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4041 MacArthur Boulevard
P.O. Box 2710
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(Space Above for Recorder's Use)

NOTICE OF ADDITION OF TERRITORY
AND
ADDITIONAL
DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR
EAST LAKE VILLAGE SHORES
(DELEGATE DISTRICT NO. 5)

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EAST LAKE VILLAGE SHORES
(DELEGATE DISTRICT NO. 5)

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NOTICE OF ADDITION OF TERRITORY
AND
ADDITIONAL
DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR
EAST LAKE VILLAGE SHORES

(DELEGATE DISTRICT NO. 5)

THIS NOTICE OF ADDITION AND ADDITIONAL DECLARATION is made on this 4th day of November, 1980, by UPPER K-SHAPELL JOINT VENTURE, a joint venture composed of FOUNDERS K CORP., a corporation, and SHAPELL INDUSTRIES, INC., a corporation, hereinafter referred to as "Declarant".

P R E A M B L E

A. Declarant is the Owner of certain real property ("Project") located in the City of Yorba Linda, County of Orange, State of California, more particularly described as follows:

Lots 67 to 94, inclusive, and the private street designated as Via Apolina, of Tract No. 9718, as shown on a Subdivision Map, recorded on May 31, 1979, in Book 454, Pages 9 to 18, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder.

B. Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Project (as hereinafter defined) to create a corporation under the Nonprofit Mutual Benefit Corporation Law of the State of California to which should be delegated and assigned the Powers of owning the Common Area; maintaining and administering the Common Area and Association Maintenance Areas; and administering and enforcing the covenants and restrictions, and collecting and distributing the assessments and charges hereinafter created.

C. Declarant will or has caused such corporation, the Members of which shall be the respective Owners of Lots in Phase 1 and Owners of the Lots in real property annexed, if any, pursuant to this Additional Declaration, to be formed for the purpose of exercising such functions.

D. Declarant intends to develop and convey Phase 1 and any real property annexed to the Project pursuant to this Additional Declaration, pursuant to a general plan for all of the Project and subject to certain protective covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges, all running with the Project as hereinafter set forth. Declarant may execute, acknowledge and record a Supplemental Declaration affecting solely a Phase of Development of the Project, so long as Declarant owns all of the real property to be affected by such Supplemental Declaration. Such Supplemental Declaration shall not conflict with the provisions of this Additional Declaration, but may impose further conditions, covenants and restrictions for the operation, protection and maintenance of that Phase of Development.

E. Declarant recorded a Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for East Lake Village on November 16, 1978, as Instrument No. 23683, in Book 12927, Page 632, et seq., of Official Records of Orange County, California (the "Master Declaration"), and amended it by an instrument recorded on December 6, 1978, as Instrument No. 8079, in Book 12952, Page 590 et seq., of Official Records of Orange County, California. The Master Declaration is binding upon all Owners of Lots in the Properties (as defined in the Master Declaration).

F. Pursuant to Article II of the Master Declaration, Declarant now desires to add the Project to the Properties as Delegate District No. 5 thereof.

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

ARTICLE I

DEFINITIONS

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

Section 1.01. "Additional Declaration" shall mean this instrument as it may be amended from time to time.

Section 1.02. "ARC" shall mean the committee created pursuant to Article VIII hereof.

Section 1.03. "Articles" shall mean the Articles of Incorporation of the Association filed or to be filed in the office of the Secretary of State of the State of California, a copy of which is attached hereto, marked Exhibit "A", as such Articles may be amended from time to time.

Section 1.04. "Association" shall mean EAST LAKE VILLAGE SHORES COMMUNITY ASSOCIATION, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The "Association" constitutes a "Sub-Association" as that term is defined in the Master Declaration.

Section 1.05. "Association Maintenance Areas" shall mean certain plantings, planted trees, shrubs, slopes and other landscaping improvements which are located on the Lots as hereinafter provided, and the exterior surfaces, excluding glass areas, of all Dwelling Units, fences and walls on the Lots. The Association shall have a nonexclusive easement for maintenance purposes over the Association Maintenance Areas and access easements over all portions of the Lots necessary for the Association to maintain such Association Maintenance Areas. The landscaping portions of the Association Maintenance Areas located in Phase 1 of the Project are further depicted on the drawings which are marked Exhibit "C", attached hereto and incorporated herein by this reference.

Section 1.06. "Board" or "Board of Directors" shall mean the Board of Directors of the Association, elected in accordance with the By-Laws of the Association.

Section 1.07. "By-Laws" shall mean the By-Laws of the Association which have been or will be adopted by the Board, a copy of

which is attached hereto as Exhibit "B", as such By-Laws may be amended by the Membership of the Association from time to time.

Section 1.08. "Capital Improvement Assessment" shall mean a charge against each Owner and his Lot, representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Area or Association Maintenance Areas which the Association may from time to time authorize, pursuant to the provisions of this Additional Declaration.

Section 1.09. "Close of Escrow" shall mean the date on which a deed is recorded conveying a Lot pursuant to a Final Subdivision Public Report for a Phase of Development of the Project issued by the California Department of Real Estate.

Section 1.10. "Common Area" shall mean all the real property and Improvements, including, without limitation, private streets, walkways, and parking areas, which are owned by the Association, or over which the Association has an easement for the use, care and maintenance thereof, for the common use and enjoyment of all of the Owners. The Common Area to be so owned by the Association, or over which the Association shall have such an easement, at the time of the conveyance of the first Lot in Phase 1 shall include that certain real property located in the City of Yorba Linda, County of Orange, State of California, described in Exhibit "D" which is attached hereto and incorporated herein by this reference. Additional Common Area might be transferred to the Association, in fee or by easement, in the future pursuant to the terms of Article XV. The Common Area located within any future Phase of Development shall be conveyed, lien-free, to the Association prior to the Close of Escrow for the sale of the first Lot in that Phase of Development to a purchaser for which a Final Subdivision Public Report as issued by the California Department of Real Estate is required.

Section 1.11. "Common Assessment" shall mean the annual charge against each Owner and his Lot, representing a portion of the total, ordinary costs of maintaining, improving, repairing, replacing, managing and operating the Common Area and the Association Maintenance Areas, which are to be paid uniformly and equally by each Owner to the Association, as provided herein.

Section 1.12. "Common Expenses" shall mean the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Area, Association Maintenance Areas and Dock Easement Area (including unpaid Special Assessments,

Reconstruction Assessments and Capital Improvement Assessments), including those costs not paid by the Owner responsible for payment; the costs of any commonly metered utilities and other commonly metered charges for the Project; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all utilities; gardening and other services benefiting the Common Area, Association Maintenance Areas and Dock Easement Area; the costs of fire, casualty and liability insurance, worker's compensation insurance, and other insurance all covering the Project; cable television service charges; the costs of bonding the members of the management body; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Project, or portions thereof; and the costs of any other item or items designated by the Association for any reason whatsoever in connection with the Project, for the benefit of all of the Owners.

