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Sp. A. Branch COUNTY
RECORDER

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TRACT NO. 12371

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Any covenant, condition or restriction in this document indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status or national origin is omitted as provided in 42 U.S.C § 3604, unless and only to the extent that the restriction (a) is not in violation of state or federal law, (b) is exempt under 42 U.S.C. § 3607, or (c) relates to a handicap, but does not discriminate against handicapped people.

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TRACT NO. 12371

THIS DECLARATION is made this 5th day of September, 1986, by BRIAR OAKS, LTD., a California limited partnership, its successors and assigns shall hereinafter be referred to as "Declarant."

R E C I T A L S:

A. Declarant is the owner of certain real property in the City of Stanton, County of Orange, State of California, described as Lot 1 of Tract No. 12371, as per map recorded in Book 557, Pages 7 through 10 of Miscellaneous Maps, Records of Orange County, California (the "Property"). The development of the Property will be consistent with the overall development plan submitted to and approved by the Veterans Administration.

B. It is presently anticipated that the project will be developed in six (6) phases. The first phase will include Lot 1 which will consist of 35 units. Phase 2 will consist of Lot 2 containing 35 units and Lot 8 which contains the recreational facilities. Phases 3 through 6 contain 30 units, 35 units, 40 units and 35 units, respectively, for a total of 210 units in the overall Project. The units will include four different models. Model A will be built over a garage and Models B, C and D will be stacked flats. The architectural style of the buildings will be California cape cod. The units will consist of 2 and 3 bedrooms ranging in size from approximately 950 square feet to 1250 square feet. Recreational facilities available for use by all phases of

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the Project will include a swimming pool, spa and cabana. There is no guaranty that all phases will be completed as described herein. The development of the Property will be consistent with the overall development plan submitted to and approved by the Veterans Administration.

C. Declarant intends to develop on the Property a statutory airspace condominium project containing thirty-five (35) Units, together with such additional units as may be annexed thereto pursuant to the terms of this Declaration. This condominium project will be a Common Interest Development in accordance with California Civil Code Section 1353(a).

D. Declarant desires to divide the Property and improvements thereon into a condominium project as defined in Sections 783 and 1351(f) of the California Civil Code in accordance with the recorded condominium plan for the "Project" as hereinafter defined.

E. Declarant also intends to impose upon the Property, the Project, as hereinafter defined, and the Units, as hereinafter defined, mutually beneficial restrictions under a general plan or scheme designed to benefit and enhance the value of the Property, the Project and the Units.

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

NOW, THEREFORE, Declarant hereby declares and does hereby establish that the Property, the Project and all of the Units, including any improvements added or constructed on or about the Property in the future, shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, covenants and conditions, for the purposes of creating the condominium project and of

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mutually benefiting the Property, the Project and all of the Units, and the future owners thereof. All of the restrictions, covenants and conditions set forth herein shall run with the land, shall be enforceable equitable servitudes, and shall be binding upon all parties having or acquiring any right, title or interest in the Property, the Project or any of the Units, and shall be for the benefit of each owner of any portion of the Property, the Project or any of the Units or any interest therein, and shall inure to the benefit of and be binding upon each successor in interest of the owner thereof.

I

DEFINITIONS

The following terms used in these covenants, conditions and restrictions shall be applicable to this Declaration and are defined as follows:

Section 1. Architectural Committee. The term "Architectural Committee" or "Committee" shall mean and refer to the Architectural Committee created pursuant to the Article of this Declaration entitled "Architectural Control."

Section 2. Association. The term "Association" as used herein shall mean and refer to BRIAR OAKS HOMEOWNERS ASSOCIATION, a nonprofit mutual benefit incorporated Association, its successors and assigns.

Section 3. Board of Directors. The term "Board of Directors" or "Board" as used herein shall mean and refer to the duly elected Board of Directors of the Association.

Section 4. City. The term "City" as used herein shall mean and refer to the City of Stanton, California, a municipal corporation of the State of California.

Section 5. Common Area. "Common Area" shall mean and refer to the entire Common Interest Development, except the separate interests therein.

Section 6. Condominium. "Condominium" shall mean and refer to an estate in real property as defined in the California Civil Code Section 1351(f) and shall consist of an undivided one thirty-fifth (1/35th) interest as tenant-in-common in a portion of the real property coupled with a separate interest in space called a Unit, the boundaries of which are described on the Condominium Plan for the Project.

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Section 7. Condominium Plan. "Condominium Plan"
shall mean the Condominium Plan to be recorded for each Phase of the Project, consisting of (1) a description or survey map of a Condominium Project which shall refer to or show monumentation on the ground, (2) a three-dimensional description of a Condominium Project, one or more dimensions which may extend for indefinite distance upwards or downwards with sufficient detail to identify the Common Areas in each separate interest, and (3) a certificate consenting to the recordation of this Condominium Plan pursuant to the Davis-Starling Common Interest Development Act and acknowledged by the record owner of fee title to the property included in the Condominium Project. This certificate shall also be signed and acknowledged by the Trustee or beneficiary of each recorded Deed of Trust and the Mortgagee of each recorded Mortgage encumbering the property.

Section 8. Declarant. The term "Declarant" as used herein shall mean and refer to BRIAR OAKS, LTD., a California limited partnership and its successors and assigns including the successors and assigns of BRIAR OAKS LTD., with respect to any property which may be annexed to this Declaration pursuant to the Article in this Declaration entitled "Annexation".

Section 9. Exclusive Use Common Area. "Exclusive Use Common Area" shall mean and refer to those portions of the Common Area which are designated by the Declaration of Restrictions for the exclusive use of one (1) or more but fewer than all the Owners of the separate interest in accordance with California Civil Code Section 1351(4). The Exclusive Use Common area and Units, the Owners of which shall be entitled to the exclusive use thereof, are identified on the Condominium Plan as follows:

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(a) The patio areas which shall be appurtenant to some Units and which are more specifically described and identified on the Condominium Plan for the Project by the letter "p" and a Unit number.

(b) The balcony areas which shall be appurtenant to some Units and which are more specifically described and identified on the Condominium Plan for the Project by the letter "g" and a Unit number.

Section 10. FHA. The term "FHA" as used herein shall mean and refer to the Federal Housing Administration.

Section 11. Institutional Holder. The term "Institutional Holder" as used herein shall mean and refer to any holder (beneficiary) of a deed of trust or mortgage which encumbers a Condominium and which is a bank or savings and loan association or established mortgage company or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

Section 12. Member. The term "Member" shall mean and refer to each person entitled to membership in the Association as provided in this Declaration and in the Association's Articles of Incorporation and By-Laws.

Section 13. Mortgage. The term "Mortgage" as used herein shall mean and refer to any duly recorded and valid mortgage or deed of trust encumbering a Condominium.

Section 14. Owner. The term "Owner" as used herein shall mean and refer to the record Owner, whether one or more persons or entities, of a fee simple title to any Condominium which is a part of the Project, including contract purchasers, but excluding those having such interest merely as security for the performance of an obligation.

Section 15. Phase. The term "Phase of the Development" or "Phase of the Project" shall mean and refer to those portions of real property as shall be identified by a Supplementary Declaration of Covenants, Conditions and Restrictions to be recorded pursuant to the terms of the Article of this Declaration entitled "Annexation", and for which a Condominium Plan shall be recorded.

Section 16. Project. The term "Project" as used herein shall mean and refer to the real property and all improvements located on Lot 1 of Tract No. 12371, as per map recorded in Book 557, Pages 7 through 10 of Miscellaneous Maps, Records of Orange County, California.

Section 17. Property. The term "Property" as used herein shall mean and refer to that certain real property located on Lot 1 of Tract No. 12371, as per map recorded in Book 557, Pages 7 through 10 of Miscellaneous Maps, Records of Orange County, California.

Section 18. Reconstruction Assessment. The term "Reconstruction Assessment" as used herein shall mean a charge against each Owner and his Condominium representing a percentage portion of the total cost of the Association for reconstruction of any portion or portions of the Common Area pursuant to the provisions of this Declaration. All Reconstruction Assessments for purposes of raising funds for the rebuilding or major repair of the structural Common Area of the residential Units of the Project shall be levied upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of floor area of all Units to be assessed.

Section 19. Regular Assessment. The term "Regular Assessment" as used herein shall mean and refer to the amount which is to be paid by each Owner to the Association for common expenses as provided by the terms of this Declaration.

Section 20. Reimbursement Assessment. The term "Reimbursement Assessment" as used herein shall mean a charge against each Owner and his Condominium for the purpose of reimbursing the Association for any costs incurred by the Association on behalf of an individual Owner. A Reimbursement Assessment may also be levied by the Association for purposes of collecting any monetary penalties which may be imposed by the Association against an Owner who fails to comply with provisions of this Declaration, the determinations of the Board or the Architectural Committee, or any rule or regulation adopted by the Association.

Section 21. Special Assessment. The term "Special Assessment" as used herein shall mean a charge against each Owner and his Unit, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Area which the Association may from time to time authorize pursuant to the provisions of this Declaration.

Section 22. Unit. "Unit" shall mean a separate interest in space as defined in California Civil Code Sections 1351(f) and 1351(1)(2). Each of the Units shall be a separate freehold estate as separately shown, numbered and designated on the Condominium Plan. The Units in the Project are numbered 1 through 35. A Unit consists of all those separate interests in space shown and identified on the Condominium Plan as being part of such Unit.

"Separate Interest in Space" shall mean the following air spaces of a Unit:

(a) Residential Air Space shall mean and refer to that portion of the Unit designated for use as a residence and shall be identified on the Condominium Plan by Unit number and shall

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consist of the interior of each Residential Air Space and the space encompassed thereby, including the outlets of all utility installations therein.

(b) Garage Air Space shall mean and refer to that portion of a Unit designated for use as a Garage and shall be identified on the Condominium Plan by the letter "G" and the number of the Residential Air Space to which the Garage Air Space is appurtenant, and shall consist of the interior of each Garage Air Space and the space encompassed thereby, including the outlets of all utility installations therein.

Section 23. VA. The term "VA" as used herein shall mean and refer to the Veterans Administration.

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II

CREATION OF CONDOMINIUMS

Section 1. Designation of Condominiums. Declarant, in order to establish a plan of Condominium ownership for the Project, hereby covenants and agrees that it hereby divides the Project into the following:

(a) Thirty-Five (35) designated and legally described Units which are shown, defined and described on the recorded Condominium Plan for the Project.

(b) The Common Area consisting of the remainder of the Project, excepting the "Units" as shown on the Condominium Plan.

Section 2. Interest in Common Area. The ownership of each Unit shall include an equal undivided interest as tenant in common in the Common Area of Lot 1 of the the Project. Declarant, its successors, assigns, and grantees, covenant and agree that the equal undivided interests in the Common Area of Lot 1 and the fee titles in and to the respective Units conveyed therewith shall not be separated or separately conveyed, and each such undivided interest in the Common Area of Lot 1 shall be deemed to be conveyed or encumbered with its respective Units even though the description in the instrument of conveyance or encumbrance may refer only to the fee title and to the Unit. Each Owner's equal undivided interest in the Common Area of Lot 1 may not be diminished or changed.

Section 3. Condominium. Each Unit, together with the respective equal undivided interest in the Common Area of Lot 1, together with any exclusive easements in the Common Areas appurtenant thereto, is defined and hereinafter referred to as a

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"Condominium", and the ownership of each Condominium shall include
a Unit and such equal undivided interest in the Common Area of Lot
1.

III

RIGHTS OF ENJOYMENT

Section 1. Members' Right of Enjoyment. Every Owner and Member of the Association shall have a nonexclusive easement for use and enjoyment in and to all Common Area within the overall Project, and such right shall be appurtenant to and shall pass with title to each Condominium, subject to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration, including, without limitation, the following provisions:

(a) The right of the Association to reasonably limit the number of guests of Owners using the Common Area facilities;

(b) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and recreational facilities thereon;

(c) The right of the Association in accordance with the Articles, By-Laws and this Declaration, with the vote or written assent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant, to borrow money for the purpose of improving the Common Area and the facilities and in aid thereof, and, subject to the provisions of the Article of this Declaration entitled "RIGHTS OF INSTITUTIONAL HOLDERS OF FIRST MORTGAGES" to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;

(d) Subject to the provisions of the Article of this Declaration entitled "RIGHTS OF INSTITUTIONAL HOLDERS OF FIRST MORTGAGES," the right of the Association to dedicate, release, alienate or transfer the Common Area to any public

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agency, authority, utility or other person 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 at least a majority of the total voting power of the Association which shall include a majority of the votes residing in Members other than the Declarant, agreeing to such dedication, release, alienation or transfer has been recorded;

(e) The rights and reservations of Declarant as set forth in this Declaration, including the right of Declarant and its sales agents, representatives and prospective purchasers, to the non-exclusive use of the Common Area and any facilities thereof, without cost, for access, ingress, egress, use and enjoyment, in order to dispose of the Property as provided herein, until the first to occur of seven (7) years after the conveyance of the first Unit by Declarant or upon the close of the last escrow representing the sale of all the Units in the Project; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein;

(f) The right of the Board to suspend the rights and easements of use and enjoyment of the recreational facilities, if any, located on the Common Area of any Member, and the persons deriving such rights and easements from any Member, for any period during which the payment of any assessment against such Member and his Unit remains delinquent; and, after notice and hearing with an opportunity to be heard, to impose monetary penalties or suspend such use rights and easements for a reasonable period of time as determined by the Board for any violation of this Declaration, Articles, By-Laws or rules and regulations of the Association, it being understood that any suspension for either nonpayment of any

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assessment or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligation to pay assessments as provided herein;

(g) The right of the Association, acting through the Board, to reasonably restrict access to areas of the Common Area.

Section 2. Delegation of Use. Any Member may delegate his right of enjoyment to the Common Area to the Members of his family or his tenants who reside on his Unit, or to his guests, subject to rules and regulations adopted by the Board.

Section 3. Waiver of Use. No member may exempt himself from personal liability for assessments duly levied by the Association, nor release the Unit owned by him from the liens, charges and other provisions of this Declaration, the Articles, By-Laws and Association Rules, by waiver of the use and enjoyment of the Common Area, or the abandonment of his Unit.

IV

USE RESTRICTIONS

In addition to all other covenants contained herein, the use of the Project and each Unit therein and the Common Area is subject to the following:

Section 1. No Partition. The Common Area shall remain undivided and no Owner shall bring any action for partition, excepting as otherwise hereinafter provided, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project.

Section 2. Commercial Use. Subject to the Section entitled "Construction and Sales Easement" of the Article hereof entitled "Easements", no part of a Unit shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or any nonresidential purposes; provided, however, that the Association shall have the right to provide or authorize such services on the Common Area as it deems appropriate for the enjoyment of the Common Area or for the benefit of the Members.

Section 3. Interior of Units. Each Owner shall have the exclusive right to paint, repaint, tile, wax, paper or otherwise refinish and decorate the inner surface of the walls, ceilings, floors, windows and doors bounding his own Unit. Certain of the Units within this Project may have an adjoining fireplace structure, built as part of the original construction, which may or may not be delineated on the Condominium Plan for the Project. The Owner of each such Unit shall have the exclusive use of the space bounded by and contained within the interior surfaces of the fire box of the fireplace structure which opens into their Unit.

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Section 4. No Obstruction of Common Area. There shall be no obstruction of the Common Area nor shall anything be stored in the Common Area without the prior written consent of the Board except as hereinafter expressly provided. Nothing shall be altered or constructed in or removed from the Common Areas, except upon the written consent of the Board.

Section 5. Signs. No sign, poster, billboard, advertising device or other display of any kind shall be displayed so as to be visible from outside any portion of the Property without the approval of the Architectural Committee, except such signs as may be used by Declarant in connection with the development of the Property and the sale and rental of Condominiums (but such exception for signs of the Declarant shall only apply for a period of seven (7) years after conveyance of the first Unit by Declarant or upon the close of the last escrow representing the sale of all of the Units in the Project whichever first occurs) and except such signs of customary and reasonable dimensions as prescribed by the Architectural Committee as may be displayed on or from a Condominium advertising the residence for sale or lease. Any "for sale" or "for lease" signs which are not (1) attached to the exterior walls of a residence and (2) not more than six (6) square feet in size, shall not require Architectural Committee approval.

