration, these added provisions shall control):

(a) Each first Mortgagee of a Mortgage encumbering any Lot, at its written request, is entitled to written notification from the Association of any default by the Mortgagor of such Lot in the performance of such Mortgagor's obligations under this Additional Declaration, the Articles of Incorporation or the By-Laws of the Association, which default is not cured within thirty (30) days after the Association learns of such default.

(b) Each Owner, including every 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".

(c) 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, shall take title to such Lot free and clear of any claims of unpaid assessments or charges against such Lot which accrued prior to the acquisition of title to such Lot by the Mortgagee.

(d) Unless at least seventy-five percent (75%) of first Mortgagees (based upon one vote for each Mortgage owned) or Owners (other than Grantor) have given their prior written approval, neither the Association nor the Owners shall:

(1) subject to California nonprofit corporation law to the contrary, by act or omission seek to abandon, partition, alienate, subdivide, release, hypothecate, encumber, sell or transfer the Common Area and the Improvements thereon which are owned by the Association;

The granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the Association shall not be deemed a transfer within the meaning of this clause.

(2) change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner;

(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design of the exterior appearance of the Dwelling Units, the maintenance of exterior walls or common fences and driveways, or the upkeep of lawns and plantings in the Project;

(4) fail to maintain Fire and Extended Coverage on insurable Common Area property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurance value (based on current replacement cost);

(5) use hazard insurance proceeds for losses to any Common Area property for other than the repair, replacement or reconstruction of such Common Area property.

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(e) First Mortgagees shall have the right to examine the books and records of the Association during normal business hours.

(f) All first Mortgagees who have filed a written request for such notice with the Board of Directors of the Association shall be given thirty (30) days' prior written notice (1) prior to the effective date of any proposed, material amendment to this Additional Declaration or the Articles of Incorporation or By-Laws of the Association, (2) prior to the effective date of any termination of an agreement for professional management of the Project following a decision of the Owners to assume self-management of the Project, (3) following any damage to the Common Area whenever the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000.00), and (4) as soon as the Board learns of any threatened condemnation proceeding or proposed acquisition of any portion of the Project;

(g) 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 Common Area facilities and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

In addition to the foregoing, the Board of Directors may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the FHLMC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase by such entities of first Mortgages encumbering Lots with Dwelling Units thereon. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their Dwelling Units, if such agencies approve the Project as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time.

ARTICLE XII

GRANTOR EXEMPTION

Grantor or its successors or assigns will undertake the work of developing all of the Lots included within the Project and any annexation thereto, and may construct Dwelling Units thereon. The completion of that work and sale, rental and other disposal of Dwelling Units is essential to the establishment and welfare of the Project as a residential community. As used in this Article and its subparagraphs, the words "its successors or assigns" specifically do not include purchasers of Lots improved with completed Dwelling Units. In order that said work may be completed and the Project be established as a fully occupied residential community as rapidly as possible, no Owner or the Association shall do anything to interfere with, and nothing in this Additional Declaration shall be understood or construed to:

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- (a) Prevent Grantor, its successors or assigns, or its or their contractors or subcontractors, from doing on any Lot owned by them whatever they determine to be necessary or advisable in connection with the completion of said work, including without limitation the alteration of its construction plans and designs as Grantor deems advisable in the course of development; or
- (b) Prevent Grantor, its successors or assigns, or its or their representatives, from erecting, constructing and maintaining on any Lot, or portion thereof, owned or controlled by Grantor, or its successors or assigns or its or their contractors or subcontractors, such structures as may be reasonably necessary for the conduct of its or their business of completing said work and establishing the Project as a residential community and disposing of the same in Lots by sale, lease or otherwise; or
- (c) Prevent Grantor, its successors or assigns, or its or their contractors or subcontractors, from conducting on any Lot, or any portion thereof, owned or controlled by Grantor, or its successors or assigns, its or their business of developing, subdividing, grading and constructing Dwelling Units and other Improvements in the Project as a residential community and of disposing of Dwelling Units thereon by sale, lease or otherwise; or
- (d) Prevent Grantor, its successors or assigns or its or their contractors or subcontractors, from maintaining such sign or signs on any Lot owned or controlled by any of them as may be necessary in connection with the sale, lease or other marketing of Lots and Dwelling Units in the Project; or
- (e) Prevent Grantor, at any time prior to acquisition of title to a Lot in the Project by a purchaser from Grantor, to establish thereon additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Project.

ARTICLE XIII

RESERVATION OF EASEMENTS

Section 1. Utility Easements. Grantor expressly reserves for the benefit of all of the real property in the Project and the Association, reciprocal easements of access, ingress and egress over all Lots, and over the Common Area, for the purposes authorized under this Additional Declaration, including without limitation, for installation and repair of electric, telephone, cable television, water, gas, sanitary sewer lines and other utility services, for drainage over, across and upon adjacent Lots for

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water resulting from the normal use of adjoining Lots, and for maintenance and repair of landscaping on the Common Area.