Section 1.13. "Declarant" shall mean UPPER K-SHAPELL JOINT VENTURE, a Joint Venture composed of FOUNDERS K CORP., a corporation, and SHAPELL INDUSTRIES, INC., a corporation, the successors of such Joint Venture, and any Person to which such Joint Venture shall have assigned any rights hereunder by express written assignment.

Section 1.14. "Dock Easement Area" shall mean those portions of the Lake Properties (as defined in the Master Declaration) over which non-exclusive easements are reserved for the benefit of certain Owners of Lots in the Project for boat docking, loading and unloading purposes. The Dock Easement Area located in Phase 1 is described in Exhibit "F" attached hereto.

Section 1.15. "Dwelling Unit" shall mean a building located on a Lot designed and intended for use and occupancy as a residence by a single Family.

Section 1.16. "Family" shall mean (1) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of not more than five (5) natural persons not all so related, inclusive of their domestic servants, who maintain a common household in a Dwelling Unit on a Lot.

Section 1.17. "Improvement" shall mean any structure or appurtenance thereto of every type and kind, including but not limited to buildings, outbuildings, walkways, sprinkler pipes,

garages, swimming pools, recreational facilities, roads, drive-ways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, antennae, hedges, windbreaks, plantings, planted trees and shrubs, poles, signs, exterior air conditioning and water-softening fixtures or equipment.

Section 1.18. "Lake Association" shall mean East Lake Village Community Association, a California corporation, its successors and assigns.

Section 1.19. "Lot" shall mean any residential lot or parcel of land shown upon any recorded subdivision map or recorded parcel map of the Project, with the exception of the Common Area owned in fee by the Association.

Section 1.20. "Lot Owner Maintenance Areas" shall mean those portions of Lot L of Tract 9718 owned by the Lake Association over which exclusive easements are reserved for the benefit of certain Owners, for yard purposes. Each Owner shall install and maintain landscaping on the Lot Owner Maintenance Area appurtenant to his Lot in accordance with the provisions of Article X, Section 10.18 hereof. The Lot Owner Maintenance Areas located in Phase I are shown and assigned on Exhibit "G" attached hereto.

Section 1.21. "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association, pursuant to Article VI hereof.

Section 1.22. "Manager" shall mean any Person appointed by the Association hereunder as its agent and delegated certain duties, powers or functions of the Association as further provided in this Additional Declaration and in the By-Laws.

Section 1.23. "Master Declaration" shall mean the Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for East Lake Village recorded on November 16, 1978, as Instrument No. 23683, in Book 12927, Page 632 et seq., of Official Records of Orange County, California, and amended by an instrument recorded on December 6, 1978, as Instrument No. 8079, in Book 12952, Page 590 et seq., of Official Records of Orange County, California.

Section 1.24. "Member" shall mean any Person holding a membership in the Association, as provided in this Additional Declaration.

Section 1.25. "Mortgage"; "Mortgagee"; "Mortgagor" shall mean any mortgage or deed of trust or other conveyance of a Lot or other portion of the Project to secure the performance of an obligation, which will be reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used herein shall be synonymous with the term "Mortgage". The term "Mortgagee" shall mean a person or entity to whom a Mortgage is made and shall include the beneficiary of a Deed of Trust. "Mortgagor" shall mean a person or entity who mortgages his or her Lot to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor", and the term "Beneficiary" shall be synonymous with the term "Mortgagee".

Section 1.26. "Notice and Hearing" shall mean written notice and a public hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at Owner's expense, in the manner further provided in the By-Laws.

Section 1.27. "Owner" shall mean the Person or Persons, including Declarant, holding fee simple interest of record to any Lot which is a part of the Project, including sellers under executory contracts of sale, but excluding those having such interest merely as security for the performance of an obligation. For purposes of Article X only, unless the context otherwise requires, Owner shall also include the family, guests, invitees, licensees and Lessees of any Owner.

Section 1.28. "Person" shall mean a natural individual or any other entity with the legal right to hold title to real property.

Section 1.29. "Phase 1" shall mean all of the real property described in Paragraph A to the Preamble of this Additional Declaration.

Section 1.30. "Phase of Development" shall mean any portion of the Project for which a Notice of Addition of Territory has been recorded pursuant to Article XV of this Additional Declaration.

Section 1.31. "Project" shall mean all of the real property described in Paragraph A of the Preamble to this Additional Declaration, together with such portion of the real property described in Exhibit "E", with respect to which a Notice of Addition of Territory may hereinafter be recorded subjecting it to this Additional Declaration and to the jurisdiction of the Association as provided herein.

Section 1.32. "Reconstruction Assessment" shall mean a charge against each Owner and his Lot, representing a portion of the cost to the Association for reconstruction of any portion of the Improvements on the Common Area pursuant to the provisions of this Additional Declaration.

Section 1.33. "Record"; "Recorded"; "Filed" or "Recordation" shall mean, with respect to any document, the recordation of such document in the office of the County Recorder of the County of Orange, State of California.

Section 1.34. "Special Assessment" shall mean a charge against a particular Owner and his Lot, directly attributable to that Owner, equal to the cost incurred by the Association for corrective action, pursuant to the provisions of this Additional Declaration.

The foregoing definitions shall be applicable to this Additional Declaration and also to any Declaration of Amendment, unless otherwise expressly provided, recorded pursuant to the provisions of this Additional Declaration. Unless otherwise provided herein, the capitalized terms in this Additional Declaration shall have the same meanings as set forth in the Master Declaration.

ARTICLE II

OWNERS' PROPERTY RIGHTS

Section 2.01. Owners' Common Area Easements. Every Owner shall have a right and easement of ingress and egress and of enjoyment in, to and over the Common Area which shall be appurtenant to and shall pass with title to every Lot, subject to the following provisions:

(a) The right of Declarant to annex additional Common Area thereto pursuant to the terms of Article XV.

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

(c) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area, including, but not limited to, the right and obligation of the Association to

enforce all parking restrictions within the Common Area as set forth in Section 2.04 herein.

(d) The right of the Association in accordance with the Articles, By-Laws and this Additional Declaration, with the vote or written assent of two-thirds (2/3rds) of the voting power of each class of Members, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof, and, subject to the provisions of Article XIII of this Additional Declaration, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the rights of the Owners.