Section 6. Animals. No insects or animals of any kind shall be raised, bred or kept on the Property except that a reasonable number of dogs, cats or other household pets may be kept, provided that they are not kept, bred or maintained, for any commercial purpose, nor in violation of any other provision of this Declaration and such limitations as may be set forth in the rules and regulations of the Association. The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal maintained on any Condominium in the

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Property which constitutes, in the opinion of the Board, a nuisance to Owners of Condominiums within the Property. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure, an enclosed yard or on a leash or bridle being held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by an Owner or by members of his family, his tenants or his guests; and it shall be the duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Property.

Section 7. Structural Alterations. No Owner shall make or cause to be made structural alterations or modifications to the interior of his Unit or installations located therein which would have a material effect on another Unit without the prior written consent of the Architectural Committee provided for in this Declaration. No Owner shall make any improvement or alteration within the boundaries of their Unit which impairs the structural integrity or mechanical systems, or lessens the support of any portion of the Common Area.

Section 8. Utilities. Each Owner of a Unit shall be obligated to pay any and all assessments for sewage, electricity, other utilities, taxes and other charges assessed individually against each Unit.

Section 9. Trash. No rubbish, trash or garbage or other waste material shall be kept or permitted upon any portion of the Property, 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 Property, or any portion thereof, unsanitary, unsightly, offensive

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or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Units only when set out for a reasonable period of time (not to exceed twenty-four (24) hours before and after scheduled trash collection hours). If trash bins are located in the trash areas on the Common Area, all Owners shall utilize such trash bins for the disposal of their trash.

Section 10. Parking and Vehicular Restrictions.

Owners shall park, store or keep any vehicle on the Property within the parking area designed therefor, and any inoperable vehicle shall be stored only in enclosed garages. No Owner shall park, store or keep on the Property or street (public or private), any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck), any recreational vehicle (including, but not limited to, any camper unit or motor home), any bus, trailer, trailer coach, camper trailer, boat, aircraft, mobile home, inoperable vehicle or any other similar vehicle or any vehicular equipment, mobile or otherwise, or any other nonautomotive vehicles and nonautomotive storage or other items visible from anywhere in the Property determined to be a nuisance by the Board. The above excludes camper trucks and similar vehicles up to and including three-quarter (3/4) ton when used for everyday-type transportation and subject to approval by the Board. No Owner of a Unit shall conduct repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of the Property 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

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doors shall remain closed except for reasonable periods while the garages are being used. There shall be no parking within the driveways of the Property.

Section 11. Rules of Association. Each Owner, tenant or occupant of a Condominium shall comply with the provisions of this Declaration, the By-Laws, decisions and rules and regulations of the Association or its duly authorized representatives which may from time to time be promulgated, all as lawfully amended from time to time, and failure to comply with any such provisions, decisions, or resolutions, shall be grounds for an action to recover sums due, for damages, or for injunctive relief, or for any other remedy permitted by law or permitted by the terms of this Declaration.

Section 12. Conduct in Condominiums and Common Area. No Unit or the Common Area shall be occupied or used for any purpose or in any manner which shall cause either to be uninsurable against loss by fire or the perils of the extended coverage endorsement of the California Standard Fire Policy form, or cause any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof. No Unit shall be used in such a manner as to obstruct or interfere with the enjoyment of occupants of other Units or annoy them by unreasonable noises or otherwise, nor shall any nuisance be committed or permitted to occur in any Unit.

Section 13. Antennas. No television, radio, or other electronic antenna or device of any type shall hereafter be erected, constructed, placed or permitted to remain on the Unit or the Common Area unless and until the same shall have been approved in writing by the Architectural Committee, or the Board, or unless the same be contained within a building.

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Section 14. Window Covers. Curtains, drapes, shutters or blinds may be installed as window covers. No window shall be covered with aluminium foil or similar material.

Section 15. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any portion of the Property, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface or any portion of the Property or within five hundred fifty feet (550') below the surface of the Property. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon any portion of the Property.

V

MEMBERSHIP AND VOTING RIGHTS

Section 1. Organization. The Association is organized as a California corporation under the California Nonprofit Mutual Benefit Corporation Law. The Association is charged with the duties and vested with the powers prescribed by law and set forth in the Articles, By-Laws, and this Declaration. Neither the Articles nor By-Laws shall, for any reason, be amended or otherwise changed so as to be inconsistent with this Declaration. In the event that there should exist any ambiguity in any provision of the Articles or By-Laws, then such provision shall be interpreted so as to be consistent with the provisions of this Declaration.

Section 2. Membership. Every Owner of a Unit which is subject to assessment shall automatically upon becoming the Owner of a Unit be a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. For each Unit there shall be on file with the Association an address of record for an Owner, if different from the Unit address, and a phone number or numbers in case of emergency, all of which shall be kept current by the Owner. Ownership of a Unit shall be the sole qualification for Membership in the Association. All Memberships shall be appurtenant to the Unit conveyed, and with the exception of Declarant, a person or entity shall be deemed an Owner of a Unit only upon recordation of a deed conveying the Condominium to him. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be as provided in this Declaration and in the rules of the Association adopted by the Association.

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Section 3. Transfer. The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of his Unit, and then only to the purchaser or deed of trust holder of said Unit. 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 Unit 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 Unit until fee title to the Unit sold is transferred, as provided in this Declaration. In the event the Owner of any Unit should fail or refuse to transfer the Membership registered in his name to the purchaser of such Unit, the Board of Directors shall have the right to record the transfer upon the books of the Association. The Board of Directors shall have the right to impose a reasonable fee against the selling Owner equal to the cost to the Association of effectuating any such transfer of his Membership upon the books of the Association.

Section 4. Voting Rights. The Association shall have two (2) classes of voting Membership.

Class A. Class A Members shall be those Owners described in Section 2 above, with the exception of Declarant for so long as there exists a Class B Membership. Each Class A Member shall be entitled to one (1) vote for each Unit owned. When more than one (1) person holds an interest in any Unit, all such persons shall be Members, and the vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to a specific Unit. The Association shall not be required to recognize the vote or

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written assent of any such Co-Owner except the vote or written assent of the Co-Owner designated in a writing executed by all such Co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant.

The Class B Member shall be entitled to three (3) votes for each Unit owned; provided that the Class B Membership shall cease and be converted to Class A Membership on the happening of any of the following events, whichever occurs earlier:

(a) On the second anniversary of the original issuance of the most recently issued public report for a phase of the Project; or

(c) On the fourth anniversary of the original issuance of the final subdivision public report for the first Phase of the Project.

Section 5. Two Classes of Memberships. Any action by the Association which must have the approval of the membership of the Association other than Declarant before being undertaken, shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A membership so long as there are two (2) outstanding classes of Membership, unless a specific provision of this Declaration or the By-Laws or Articles of the Association requires the approval of a greater percentage of the voting membership. Notwithstanding the foregoing, any action by the Association pursuant to the Article of this Declaration entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Owners other than Declarant.

Section 6. Special Class A Voting Rights.

Notwithstanding the provisions of this Article, if the Class A Members do not have sufficient voting power pursuant to the voting rights set forth in this Declaration and the By-Laws to elect at least one (1) director at any meeting at which directors are to be

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electd, and at which Class A Members are entitled to vote, then such Class A Members shall, by majority vote, among themselves, elect one (1) director and the remaining vacancies on the Board shall be elected by the Class B Member so long as there are two outstanding classes of membership in the Association or so long as a majority of the voting power of the Association resides in the Declarant. In no event shall the Class A Members be entitled to elect more than one (1) director to the Board pursuant to the provisions of this special Class A voting right.

Section 7. Vesting of Voting Rights. All voting rights which are attributable to a specific Unit pursuant to the terms of this Declaration shall not vest until such time as such Unit is subject to Regular Assessments pursuant to the terms of this Declaration. Declarant shall have the right at any time, and from time to time, to commence the payment of Regular Assessments on all Units within a phase of the Project prior to the close of the first escrow therein in order to preserve its Class B voting rights hereunder.

VI

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 1. Covenant to Pay Assessment. Declarant, for each Condominium owned within the Property, hereby covenants, and each Owner of any Condominium by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) Regular Assessments or charges, (2) Special Assessments for capital improvements, (3) reconstruction assessments, and (4) Reimbursement Assessments, all such assessments to be established and collected as hereinafter provided. Each of such assessments, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Condominium at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to such person's successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Property and for the improvement, operation and maintenance of the Common Area and the Project and the performance of the duties of the Association as set forth in this Declaration and in the Association's Articles and By-Laws.

Section 3. Amount of Regular Assessment. The amount and time of payment of Regular Assessments against each Condominium shall be determined by the Board of Directors of the Association giving due consideration to the current maintenance costs and future needs of the Association. The Regular Assessments against each Condominium shall not be increased more than ten percent (10%) over the Regular Assessments for the

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preceding year for each Condominium without the vote or written consent of a majority of the total voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant. Notwithstanding any limitation contained in this Section to the contrary, in the event that the amount of Regular Assessments as approved by the California Department of Real Estate in connection with the issuance of a final subdivision public report on a subsequent phase of the development is greater than the amount authorized by this Section without a vote of the membership, then the Board, on behalf of the Association and without the requirement of a vote of the membership, shall be entitled to increase the maximum Regular Assessment for that year to an amount which is based upon the monthly assessment amount as reflected in such final subdivision public report.

Section 4. Special Assessments for Capital Improvements and Limitation on Increases in Regular and Special Assessments. In addition to the Regular Assessments authorized above, the Association may levy, in any assessment year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction (other than reconstruction pursuant to the Article of this Declaration entitled "Destruction of Improvements"), repair or replacement of a capital improvement upon the Common Area and the Project, including fixtures and personal property related thereto, or any other action or undertaking on behalf of the Association, provided that any Special Assessment for all Condominiums for the fiscal year in the aggregate in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year must first be approved by the vote or written assent of a majority of the voting power of the Association, which shall include a majority of the votes residing in

Members other than the Declarant. The foregoing limitation on Special Assessments shall not apply to any Reimbursement Assessment which is authorized by the provisions of this Declaration.

The limitation on percentage increases of Regular and Special Assessments under Section 3 above and this Section 4 shall in no way limit assessment increases for the following purposes:

(i) the maintenance or repair of the Common Area or other areas which the Association is obligated to maintain or repair, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining or repairing structures or improvements, and funding reserves; and

(ii) addressing emergency situations; provided, however, any increase above fifteen percent (15%) for the categories noted in subsections (i) and (ii) herein must be approved by (a) a majority of the voting power of the Association and (b) so long as there is a Class B membership, a majority of the voting power of members other than the Declarant.

Section 5. Reimbursement Assessments. The Association may levy a Reimbursement Assessment against any Owner who fails to comply with the provisions of this Declaration, the determinations of the Architectural Committee or the Board, the Association's Articles or By-Laws, or any rule or regulation adopted by the Association, if such failure results in the expenditure of monies by the Association in carrying out its functions hereunder or for purposes of collecting any fines which may be levied by the Association. Such assessment shall also be for the purpose of reimbursing the Association for any costs incurred by the Association on behalf of an individual Owner. A Reimbursement Assessment shall be due and payable to the Association when levied.

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Section 6. Notice and Quorum for Meetings Called Under Section 3 and 4. Written notice of any meeting called to approve an increase in Regular Assessments under Section 3 or a Special Assessment under Section 4 greater than the prescribed percentages set forth therein shall be sent to all Members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. At any such meeting called, the presence of Members or of proxies entitled to cast a majority of the total voting power of the Association, which includes a majority of the votes residing in Members other than the Declarant, shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same quorum requirement.

Section 7. Assessments. Regular and Special Assessments for each Unit shall be uniform. Regular Assessments shall be collected on a monthly basis unless some other period for collection is established by the Board.

Section 8. Date of Commencement of Regular Assessments: Due Dates. The Regular Assessments provided for herein shall commence as to all Condominiums (including those Condominiums owned by Declarant) no later than (but earlier at the discretion of Declarant) the first day of the month following the conveyance of the first condominium by Declarant to an individual Owner in Phase 1; provided however, that Regular Assessments shall commence for all Condominiums located within a Phase of the Project which has been annexed hereto no later than (but earlier at the discretion of Declarant) the first day of the month following the conveyance of the first Condominium in such phase by Declarant to an individual Owner. The first Regular Assessment shall be adjusted according to the number of months remaining in the fiscal year of the Association. The Board of Directors shall fix the amount of the Regular Assessment against each Condominium

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at least sixty (60) days in advance of each fiscal year of the Association at an amount not in excess of the maximum as provided in this Declaration. Written notice of the amount of the Regular Assessments against each Condominium shall be sent to every Owner subject thereto. The due dates shall be established by the Board of Directors. Regular Assessments shall be deemed delinquent fifteen (15) days after the due dates established by the Association. In the event the Board shall determine at any time that the estimate of the Regular Assessment for the current fiscal year is, or will become, inadequate to meet the expenses of the Association for any reason, it shall immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the total Association expenses and determine the revised amount of the Regular Assessment against each Unit.

Section 9. Reserves. The Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Area that must be repaired or replaced on a periodic basis, or any other purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members.

Section 10. Certificate of Payment. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Condominium have been paid. Said signed certificate shall be conclusive evidence as to all

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third parties relying thereon to show that all assessments acknowledged therein have been paid but shall not relieve any Owner of the responsibility for assessments not in fact paid.

Section 11. Effect of Nonpayment of Assessments; Remedies of the Association. Each Owner of any Condominium on becoming an Owner of any Condominium is, and shall be deemed to covenant and agree to pay to the Association each and every of the assessments provided for in this Declaration; and agrees to the enforcement of all such assessments in the manner herein specified. In the event an attorney or attorneys are employed for collection of any assessment, whether by suit or otherwise, or to enforce compliance with or specific performance of the terms and conditions of this Declaration, each Owner agrees to pay reasonable attorneys' fees and costs thereby incurred in addition to any other amounts due or any other relief or remedy obtained against said Owner. In addition to any other remedies herein or by law provided, the Board, or its authorized representative, may enforce the obligations of the Owners to pay the assessments provided for in this Declaration, and each of them, in any manner provided by law or in equity, or without limitation of the foregoing, by either or both of the following procedures:

(a) Enforcement by Suit. By commencement and maintenance of a suit at law against any Owner or Owners personally obligated to pay assessments for such delinquent assessments as to which they are personally obligated, such suit to be maintained in the name of the Association. Any judgment rendered in any such action shall include the amount of the delinquency, together with interest thereon as provided for herein, costs of collection, court costs and reasonable attorneys' fees in such amount as the court may adjudge against the

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delinquent Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving the lien hereinafter provided for.

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

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

Upon such recordation of a duly executed original or copy of such Notice, the lien claimed therein shall immediately attach and become effective in favor of the Association as a lien upon the Unit against which such assessment was levied. Such a lien shall have priority over all liens or claims created subsequent to the recordation of this Declaration, except for tax liens for real property taxes on any Unit and assessments on any Unit in favor of any municipal or other governmental assessing unit and except for certain Trust Deeds as provided in the Section of this Article entitled "Subordination to Certain Trust Deeds" below. Any such lien may be foreclosed by appropriate action in Court or in the manner provided by the California Civil Code for the foreclosure of a deed of trust with power of sale, or in any other manner permitted by law. The Board is hereby authorized to appoint its attorney, any officer or director of the Association,

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or any Title Company authorized to do business in California as Trustee for the purpose of conducting such power of sale foreclosure. The lien provided for herein shall be in favor of the Association and shall be for the benefit of all other Unit Owners and shall secure payment of all sums set forth in the Notice, together with all sums becoming due and payable in accordance with this Declaration after the date of recordation of said Notice. The Association shall have the power to bid in at any foreclosure sale and to purchase, acquire, hold, lease, mortgage and convey any Unit. In the event such foreclosure is by action in Court, reasonable attorneys' fees, court costs, title search fees, late payment fees, interest and all other costs and expenses shall be allowed to the extent permitted by law. Each Owner, by becoming an Owner of a Unit, hereby expressly waives any objection to the enforcement and foreclosure of this lien in this manner. Upon the timely curing of any default for which a Notice was filed by the Board and the payment of all sums secured by the lien created by the recordation of such Notice, the Board shall cause an officer of the Association to file and record an appropriate release of such Notice in the Office of the County Recorder of Orange County, California. No Owner may waive or otherwise escape liability for the assessments provided for in this Declaration by non-use or abandonment of his Unit. Notwithstanding anything contained in this Declaration to the contrary, no action may be brought to foreclose the lien created by recordation of a Notice of Delinquent Assessments, whether judicially, by power of sale, or otherwise, until the expiration of ten (10) days after a copy of said Notice, showing the date of recordation thereof, has been mailed to the Owner of the Unit which is described in such Notice.