Section 2. Mailboxes. If required by the United States Postal Service, mailboxes may be provided in clusters in front yards along the rear of the sidewalks, in conformity with current federal postal regulations. The precise location of such mailboxes shall be determined by Grantor and the City of Anaheim, and each Owner will be notified, at the time of sale, of the location of his mailbox and any other mailboxes to be located on his Lot. Mailboxes shall be uniform in design and color, subject to control and approval by the ARC. Each Lot on which there are mailboxes located for the delivery of mail to Owners of Lots other than the Lot on which the mailboxes are located shall be subject to irrevocable licenses in favor of the United States Postal Service and Persons for whom mail is delivered in said mailboxes, for the purposes of necessary access to said mailboxes for the delivery and receipt of mail. The rights and duties provided in this Article shall run with the land and shall be binding on each Owner and his heirs, successors and assigns, but shall expire at such time as the United States Postal Service shall agree to deliver mail to individual Lots in other than curbside mailboxes.

Section 3. Sideyard Easements.

(a) Creation of Easements. Grantor hereby reserves an exclusive easement of use and enjoyment as a private sideyard area ("Sideyard"), for the benefit of certain Lots in Phase I of the Project ("Dominant Lots"), over each of the following numbered (burdened) Lots ("Adjoining Lots") in Phase I: Lots 1-8, 10-16, 21-28, 29, 17-20 & 29 of Phase I of the Project are not so burdened and are specifically excluded from the foregoing definition of "Adjoining Lots". Lots 1 and 17-21 of the Project shall not be entitled to Sideyards. The Sideyards shall extend along and from the common side Lot lines separating the Dominant Lots from the Adjoining Lots, across the Adjoining Lots, approximately five (5) feet to the walls or foundation lines of the structures as are or may hereafter be initially constructed by Grantor on the Adjoining Lots, as such lines are extended parallel to the common side Lot lines to the front Lot lines and to the top of the rear slope (Open Space Maintenance Area) of the Adjoining Lots. The Sideyards in Phase I of the Project are more particularly shown and described on the Sideyard Easement Map which is attached hereto, marked Exhibit "E" and by this reference is incorporated herein. Grantor further reserves for the Owner of each Dominant Lot and each correspondingly Adjoining Lot, a non-exclusive easement for reasonable ingress and egress to and from the particular Sideyard for the respective purposes enumerated in Paragraph 6B below. Grantor further reserves for itself and for Owners of Adjoining Lot easements appurtenant to such Adjoining Lots over the respective Sideyards located on such Adjoining Lots for purposes of accommodating (1) encroachment of overhanging eaves and other items as initially constructed on the Adjoining

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Lot by Grantor or as constructed with ARC approval and (2) drainage over the Sideyards in accordance with the established drainage pattern. For purposes of this Paragraph 3, the term "established drainage pattern" on a Lot means the drainage over the swale (cement or otherwise) that exists at the time that such Lot is conveyed to a purchaser from Grantor, as shown on Exhibit "E" which is attached hereto.

(b) Restrictions on Sideyard Use. Each Sideyard shall be used and enjoyed subject to the following terms and conditions:

(i) The Sideyard shall be used only as a general recreational and garden area by the Owner of the Dominant Lot, and each such Owner shall have the right to enter upon the Sideyard for such purpose. Such purpose shall include the right of such Owner to plant vegetation and establish an irrigation system thereon, provided such system shall be first approved by the ARC. The Sideyard and every part thereof, including any fence enclosing the Sideyard and the drainage system established by Grantor as part of the grading and original construction upon the Adjoining Lot shall be repaired, replaced and maintained continuously in a neat and orderly condition by the Owner of the Dominant Lot.

(ii) The Owner of the Lot on which the Sideyard is located shall have the right, at reasonable times, upon reasonable notice and in a reasonable manner, to enter upon such Sideyard for the purpose of maintaining, repairing or restoring the structural wall of his Dwelling Unit, the structure of which it is a part, the gutter and downspout attached to his dwelling and any fence owned by him which adjoins or abuts the Sideyard.

(iii) No storage of any kind shall be permitted in the Sideyard, nor shall any object or device of any kind be affixed to the structural wall or any fence on the Adjoining Lot adjoining and abutting the Sideyard without the prior written consent of the Owner of such wall or fence.

(iv) Except for the fences and structures established by Grantor, as part of the original construction upon the Adjacent Lot, and except as authorized by Section (b)(i) hereinabove, no fence or other structure of any kind shall be constructed within, upon or adjacent to the Sideyard, without the prior written approval of the ARC.