(e) Subject to the provisions of Article XIII of this Additional Declaration, the right of the Association to dedicate, release, alienate or transfer the Common Area to any public 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 two-thirds (2/3rds) of each class of the voting power of the Association, agreeing to such dedication, release, alienation or transfer has been recorded.

(f) The rights and reservations of Declarant as set forth in Article XIV of this Additional 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 Project as provided herein, until the close of escrow for the sale of all of the Lots in the Project; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein.

(g) 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 Common, Special, Capital Improvement or Reconstruction Assessment against such Member and his Lot remains delinquent, and, after Notice and Hearing as provided in the By-Laws, to suspend such rights and easements for the period set forth in the By-Laws for any violation of the Additional Declaration, Articles, By-Laws or rules and regulations of the Association, it being understood that any suspension for either non-payment of any Assessment or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligation to pay Assessments as provided herein.

(h) The right of the Association (by action of the Board) to reconstruct, replace or refinish any Improvement or portion thereof upon the Common Area, in accordance with the original design, finish or standard of construction of such Improvement, or of the general Improvements within the Project, as the case may be; and not in accordance with such original design, finish or standard of construction only with the vote or written consent of the Owners holding seventy-five percent (75%) of the voting power of the Association.

(i) The right of the Association to replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Area.

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

Section 2.02. Dock Easements. Every Owner shall have an exclusive right and easement of ingress and egress and of enjoyment for boat docking, loading and unloading purposes in, to and over that portion of the Dock Easement Area for Phase I, described in Exhibit "F", which is adjacent to his Lot. Notwithstanding the foregoing, the Association shall be responsible at all times for maintaining the Dock Easement Area, and each Owner's exclusive right and easement over a portion of such Dock Easement Area shall

be subject to the Association's right to enter thereon for purposes of performing its maintenance responsibilities. The Owners of Lots located in property annexed to the Project pursuant to Article XV shall have similar rights and easements over that portion of the Dock Easement Area, as described in the Notice of Addition of Territory for the Phase of Development in which his Lot is located, adjacent to his Lot.

Section 2.03. Lot Owner Maintenance Area Easements. Every Owner shall have an exclusive right and easement for access, ingress, egress, enjoyment, landscaping and maintenance purposes in, to and over that portion of the Lot Owner Maintenance Areas for Phase 1 described in Exhibit "G", which is adjacent to his Lot. Notwithstanding the foregoing, each Owner's exclusive right and easement over a portion of such Lot Owner Maintenance Areas shall be subject to the rights of the Association and the Lake Association to enter thereon for purposes of performing their respective maintenance responsibilities. The Owners of Lots located in property annexed to the Project pursuant to Article XV shall have similar rights and easements over that portion of the Lot Owner Maintenance Areas, as described in the Notice of Addition of Territory for the Phase of Development in which his Lot is located, adjacent to his Lot.

* Section 2.04. Easements for Parking. The Association through its officers, committees and agents is hereby empowered to establish "parking", "guest parking" and "no parking" areas within the Common Area in accordance with Section 22658 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement on city streets, including the removal of any violating vehicles by those so empowered. T-100

Section 2.05. Easements for Vehicular Traffic. In addition to the general easements for use of the Common Area reserved herein, there shall be, and Declarant hereby reserves and covenants for itself and all future Owners within the Project, nonexclusive easements appurtenant for vehicular traffic over all private streets within the Project, subject to the parking provisions set forth in Section 2.04 hereof. Declarant reserves the right to grant similar easements to Owners of property annexed to the Project pursuant to Article XV.

Section 2.06. Easements for City Public Service Use. In addition to the foregoing easements over the Common Area, there shall be and Declarant hereby reserves and covenants for itself and

all future Owners within the Project, easements for public services of the City of Yorba Linda, including but not limited to, the right of the police to enter upon any part of the Common Area for the purpose of enforcing the law.

Section 2.07. Waiver of Use. No Owner may exempt himself from personal liability for assessments duly levied by the Association, nor release the Lot or other property owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area and the facilities thereon or by abandonment of his Lot or any other property in the Project.

Section 2.08. Title to the Common Area. Declarant hereby covenants for itself, its successors and assigns, that it will convey to the Association fee simple title to, or a non-exclusive easement for use, care and maintenance over applicable portions of the Common Area in Phase 1 described in Exhibit "D" attached hereto, free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, and conditions then of record, including those set forth in the Master Declaration and this Additional Declaration. Said conveyance shall be made prior to the conveyance of the first Lot to a purchaser from Declarant pursuant to a Final Subdivision Public Report covering the Project. Declarant shall similarly convey the Common Area, if any, in property annexed to the Project pursuant to Article XV.

Section 2.09. Taxes. Each Owner shall execute such instruments and take such action as may reasonably be specified by the Association to obtain separate real estate tax assessment of each Lot. If any taxes or assessments may, in the opinion of the Association, nevertheless be a lien on the Common Area, or any part thereof, they may be paid by the Association and each Owner shall be obligated to pay or to reimburse the Association for, as the case may be, the taxes and assessments assessed by the County Assessor or other taxing authority against the Common Area and attributable to his own Lot and interest in the Common Area.

Section 2.10. Easements for Water and Utility Purposes. In addition to the foregoing easements over the Common Area, there shall be and Declarant hereby reserves and covenants for itself and all future Owners within the Project, easements for public and private utility purposes, including but not limited to, the right of any public utility or mutual water distribution company of ingress and egress over the Common Area for purposes of reading and maintaining meters, and using and maintaining fire hydrants located on the Common Area. Declarant further reserves for the

benefit of the Association and the Owners the right of Declarant to grant additional easements over the Common Area to cable television companies for cable television purposes.

ARTICLE III

MEMBERSHIP IN ASSOCIATION

Section 3.01. Membership. Every Owner of a Lot shall be a Member of the Association, and no Owner shall have more than one membership in the Association. Memberships in the Association shall not be assignable, except to the Person to whom title to the Lot has been transferred, and every membership in the Association shall be appurtenant to and may not be separated from the fee ownership of such Lot. Ownership of such Lot shall be the sole qualification for membership in the Association.

Section 3.02. Transfer. The Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Lot, and then only to the purchaser or Mortgagee of such Lot. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Lot to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Lot until fee title to the Lot sold is transferred. In the event the Owner of any Lot should fail or refuse to transfer the membership registered in his name to the purchaser of such Lot upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association.