Section 12. Subordination to Certain Trust Deeds.

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The lien for the assessments provided for herein in connection with a given Condominium shall not be subordinate to the lien of any deed of trust or mortgage, except the lien of a first deed of trust or first mortgage, or contract of sale given and made in good faith and for value that is of record as an encumbrance against such given Condominium prior to the recordation of a Notice of Delinquent Assessment for the assessments provided for in this Declaration against such given Condominium (such deed of trust or mortgage being hereinafter referred to as a "prior deed of trust"). The sale or transfer of any Condominium shall not affect the assessment lien provided for by this Declaration to secure assessments becoming due whether prior to, on or after the date of such sale or transfer, nor shall such sale or transfer diminish or defeat the personal obligation of any Owner for delinquent assessments as provided for by this Article; provided, however, that the sale or transfer of any Condominium pursuant to a judicial foreclosure or foreclosures by power of sale of a prior deed of trust, shall extinguish any assessment lien which has attached and become effective with regard to the Condominium being so transferred prior to the time of such sale or transfer, and shall prohibit the creation of any assessment lien against such Condominium on account of assessments which became due prior to the date of such sale or transfer; provided, however, that there shall be a lien on the interests of the purchaser at such sale which shall attach, be created and become effective, and be foreclosed in accordance with this Declaration and which shall secure all assessments becoming due after the date of any such sale or transfer. For the purpose of this Section 12, a sale or transfer of a Condominium shall occur on the date of recordation of a deed or other instrument of title evidencing the conveyance of record title to the Condominium.

Section 13. Enforcement of Reimbursement Liens.

(a) Notwithstanding anything to the contrary contained in this Article or elsewhere in this Declaration, in the event the Association imposes a Reimbursement Assessment as a monetary penalty for failure of a Member to comply with the terms of the Declaration or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area for which the Member was allegedly responsible or as a means to force a Member to comply with the terms of this Declaration, such Reimbursement Assessment shall not be characterized or treated as an assessment which may become a lien against a Member's Unit enforceable in the manner provided by the California Civil Code for the foreclosure of a deed of trust with power of sale as provided in Section 11 of this Article. A Reimbursement Assessment imposed for any purpose other than the purposes enumerated hereinabove in this Section shall be enforceable in accordance with the procedures set forth in Section 11 of this Article.

(b) The provisions of subsection (a) hereinabove relating to restrictions on the enforcement of Reimbursement Assessments for certain purposes shall not apply to any interest charge or late charge for delinquent assessments imposed pursuant to Section 11 of this Article or to any costs reasonably incurred by the Association (including attorneys' fees) in its efforts to collect delinquent assessments.

Section 14. Capitalization of Association. Upon acquisition of record title to a Unit from Declarant, each Owner shall contribute to the capital of the Association an amount equal to one-sixth (1/6th) the amount of the then Regular Assessment for that Unit for the fiscal year as determined by the Board. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association. Within six (6) months after the close of the first sales escrow, Declarant shall

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deposit into an escrow an amount equal to one-sixth (1/6th) of the then Regular Assessment for that fiscal year for any and all Units not yet sold, and which are subject to this capitalization requirement. With respect to any Units in a phase which may be annexed hereto pursuant to the Article in this Declaration entitled "Annexation," such Units shall be subject to this capitalization requirement only if it is set forth in the Declaration of Annexation which is recorded with respect to such phase. Escrow shall remit these funds to the Association. Upon the close of escrow of any Unit for which the capital contribution was prepaid by Declarant, escrow shall remit to Declarant the capitalization fee collected from the buyer.

Section 15. Delivery by Owner. Each Owner of a Unit shall, before the execution of an offer to purchase or lease, make available for examination by the prospective purchaser or lessee, and as soon as practicable before transfer of the interest being acquired, give to each purchaser or lessee (i) a copy of this Declaration and copies of the Bylaws and Articles of Incorporation of the Association, (ii) copies of any other instruments which define the rights and responsibilities of the Owner or lessee as members of the Association, (iii) to the extent available, a copy of the most recent financial statement distributed by the Association in accordance with Article XIX of this Declaration, and (iv) a statement prepared by the Board of Directors as to the amount of any delinquent assessments and information relating to penalties, late charges, interest and other charges authorized by this Declaration which are or may be a lien on such Owner's Unit as of the date the statement is issued.

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Section 17. Late Charges and Interest on Delinquent

Assessments. Any assessment imposed pursuant to the terms of this Declaration, if delinquent, shall include a late charge in the maximum amount which shall be imposed by the Board in accordance with and subject to the limitations of California Civil Code Section 1366 as the same may be modified from time to time by statute or judicial decision. Interest shall accrue on all sums imposed in accordance with this Article, including the delinquent assessment, reasonable costs of collection and late charges, at an annual percentage rate of twelve percent (12%) interest, commencing thirty (30) days after the assessment becomes due, or such higher percentage rate of interest authorized by Civil Code Section 1366 as modified from time to time by statute or judicial decision.

VII

MANAGEMENT OF THE ASSOCIATION AND THE PROJECT

Section 1. General Powers of the Association. All powers relating to the management, operation and maintenance of the Project and of the Common Area, as well as certain rights, duties and powers relating to the individual Condominiums, as hereinafter set forth, shall be vested in the Association and in its Board of Directors. The specific and primary purposes and powers of the Association and its Board of Directors are to provide architectural control of the Property, manage and maintain the Project, and the Common Area, and to enforce the provisions of this Declaration and the Association's Articles and By-Laws, and any other instruments relating to the management and control of the Association and the Property. The Association may do any and all other acts and things that a nonprofit corporation is empowered to do, which may be necessary, convenient, or desirable in the administration of its affairs for the specific and primary purposes of meeting the duties of the Association as set forth in this Declaration. The Association, through its Board of Directors, shall have the authority to delegate its powers to committees, officers of the Association or its employees.

Section 2. Contracts of the Association. The Association shall have the right and power to employ or engage a manager and other employees or agents and contract for such services, labor and materials as it may deem reasonably necessary to operate and maintain the Project, Property and Common Area and the improvements thereon and to discharge its other duties as herein provided. Any agreement for professional management of the Association or any contract providing for services by the Declarant must provide for termination of such contract or

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agreement by either party with or without cause or payment of a termination fee on thirty (30) days or less written notice and for a maximum contract term not to exceed one (1) year.

Section 3. General Duties of Association. In addition to the duties and powers enumerated in its Articles of Incorporation, and By-Laws, or elsewhere provided for herein, and without limiting the generality thereof, and subject to the limitations on the power of the Board as set forth in Sections 7 and 8 of this Article, the Association acting through the Board shall:

- (a) Maintain and otherwise manage all of the Common Area and all facilities, improvements, and landscaping within the Project. The responsibility of the Association to maintain all Common Areas within the Project shall commence on the date of the commencement of Regular Assessments;
- (b) Maintain all onsite private drainage facilities and the offsite private storm drain system pursuant to the provisions set forth in Exhibit "A", Exhibit "A-1" and Exhibit "A-2" attached hereto;
- (c) Maintain and procure public liability and fire insurance with extended coverage on the Project as required by the terms of this Declaration, and the Board shall also have the authority to maintain and procure any other type of insurance which the Board determines is in the best interest of the Association and its Members;
- (d) Obtain, for the benefit of the Association, all water, gas, and electric services and refuse collection, unless such services are separately charged and metered to the individual Owners;
- (e) Pay taxes and assessments which are or could become a lien on the Common Area, or some portion thereof;

(f) Prepare budgets and financial statements for the Association and its Members as prescribed in Article XIX of this Declaration;

(g) Initiate and execute disciplinary proceedings against Members of the Association for violations of provisions of this Declaration or the Association's Articles of Incorporation or By-Laws in accordance with the procedures set forth in this Declaration;

(h) Subject to approval by a majority vote of each class of Member, borrow money and incur indebtedness for the purposes of the Association and cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges or other evidences of debt and security therefor;

(i) Make available to any prospective purchaser of a Condominium, any Owner of a Condominium, any first mortgagee and the holders, insurers and guarantors of the first mortgage on any Condominium, current copies of the Declaration, the Articles of Incorporation, the By-Laws, the rules governing the Condominium and all other books, records and financial statements of the Association. The term "available" as used in this subsection shall mean available for inspection upon request during normal business hours or under other reasonable circumstances;

(j) Permit utility suppliers to use portions of the Common Area reasonably necessary to the ongoing development and operation of the Project; and

(k) Disclose information in accordance with Section 11018.6 of the California Business and Professions Code.

Section 4. Maintenance of Buildings and Common Area
by the Association. The Association shall provide exterior maintenance of each Condominium which is subject to assessment hereunder as follows:

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(a) The Association shall maintain and repair the exterior surfaces of all buildings in the Project (including garage doors), to include the painting thereof, and maintain all landscaping in the Project and Common Areas, including all private utilities. The Association shall also be required to maintain and repair the exterior surfaces of all patio fences, and shall repair any damage caused by an entry into a Unit.

(b) Such exterior maintenance shall not include: window glass, interior doors, including locks, latches, weather stripping and thresholds, interior building surfaces, stoppage of drains when attributable to a specific Unit, improvements within private patio areas or balcony areas, air conditioners or any repairs or replacements arising out of or caused by the willful or negligent act of the Owner, his family, guests, or invitees. Such excluded items shall be the responsibility of the Owner of each Condominium; provided, however, that if any Owner shall fail to maintain or make the repairs or replacements which are the responsibility of such Owner, as provided above, then, upon vote of a majority of the Board of Directors, and after not less than thirty (30) days' notice to the Owner, the Association shall have the right (but not the obligation) to enter the Condominium and provide such maintenance or make such repairs or replacements, and the cost thereof shall be a Reimbursement Assessment chargeable to such Condominium and shall be payable to the Association by the Owner of a Condominium. Each Owner shall be obligated to repair and maintain the hot water heater, and forced air unit, if any, serving their Unit; but the Association shall be responsible for the repair and maintenance of the chutes, ducts or the like relating to either. In addition, the Association shall repair any damage caused by an entry into a Unit.

Section 5. Repair and Maintenance of the Units by Owners. Except to the extent that the Association is obligated herein to maintain a portion of a Unit, each Owner shall maintain, repair, replace and restore all portions of his Unit including, without limitation, all window glass, the interior walls, ceilings, windows, floors and doors in a clean, sanitary and attractive condition. All such repairs and maintenance pursuant to this section shall be subject to such rules therefor as the Association may from time to time establish.

Section 6. Repair and Maintenance of Certain Common Areas by or at the Expense of Owners. In the event the Board shall determine that the walls, ceilings, floors, glass or doors forming the boundaries of a Unit have been damaged from within the Unit, notwithstanding that such damage may be to the Common Area, the Owner of the Unit shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board shall from time to time adopt. In the event such repair is not so accomplished by the Owner, the Association or its delegates shall have the right at reasonable times to enter the Unit to effect such repair, and the cost thereof shall be charged to the Owner of the Unit and, if not paid in a timely manner, shall be deemed a Reimbursement Assessment. The Association shall repair any damage caused by an entry into a Unit.

Section 7. Additional Restrictions on Power of the Board. The Association shall be prohibited without the prior vote or written assent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant, from doing any of the following: (i) incurring aggregate expenditures for capital improvements to any portion of the Property in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; or (ii) selling during any

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fiscal year of the Association property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for the fiscal year; (iii) paying compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association; or (iv) filling of a vacancy on the Board created by the removal of a Board member.

Section 8. Limitation on Board Authority to

Contract. The Board of Directors shall not enter into any contracts for goods or services with a duration greater than one (1) year without the vote or written consent of a majority of the voting power of the Association, which shall include a majority of the votes residing in Members other than the Declarant with the following exceptions: (i) a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration; (ii) a contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the policy permits for short rate cancellation by the insured; (iv) a lease agreement for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; or (v) agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration

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provided that the supplier is not an entity in which the subdivider has a direct or indirect ownership interest of ten percent (10%) or more.

Section 9. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities of public utilities which are located within easements in the Common Area owned by such public utilities. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 10. Rights of Entry. The Board of Directors shall have a limited right of entry in and upon the interior of all Units for the purpose of inspecting the Project, and taking whatever corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property to be maintained or repaired by the Owner of any Unit. Nothing in this Article shall in any manner limit the right of the Owner to exclusive occupancy and control over the interior of his Unit. However, an Owner shall grant a right of entry to the Board of Directors or any other person authorized by the Board of Directors in case of any emergency originating in or threatening his Unit, whether the Owner is present or not. Furthermore, an Owner shall permit other Owners, or their representatives to enter his Unit for the purpose of performing required installations, alterations or repairs to the mechanical, plumbing or electrical services to a Unit, provided that such requests for entry are made in advance and that such entry is at a time reasonably convenient to the Owner whose Unit is to be entered. In case of an

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emergency, such right of entry shall be immediate. Any damage caused by an entry into a Unit shall be repaired by the entering party.

Section 11. Association Rules. The Board shall also have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable which may include the establishment of a system of fines and penalties enforceable as a Reimbursement Assessment. The Association rules shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Common Areas, provided, however, that the Association rules may not discriminate among Owners, and shall not be inconsistent with this Declaration, the Articles or By-Laws. A copy of the Association rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Association rules shall be delivered to each Owner. The Association rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby.

Section 12. Damage by Owner or Tenant of an Owner to the Common Area or Other Units. In the event the Board shall determine that a Unit Owner or tenant of a Unit Owner has caused damage to another Unit or to the Common Area by a negligent or willful act (or failure to act), the Owner or tenant causing such damage shall be responsible for the cost of repairing such damage in accordance with such rules as the Board shall from time to time adopt. In the event such Owner or tenant fails to pay the cost of any necessary repair to the Unit or the Common Area so damaged, the Association shall charge the cost of such repair to the Owner or tenant who caused the damage and if not paid in a timely manner, such cost shall be deemed a Reimbursement Assessment.

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VIII

INSURANCE

Section 1. Duty to Obtain Insurance; Types. The Board of Directors on behalf of the Association shall obtain and continue in effect adequate blanket public liability insurance with a limit of not less than One Million Dollars (\$1,000,000) for claims for personal injury and/or property damage arising out of a single occurrence, and casualty insurance and fire insurance with extended coverage, in an amount equal to one hundred percent (100%) of the full insurable replacement cost of the Project, without deduction for depreciation. Such insurance shall be maintained by the Board of Directors for the benefit of the Association, the Owners, and Institutional Holders of First Mortgages upon the Project or any part thereof as their interests may appear as named insured, subject, however, to loss payment requirements as set forth herein. Each such policy shall contain a standard mortgage clause which must be endorsed which provides that any proceeds shall be paid to the Association for the use and benefit of mortgagees as their interest may appear. The policy of public liability insurance covering Common Areas shall contain a "Severability of Interest" endorsement which shall preclude the insurer from denying the claim of any Owner because of negligent acts of the Association or other Owners. The Association shall maintain fidelity coverage against dishonest acts on the part of directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the Association, and such fidelity coverage shall name the Association as obligee and shall be written in an amount equal to at least the estimated maximum of funds, including reserves, in the custody of the Owner's Association or a management agent at any given time during the term of the fidelity bond. However, the bond shall not

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be less than a sum equal to three (3) months' aggregate assessments on all Condominiums, plus reserve funds. The bond shall cover persons serving without compensation covered by endorsement to the policy if not otherwise covered under the policy. The Board of Directors may purchase such other insurance as it may deem necessary, including but not limited to, plate glass insurance, medical payments, malicious mischief and vandalism insurance and workmen's compensation, and directors and officer's liability.