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(v) No planting or other material or authorized structure (including patios) shall be constructed, altered, placed or permitted to remain upon the Sideyard which may change the direction of flow of the drainage system established by Grantor, as shown on Exhibit "E" upon the Adjacent Lot, or which may damage or alter the swale of such system or may obstruct, interfere or retard the flow of water through such system. The Owners of each Adjacent Lot shall have the right to use the drainage system established within the Sideyard adjoining and abutting their Lots for the purpose of draining their Lots (including atriums); provided that such right of drainage shall not include the right to discharge noxious or offensive matter.

(vi) No use of the Sideyard shall be made except as provided hereinabove.

ARTICLE XIV

ANNEXATION OF ADDITIONAL PROPERTY

Additional real property may be annexed to Phase I of the Project and such additional real property may become subject to this Additional Declaration by any of the methods set forth hereinafter:

Section 1. Additions by Developer. If Grantor, its successors or assigns shall develop, or cause to be developed, additional real property ("Annexed Property") within the area located in the County of Orange, State of California, which is more particularly described in Exhibit "D" which is attached hereto and by this reference incorporated herein, Grantor or its successors or assigns shall have the right from time to time to add such Annexed Property or any portion or portions thereof to the Project and to bring such Annexed Property within the general plan and scheme of this Additional Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Grantor and its successors and assigns shall terminate three (3) years following the date of original issuance of the most recently issued Public Report for the sale of Lots in a phase of the Project. As each phase of the Project is developed, Grantor may, with respect thereto, record a Supplemental Declaration which may supplement this Additional Declaration with such additional covenants, conditions, restrictions, reservations and easements as Grantor may deem appropriate for that phase of development.

Section 2. Other Additions. In addition to the provision for annexation specified in Section 1 above, additional real property may be annexed to the Project and brought within the general plan and scheme of this Additional Declaration upon the approval of the owner of such real property and the vote or written consent of Members entitled to no less than two-thirds (2/3rds) of the voting power of both the Class B and the Class A Members.

Section 3. Additional Common Area. Prior to the conveyance of any Lot within the Annexed Property to an individual purchaser thereof, whether such annexation was accomplished by either method set forth in Section 1 and 2 above, fee title to or an easement for maintenance over the Common Area, if any, within said Annexed Property shall be conveyed to the Association, free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Additional Declaration.

Section 4. Notice of Addition of Territory. The additions authorized under Sections 1 and 2 of this Article XIV shall be made by filing of record a Notice of Addition of Territory, or other similar instrument (which Notice or Instrument may contain the Supplemental Declaration, if any, affecting each such phase of development), with respect to the additional property which shall be executed by Grantor or the Owner thereof and, in the case of additions made pursuant to Section 2, two officers of the Association certifying that the vote or written consent of the requisite percentage of Members has been obtained, Recordation of such Notice of Addition of Territory shall extend the general plan and scheme of this Additional Declaration to such Annexed Property. The filing of record of said Notice of Addition shall constitute and effectuate the annexation of the Annexed Property described thereon, and thereupon said Annexed Property shall become and constitute a part of the Project, become subject to this Additional Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservations of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Owners of Lots in said Annexed Property shall automatically become Members of the Association. Such Notice of Addition may contain such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Additional Declaration as may be necessary to reflect the different character, if any, of the Annexed Property, or as Grantor may deem appropriate in the development of the Annexed Property, and as are not inconsistent with the general plan and scheme of this Additional Declaration. In no event, however, shall such Notice of Addition revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Additional Declaration as the same shall pertain to Phase I. No addition of territory shall substantially increase (by more than ten percent [10%]) then current Annual Assessments on the individual Lots or substantially increase the burden upon the Common Area facilities, unless the Owners of Lots in the Annexed Property pay proportionately greater Annual Assessments than the Common Assessments then in effect. Any annexation shall be in accordance with the general plan on file with the California Department of Real Estate, as such plan may be amended from time to time.

Section 5. Deannexation. Grantor may delete all or a portion of a phase of Annexed Property from coverage of this Additional Declaration and the jurisdiction of the Association, so long as Grantor is the Owner of all such phase of Annexed Property previously added to the Project and provided that (1) a Notice of Deletion of Territory is recorded in the Office of the Orange County Recorder in the same manner as the applicable Notice of Addition was recorded, (2) Grantor has not exercised any Association vote with respect to any portion of the Annexed Property,

(3) assessments have not yet commenced with respect to any portion of such Annexed Property, (4) no escrow has closed for the sale of any Lot in such Annexed Property to the public, and (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Annexed Property.