ARTICLE IV

VOTING RIGHTS

Section 4.01. Classes of Voting Membership. The Association shall have two (2) classes of voting membership as follows:

Class A. Class A Members shall originally be all Owners with the exception of the Declarant for so long as there exists a Class B membership. Class

A Members shall be entitled to one (1) vote for each Lot owned and subject to assessment. Declarant shall become a Class A Member with regard to Lots owned by Declarant in any Phase of Development upon conversion of Declarant's Class B membership for that Phase of Development as provided below. When more than one Person holds an interest in any Lot, all such Persons shall be Members. The vote for such Lot shall be exercised in accordance with Article IV, Section 4.02 of this Additional Declaration, and in no event shall more than one (1) Class A vote be cast with respect to any Lot.

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

~~(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or~~

X (b) The second anniversary of the original issuance of the most-recently-issued Final Subdivision Public Report for a Phase of Development of the Project; or

X (c) The fourth anniversary of the original issuance of the Final Subdivision Public Report for Phase 1 of the Project.

All voting rights shall be subject to the restrictions and limitations provided in this Additional Declaration and in the Articles and By-Laws of the Association. Except as provided in Section 16.12, as long as there exists a Class B Membership, any provision of this Additional Declaration, the Articles or By-Laws which expressly requires the vote or written consent of a specified percentage of the voting power of the Association before being undertaken shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Sections 10.14, 16.05 and 16.12, when the Class B Membership has terminated, and for so long as Declarant is entitled to exercise as much as twenty-five percent (25%)

or more of the voting power of the Association, any provision of this Additional Declaration, the Articles or By-Laws which expressly requires the vote or written consent of Owners representing a specified percentage of the voting power of the Association shall then require the vote or written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

Section 4.02. Vote Distribution. Class A Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership. When more than one Person holds such interest or interests in any Lot ("co-owner"), all such co-owners shall be Members and may attend any meetings of the Association, but only one such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such co-owners may from time to time all designate in writing one of their number to vote. Fractional votes shall not be allowed, and the Class A vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such Lot shall be exercised as the majority of the co-owners of the Lot mutually agree. Unless the Board receives a written objection from a co-owner, it shall be presumed that the corresponding voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Lot where the majority of the co-owners present in person or by proxy and representing such Lot cannot agree to said vote or other action. The non-voting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the By-Laws, shall be deemed to be binding on all Owners, their successors and assigns. Said voting rights shall be subject to the restrictions and limitations provided in this Additional Declaration, the Articles and By-Laws.

ARTICLE V

JURISDICTION OF ASSOCIATION

The Association, acting through the Board, shall also have:

- (a) The power and duty to maintain, repair and otherwise manage the Common Area, Association Maintenance Areas and Dock Easement Area, including without limitation the drainage systems, slope areas, docks

and all facilities, Improvements and landscaping thereon, in accordance with the provisions of Article VI and Article IX of this Additional Declaration.

(b) The power and duty to maintain any private storm drains and sewer systems within the Common Area and Association Maintenance Areas in accordance with the provisions of Article VI and Article IX of this Additional Declaration.

(c) The power to obtain, for the benefit of the Project, all commonly metered water, gas and electric services, and shall have the power but not the duty to provide for all refuse collection and cable or master television service (if any), as necessary.

(d) The power and duty to grant easements, rights of way, or strips of land, where necessary, for cable television, utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

(e) The power and duty to maintain such policy or policies of liability and fire insurance with respect to the Common Area and personal property, if any, owned by the Association as provided herein in furthering the purposes of and protecting the interests of the Association and Members and as directed by this Additional Declaration and the By-Laws of the Association.

(f) The power but not the duty to employ or contract with a professional Manager to perform all or any part of the duties and responsibilities of the Association, and shall have the power to delegate its powers to committees, officers and employees. Any such management agreement, or any agreement providing for services by Declarant to the Association, shall be for a term not in excess of one (1) year, subject to cancellation by the Association for cause at any time upon not less than thirty (30) days' written notice, and without cause (and without penalty or the payment of a termination fee) at any time upon not less than ninety (90) days' written notice.

(g) The power but not the duty, after Notice and Hearing, without being liable to any Owner,

enter upon any Lot, for the purpose of enforcing by peaceful means the provisions of this Additional Declaration, or for the purpose of maintaining or repairing any such area if for any reason whatsoever the Owner thereof fails to maintain or repair any such area as required by this Additional Declaration. Said cost shall be a Special Assessment and shall create a lien enforceable in the same manner as other assessments as set forth in this Additional Declaration. The Owner shall pay promptly all amounts due for such work, and the costs and expenses of collection may be added, at the option of the Board of Directors, to the amounts specially assessed against such Owner.

ARTICLE VI

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 6.01. Creation of the Lien and Personal Obligation of Assessments. Declarant, for each Lot owned within the Project, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (1) annual Common Assessments for Common Expenses, (2) Capital Improvement Assessments, (3) Special Assessments, and (4) Reconstruction Assessments; such assessments to be established and collected as hereinafter provided. Such assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which such assessment is made. Each such assessment, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of such property at the time when the assessment fell due. Subject to the provisions of this Additional Declaration protecting first Mortgagees, the personal obligation for the delinquent assessments shall pass to the successors-in-title of such Owner. The Board of Directors shall establish no fewer than two (2) separate accounts (the "Maintenance Funds") into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under the provisions of this Additional Declaration. The Maintenance Funds shall include: (1) an Operating Fund for current expenses of the Association, and (2) a Common Area Reserve Fund for replacements, painting and repairs (which would not reasonably be expected to

recur on an annual or less frequent basis) of the Common Area and Association Maintenance Area Improvements to the extent necessary under the provisions of this Additional Declaration. The Board of Directors shall not commingle any amounts deposited into any of the Maintenance Funds with one another.

Section 6.02. Purpose of Common Assessments. The Assessments levied by the Association shall be used exclusively to promote the common health, safety, benefit, recreation and welfare of the Owners and for the improvement and maintenance of the Common Area and Association Maintenance Area as provided herein. However, disbursements from the Common Area Reserve Fund shall be made by the Board of Directors only for the specific purposes specified in this Article VI. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Common Area Reserve Fund are to be used. Nothing in this Additional Declaration shall be construed in such a way as to permit the Association to use any Assessments to abate any nuisance or annoyance emanating from outside the boundaries of the Project. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts deposited into any such Fund are earmarked for specified purposes authorized by this Additional Declaration. Common Assessments shall include, and the Association shall acquire and pay for out of the applicable funds derived from such Common Assessments, the following, which shall be shared equally by all Owners:

- (a) Water, electrical, lighting and other necessary utility services for the Common Area.
- (b) Maintenance and repair of private streets, walkways, and parking areas lying within the Common Area.
- (c) Landscape planting and maintenance by the Association of all slopes, landscaping and planted areas within the Common Area and Association Maintenance Areas, including irrigation and lighting.
- (d) Fire and casualty insurance with extended coverage as provided herein, covering the full insurable replacement cost of the Common Area facilities and, if approved by the Board, the Dwelling Units.