Section 2. Special Flood Hazard Insurance. If the Project is in an area identified by the Secretary of Housing and Urban Development as having special flood hazards, a "blanket" policy of flood insurance must be maintained on the Project in the amount of the aggregate of the outstanding principal balances of the first Mortgages on the Units, or the maximum limit of coverage available under the National Flood Insurance Act of 1968, as amended, whichever is less.

Section 3. Waiver of Claims Against Association. As to each policy of insurance maintained by the Board of Directors, the Owners hereby waive and release all claims against the Association, the Board of Directors and Declarant, only to the extent of the insurance proceeds available to the Owners, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by said persons.

Section 4. Individual Fire Insurance Prohibited and Rights and Duty of Unit Owner to Insure. Except as expressly provided in this Section of this Article to the contrary, no Owner will separately insure his Condominium or any part thereof against loss by fire or other casualty covered by any insurance carried by the Association. Each Owner shall provide insurance on his personal property and upon all other property and improvements within his Unit, but not including the Unit. Nothing herein shall

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preclude any Owner from carrying any public liability insurance as he may deem desirable to cover his individual liability for damage to person or property occurring inside his individual Unit or elsewhere upon the Project. All such other policies as may be carried by Owners shall contain waivers of subrogation of claims against Declarant, the Association, the Board of Directors of the Association, the Officers of the Association and all other Owners. Such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association, and duplicate copies of such other policies shall be deposited with the Board of Directors. If any loss intended to be covered by insurance carried by the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board of Directors to the same purposes as the reduced proceeds are to be applied.

Section 5. Notice of Expiration Requirements. All of the policies of insurance described herein shall contain a provision that said policy or policies shall not be cancelled or terminated, or expire by their terms, without thirty (30) days' prior written notice to the Board of Directors, Declarant if an Owner, Owners and their respective Institutional Holders of First Mortgages (provided that such Owners or Institutional Holders of First Mortgages have filed written requests with the carrier for such notice) and every other person in interest who shall have requested such notice of the insurer.

Section 6. Insurance Premiums. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a common expense to be included in the Regular Assessments levied by the Association, collected from the

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Owners; and the proportion of such payments necessary for the required insurance premiums shall be used solely for the payment of premiums of required insurance as such premiums become due.

Section 7. Trustee for Policies. The Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Section 1 of this Article shall be paid to the Board of Directors as Trustees. The Board of Directors shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in this Declaration. The Board of Directors is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation by Institutional Holders of First Mortgages who have filed written requests under Section 4 of this Article to the extent they desire. Any two Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds.

Section 8. Actions as Trustee. Except as otherwise specifically provided in this Declaration, the Board of Directors, acting on behalf of the Association and all Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance, in a manner satisfactory to seventy-five percent (75%) of the Institutional Holders of First Mortgages of Units who have filed requests under Section 4 of this Article to

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the extent such Institutional Holders of First Mortgages desire to participate. Duplicate originals or certificates of all policies of fire and casualty insurance carried by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Institutional Holders of First Mortgages who have requested the same in writing.

Section 9. Annual Insurance Review. The Board of Directors shall review the insurance carried by the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 1 above. The Board of Directors shall obtain a current appraisal of the full replacement value of the buildings and improvements in the Project, except for foundations and footings and masonry walls, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such review.

Section 10. Required Waiver. All policies of hazard and physical damage insurance shall provide, but only if available at a reasonable cost to the Association as determined by the Board, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

- (a) Any defense based on co-insurance;
- (b) Any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;
- (c) Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act, neglect, or omission of any named insured, or the respective agents, contractors and employees of any insured;

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(d) Any right of the insurer to repair, rebuild or replace, and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the improvements insured or the fair market value thereof;

(e) Notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Unit; and

(f) Any right to require any assignment of any mortgage to the insurer.

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IX

PARTITION

An action may be brought by one or more Owners of the Condominiums for partition of said Project by sale of the entire Project, as if the Owners of all of the Condominiums in such Project were tenants-in-common in the entire Project in the same proportion as their interests in the Common Area, provided, however, that a partition shall be made only upon the showing of the occurrence of any one of the events provided in Section 1359 of the California Civil Code, as the same may be modified, amended or superseded. Nothing herein contained shall prevent the partition or division of interests between joint or common Owners of one Condominium. Notwithstanding anything to the contrary contained in this Declaration, no Unit in the Project may be partitioned or subdivided without the prior written approval of the Institutional Holder of the First Mortgage on such Unit.

The Association is hereby granted an irrevocable power of attorney to sell the Project for the benefit of all the Owners thereof when partition of the Owners' interest in said Project may be had pursuant to this Section. The power of attorney herein granted may be exercised upon the vote or written consent of Owners holding in the aggregate at least two-thirds (2/3) of the interest in the Common Area by any two (2) members of the Board who are hereby authorized to record a Certificate of Exercise in the Office of the County Recorder of Orange County, which Certificate shall be inclusive evidence thereof in favor of any person relying thereon in good faith; provided, however, that said power of attorney shall not apply to the Administrator of Veterans Affairs, an Officer of the United States of America.

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X

PROHIBITION AGAINST SEVERABILITY
OF COMPONENT INTEREST IN CONDOMINIUM

No Owner shall be entitled to sever his Unit from his equal undivided interest in the Common Area nor shall the respective undivided interests established and to be conveyed with each respective Unit be changed. The equal undivided interest or interests in the Common Area and the fee title to the respective Units conveyed therewith together with any exclusive easements appurtenant to each Unit shall not be separated, severed or separately conveyed, encumbered or otherwise transferred, and each such equal undivided interest in the Common Area shall conclusively be deemed to be conveyed, transferred or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit. It is intended hereby to restrict severability of the various components of a Condominium in the manner provided by Section 1359 of the California Civil Code. Nothing herein contained shall be construed to preclude an Owner of any Unit from creating a co-tenancy in the ownership of a Unit with any other person or persons.

XI

RIGHT OF OWNER OF CONDOMINIUMS TO MAKE IMPROVEMENTS

(California Civil Code Section 1360)

Subject to the provisions of this Declaration, the rules and regulations of the Association, and other provisions of applicable law, if the boundaries of the Condominium are contained within a building, the Owner of a Unit shall be entitled to do the following:

(a) Make any improvements or alterations within the boundaries of their Unit that do not impair the structural integrity or mechanical systems of the Unit, or lessen the support of any portions of the Common Area.

(b) Modify a Unit in the Project, at the Owner's expense, to facilitate access for persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which could be hazardous to these persons. These modifications may also include modifications of the route from the public way to the door of the Unit for the purpose of this Article if the Unit is on the ground floor or already accessible by an existing ramp or elevator. The rights granted by this Article are subject to the following conditions: (i) the modifications shall be consistent with applicable Building Code requirements; (ii) the modifications shall be consistent with the intent of otherwise applicable provisions of this Declaration pertaining to safety or the aesthetic integrity of the Project; (iii) modifications which are external to the Unit shall not prevent reasonable passage by other residents, and shall be removed by the Owner when the Unit is no longer occupied by persons requiring those modifications who are blind, visually handicapped, deaf or physically disabled; (iv) any Owner who intends to modify a Unit pursuant to this Article shall submit their plans and specifications to the Architectural

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Committee of the Association for review to determine whether the modifications will comply with the provisions of this Article. The Association shall not deny approval of the proposed modifications under this paragraph without good cause; and (v) any change in the exterior appearance of a Unit shall be in accordance with the provisions of this Declaration and all applicable provisions of law.

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XII

ARCHITECTURAL CONTROL

Section 1. Architectural Approval. No exterior improvement or other structure shall be commenced, erected, altered or maintained upon the Project (except for all original improvements constructed within the Project by Declarant) nor shall any exterior addition to or change or alteration to any Unit or patio or balcony area be made, nor shall any change in original exterior color and/or any structure be made until the plans and specifications showing the nature, kind, shape, height, materials and locations of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to the existing design of the Project by the Architectural Committee provided for in Section 3 hereof. In the event said Committee or its designated representatives, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Article will be deemed to have been fully complied with.

Section 2. Appointment of Architectural Committee.
The Declarant shall initially appoint the Architectural Committee, consisting of not less than three (3) members as shall be determined by the Board, who shall remain in office until the first anniversary date of the issuance of the original public report on the Property. Thereafter, the Declarant shall have the right to appoint a majority of the members of the Architectural Committee and the Board of Directors of the Association shall have the power to appoint one member of the Architectural Committee until such time as ninety percent (90%) of the Condominiums in the Property have been sold, or until the fifth (5th) anniversary date of the issuance of the original public report on the Property,

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whichever first occurs. From and after such time or event, as the case may be, the Architectural Committee shall be appointed by the Board of Directors of the Association and shall be composed of three (3) or more representatives who must be members of the Association. Any member appointed to the Architectural Committee by Declarant need not be members of the Association. In the event of the death or resignation of any member of the Committee prior to the time when the Board of Directors of the Association is vested with authority, the Declarant shall have the right to appoint such member's successor. In the event of the death or resignation of any member of the Committee who has been appointed by the Board, the Board shall have the right to appoint such member's successor.

Section 3. Approval and Conformity of Plans. The Board shall, from time to time, adopt and promulgate Architectural Standards to be administered through its Architectural Committee. If the Architectural Standards so provide, no improvement, alteration, or addition shall be commenced, erected or maintained upon the Property, nor shall there be any addition to or change in the exterior of any Unit, structure or other improvement, unless plans and specifications therefor have been submitted to and approved by the Architectural Committee. The Architectural Standards shall include among other things those restrictions and limitations upon the Owners set forth below:

(a) Time limitations for the completion of the architectural improvements for which approval is required pursuant to the Architectural Standards;

(b) Conformity of completed architectural improvements to plans and specifications approved by the Architectural Committee; provided, however, as to purchasers and encumbrancers in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating Unit and

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its Owner and specifying the reason for the notice, executed by the Architectural Committee, shall be filed of record in the Office of the County Recorder of Orange County, California, and given to such Owner within thirty (30) days of the expiration of the time limitation described in subsection (a) above, or unless legal proceedings shall have been instituted to enforce compliance or completion within said thirty (30) day period, the completed architectural improvements shall be deemed to be in compliance with plans and specifications approved by the Architectural Committee and in compliance with the Architectural Standards of the Association, but only with respect to purchasers and encumbrancers in good faith and for value;

(c) Such other limitations and restrictions as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the following: construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, including, without limitation, the nature, kind, shape, height, materials, exterior color and surface and location of such dwelling or structure.

Section 4. General Provisions. The members of such committee shall not be entitled to any compensation for services performed pursuant to this covenant. The powers and duties of such committee shall cease on and after fifty (50) years from the date of the recording of this Declaration. Thereafter the approval described in this covenant shall not be required unless, prior to said date and effective thereon, a written instrument shall be executed and duly recorded by the then record Owners of a majority of the Units appointing a representative or representatives who shall thereafter exercise the same powers previously exercised by said committee. Said representatives may be members of the Board of Directors of the Association.

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Section 5. Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Committee. The Board shall submit such request to the appropriate Architectural Committee for review, whose written recommendations will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the appellant.

Section 6. Nonapplicability to Declarant. The provisions of this Article shall not apply to any portion of the Property owned by Declarant prior to the construction on such Property by Declarant of a residential dwelling unit or prior to the conveyance of such Unit by Declarant to a member of the public.

XIII

RIGHTS OF INSTITUTIONAL HOLDERS OF FIRST MORTGAGES

Notwithstanding any provisions to the contrary as may be provided elsewhere in this Declaration, Institutional Holders of First Mortgages shall have the following rights:

Section 1. Notice to Institutional Holders of Default. Any Institutional Holder of any First Mortgage on a Condominium shall be entitled to receive upon delivery of written request to the Association written notification from the Association of any default by the Owner of such Condominium in the performance of such Owner's obligations under the Declaration or the Association's By-Laws which are not cured within sixty (60) days from the date of such default.

Section 2. Assessments on Foreclosure. Any Institutional Holder of any first Mortgage which comes into possession of any Condominium pursuant to the remedies provided in the Mortgage, or through foreclosure of the Mortgage, shall take title to such Condominium free of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time the Institutional Holder of such First Mortgage acquired title to the Condominium.

Section 3. Required Consent of Holders. As to all Institutional Holders of First Mortgages who have informed the Association in writing of their appropriate address and who have requested in writing to be notified regarding any of the following proposed changes or additions, neither the Association nor any Owner shall do any of the following unless at least seventy-five percent (75%) of the Institutional Holders of First Mortgages have given their prior written approval:

(a) Change the prorata interest or obligations of any Condominium for the purposes of levying assessments and charges or allocating distributions of hazard insurance proceeds or condemnation awards, or determining the prorata share of ownership of each Unit in the Common Area;

(b) Partition or subdivide any Condominium or the Common Areas of the Project;

(c) By act or omission seek to abandon or terminate the Condominium status of the Project, except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain;

(d) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas of the Project. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Areas of the Project shall not be deemed a transfer within the meaning of this provision;

(e) Use hazard insurance proceeds for losses to any portion of the Project (whether to Units or to Common Areas) for other than the repair, replacement or reconstruction of such improvements, except as provided by statute in case of substantial loss to the Units and/or Common Areas of the Project. For purposes of this Section, whenever the approval of a specified percentage of Institutional Holders of First Mortgages is required, it shall be deemed to mean the vote or approval of a specified percentage only of those Institutional Holders of First Mortgages which have delivered the required notice to the Board.

(f) 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 Units,

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the exterior maintenance of the Units, the maintenance of the Common Area property, including walks, fences, driveways and landscaping;

(g) 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 insurable value (based on current replacement cost).

Section 4. Additional Rights of Institutional Holders. Any Institutional Holder of a First Mortgage on a Unit in the Project will, upon written request, be entitled to: (a) inspect the books and records of the Association during normal business hours; and (b) receive an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association provided, however, that such audited statements shall be made available only if they have been prepared by the Association in the regular course of business, and (c) written notice of all meetings of Owners of the Association and be permitted to designate a representative to attend all such meetings.

Section 5. Right of First Refusal. Any Institutional Holder of a First Mortgage who comes into possession of a Unit pursuant to the remedies provided in such Mortgage, or foreclosure of the Mortgage, or deed (assignment) in lieu of foreclosure, shall be exempt from any right of first refusal, and any right of first refusal shall not impair the rights of an Institutional Holder to:

(a) Foreclose or take title to a Unit pursuant to the remedies provided in the Mortgage, or

(b) Accept a deed (or assignment) in lieu of foreclosure in the event of default by the Trustor of the Mortgage, or

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(c) Sell or lease a Unit acquired by the Institutional Holder.

Section 6. Priority on Distribution of Proceeds. No Owner or any other party shall have priority over any rights of Institutional Holders of First Mortgages on individual Condominiums pursuant to their Mortgages in the case of a distribution to Condominium Owners of insurance proceeds or condemnation awards for losses to or a taking of the Units and/or Common Areas.

Section 7. Insurance. The Owners and the Association shall procure and maintain fire and liability insurance and such other insurance as may from time to time be required by Institutional Holders of first Mortgages on Condominiums within the Project. All such insurance shall contain loss payable clauses naming the Institutional Holders which encumber a Condominium by a first Mortgage, as their interests may appear.

Section 8. Notice of Condemnation and Destruction. The Association shall provide to all Institutional Holders of Mortgages who have requested it written notice of any condemnation proceedings affecting the Project. The Association shall also provide to all Institutional Holders of First Mortgages who have requested it in writing a written notice of substantial damage to or destruction of any Unit or any portion of the Common Area of the Project.

Section 9. Notice of Loss or Condemnation to FHLMC. The Association agrees to give written notice to the Federal Home Loan Mortgage Corporation ("FHLMC") or its designated representative (if designated in writing), of any loss to, or taking of, the Common Area of the Project if such loss or taking exceeds \$10,000.00 or damage to a Unit covered by a first Mortgage purchased in whole or in part by the FHLMC exceeds \$1,000.00.