ARTICLE XV

GENERAL PROVISIONS

Section 1. Enforcement. This Additional Declaration, the Articles of Incorporation and the By-Laws may be enforced by the Association as follows:

(a) Breach of any of the covenants contained in this Additional Declaration or the By-Laws and the continuation of any such breach may be enjoined, abated or remedied by appropriate legal proceedings by Grantor, by any Owner, by the Association or the successors-in-interest of the Association. Any judgment rendered in any action or proceeding pursuant hereto shall include a sum for attorneys' fees in such amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs.

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

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

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

(e) A breach of the covenants, conditions or restrictions contained in this Additional Declaration or in the By-Laws shall not affect or impair the lien or charge of any bona fide first Mortgage or Deed of Trust made in good faith and for value on any residential Lot or the improvements thereon, provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether such Owner's title was acquired by foreclosure in a trustee's sale or otherwise.

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

Section 3. Term. The covenants and restrictions of this Additional Declaration shall run with and bind the Project, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to this Additional Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date on which this Additional Declaration is recorded, after which time said covenants, conditions, reservation of easements, equitable servitudes and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by the then Owners of a majority of the Lots, has been recorded, agreeing to change said covenants and restrictions in whole or in part.

Section 4. Interpretation. The provisions of this Additional 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 Common Area. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the masculine, feminine and neuter.

Section 5. Amendments. This Additional Declaration may be amended only by the affirmative vote or written consent of the Owners holding not less than seventy-five percent (75%) of the voting power of each class of Members; provided, however, that the prior written approval of at least seventy-five percent (75%) of all first Mortgagees must be obtained also, before Article XI may be amended. Until the Close of any Escrow of the sale of the first Lot in the Project, Grantor shall have the right to terminate or modify this Additional Declaration by recordation of a supplement hereto setting forth such termination or modification. Any termination or modification to this Additional Declaration shall be effective upon recordation of a written instrument, signed by at least two officers of the Association certifying that the vote or written consent of the requisite number of Owners has been obtained, in the Office of the Orange County Recorder. Notwithstanding the foregoing, the City of Anaheim ("City") shall have the power to veto any amendment to this Additional Declaration and to veto any written agreement purporting to terminate this Additional Declaration or any of the covenants herein if, in the opinion of the City, such amendment or written agreement would be detrimental to or have an adverse effect upon the complete and proper maintenance of the Common Area. No amendment or written agreement purporting to terminate this Additional Declaration or any of the covenants herein shall take effect until fifteen (15) days following written notice thereof to the City to afford the City the opportunity to exercise its veto. If no veto has been exercised by the City within fifteen (15) days of the receipt of such written notice of such amendment or written agreement, said amendment or written agreement shall thereafter become effective.

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Section 6. No Public Right or Dedication. Nothing contained in this Additional Declaration shall be deemed to be a gift or dedication of all or any part of the Project to the public, or for any public use.

Section 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 Project does 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 Project, or any portion thereof.

Section 8. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any Person at the address given by such Person to the Association for the purpose of service of such notice, or to the Dwelling Unit of such Person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

Section 9. Special Provision for Enforcement of Certain Bonded Obligations. In the event that (1) the Common Area Improvements located on the Project are not completed by the Grantor (herein the "Obligor Developer"), prior to the issuance of a Final Subdivision Public Report for the Project by the California Department of Real Estate ("DRE"), and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of the Obligor Developer to complete the Improvements, the following provisions of this section will be applicable:

(a) The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond, with respect to any 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 Association has been given an extension in writing for the completion of any Common Area Improvement, 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 failure of the Board to consider and vote on the question, shall be held no fewer than fifteen (15) days nor more than thirty (30) days after receipt by the Board of a petition for such a meeting signed by Members representing ten percent (10%) of the total

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voting power of the Association. A vote of Members representing a majority of the voting power of the Association, disregarding any votes attributable to Lots or Dwelling Units owned by the Obligor Developer, to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

Section 10. No Representations or Warranties. No representations or warranties of any kind, express or implied, have been made by Grantor or its agents or employees in connection with the Project or any portion of the Project, or any Improvement thereon, 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 Additional Declaration and except as may be filed by Grantor from time to time with the California Department of Real Estate.

Grantor has executed this Additional Declaration on the date first written above.

GRANT PROPERTIES, a partnership

By: GRANT-WARMINGTON BUILDERS,
a California corporation,
Its: General Partner

By: *David B. Grant*
Its: President

By: *[Signature]*
Its: VP

(SEAL)

STATE OF CALIFORNIA

COUNTY OF ORANGE

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) ss.
)

On October 24, 1978, before me, the undersigned, a Notary Public in and for said State, personally appeared Taylor B. Grant, known to me to be the President and Edward C. Warmington, Jr., known to me to be the Secretary of GRANT-WARMINGTON BUILDERS, the corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said corporation, said corporation being known to me to be one of the partners of GRANT PROPERTIES, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

WITNESS my hand and official seal.



Sherry Harding

SHERRY HARDING
Notary Public in and for said State