(e) Painting, exterior maintenance and minor repair and replacement as necessary of the Association Maintenance Areas and the Dock Easement Area.

(f) Liability insurance, as provided herein, insuring the Association against any liability to the public or to any Owner, their invitees or tenants incident to their occupation and use of the Common Area, Association Maintenance Areas and the Dock Easement Area, with limits of liability to be set by the Board of Directors of the Association, such limits and coverage to be reviewed at least annually by the Association and increased or decreased in its discretion. Such errors and omissions and Directors and officers liability insurance as the Board deems appropriate pursuant to Article XII.

(g) Worker's compensation insurance to the extent necessary to comply with any applicable laws, medical payments insurance, and any other insurance deemed necessary by the Board of Directors of the Association.

(h) Standard fidelity bonds covering all Members of the Board of Directors of the Association and other employees of the Association as and in an amount as determined by the Board of Directors.

(i) Painting, maintenance, repair and replacement of all buildings, equipment and landscaping in, on and of the Common Area, as the Board of Directors of the Association shall determine is necessary and proper.

(j) Maintaining, landscaping, irrigating, repairing and otherwise managing the Association Maintenance Areas, including without limitation any drainage systems, slope areas, Improvements and landscaping thereon in the location as shown on Exhibit "C" attached hereto, in accordance with the provisions of Article VI of this Additional Declaration.

(k) Any other material, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Association is required to secure or pay for pursuant to the terms of this Additional Declaration or

by law or which in the opinion of the Association's Board of Directors shall be necessary or proper for the operation of the Common Area or for the enforcement of these restrictions.

Section 6.03. Damage to Common Area by Owners. The foregoing maintenance, repairs or replacements within the Common Area, Association Maintenance Areas or Dock Easement Area arising out of or caused by the willful or negligent act of the Owner, his family, guests or invitees shall be done at said Owner's expense, after Notice and Hearing, a Special Assessment therefor shall be made by the Board against his Lot.

Section 6.04. Basis of Maximum Common Assessment. Until the first day of the fiscal year immediately following the Close of Escrow for the sale of the first Lot in the Project, which sale requires the issuance of a Final Subdivision Public Report by the California Department of Real Estate, the maximum Common Assessment under Article VI shall be the amount as set forth in the Final Subdivision Public Report issued by the California Department of Real Estate for Phase 1 of the Project.

(a) From and after the first day of the fiscal year immediately following Close of Escrow for the sale of the first Lot to an Owner, the maximum annual Common Assessment may be increased by the Board, above the maximum annual Common Assessment for the previous year, without a vote of the membership and effective no sooner than the first day of each fiscal year, in an amount no more than the greater of (1) ten percent (10%), or (2) the percentage by which the U.S. Bureau of Labor Statistics, Los Angeles - Long Beach - Anaheim Area, Consumer Price Index for all Urban Consumers has increased as of the date of the increase over the level of the Index as the date the Common Assessment was last established.

(b) From and after the first day of the fiscal year immediately following Close of Escrow for the sale of the first Lot to an Owner, the maximum annual Common Assessment may be increased above the greater of (1) ten percent (10%), or (2) said percentage by which the Index has so increased, by the vote or written assent of fifty-one percent (51%) of each class of Members.

(c) Except as provided in this Article VI, the Board of Directors may not fix an annual Common Assessment at an amount which exceeds the maximum.

Section 6.05. Capital Improvement and Reconstruction Assessments. In addition to the Common Assessments authorized above, the Board of Directors of the Association may levy, in any assessment year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement or other such addition upon the Common Area, Association Maintenance Areas or Dock Easement Area including fixtures and personal property related thereto; provided that whenever the aggregate Capital Improvement expenditures by the Board of Association funds in any fiscal year exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, such excess shall require the vote or written assent of a majority of the voting power of each class of Members.

Section 6.06. Notice and Quorum for any Action Authorizing Under Sections 6.04 and 6.05. Written notice of any meeting called for the purpose of taking any action by the Members authorized under Sections 6.04 and 6.05 shall be sent to all Members not less than ten (10) days, nor more than sixty (60) days, in advance of the meeting. At such meeting called, the presence of Members or of proxies entitled to cast fifty-one percent (51%) of all votes of each class of membership shall constitute a quorum.

Section 6.07. Uniform Rate of Assessment. Common Assessments, Capital Improvement Assessments and Reconstruction Assessments provided for in this Article VI must be fixed at a uniform rate for all Lots within the Project; provided, however, that the Association may, subject to the provisions of Section 6.03 of this Article, levy Special Assessments against selected Owners who have caused the Association to incur special expenses due to willful or negligent acts of said Owners, their guests or agent. All installments of Common Assessments shall be collected in advance on a regular basis by the Board of Directors, at such frequency as the Board shall determine from time to time.

Section 6.08. Date of Commencement of Common Assessments. The annual Common Assessments provided for herein shall commence as to each Phase of Development of the Project on the first day of the month following Close of Escrow for the conveyance of the first improved Lot within such Phase of Development for which sale a Final Subdivision Public Report is required. The first annual Common Assessment shall be adjusted according to the number of months remaining in the fiscal year as set forth in the By-Laws. The Board of Directors shall fix the amount of the Common Assessment against each Lot at least thirty (30) days in advance of each

Common Assessment period. Written notice of any change in the amount of any annual Common Assessment shall be sent to every Owner subject thereto, not less than thirty (30) days prior to the effective date of such change. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association, setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

Notwithstanding any other provisions of this Additional Declaration, until (1) a notice of completion of a Dwelling Unit has been Recorded, or (2) one hundred twenty (120) days from the date of issuance of a building permit for the Dwelling Unit, whichever comes first, each Owner (including Declarant) of a Dwelling Unit shall be exempt from paying that portion of any Common Assessment which is for the purpose of paying expenses and reserves directly attributable to the existence and use of the Dwelling Unit. Such exemption may include, but shall not necessarily be limited to, the following: walkway lights and refuse disposal.

The Board of Directors shall cause to be prepared an annual report containing a balance sheet, an income statement reflecting income and expenditures of the Association for each fiscal year, including deposits in and withdrawals from the Common Area Reserve Fund and the Operating Fund, a statement of changes in financial position and a statement of the place where the names and addresses of the current Members are located. The Board shall cause to be distributed a copy of each such annual report to each Member, and to each first Mortgagee who has filed a written request for copies of the same with the Board of Directors, in the manner provided in the By-Laws of the Association. The Board of Directors may cause financial statements to be distributed to all Members in such greater frequency and at such further intervals as deemed appropriate by the Board of Directors of the Association. At least sixty (60) days prior to the beginning of each fiscal year, the Board of Directors shall prepare and distribute to the membership of the Association, a written, itemized estimate (budget) of the income and Common Expenses of the Association during such year in performing its functions under this Additional Declaration (including a reasonable provision for contingencies and deposits into the Common Area Reserve Fund, less any expected income and accounting for any surplus from the prior year's respective Maintenance Fund).