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Section 10. No Obligation to Cure Default. Any Institutional Holder of a First Mortgage who acquires title by foreclosure or deed in lieu of foreclosure shall not be obligated to cure any breach of this Declaration which is noncurable or of a type which is not practical or feasible to cure.

Section 11. Information. Any Institutional Holder of a First Mortgage is authorized to furnish information to the Board of Directors concerning the status of any loan encumbering a Condominium.

Section 12. Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions contained in this Declaration, nor the enforcement of any lien provisions created herein, shall affect, impair, defeat or render invalid the lien of any first mortgage or first deed of trust made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Condominium.

Section 13. FHLMC Insurance Requirements. If any loan secured by a First Mortgage encumbering a Condominium is owned by the Federal Home Loan Mortgage Corporation ("FHLMC") or its successors or assigns or is tendered to FHLMC or its successors or assigns for purchase, the Association and the Owners shall obtain and maintain in full force and effect all insurance coverages which may at any time and from time to time be required by FHLMC or its successors or assigns and shall otherwise comply in all respects with all insurance requirements of FHLMC which may be in effect at any time and from time to time.

Section 14. Payment of Taxes or Premiums by Institutional Holders of Mortgages. Institutional Holders of Mortgages may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the

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Common Area, unless such taxes or charges are separately assessed against the Owners, in which case the rights of Institutional Holders of Mortgages shall be governed by the provisions of their Mortgages. Institutional Holders of Mortgages may, jointly or singly, also pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area and the Institutional Holder of a Mortgage making such payments shall be owed immediate reimbursement therefor from the Association.

Section 15. Priority of this Article. If there is any conflict between any provision of this Article and any other provision in this Declaration, the provisions contained in this Article shall control.

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XIV

ENFORCEMENT OF BONDED OBLIGATIONS

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

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

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

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after receipt by the Board of a petition for such meeting, signed by Members representing five percent (5%) or more of the total voting power of the Association.

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

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XV

DESTRUCTION OF IMPROVEMENTS

Section 1. Restoration of Project. Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Project, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to this Declaration shall be used for such purpose, unless otherwise provided herein. The Board of Directors shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Project shall be reconstructed or rebuilt substantially in accordance with the Condominium Plan and the original construction plans if they are available, unless changes recommended by the Board have been approved in writing by seventy-five percent (75%) of the voting power of the Association. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Reconstruction Assessment of the Owners may be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. The Owner of each Unit shall be levied a percentage of the total Reconstruction Assessment upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of floor area of all Units to be assessed. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be less than eighty-five percent (85%) of the estimated cost of restoration and repair, the Owners entitled to vote, in person or by proxy, at a duly constituted

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meeting of the Members of the Association shall, by the vote of not less than seventy-five percent (75%) of the total voting power of the Association, together with the approval of seventy-five percent (75%) of the Institutional Holders of first Mortgages upon Units in the Project, determine whether the Association shall be authorized not to proceed with such restoration and repair. In the event of a determination by the Owners and the Institutional Holders of Mortgages as provided above that the cost of such restoration and repair would be substantial and that it would not be in their best interests to proceed with the same, the Owners may, at their discretion, proceed as provided in Section 2 below.

Section 2. Sale of Project. A certificate of the resolution authorizing such reconstruction shall be filed with the Orange County Recorder within six (6) months from the date of such destruction and in the event of a failure to record such certificate within said period, it shall be conclusively presumed that the Owners have determined not to rebuild said improvements. The net proceeds, if any, of insurance carried by the Association on the Project shall be distributed among the Owners and the individual lenders by the Board as their respective interest may appear; provided that the balance then due on any valid encumbrance of record shall be first paid in order of priority, before the distribution of any proceeds to an Owner whose Unit is so encumbered. The proportionate interest of the Owners of the respective Condominiums sharing in any such award shall be based upon the respective fair market value that each of the Condominiums bears to the total fair market value of all of the Condominiums in the Project sharing in the distribution. The proportionate value of the Owners of the respective Condominiums for purposes of this Section shall be based upon the respective fair market value of each Unit at the time of the destruction as

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determined by the Board based on an appraisal prepared by an appraiser who is an M.A.I., member of the American Institute of Real Estate Appraisers.

Section 3. Right to Partition. No Owner shall have the right to partition of his interest in his Unit and there shall be no judicial partition of the Project, or any part thereof; except that in the event that a certificate of a resolution to rebuild or restore has not been recorded as provided above, within six (6) months from the date of any partial or total destruction, or if restoration has not actually commenced within said period, then conditions for partition as set forth in Section 1359 of the California Civil Code shall be deemed to have been satisfied. Nothing herein shall be deemed to prevent the partition of a co-tenancy in any Unit. Except as provided above, each Owner and the successors of each Owner, whether by deed, gift, devise, or by operation of law, for their own benefit and for the Units and for the benefits of all other Owners, specifically waive and abandon all rights, interests and causes of action for a judicial partition of the tenancy in common ownership of the Project and do further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment.

Section 4. Interior Damage. Restoration and repair of any damage to the interior of any individual Unit, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of each Owner of the Unit so damaged. In the event of a determination to rebuild the Project after partial or total destruction, as provided in this Article, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee, as provided herein.

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Section 5. Notice to Unit Owners and Institutional Holders of First Mortgages. The Board of Directors, immediately upon having knowledge of any damage or destruction to the Project, the Units, the Common Areas, or any portion thereof, shall promptly notify all affected Owners, all affected Institutional Holders of First Mortgages on Units in the Project, and all other affected mortgagees who have filed a written request for such notice with the Board of Directors. In the event of a determination to rebuild the Project after partial or total destruction as provided in this Article, the number of Units in the Project as rebuilt may not exceed the number of Units as shown on the Condominium Plan.

Section 5. Amendment of Condominium Plan. In the event that reconstruction is to take place pursuant to this Article, the Board shall have the power to record an amendment to the Condominium Plan so that the Units conform to the Units as designed to be reconstructed; provided, however, the Board shall not file an amendment to the Condominium Plan without the prior authorization of the Institutional Holder of a First Mortgage encumbering any Unit, the plan of which shall be altered by such amendment. In the event that the Board, together with said Mortgagees, if appropriate, decide to record such amendment to the Condominium Plan, all Owners within the Project and the Institutional Holders of First Mortgages in the Project shall execute and acknowledge said amendment so that it will comply with Section 1351 of the California Civil Code or any similar statute then in effect. The Owners and Institutional Holders of First Mortgages shall also execute such other documents or take such other actions as required to make such amendment effective.

XVI

EMINENT DOMAIN

Section 1. Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of the Project.

Section 2. Representation by Board in Condemnation Proceeding. In the event of a taking, the Board shall, subject to the right of all Institutional Holders of First Mortgages who have requested the right to join the Board in the proceedings, represent all of the Members in an action to recover all awards. No Member shall challenge the good faith exercise of the discretion of the Board in fulfilling its duties under this Article. The Board is further empowered, subject to the limitations herein, as the sole representative of the Members, in all aspects of condemnation proceedings not specifically covered herein.

Section 3. Award for Condominium. In the event of a taking of Condominiums, the Board shall distribute the award forthcoming from the taking authority according to the provisions of this Section after deducting therefrom fees and expenses related to the condemnation proceeding including, without limitation, fees for attorneys and appraisers and court costs. In the event that the taking is by judgment of condemnation and said judgment apportions the award among the Owners and their respective Institutional Holders of First Mortgages, the Board shall distribute the amount remaining after such deductions among such Owners and Institutional Holders of First Mortgages on the allocation basis set forth in such judgment. In the event that the taking is by sale under threat of condemnation, or if the judgment of condemnation fails to apportion the award, the Board shall distribute the award among the Owners based upon the

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proportionate fair market value that each of the Condominiums bears to the total fair market value of all of the Condominiums in the Project. The value of the respective Condominiums for purposes of this Section shall be based upon the relative estimated value of each Unit as determined by the Board based on an appraisal prepared by an appraiser who is an M.A.I., member of the American Institute of Real Estate Appraisers. Nothing contained herein shall entitle an Owner to priority over Institutional Holders of the First Mortgage on his Condominium as to the portion of the condemnation award allocated to his Condominium. In no event shall any portion of such award be distributed by the Board to an Owner and/or the Institutional Holder of a First Mortgage on his Condominium in a total amount greater than the portion allocated hereunder to such Condominium.

Section 4. Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 5. Revival of Right to Partition. Upon a taking which renders more than fifty percent (50%) of the Condominiums in any Project incapable of being restored to at least ninety-five percent (95%) of their floor area and substantially their condition prior to the taking, the right of any Owner within such Project to partition through legal action as described in the Article hereof entitled "Partition" shall forthwith revive. The determination as to whether Condominiums partially taken are capable of being so restored shall be made by the Board, whose decision shall be final and binding on all Owners and Institutional Holders of First Mortgages.

Section 6. Awards for Members' Personal Property and Relocation Allowances. Where all or part of the Property is taken, each Member shall have the exclusive right to claim all of

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the award made for his personal property, and any relocation, moving expense, or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, the Board shall represent each Member in an action to recover all awards with respect to such portion, if any, of Members' personal property as is at the time of any taking, as a matter of law, part of the real estate comprising any Condominium, and shall allocate to such Member so much of any awards as is attributable in the taking proceedings, or failing such attribution, attributable by the Board to such portion of Members' personal property.

Section 7. Notice to Members. The Board, immediately upon having knowledge of any taking or threat thereof with respect to the Property, or any portion thereof, shall promptly notify all Members.

Section 8. Change of Condominium Interest. In the event of a taking, the Board may amend the Condominium Plan to reflect the change in the Project affected by a taking. In the event that the Board decides to record such amendment to the Condominium Plan, all Owners within such Project or Projects and the record holders of all security interests in such Project or Projects shall execute and acknowledge said amendment so that it will comply with Section 1351 of the California Civil Code or any similar statute then in effect. Said Owners and Institutional Holders of First Mortgages shall also execute such other documents or take such other actions as required to make such amendment effective. The Board shall cause a notice of change in the Condominium Plan to be sent to each Owner and Institutional Holder of a First Mortgage in the Project within ten (10) days of the filing of such amendments in the County Recorder's Office of Orange County, California.

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XVII

EASEMENTS

Section 1. Utility Easements. Easements over the Project for the installation and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities, and for drainage facilities as shown on the recorded map of the Property, and as may be hereafter required or needed to service the Project are hereby created by Declarant for the benefit of each Owner and the Association.

Section 2. Encroachment Easement. The Declarant, its successors and assigns, and all future Owners of Condominiums, by acceptance of their respective deeds, covenant and agree as follows:

(a) If any portion of the Common Area encroaches upon the Units, a valid easement into the Unit in order to accommodate the encroachment and for the maintenance of same, so long as it stands, shall and does exist. In the event a Unit is partially or totally destroyed, and then rebuilt, the Owners of Units agree that minor encroachments of parts of the Unit into the Common Area due to construction shall be permitted and that valid easements for said encroachment and the maintenance thereof shall exist.

(b) The Common Area and each Unit are and shall always be subject to easements for minor encroachments thereon of the Unit or the Common Area as a result of construction, reconstruction, repairs, shifting, settlement or movement of any portion of the Project, and a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

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Section 3. Common Area Easements. Each Unit within the Property subject to this Declaration is hereby declared to have an easement over all of the Common Area, for the benefit of the Units, the Owners of the Units, and each of them, and for their respective families, guests, invitees, tenants and contract purchasers, for all of the purposes and uses hereinabove set forth, and without limiting the generality of the foregoing, for ingress and egress over and through the Common Area.

Section 4. Utilities. Wherever sewer connections, water connections, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Property, the Owners of Units served by such connections, lines or facilities shall have an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service his Unit, and to enter upon the Units owned by others, or to have utility companies enter upon the Units owned by others, in or upon which said connections, lines or facilities, or any portion thereof lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below, provided that such Owner or utility company shall promptly repair any damage to a Unit caused by such entry as promptly as possible after completion of work thereon.

Section 5. Construction and Sales Easements. There is hereby reserved to Declarant, together with the right to grant and transfer the same to Declarant's sales agents and representatives and prospective purchasers of Units, over the Project as the same may from time to time exist, easements for construction, display, maintenance, sales and exhibit purposes in connection with the erection and sale or lease of Units within the Project; provided, however, that such use shall not be for a period beyond the earlier of (i) seven (7) years from the conveyance of the first Unit by Declarant or (ii) the sale by

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Declarant of all Units within the Project, and provided further that no such use by Declarant and others shall otherwise restrict the Members in the reasonable use and enjoyment of the Project.

Section 6. Establishment of Easements. Each of the easements provided for in this Declaration shall be deemed to be established upon the recordation of this Declaration, and shall thenceforth be deemed to be covenants running with the land for the use and benefit of all of the Units and the Common Area, as the case may be, superior to all other encumbrances applied against or in favor of any portion of the Property which is the subject of this Declaration. In furtherance of the easements provided for in this Declaration, the individual deeds to Units may, but shall not be required to, set forth said easements.

Section 7. Air Conditioning Easements. All air conditioning units installed by an owner within the Project adjacent to a Unit shall be the property of the Owner and shall be installed only in areas approved by the Board of Directors and the Architectural Committee. An easement over the Common Area is hereby created where the air conditioning unit is installed outside the Condominium Unit. Each Owner shall bear full responsibility for the cost of maintaining his air conditioning unit.

XVIII

ANNEXATION

Section 1. Annexation With Consent. Additional Units and Common Area may be annexed to the Property with the written consent of not less than 66-2/3% of the total voting power of the Association residing in Association members other than the Declarant unless the proposed annexation is in substantial conformance with a detailed plan submitted to the Department of Real Estate with the application for a public report for the first phase of the Project as set forth below.

Section 2. Annexation Without Consent. If, at any time within the third anniversary date of the issuance of the original public report for the immediately preceding phase of the Project, the Declarant should develop additional lands within Lots 2, 3, 4, 5, 6, 7 or 8 of Tract No. 12371, as per map recorded in Book 557, Pages 7 through 10 of Miscellaneous Maps, Records of Orange County, California, such additional lands may be annexed to the Project without the assent of the Class A members and be made subject to the Declaration and thereby become subject to the jurisdiction of the Association; provided, however, that the development of the additional lands described in this Section shall be in accordance with the general plan set forth in this Article. Detailed plans for the development of additional lands must be submitted to and approved by the California Department of Real Estate and Veterans Administration prior to such development of additional lands. If either the California Department of Real Estate or the Veterans Administration determines that such detailed plans are not in accordance with the general plan on file and such agency so advises the Association and the Declarant, the annexation of the additional lands must be in accordance with Section 1 immediately above. A supplementary Declaration of

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Covenants, Conditions and Restrictions as described hereinafter in Section 3 of this Article, covering the real property or portions thereof described above, shall be executed and recorded by the Owner of such property to be annexed.

Section 3. Supplementary Declaration. The additions authorized under the foregoing section shall be made by filing of record a Supplementary Declaration of Covenants, Conditions and Restrictions, or similar instrument, with respect to the additional property which shall extend the plan of this Declaration to such property. Such Supplementary Declarations contemplated above may contain such complementary additions or modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration revoke, modify or add to the covenants established by this Declaration within the existing Property, except as hereinafter otherwise provided. The closing of the first escrow within a particular phase or increment for which a Supplementary Declaration has been recorded, shall constitute and effectuate the annexation of the said real property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of BRIAR OAKS HOMEOWNERS ASSOCIATION, and thereafter all of the Owners of the Units located on said real property shall be Members of BRIAR OAKS HOMEOWNERS ASSOCIATION, in accordance with the terms and provisions of this Declaration and such Supplementary Declaration. Upon such annexation all Owners of Units within such annexed real property shall have an equal right to the use of all of the Common Areas within the Project. Nothing herein shall

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obligate Declarant to annex to the Project all or any portion of the Units described in Section 2 above and any decision to effect such annexation shall be in the sole discretion of Declarant.

Section 4. Effective Date of Annexation.

Notwithstanding anything to the contrary as may be contained herein, any annexation pursuant to the provisions of this Article shall only be effective upon the close of the first escrow within each particular phase or increment for which there has been recorded a Supplementary Declaration pursuant to the provisions of this Declaration or upon the commencement of assessments pursuant to the provisions of this Declaration, whichever is first to occur.

Section 5. Commitment by Declarant to Pay

Assessments. Declarant for itself and its successors and assigns covenan : and agrees to pay to the Association, concurrently with the closing of the escrow for the first sale of a Unit in an annexed phase, appropriate amounts for reserves for replacement or deferred maintenance of Common Area improvements in the annexed phase necessitated by or arising out of the use and occupancy of the Units in such annexed phase under a rental program conducted by the Declarant which has been in effect for a period of at least one year as of the date of closing of escrow for the first sale of a Unit in the annexed phase.

Section 6. Deannexation by Declarant. Declarant may delete all or a portion of any real property annexed to the Property from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such annexed real property, and provided that (a) a Declaration of Deannexation is recorded in the Office of the Orange County Recorder in the same manner as the applicable Supplementary Declaration was recorded; (b) Declarant has not exercised any Association vote with respect to any portion of such annexed real

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property; (c) assessments have not yet commenced with respect to any portion of such annexed real property; (d) no escrow has closed for the sale of any Unit in any portion of such annexed real property to the public; (e) the Association has not made any expenditures or incurred any obligations with respect to any portion of such annexed real property; and (f) a draft of the Declaration of Deannexation is submitted to and approved by the Veterans Administration prior to recordation.

Section 7. Reciprocal Cross-Easements. Subject to annexation of additional property as set forth in Section 2:

(a) Declarant hereby reserves for the benefit of and appurtenant to the Condominiums hereafter located on Phases 2 through 6, and their respective Owners, non-exclusive easements to use the Common Area (other than any buildings or Exclusive Use Common Area) in the Property pursuant to and in a manner set forth in this Declaration, to the same extent and with the same effect as if each of the owners of a Condominium in Phases 2 through 6 owned an undivided interest in the Common Area of the Property.

(b) Declarant hereby grants for the benefit of and appurtenant to each Condominium in the Property, and their Owners, a non-exclusive easement to use the Common Area (other than any buildings or Exclusive Use Common Area) in Phases 2 through 6, pursuant to the provisions of and in the manner prescribed by this Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in the Property owned an undivided interest in the Common Area of the Property so annexed.

These reciprocal cross-easements shall be effective as to each phase, and as to the Property only at such time as each phase has been annexed by the recordation of a Declaration of Annexation or a separate Declaration of Covenants, Conditions and Restrictions by Declarant. Prior to such action, neither the

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Property nor Phases 2 through 6 shall be affected by these
reciprocal cross-assessments nor shall the owners in Phases 2
through 6 have such rights in the Common Area within the Property.

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XIX

COMPLIANCE WITH CIVIL CODE SECTION 1365

Section 1. Budgets and Financial Statements. The Board of Directors of the Association shall have the below described financial information of the Association regularly prepared and distributed to all Members of the Association as provided herein regardless of the number of Members or the amount of assets of the Association:

(a) A pro forma operating budget for each fiscal year of the Association which shall include at least the following information shall be distributed no more than sixty (60) days and not less than forty-five (45) days prior to the beginning of the fiscal year of the Association:

(i) Estimated revenue and expenses on an accrual basis;

(ii) The amount of the total cash reserves of the Association currently available for replacement or major repair of Common Area facilities and for contingencies;

(iii) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Common Areas and facilities for which the Association is responsible; and

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

(b) A balance sheet - as of a designated accounting date which shall be the last day of the month closest in time to six (6) months from the date of closing of escrow representing the first sale of a Unit in the Property - and an

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operating statement for the period from the date of the first closing to the designated accounting date, shall be distributed to each Member within sixty (60) days after the designated accounting date. This operating statement shall include a schedule of assessments received and receivables identified by the Unit within the Property and the name of the person or entity assessed therefor.

(c) An annual report which shall consist of at least the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year of the Association:

(i) A balance sheet as of the end of the fiscal year;

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

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

(iv) For any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00), a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy. Such financial report shall include any information required to be reported under Section 8322 of the California Corporations Code.

Section 2. Certification of Report. If the report referred to in subsection (c) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

Section 3. Policies on Remedies. In addition to financial statements, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the

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fiscal year of the Association a statement of the Association's policies and practices in enforcing its lien rights and other legal remedies against Members for defaults in the payment of regular and Special Assessments including the recording and foreclosing of liens against Members' Units.

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PARKING PLAN

Section 1. Parking Plan. Included as a part of the Condominium Plan for each Phase of the Project is a parking plan which describes and depicts the covered parking spaces (Garage Air Spaces) within each Phase of the Project. Each Owner within the Project shall own and have the right to the exclusive use of one (1) covered parking space within the Project as shown on the recorded Condominium Plan for that Phase of the Project. Attached hereto as Exhibit "B" is a parking plan which depicts the open parking spaces within the first Phase of the Project. For each Unit located in a subsequent Phase of the Project, a parking plan depicting the open parking for that Phase shall be attached to the Supplementary Declaration to be recorded for that Phase. The Owners of certain of the Units within each Phase of the Project shall have the right to the use of one (1) uncovered parking space as may, from time to time, be assigned and/or reassigned by the Board of Directors of the Association. All assignments and/or reassignments shall be subject to the sole but reasonable discretion of the Board. The Board shall administer the assignment and/or reassignment of the open parking spaces taking into consideration the needs of each individual Owner and the best interests of all of the Owners within the Project.

Section 2. Parking - Ingress and Egress Easement. There is hereby created for the benefit of each Owner a nonexclusive easement for vehicular ingress and egress over and through any part of the Project as may be required in order to gain access to the uncovered parking spaces within the Project. Such nonexclusive easement shall be effective as to each Phase and as to the Property only at such time as each Phase has been

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annexed by recordation of a Supplementary Declaration or a separate Declaration of Covenants, Conditions and Restrictions by Declarant.

Section 3. Use. The use of the open parking spaces shall be subject to the reasonable regulation of the Association acting through its Board of Directors.

Section 4. Unassigned Guest Parking. Notwithstanding anything to the contrary which may be contained in this Declaration, at such time as the final Phase of the Project has been constructed by Declarant, the Board of Directors of the Association shall maintain not less than forty-three (43) open parking spaces to be used exclusively for guest parking.

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ENFORCEMENT BY CITY

Section 1. Maintenance of Common Areas. In the event that any portion of the Common Area, including, but not limited to, landscaping and recreational facilities, shall not be preserved and maintained in a safe condition and in a state of good repair, the City may, after giving notice as described below, cause (i) the necessary work of maintenance or repair to be accomplished, and (ii) the cost thereof to be assessed against each Owner of a Unit subject to this Declaration.

Section 2. Due Process. The notice that is referred to above shall be in writing and mailed to all Owners whose names and addresses appear on the then current role of Members of the Association kept by the secretary of the Association or whose names appear as Owners of record with the County Recorder's Office of the County of Orange. The City shall also cause at least one copy of such notice to be posted in a conspicuous place within the Property and shall also cause one copy of such notice to be mailed to the Association at the Property. Said notice shall specify the action required to be done and shall state that if such work is not commenced within ten (10) days after receipt of such notice and diligently and without interruption prosecuted to completion, the City may cause such action or work to be done, in which case the cost and expense of such action or work, including incidental expenses, filing fees, title company charges, miscellaneous foreclosure charges and reasonable attorneys' fees incurred by the City will be added to the cost of such work.

Section 3. Levy of Special Assessment. Following the completion of such work or payment for such work by the City, the City shall determine the total cost of such work or payment, including incidental costs, filing fees, title company charges,

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foreclosure costs and reasonable attorneys' fees, and shall deliver to the Association a written statement setting forth such costs and the total thereof. Within fifteen (15) days following receipt by the Board of such written statement, the Board shall levy a Special Assessment for the purpose of paying such costs. In the event the Association shall fail to levy such Special Assessment in the aforementioned period of time, the City, as a beneficiary of this Declaration on the part of the Declarant and on the part of each Owner and all successors in interest and as an agent for the Association and in the name of the Association, may do any of the following:

- (a) Do or perform any act the Association may do or perform;
- (b) In the event the Association fails to do so at the time specified herein and in its By-Laws, the City may, without otherwise complying with the provisions of this Declaration and said By-Laws, fix a Special Assessment against each unit, pursuant to the provisions of Article VI of this Declaration;
- (c) If the City, in its discretion, determines the Association is not diligently attempting to collect the amount owing the Association, the City may, as the agent and in the name of the Association, take any such legal steps to collect such amounts, by action of law as the City may determine to be necessary in each individual case; and
- (d) If the City takes any steps not involving court proceedings to collect any sums which should be paid to the Association as provided for in this Declaration, the City may fix the amount of reasonable attorneys' fees in each case and the amount of attorneys' fees so fixed shall be binding upon the Owners.

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In the event the City shall exercise any of the remedies afforded to it under the preceding sections, any sums recovered from such suit or foreclosure sale or judicial foreclosure proceedings shall be applied first to cover the City's cost of suit or foreclosure, including, but not limited to, filing fees, title company charges, miscellaneous foreclosure charges and reasonable attorneys' fees. The balance of any sums so recovered shall then be applied against any amount which is then lawfully owing to the City or other public entities. All remaining sums shall belong to the Association.

Section 4. Consent of the City to Amendments.

Notwithstanding anything in this Declaration to the contrary, this Article of the Declaration shall not be amended without the written consent of the City duly recorded in the County Recorder's Office.

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XXII

GENERAL CONDITIONS

Section 1. Enforcement of Restrictions. The Association and each Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration or any amendment thereto; and the Association's Articles of Incorporation and By-Laws; provided, however, that with respect to assessment liens, the Association shall have the exclusive right to the enforcement thereof. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability of Covenants. 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. Terms of Declaration. The covenants and restrictions of this Declaration shall run with and bind the Property and the Project, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns until December 31, 2046, after which time said covenants, conditions and restrictions shall automatically be extended for successive periods of ten (10) years, unless an instrument, signed by a majority of the then Owners of the Condominiums, has been recorded, agreeing to terminate said covenants, conditions and restrictions in whole or in part.

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Section 4. Construction of Declaration. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a Condominium residential community and for the maintenance of the community recreational facilities and Common Areas. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 5. Amendments. Subject to the rights of lenders as set forth in the Article hereof entitled "Rights of Institutional Holders of First Mortgages," this Declaration of Covenants, Conditions and Restrictions may be amended only by the affirmative assent or vote of both (i) seventy-five percent (75%) of the voting power of the Association, including the voting power of the Declarant, and (ii) seventy-five percent (75%) of the voting power of Members other than Declarant; provided, however, that the percentage of voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause; provided further, if the two-class voting structure as provided by this Declaration is still in effect, this Declaration may not be amended without the vote or written assent of seventy-five percent (75%) of the voting power of each class of Members. This amendment provision shall not be amended to allow amendments by the assent or vote of less than the prescribed percentage of voting power required for amendments hereof, provided, however, that in compliance with California Civil Code Section 1356(a), the Board of Directors of the Association or any Owner of a Unit may petition the Superior Court of Orange County for an order reducing the percentage of the affirmative votes necessary for such an amendment. An amendment or modification shall be effective when executed by the President and Secretary of the Association who

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shall certify that the amendment or modification has been approved as hereinabove provided, and recorded in the Official Records of Orange County, California.

Section 6. Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, any other committees of the Association or any member of such Board or committee shall be liable to any Member of the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

Section 7. Violation of Declaration. The result of every act or omission, whereby any provision, condition, restriction, covenant, easement or reservation contained in this Declaration is violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance shall be applicable against every such result, and may be exercised by the Architectural Committee and the Association. Such remedy shall be deemed cumulative and not exclusive.

Section 8. Conflicts. In case of any conflict between this Declaration and the Articles of Incorporation or By-Laws of the Association, this Declaration shall control.

Section 9. Common Plan Declaration. The covenants, conditions and restrictions set forth in this Declaration constitute a general scheme for the development, protection and maintenance of the property to enhance the value, desirability and attractiveness of the Condominiums for the benefit of all Owners of Condominiums therein. By acceptance of a deed or by acquiring any ownership interest in any Condominium subject to this

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Declaration, each person or entity, for himself or itself, his heirs, personal representatives, successors, transferees and assigns, agrees to be subject to all of the provisions, restrictions, covenants, conditions, rules and regulations now or hereafter imposed by this Declaration and any amendments thereof. In addition, each such person by so doing thereby acknowledges that this Declaration sets forth a general scheme for the improvement and development of the Property covered hereby, and hereby evidences his intent that all the restrictions, conditions, covenants, rules and regulations contained herein shall run with the land and be binding on all subsequent and future Owners, grantees, purchasers, assignees, and transferees thereof. Furthermore, each such person fully understands and acknowledges that this Declaration shall be mutually beneficial, prohibitive and enforceable by the various subsequent and future Owners.

Section 10. FHA and VA Approval. As long as there is a Class B membership, the following actions will require the prior approval of the Federal Housing Administration and the Veterans Administration: Annexation or deannexation of additional properties, mergers or consolidations of the Association, dedication or mortgaging of the Common Area, Special Assessments, and any amendment to this Declaration. A draft of any Amendment to the Declaration must be submitted to and approved by the Veterans Administration prior to recordation of the Amendment.

5/16/86

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IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereto set its hand this 5th day of September, 1986.

BRIAR OAKS, LTD.,
a California limited partnership

By: SANDLING ENTERPRISES, INC.,
a California corporation,
a General Partner

By [Signature]
E. A. Sandling, President
By _____

STATE OF CALIFORNIA
COUNTY OF Orange ss.

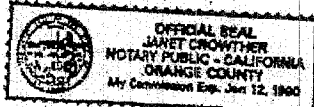
On September 5, 1986 before me, the undersigned, a Notary Public in and for said State, personally appeared E. A. Sandling and

_____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as _____ President and _____ Secretary, on behalf of

Sandling Enterprises, Inc.
the corporation therein named and acknowledged to me that said corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors, said corporation being known to me to be one of the partners of

Briar Oaks Ltd.
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.
Signature [Signature]



(This area for official notarial seal)

30085 (Witness for Corporation as Partner of Partnership)
First American Title Company

EXHIBIT "A"

ONSITE PRIVATE DRAINAGE FACILITIES
AND OFFSITE PRIVATE STORM DRAIN SYSTEM

The Association shall be obligated to maintain all onsite private drainage facilities located on or within the Property, and in addition, the Association shall also be obligated to maintain the offsite private storm drain system that services the Property, as more particularly described in the following agreements, all of the terms and provisions of which are incorporated herein by this reference:

(1) That certain Grant of Easement and Agreement Between Landowners, dated February 11, 1986, and recorded on March 3, 1986 as Instrument No. 86-082697, in the Official Records of Orange County, California;

(2) That certain Landowners Maintenance Agreement, to be recorded in the Official Records of Orange County, California, which shall be in the form attached hereto as Exhibit "A-1"; and

(3) That certain Grant of Easement and Agreement Between Landowners, dated August 27, 1986, to be recorded in the Official Records of Orange County, California, which shall be in the form attached hereto as Exhibit "A-2."

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

City of Stanton

Attn: _____

LANDOWNERS MAINTENANCE AGREEMENT

(California Civil Code Section 1468)

THIS LANDOWNERS MAINTENANCE AGREEMENT (the "Agreement")
is made and entered into this ____ day of _____,
1986, by and between BRIAR OAKS LTD., A CALIFORNIA LIMITED
PARTNERSHIP (hereinafter referred to as "Covenantors") and the
CITY OF STANTON (hereinafter referred to as "City").