Each annual Common Assessment shall constitute an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Common Area Reserve Fund, the Operating Fund and any other Maintenance Fund established by the Association. In the event that the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all expenses of the Project for any reason, it shall immediately determine the approximate amount of such inadequacy. Subject to the provisions of Section 6.04 of this Article VI, the Board shall have the authority to levy, at any time by a majority vote, a supplemental Common Assessment, reflecting a revision of the total charges to be assessed against each Lot; provided, however, that in no event shall the sum of all increases in Common Assessments levied by the Board in any fiscal year (including all supplemental Common Assessments levied pursuant to this Section 6.08 and increases authorized pursuant to Section 6.04) exceed the maximum Common Assessment for the previous fiscal year by more than ten percent (10%) or the percentage increase in the Consumer Price Index, whichever is greater, unless such excess increase has first been approved by the vote or written assent of Members representing fifty-one percent (51%) of the voting power of both the Class A and Class B Members. Written notice of any change in the amount of Common Assessments levied by the Association through the Board shall be given to all Members not less than thirty (30) days prior to the effective date of such change.

Each Member shall pay to the Association his annual Common Assessment in installments at such frequency and in such amounts as established by the Board. Each annual Common Assessment may be paid by the Owner to the Association in one check or payment or in separate checks, as payments attributable to deposits into specified Maintenance Funds. In the event that any installment of a Common Assessment payment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Common Assessment has been satisfied, and second to the Common Area Reserve Fund.

At the end of any fiscal year of the Association, the Owners may determine that all excess funds remaining in the Operating Fund, over and above the amounts used for the operation of the Project, may be returned to the Members proportionately, or may be retained by the Association and used to reduce the following year's Common Assessments. Upon dissolution of the Association

incident to the abandonment or termination of the Project, any amounts remaining in any of the Funds shall be distributed proportionately to or for the benefit of the Members as provided in the Articles and this Additional Declaration.

Section 6.09. Exempt Property. The following property subject to this Additional Declaration shall be exempt from the assessments herein:

(a) All properties dedicated to and accepted by a local public authority; and

(b) The Common Area which is owned in fee by the Association.

ARTICLE VII

EFFECT OF NONPAYMENT OF ASSESSMENTS:

REMEDIES OF THE ASSOCIATION

Section 7.01. Effect of Nonpayment of Assessments: Remedies of the Association. Any installment of a Common Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the maximum rate allowable by law. If any such installment on an assessment is not paid within thirty (30) days after it is due, the Owner responsible therefor may be required further by the Board of Directors to pay a late charge of Five Dollars (\$5.00) or five percent (5%) of the amount of the delinquent installment, whichever is greater. The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot. If any installment of a Common Assessment is not paid within thirty (30) days after its due date, the Board may mail an acceleration notice to the Owner and to each first Mortgagee of a Lot which has requested a copy of the notice. The notice shall specify (1) the fact that the installment is delinquent, (2) the action required to cure the default, (3) a date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default must be cured, and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of the Common Assessment for the then current fiscal year and sale of the

Lot. The notice shall further inform the Owner of his right to cure after acceleration and to bring a court action to assert the non-existence of a default or any other defense of the Owner to acceleration and sale. If the delinquent installments of Common Assessments and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the annual Common Assessment to be immediately due and payable without further demand and may enforce the collection of the full Common Assessment and all charges thereon in any manner authorized by law and this Additional Declaration.

Section 7.02. Notice of Assessment. No action shall be brought to enforce any assessment lien herein, unless at least thirty (30) days has expired following the date a Notice of Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot, and a copy thereof has been recorded by the Association in the office of the County Recorder in which the Project is located; said Notice of Assessment must recite a good and sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (which may at the Association's option include interest on the un paid assessment as provided herein) plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the claimant. Such Notice of Assessment shall be signed and acknowledged by an officer of the Association, and said lien shall be prior to any declaration of homestead recorded after the date on which this Additional Declaration is recorded. The lien shall continue until fully paid or otherwise satisfied.

Section 7.03. Foreclosure Sale. Any such sale provided for above may be conducted by the Board of Directors, its attorneys or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the Civil Code of the State of California, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same.

Section 7.04. Curing of Default. Upon the timely curing of any default for which a Notice of Assessment was filed by the Association, the officers thereof shall record an appropriate Release of Lien, upon payment by the defaulting Owner of a fee, to be determined by the Board, to cover the cost of preparing and recording

such release. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by the liens upon any Lot created hereunder shall be conclusive upon the Association and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee, to be determined by the Board.

Section 7.05. Cumulative Remedies. The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

Section 7.06. Mortgage Protection. Notwithstanding all other provisions hereof, no lien created under this Article VII, nor any breach of this Additional Declaration, nor the enforcement of any provision hereof shall defeat or render invalid the rights of the Beneficiary under any recorded first Deed of Trust (meaning any deed of trust with first priority over other deeds of trust) upon a Lot made in good faith and for value and Recorded prior to the date on which a Notice of Assessment is Recorded. Sale or transfer of a Lot shall not affect the assessment lien; provided, however, that the sale or transfer of any Lot pursuant to judicial foreclosure or by means of the powers set forth in any first Deed of Trust shall extinguish the lien of such assessments as to installments which become due prior to such sale or transfer, as provided in Article XIII. After the Beneficiary or some other Person obtains title to such Lot by judicial foreclosure or by means of the powers set forth in such first Deed of Trust, such Lot shall remain subject to the Additional Declaration and the payment of all installments of Assessments accruing subsequent to the date such Beneficiary or other Person obtains title.

ARTICLE VIII

ARCHITECTURAL CONTROL

Section 8.01. Members of Committee. The Architectural Review Committee, sometimes referred to in this Additional Declaration as the "ARC", shall consist of three (3) members. The initial members of the ARC shall be representatives of Declarant whose business address is 14340 Bolsa Chica Road, Suite "D", Westminster, California 92683. Regardless of the fact that Declarant may have then

lost voting control within the Association, and subject to the following provisions, Declarant shall have the right and power at all times to appoint and remove a majority of the members of the ARC or to fill any vacancy of such majority until the "turnover date" which shall be the date on which either (1) Close of Escrow has occurred for the sale of ninety percent (90%) of the Lots subject to this Additional Declaration (subject to item (2) below, Declarant's rights of appointment may be reinstated upon annexation of additional property pursuant to Article XV hereof), or (2) five (5) years following the date of issuance of the Final Subdivision Public Report for Phase I of the Project, whichever occurs earlier. Commencing one (1) year from the date of Close of Escrow for the sale of the first Lot in the Project to a purchaser (other than a Developer) from Declarant, the Board shall have the power to appoint one (1) member to the ARC, until the turnover date. Thereafter, the Board shall have the power to appoint and remove all of the members of the ARC. Persons appointed to the ARC by the Board shall be from the membership of the Association, but Persons appointed to the ARC by Declarant need not be Members of the Association. ~~The ARC shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the the buildings in the Project. The ARC may designate and appoint a representative who is a licensed architect and a majority of the members of said ARC may, from time to time, remove or replace such representative. The designated representative of the ARC may be, but need not be, a member of the ARC.~~

Section 8.02. Review of Plans and Specifications. The ARC shall consider and act upon any and all plans and specifications submitted for its approval under this Additional Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the ARC. No construction, alteration, addition, modification, decoration, redecoration or reconstruction of an Improvement in the Project shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the ARC and approved in writing by the ARC. The Owner submitting such plans and specifications shall obtain a written receipt therefor from an authorized agent of the ARC. The address for submission of such plans and specifications shall be the address of the principal place of business of the Association. The ARC shall approve plans and specifications submitted for its approval

only if it deems that the construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Project as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, and that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association.

The ARC may condition its approval of proposals or plans and specifications for any Improvement (1) on such changes therein as it deems appropriate, (2) upon the agreement by the Person (referred to in this Section 8.02 as "applicant") submitting the same to grant appropriate easements to the Association for the maintenance of the Improvement, or (3) upon the agreement of the applicant to reimburse the Association for the cost of such maintenance, or all three, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The ARC may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee payable to the Association to accompany each application for approval, or additional factors which it will take into consideration in reviewing submissions. The ARC may provide that the amount of such fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The ARC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Decisions of the ARC and the reasons therefor shall be transmitted by the ARC to the applicant at the address set forth in the application for approval, within forty-five (45) days after receipt by the ARC of all materials required by the ARC. Any application submitted pursuant to this Section 8.02 shall be deemed approved, unless written disapproval or a request for additional information or materials by the ARC shall have been transmitted to the applicant within forty-five (45) days after the date of receipt by the ARC of such application or additional information. The requirements of this Article are in addition to the requirements of the Master Declaration pertaining to architectural control, and the ARC is a distinct entity separate from the Architectural Committee formed pursuant to the Master Declaration.

Section 8.03. Meetings of the ARC. The ARC shall meet from time to time as necessary to perform its duties hereunder. The

ARC may from time to time, by resolution unanimously adopted in writing, designate an ARC Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the ARC, except the granting of variances pursuant to Section 8.08 of this Article. In the absence of such designation, the vote of a majority of the ARC, or the written consent of a majority of the ARC taken without a meeting, shall constitute an act of the ARC.

Section 8.04. No Waiver of Future Approvals. The approval of the ARC to any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the ARC, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matter whatever subsequently or additionally submitted for approval or consent.

Section 8.05. Compensation of Members. The members of the ARC shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

Section 8.06. Inspection of Work. Inspection of work and correction of defects therein shall proceed as follows:

(a) Upon the completion of any work for which approved plans are required under this Article VIII, the Owner shall give written notice of completion to the ARC.

(b) Within sixty (60) days thereafter, the ARC or its duly authorized representative may inspect such Improvement. If the ARC finds that such work was not done in substantial compliance with the approved plans it shall notify the Owner in writing of such noncompliance within such 60-day period, specifying the particulars of noncompliance, and shall require the Owner to remedy the same.

(c) If upon the expiration of thirty (30) days from the date of such notification the Owner shall have failed to remedy such noncompliance, the ARC shall notify the Board in writing of such failure. After affording such Owner Notice and Hearing, the Board shall determine whether there is a noncompliance and,

if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same from the date of announcement of the Board ruling. If the Owner does not comply with the Board ruling within such period, the Board, at its option, may record a notice of noncompliance in the Office of the County Recorder in which the Project is located and may peacefully remove the noncomplying Improvement or otherwise peacefully remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a Special Assessment against such Owner for reimbursement.

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

Section 8.07. Nonliability of ARC Members. Neither Declarant, the ARC nor any member of the ARC, the Board nor their duly authorized representative shall be liable to the Association, or to any Owner for any loss, damage or injury arising out of or in any way connected with the performance of the ARC's duties hereunder, unless due to the willful misconduct or bad faith of the ARC. The ARC shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Project generally. The ARC shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The ARC's approval or disapproval shall be based solely on the considerations set forth in this Article VIII, and the ARC shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

Section 8.08. Variance. The ARC may authorize variances from compliance with any of the architectural provisions of this Additional Declaration, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural

obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the ARC, and shall become effective upon recordation in the Office of the County Recorder in which the Project is located. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Additional Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Additional Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting his use of the premises, including but not limited to zoning ordinances and lot setback lines or requirements imposed by the County of Orange or any other governmental authority.

ARTICLE IX

MAINTENANCE AND REPAIR OBLIGATIONS

Section 9.01. Maintenance Obligations of Owners. Subject to the duty of the Association to provide for maintenance as provided in Section 9.02 of this Additional Declaration, it shall be the duty of each Owner, at his sole cost and expense, subject to the provisions of this Additional Declaration regarding Architectural Review Committee approval, to maintain, repair, replace and restore areas subject to his exclusive control, in a neat, sanitary and attractive condition. Areas subject to the exclusive control of an Owner shall be deemed to include, without limitation, the interior and all glass portions of the Owner's Dwelling Unit the backyard of his Lot (facing the lake) and the portion of the Lot Owner Maintenance Areas adjacent to his Lot. In the event that any Owner shall permit any Improvement, which is the responsibility of such Owner to maintain, to fall into disrepair or not to be so maintained so as to create a dangerous, obstructed, unsafe, unsightly or unattractive condition, or to otherwise violate this Additional Declaration, the Board shall have either the right to seek any remedies at law or in equity which it may have, and the right, but not the duty, after Notice and Hearing, to enter upon such Owner's Lot to make such repairs or to perform such maintenance, and the cost thereof shall be charged to the Owner. Said cost shall be a Special Assessment and shall create a lien enforceable in the same manner as other assessments as set forth in this Additional Declaration.