WHEREAS, on _____, 19____, City approved
Tentative Tract Map No. 12371 upon certain conditions, _____

and

WHEREAS, said approval allowed the construction of 210
condominium units and appurtenant facilities upon certain real
property (the "Covenantors' Land"), which is owned by the
Covenantors, and which is more particularly described on Exhibit
"1" attached hereto; and

WHEREAS, to effect a proper drainage system, Covenantors
have proposed the installation of a storm drain across certain
real property (the "Covenantees' Land"), the owners of which are
referred to herein as the "Covenantees", and which is more
particularly described an Exhibit "2" attached hereto; and

WHEREAS, a condition of approval by the City Engineer of
the City of Stanton is that an appropriate agreement be executed
to guarantee the maintenance of said storm drain in perpetuity;
and

86-423399

WHEREAS, it is the desire and intent of the parties that the obligation of maintaining said storm drain should be borne by Covenantors and their successors and assigns;

NOW, THEREFORE, in consideration of the foregoing and the mutual terms, covenants and conditions contained herein and pursuant to the terms of California Civil Code Section 1468, the parties do hereby agree as follows:

1. Covenantors do hereby bind themselves and all successive owners of the Covenantors' Land to forever maintain the above-described storm drain for the benefit of Covenantees' Land as herein described; provided, however, that from and after the date that all or any portion of the Covenantors' Land is conveyed by Covenantors to the Briar Oaks Homeowners Association, all rights and obligations of the Covenantors under this Agreement shall inure solely to the benefit of and shall be binding solely upon the Briar Oaks Homeowners Association and its successors pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions for Tract No. 12371 to be recorded by Covenantors for the benefit of Covenantors' Land.

2. In the event said storm drain is ever damaged or fails in any respect to operate efficiently to accept and discharge all normal surface runoff from the Covenantors' Land, Covenantors or their successors, as provided above, will immediately cause such maintenance, repair or replacement of said storm drain to be made as will cause said storm drain to properly function.

3. In the event Covenantors or their successors, as provided above, shall fail to take appropriate remedial steps with respect to said storm drain within thirty (30) days after being notified to do so in writing by City, City may cause such steps to be taken as in its judgment are necessary to reinstate said storm drain in satisfactory operating condition and may and shall cause the cost thereof to be collected from Covenantors or their

successors, as provided above, and/or may and shall cause the cost thereof to be made a lien against said Covenantors' Land.

4. Covenantors hereby agree to indemnify and hold City harmless from liability for damages to persons or property resulting from any failure of said storm drain; provided, however, that Covenantors shall have no obligation to indemnify or hold City harmless hereunder from liability for damages resulting from any failure of said storm drain caused by the maintenance, repair or replacement of said storm drain by City.

5. This Agreement is expressly made by Covenantors on behalf of Covenantors' Land for the benefit of Covenantees and their successors in interest with respect to Covenantees' Land.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed, the City by its appropriate officers first duly authorized, as of the date first set forth hereinabove.

BRIAR OAKS LTD., A CALIFORNIA LIMITED PARTNERSHIP

By: Sandling Enterprises, Inc.,
a California corporation,
its general partner

By: _____
Its: _____

By: _____
Its: _____

"Covenantors"

CITY OF STANTON

By: _____

Its: _____

"City"

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____, 19____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument as the _____ President, and _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as the _____ Secretary of Sandling Enterprises, Inc., the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors, said corporation being known to me to be the general partner of Briar Oaks Ltd., a California Limited Partnership, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such partnership executed the same.

WITNESS my hand and official seal.

Notary Public

(Seal)

STATE OF CALIFORNIA }
COUNTY OF _____ } SS.

On _____, 19____, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed this instrument as _____ of the City of Stanton and acknowledged to me that the City of Stanton executed the same.

WITNESS my hand and official seal.

Notary Public

(Seal)

86-42399

EXHIBIT "1"

COVENANTORS' LAND

Lots _____ of Tract No. 12371, as per map recorded in Book _____
Pages _____ through _____ of Miscellaneous Maps, Records of
Orange County, California.

86-423399

EXHIBIT "2"

COVENANTEES' LAND

Lot 76 of Tract No. 2147 in the City of Stanton, County of Orange, State of California, as per map recorded in Book 109, Pages 21 through 23 of Miscellaneous Maps, Records of said County, also described as 7720 Cody, Stanton, California.

Lot 80 of Tract No. 2147 in the City of Stanton, County of Orange, State of California, as per map recorded in Book 109, Pages 21 through 23 of Miscellaneous Maps, Records of said County, also described as 10360 Hickok, Stanton, California.

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

Palmieri, Tylar, Wiener & Wilhelm (WAW)
4000 MacArthur Boulevard
East Tower, Suite 1000
Newport Beach, California 92660

The undersigned Grantee hereby declares:

Documentary Transfer Tax is \$ NONE.
Consideration less than \$100.00.

GRANT OF EASEMENT AND AGREEMENT BETWEEN LANDOWNERS
(California Civil Code Section 1468)

THIS GRANT OF EASEMENT AND AGREEMENT BETWEEN LANDOWNERS ("Agreement") is made and entered into as of the 27th day of August, 1986, between Briar Oaks Ltd., a California Limited Partnership ("Grantor") and Briar Oaks Homeowners Association, a California Nonprofit Mutual Benefit corporation ("Grantee").

WHEREAS, Grantor is the owner of certain real property located in the City of Stanton, County of Orange, State of California, commonly known as 10360 Hickok Road, Stanton, California, and more particularly described on Exhibit "A" attached hereto (the "Servient Tenement"); and

WHEREAS, Grantee is prospectively the owner of all or part of that certain real property located in the City of Stanton, County of Orange, State of California, more particularly described on Exhibit "B" attached hereto (the "Dominant Tenement"); and

WHEREAS, Grantor desires to convey and Grantee desires to acquire certain rights in the Servient Tenement for the benefit of the Dominant Tenement; and

WHEREAS, Grantor and Grantee desire to create certain rights and obligations pursuant to Section 1468 of the California Civil Code;

NOW, THEREFORE, in consideration of the mutual promises contained herein, Grantor and Grantee agree as follows:

1. Grant of Easement. Grantor hereby grants to Grantee an easement upon all of the terms and conditions set forth herein.

2. Character of Easement. The easement granted herein is an easement in gross.

3. Description of Easement. The easement granted herein is an easement and right of way to install, construct, use, maintain, operate, alter, add to, repair, replace, reconstruct, inspect, and remove at any time and from time to time underground storm drain systems and underground drainage systems (hereinafter referred to as "Systems").

4. Easement Area. The location of the easement granted herein is described on Exhibit "C" attached hereto and delineated on the plat attached hereto as Exhibit "D" (the "Easement Area").

5. Nonexclusiveness of Easement. The easement granted herein is nonexclusive.

6. Secondary Easements. The easement granted herein includes all rights that are related or incidental thereto, including, but not limited to, such incidental rights as ingress and egress to the Easement Area over any portion of the Servient Tenement, and the right to maintain, repair and replace said Systems.

7. Rights and Obligations of Grantor. The Grantor agrees, for itself, its successors and assigns, not to erect, place or maintain, nor to permit the erection, placement or maintenance of any building, planter box, earth fill or any other structures on any portion of the Easement Area that would endanger or interfere with said Systems without the prior written consent of the Grantee, which consent shall not be unreasonably withheld.

8. Rights and Obligations of Grantee. The Grantee, and its contractors, agents and employees, shall have the right to remove any trees, plants or landscaping and to make excavations with respect to said Systems, to trim or cut tree roots and plant roots as may endanger or interfere with said Systems, and to have full access to said Systems and every part thereof, at all times, for the purpose of exercising the rights granted in this Agreement.

9. Affected and Benefited Land. The land ("Affected Land") affected by the covenants contained in this Agreement is the Servient Tenement and the Dominant Tenement. The land ("Benefited Land") benefited by the covenants contained in this Agreement is the Servient Tenement and the Dominant Tenement.

10. Persons Bound by This Agreement. Each successive owner of the Affected Land or any portion thereof and each person having any interest therein derived through any such owner shall be bound during the period of his or her or its ownership by the covenants contained in this Agreement for the benefit of the Benefited Land. Notwithstanding the foregoing, Grantor and Grantee hereby agree that, from and after the date that all or any part of the Dominant Tenement is conveyed to Briar Oaks Homeowners Association, all rights and obligations of the Grantee hereunder shall inure solely to the benefit of and shall be binding solely upon the Briar Oaks Homeowners Association pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions for Tract No. 12371 to be recorded for the benefit of the Dominant Tenement, and all rights of the Grantee hereunder shall be exercisable solely by the Briar Oaks Homeowners Association pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions for Tract No. 12371 to be recorded for the benefit of the Dominant Tenement.

11. Recordation. The parties hereto shall cause this Agreement to be recorded in the Official Records of Orange County, California.

12. Enforcement. Grantee or the Briar Oaks Homeowners Association, as the case may be, may employ any lawful means whatsoever to enforce the provisions of this Agreement. In the event of the bringing of any action or suit by any party or parties against another party or parties by reason of any breach of any of the provisions of this Agreement, the party or parties

in whose favor final judgment shall be entered shall be entitled to have and recover of and from the other party or parties all costs and expenses of suit, including reasonable attorneys' fees.

13. Severability. In the event any portion of this Agreement shall be declared by any court of competent jurisdiction to be invalid, illegal, or unenforceable, such portion shall be deemed severed from this Agreement, and the remaining parts hereof shall remain in full force and effect, as fully as though such invalid, illegal, or unenforceable portion had never been part of this Agreement.

14. Successors and Assigns. This Agreement shall bind and inure to the benefit of the respective heirs, executors, administrators, successors and assigns of the parties hereto.

15. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof, and there are no other oral or written agreements between the parties concerning the subject matter of this Agreement. This Agreement may be amended only by a written agreement signed by both parties.

IN WITNESS WHEREOF, and for the purpose of complying with Section 1468 of the California Civil Code, the parties hereto have executed this Agreement as of the day and year first above written.

Briar Oaks Ltd.,
a California Limited Partnership

By: Sandling Enterprises, Inc.

By: _____
Its: _____

By: _____
Its: _____

"Grantor"

Briar Oaks Homeowner Associates,
a California Nonprofit Mutual
Benefit corporation

By: _____
Its: _____

By: _____
Its: _____

"Grantee"

86-423399

EXHIBIT "A"

LEGAL DESCRIPTION OF
SERVIENT TENEMENT

Lot 60 of Tract No. 2147 in the City of Stanton, County of Orange, State of California, as per Map recorded in Book 109, Pages 21, 22 and 23, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County.

B6-423399

EXHIBIT "B"

LEGAL DESCRIPTION OF
DOMINANT TENEMENT

PARCEL 1:

The east 150.00 feet of the south 787.50 feet of the southwest quarter of the northeast quarter of Section 23, Township 4 South, Range 11 West, in Rancho Los Coyotes, in the City of Stanton, County of Orange, State of California, as shown on a Map recorded in Book 51, Page 11 of Miscellaneous Maps, in the Office of the County Recorder of said County.

PARCEL 2:

The west 15 acres of the southeast quarter of the northeast quarter of Section 23, Township 4 South, Range 11 West, in Rancho Los Coyotes, in the City of Stanton, County of Orange, State of California, as shown on a Map recorded in Book 51, Page 11 of Miscellaneous Maps, in the office of the County Recorder of said County.

EXCEPT THEREFROM that portion of said land lying northerly of the south line (and its easterly prolongation) of Tract No. 4624, as per map recorded in Book 159 Pages 1 and 2 of Miscellaneous Maps, Records of said County.

86-423399

EXHIBIT "C"

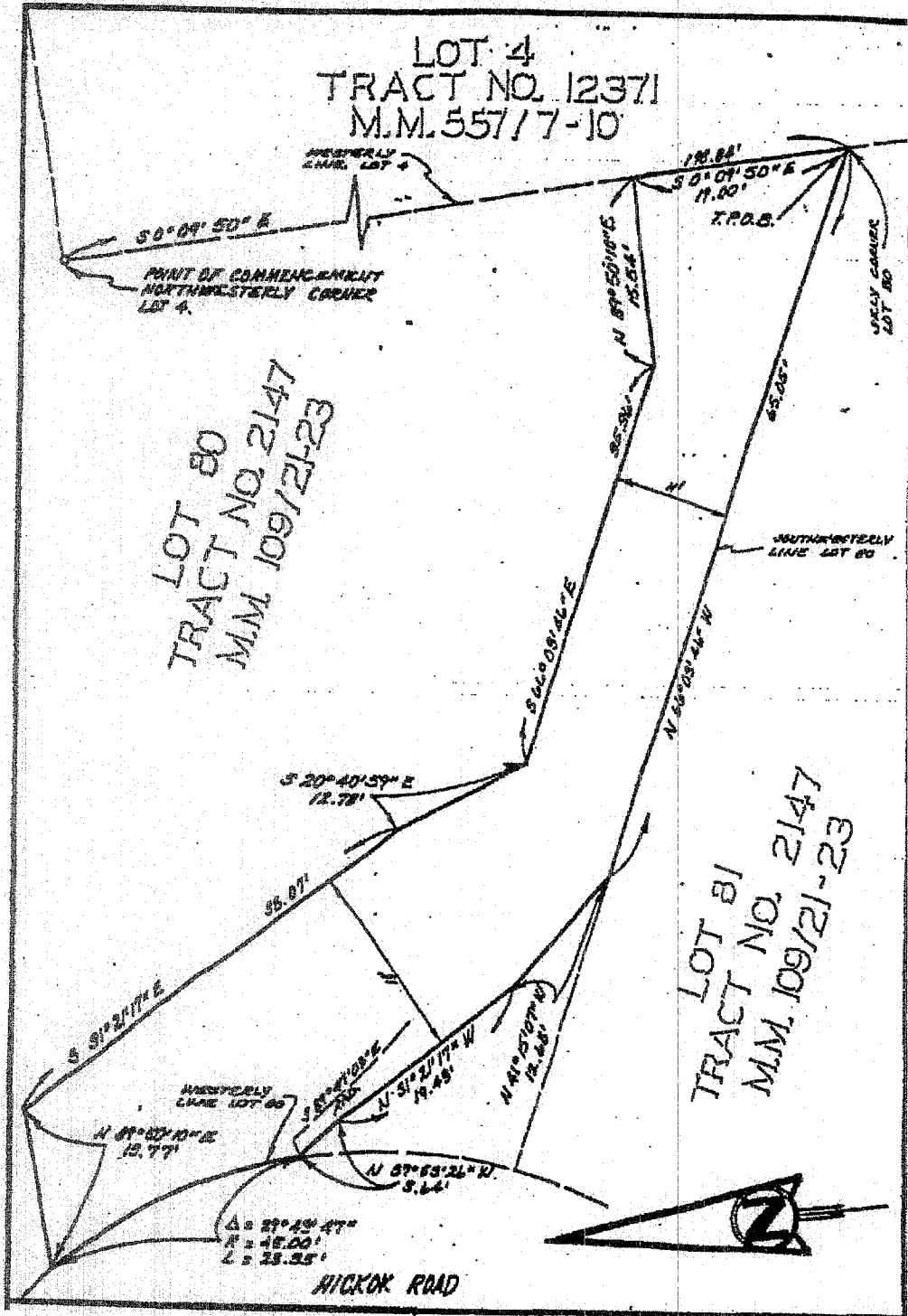
LEGAL DESCRIPTION OF EASEMENT AREA

That portion of Lot 89 of Tract No. 2147, in the City of Stanton, County of Orange, State of California, as shown on the map recorded in Book 108, Pages 21, 22 and 23, of Miscellaneous Maps, in the office of the County Recorder of said County, described as follows: Commencing at the Northwesterly corner of Lot 4 of Tract No. 12371 as shown on the map recorded in Book 557, Pages 7 through 10, of Miscellaneous Maps, in the office of said County Recorder; thence South $00^{\circ}09'50''$ East 194.84 feet along the Westerly line of said Lot 4 to the Southeasterly corner of said Lot 89, said last mentioned corner being the TRUE POINT OF BEGINNING; thence North $86^{\circ}03'48''$ West 65.65 feet along the Southwesterly line of said Lot 89; thence North $41^{\circ}15'07''$ West 12.65 feet; thence North $11^{\circ}21'17''$ West 19.43 feet; thence North $37^{\circ}53'28''$ West 3.64 feet to a point on the Westerly line of said Lot 89, said Westerly line being a curve concave Westerly having a radius of 45.80 feet, a radial line to said point bears South $89^{\circ}47'05''$ East; thence Northerly 23.35 feet along said curve and said Westerly line through a central angle of $26^{\circ}43'47''$; thence North $89^{\circ}50'10''$ East 13.77 feet, to a line parallel with and Northeasterly 18.00 feet from that certain course described above as "North $31^{\circ}21'17''$ West 19.43 feet; thence South $31^{\circ}21'17''$ East 38.07 feet along said parallel line; thence South $20^{\circ}40'59''$ East 12.78 feet to a line parallel with and Northeasterly 11.00 feet from said Southwesterly line; thence South $65^{\circ}03'46''$ East 35.36 feet along said last mentioned parallel line; thence North $89^{\circ}50'10''$ East 15.54 feet to said Westerly line; thence South $00^{\circ}09'50''$ East 19.00 feet along said Westerly line to the true point of beginning.

Subject to covenants, conditions, reservations, restrictions, rights of way and easements, if any, of record.

86-423399

EXHIBIT "D"
PLAT OF EASEMENT AREA



BRIAR OAKS 86-423399

CONDOMINIUM PLAN

SHEET OF SHEETS

PARKING PLAN AND
UNIT GARAGE NUMBERS

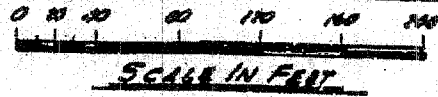
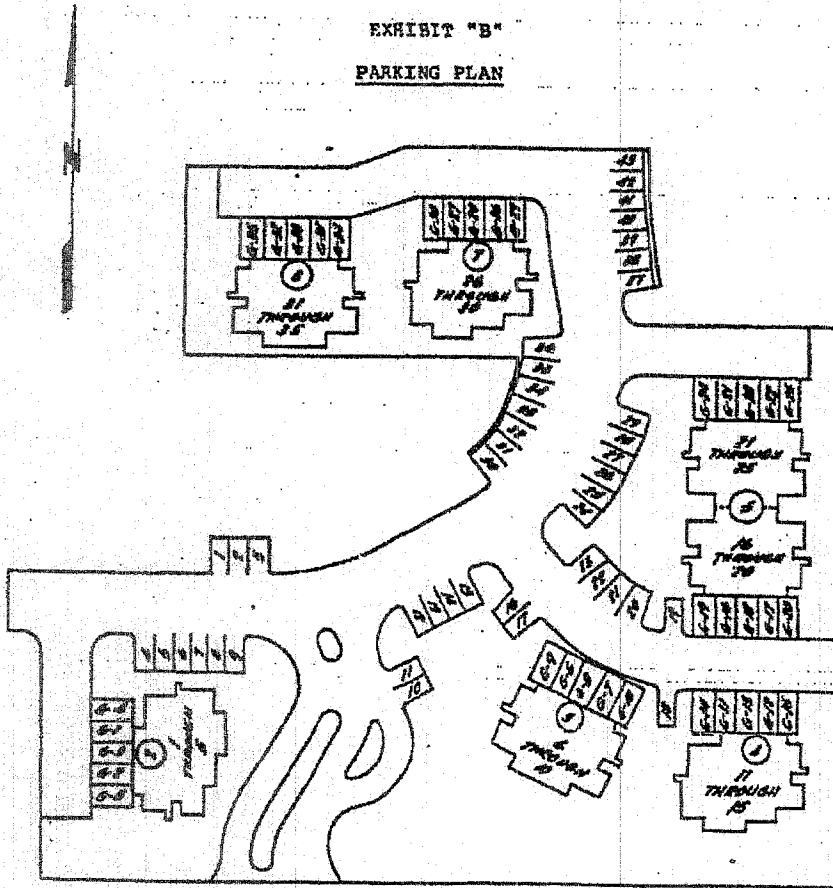
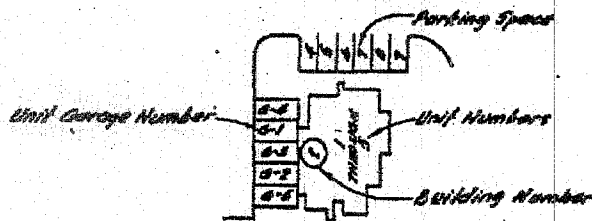


EXHIBIT "B"
PARKING PLAN



LEGEND:



86-423399

RECORDING REQUESTED BY
AND WHEN RECORDED RETURN TO:

PALMIERI, TYLER, WIENER & WILHELM (DGT)
4000 MacArthur Boulevard
Suite 1000 - East Tower
Newport Beach, CA 92560

(Tract 12371)

SUBORDINATION AGREEMENT

NOTICE: THIS SUBORDINATION AGREEMENT RESULTS IN YOUR SECURITY INTEREST IN THE PROPERTY BECOMING SUBJECT TO AND OF LOWER PRIORITY THAN THE LIEN OF SOME OTHER OR LATER SECURITY INSTRUMENT.

UNION FEDERAL SAVINGS AND LOAN ASSOCIATION, the beneficiary under the Deed of Trust recorded on December 31, 1985 as Instrument No. 85-522910 of Official Records of Orange County, California, which Deed of Trust is a lien upon the property subject to the Declaration of Covenants, Conditions and Restrictions recorded concurrently herewith (hereinafter referred to as "Declaration"), and any amendments or annexations thereto, hereby consents to said Declaration and agrees that the Declaration shall be and remain at all times a lien or charge on the real property subject to said Declaration superior to the lien or charge of the Deed of Trust described above.

UNION FEDERAL SAVINGS AND
LOAN ASSOCIATION

By John K. Maccabe
John K. Maccabe
Its Senior Vice President

By Phyllis M. Barrantos
Phyllis M. Barrantos
Its Assistant Secretary

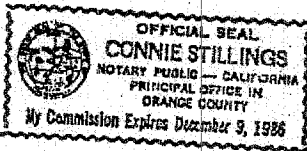
STATE OF CALIFORNIA
COUNTY OF Orange

SS.

On this 10th day of September in the year 1986
before me, the undersigned, a Notary Public in and for said County and State,
personally appeared John K. Maccabe and
Phyllis M. Barrantos, personally known to me (or proved)
to me on the basis of satisfactory evidence to be the person(s) who executed the
within instrument as Sr. Vice President and Assis. Secretary or on
behalf of the corporation therein named and acknowledged to me that the
corporation executed it.

Signature Connie Stillings
Notary Public in and for said County and State

FOR NOTARY SEAL OR STAMP



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87-038608

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

PALMIERI, TYLER, WIENER & WILHELM (DOT)
4000 MacArthur Boulevard
East Tower - Suite 1000
Newport Beach, California 92660

Submitted at the request of
TYLER WILHELM, GR. OF CHRG.

4:50 JAN 2 1987

A.M. Orange County
Orange County, California
John Smith Registrar

\$21.00

SUPPLEMENTARY DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS AND
DECLARATION OF ANNEXATION FOR
TRACT NO. 12371 (PHASE 4)

THIS SUPPLEMENTARY DECLARATION is made this 24th day
of November, 1986, by BRIAR CAKE LTD., a California limited
partnership (the "Declarant"), with reference to the following
facts and circumstances.

R E C I T A L S:

A. Declarant executed a Declaration of Covenants,
Conditions and Restrictions which was recorded September 15, 1986
as Instrument No. 86-423399, Official Records of Orange County,
California (the "Declaration"), covering the real property in the
City of Stanton, County of Orange, State of California, described
as Lot 1 of Tract No. 12371, as per map recorded in Book 557,
Pages 7 through 10 of Miscellaneous Maps, Records of Orange
County, California ("Phase 1 of the Project");

B. The Declaration, in Article XVIII, Section 2,
provides that Declarant may annex additional real property to the
Project as described in the Declaration and thereby make such
additional real property subject to the Declaration and subject
to the jurisdiction of the Association as defined in the
Declaration;

C. Declarant is the owner of the real property in the
City of Stanton, County of Orange, State of California, described

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as Lot 4 of Tract No. 12371 as per map recorded in Book 557, Pages 7 through 10 of Miscellaneous Maps, Records of Orange County, California ("Phase 4 of the Project"), which real property is a portion of the property described in Article XVIII, Section 2 of the Declaration. Declarant now desires to annex Phase 4 of the Project to Phase 1 of the Project and thereby make Phase 4 of the Project subject to the terms, conditions, covenants, and restrictions of the Declaration.

NOW, THEREFORE, Declarant hereby declares as follows:

I

ANNEXATION

Section 1. Annexation. Pursuant to the terms of the Declaration, Declarant as the owner of Phase 4 of the Project, declares that all of the real property described as Phase 4 of the Project shall be annexed and made a part of the development described as Phase 1 of the Project; provided, however, such annexation shall only be effective on the close of the first escrow within Phase 4 of the Project. Upon the effective date of the annexation, all the real property described as Phase 4 of the Project shall be held, sold and conveyed subject to the covenants, restrictions, covenants and conditions of the Declaration.

Section 2. Deannexation. Declarant may delete all or a portion of Phase 4 of the Project from coverage of this Supplementary Declaration and the jurisdiction of the Association, as long as Declarant is the owner of all of Phase 4 of the Project, and provided that (a) a Notice of Deletion of Territory or Declaration of Deannexation is recorded in the Office of the County Recorder in the same manner as this

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Supplementary Declaration was recorded; (b) Declarant has not exercised any Association vote with respect to any portion of Phase 4 of the Project; (c) assessments have not yet commenced with respect to any portion of Phase 4 of the Project; (d) no escrow has closed for the sale of any Unit in any portion of Phase 4 of the Project to the public; (e) the Association has not made any expenditures or incurred any obligations with respect to Phase 4 of the Project; and (f) a draft of the Declaration of Delineation is submitted to and approved by the Veterans Administration.

II

DEFINITIONS

In addition to the definitions set forth in the Declaration, the following shall be applicable to Phase 4 of the Project:

(a) The term "condominium" as used herein shall mean and refer to an equal undivided interest in common with the other Owners within Phase 4 of the Project in the Common Area of Lot 4 of Tract No. 12371, together with a separate interest in a Unit, and all other rights, tit's and interests which may be appurtenant thereto. Such equal undivided interest in common of each Owner shall be as described in the instrument conveying a condominium to such Owner and shall not be diminished or changed.

(b) Lot 4 of Tract No. 12371 shall be "Common Area" as defined in Article I, Section 6 of the Declaration.

III

CREATION OF CONDOMINIUMS

Section 1. Designation of Condominiums. Declarant,

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in order to establish a plan of Condominium ownership for Phase 4 of the Project, hereby covenants and agrees that it hereby divides the Project into the following:

(a) Thirty-five (35) legally described Units which are shown, defined and described on the recorded Condominium Plan for the Project.

(b) The Common Area consisting of the remainder of the Project, excepting the "Units" as shown on the Condominium Plan.

Section 2. Interest in Common Area. The ownership of each Unit shall include an equal undivided interest as tenant in common in Lot 4 of Tract No. 12371. Declarant, its successors, assigns, and grantees, covenant and agree that the equal undivided interests in Lot 4 and the fee titles in and to the respective Units conveyed therewith shall not be separated or separately conveyed, and each such equal undivided interest shall be deemed to be conveyed or encumbered with its respective Units even though the description in the instrument of conveyance or encumbrance may refer only to the fee title and to the Unit. Each Owner's equal undivided interest in Lot 4 may not be diminished or changed.

Section 3. Condominium. Each Unit, together with an equal undivided interest in Lot 4, together with any exclusive easements in the Common Areas appurtenant thereto, is defined and hereinafter referred to as a "Condominium", and the ownership of each Condominium shall include a Unit and such equal undivided interest in Lot 4.

IV
ASSESSMENTS

Regular and Special Assessments for each Unit shall be uniform. All assessments provided for in the Declaration shall

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commence as to all Condominiums within Phase 4 of the Project (including assessments on all unsold Units owned by Declarant) no later than (but earlier at the discretion of Declarant) the first day of the month following the conveyance by Declarant of the first Condominium within Phase 4 of the Project to an Owner (as defined in the Declaration). There will be no capital contributions for the Units in this phase as set forth in Article VI, Section 14 of the Declaration.

V

RECIPROCAL CROSS-EASEMENTS

Declarant hereby reserves for the benefit of and appurtenant to the Condominiums located within each Phase of the Project, and their respective Owners, non-exclusive easements to use the Common Area (other than any buildings or Exclusive Use Common Area) in the Property as defined in the Declaration pursuant to and in a manner set forth in the Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium within each Phase of the Project owned an undivided interest in the Common Area in such Property.

Declarant hereby grants for the benefit of and appurtenant to each Condominium in the Property, and their respective Owners, a non-exclusive easement to use the Common Area (other than any buildings or Exclusive Use Common Area) within each Phase of the Project, pursuant to the provisions of and in the manner prescribed by the Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in the Property owned an undivided interest in the Common Area of the Property so annexed.

These reciprocal cross-easements shall be effective as to each Phase and as to the Property only at such time as each

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Phase has been annexed by the recordation of a Supplementary Declaration or a separate Declaration of Covenants, Conditions and Restrictions by Declarant and the closing of the first escrow in each Phase of the Project. Prior to such action, neither the Property nor any Phase within the Project shall be affected by these reciprocal cross-assessments nor shall the Owners within each Phase of the Project have such rights in the Common Area within the Property.

VI

PARKING PLAN

Section 1. Parking Plan. Included as a part of the Condominium Plan for each Phase of the Project is a parking plan which describes and depicts the covered parking spaces (Garage Air Space) within each Phase of the Project. Each Owner within the Project shall own and have the right to the exclusive use of one (1) covered parking space within the Project as shown on the recorded Condominium Plan for that Phase of the Project. Attached hereto as Exhibit "A" is a parking plan which depicts the open parking spaces within this Phase of the Project. The Owners of certain of the Units within each Phase of the Project shall have the right to the use of one (1) uncovered parking space as may, from time to time, be assigned and/or reassigned by the Board of Directors of the Association. All assignments and/or reassignments shall be subject to the sole but reasonable discretion of the Board. The Board shall administer the assignment and/or reassignment of the open parking spaces taking into consideration the needs of each individual Owner and the best interests of all of the Owners within the Project.

Section 2. Parking - Ingress and Egress Easement.
There is hereby created for the benefit of each Owner of a man-

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non-exclusive easement for vehicular ingress and egress over and through any part of the Project as may be required in order to gain access to the uncovered parking spaces within the Project. Such non-exclusive easement shall be effective as to each Phase and as to the Property only at such time as each Phase has been annexed by recordation of a Supplementary Declaration or a separate Declaration of Covenants, Conditions and Restrictions by Declarant.

Section 3. Use. The use of the open parking spaces shall be subject to the reasonable regulation of the Association acting through its Board of Directors.

Section 4. Unassigned Guest Parking. Notwithstanding anything to the contrary which may be contained in this Declaration, at such time as the final Phase of the Project has been constructed by Declarant, the Board of Directors of the Association shall maintain not less than forty-three (43) open parking spaces to be used exclusively for guest parking.

VII

INCORPORATION OF DECLARATION

All the terms, covenants, conditions, restrictions, easements and other provisions of the Declaration are hereby incorporated by reference and shall be as enforceable and effective against Phase 4 of the Project as though the Declaration had been recorded directly against Phase 4 of the Project.

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IN WITNESS WHEREOF, the Declarant has executed this document on the date first above written.

BRIAR OAKS LTD.,
a California limited partnership

BY: SANDLING ENTERPRISES, INC.,
a California corporation
General Partner

By: *E. A. Sandling*
E. A. Sandling
its President

STATE OF CALIFORNIA
COUNTY OF Orange
On November 24, 1986
last State documents prepared E. A. Sandling

Witness of Sandling Enterprises, Inc.
Sandling Enterprises, Inc.
The corporation whose name and acknowledgment to the fact that
Sandling Enterprises, Inc. is a corporation is set forth in the
articles of incorporation of its board of directors and other documents
shown to me to be the general partner of
Briar Oaks Ltd.
The limited partnership that executed the above instrument and
acknowledged to me that said corporation executed the same as
its general partner and that said partnership executed the same



Witness of Sandling Enterprises, Inc.
Janet Crowther

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