Section 9.02. Maintenance Obligations of Association. No improvement, excavation or work which in any way alters the Common Area from its existing state on the date any such area is conveyed by Declarant to the Association or a purchaser of a Lot shall be made or done by any Person other than the Association or its authorized agents. Subject to the provisions of Sections 9.01 and 9.03 of this Article and Article VI, Section 6.02, the Association shall maintain, or provide for the maintenance of the Common Area and all improvements thereon, including utilities, sewers, storm drains, and parking areas, and repair, and shall likewise provide for common area utilities, and the Common Area facilities and buildings. The Association shall not be responsible for the maintenance of portions of the Common Area which have been dedicated to and accepted for maintenance by a state, local or municipal governmental agency or entity. The Association shall also be responsible for the maintenance and replacement of trees, shrubs, vegetation, irrigation systems and other landscaping improvements located on the Association Maintenance Areas. With the exception of the Association Maintenance Areas, each owner shall maintain, repair and replace the landscaping located on his individual lot. The Association shall also provide painting, exterior maintenance and minor repair and replacement as necessary of the portions of the Dwelling Units which comprise portions of the Association Maintenance Areas. The Association shall also maintain and repair the Dock Easement Area. All of the foregoing obligations of the Association shall be discharged when and in such manner as the Board of Directors of the Association shall determine in their judgment to be appropriate.

Section 9.03. Damage and Destruction Affecting Dwelling Units -- Duty to Rebuild. If all or any portion of any Lot or Dwelling Unit is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of said Lot or Dwelling Unit to rebuild, repair or reconstruct said Dwelling Unit in a manner which will restore it substantially to its appearance and condition immediately prior to the casualty; provided, however, that if the Association is maintaining a blanket policy of casualty insurance in accordance with Article XII of this Additional Declaration, then it shall be the duty of the Association to make such repairs.

Section 9.04. Time Limitation. The Owner or Owners of any damaged residence, the Association and the ARC shall be obligated to proceed with all due diligence hereunder, and the responsible party shall commence reconstruction within three (3) months after the damage occurs and complete reconstruction within six (6)

months after damage occurs, unless prevented by causes beyond their reasonable control.

ARTICLE X

USE RESTRICTIONS

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

Section 10.01. Single-Family Residences. Pursuant to Article X, Section 1 of the Master Declaration, the Project is hereby designated for use as single-family residences. ~~Each Dwelling Unit~~ shall be used solely for a private, one-family residence; provided, however, that this provision shall not preclude any Owner in the Project from renting or leasing all of his lot by means of a written lease or rental agreement subject to the provisions of this Additional Declaration; and provided, further, that any of the Dwelling Units owned by Declarant may be used by Declarant or its successors as models for the purpose of selling the Lots until all of the Lots are sold by Declarant or its successors or assigns.

Section 10.02. Business or Commercial Activity. No part of the Project shall ever be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purposes; except that Declarant may use any portion of the Project owned by Declarant for a model home site, display and sales office during the construction and sales period in accordance with this Additional Declaration, and except professional and administrative occupations without external evidence thereof, for so long as such occupations are in conformance with applicable governmental ordinances and are merely incidental to the use of the Dwelling Unit as a single family residential home.

Section 10.03. Nuisances. No noxious or offensive activity (including, but not limited to, the repair of motor vehicles) shall be carried on, in or upon any Lot, nor shall anything be done thereon which may be or become an unreasonable annoyance or nuisance to any other Owner. Without limiting the generality of the foregoing provisions, no loud noises or noxious odors, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smokey vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or items which may unreasonably interfere

with television or radio reception of any Owner in the Project, shall be located, used, or placed on any portion of the Project, or exposed to view of other Owners without the prior written approval of the ARC. The ARC shall have the right to determine if any noise, odor, interference or activity producing such noise, odor or interference constitutes a nuisance.

Section 10.04. Signs. No sign, poster, display, billboard or other advertising device of any kind shall be displayed to the public view on any portion of the Project or any Lot, without the prior written consent of the ARC, except (1) such signs as may be used by Declarant in connection with the development of the Project and the sale of Lots, and (2) subject to the approval of the ARC, such signs of customary and reasonable dimensions as may be displayed on or from a Lot advertising the Lot for sale or lease. Any "For Sale" or "For Lease" signs which are not (i) attached to the exterior walls of a Dwelling Unit, and (ii) not more than four (4) square feet in size shall not require ARC approval. All signs and billboards and the conditions promulgated for the regulation thereof shall conform to the requirements of all applicable governmental ordinances.

Section 10.05. View Obstructions. Subject to the exemption of Declarant as set forth in this Additional Declaration, no vegetation, Improvement, or other obstructions shall be planted, constructed, or maintained on any Lot in such location or of such height as to unreasonably obstruct the view from any other Lot in the Project. The Association shall be responsible for the for the periodic trimming and pruning of all hedges, shrubs and trees located on the Association Maintenance Areas, so as to not unreasonable obstruct the view from adjacent Lots. In the event of a dispute between Owners as to the obstruction of view from a Lot, such dispute shall be submitted to the ARC, whose decisions on such matters shall be binding. In the event that the ARC determines that there is an unreasonable obstruction of a view, the Association shall remove or otherwise alter the obstruction to the satisfaction of the ARC. For purposes of this Section 10.05, an Owner's "view" shall be deemed to exclude any line of sight from such Owner's Lot which intersects or traverses any neighboring Lot which is of equal or greater elevation at the time the grading and initial construction of Improvements on the Project is completed by Declarant. Each Owner, by accepting a deed to a Lot, hereby acknowledges that the line of sight from Lots in the Project at the time such Lots were originally offered for sale to the public by Declarant may be subject to subsequent obstruction as a result of future construction or plantings by Declarant or by other

Owners pursuant to plans and specifications approved by the ARC in accordance with this Section 10.05 and Article VIII of this Additional Declaration.

Section 10.06. Outside Installations. No radio station or short wave operators of any kind shall operate from any Lot or Dwelling Unit unless approved by the ARC. A master antenna or cable television antenna or other antennae may, but need not, be provided for use of all Owners, and Declarant may grant easements for such purposes. If a master antenna or cable television antenna or antennae is provided, no exterior radio antenna, television antenna, or other antennae of any type shall be erected or maintained in the Project. In the event that cable or master television antenna service is not provided or otherwise available, then each Owner may erect one (1) radio/television antenna for each Lot with the prior written approval of the ARC. There shall be no excavation, construction or alteration, which in any way alters the exterior appearance of any Improvement in the Project, without the prior approval of the ARC pursuant to Article VIII hereof. There shall be no violation of the set-back or sideyard requirements of the City of Yorba Linda, notwithstanding any such approval of the ARC.

Section 10.07. Animals. No livestock, fowls, reptiles, poultry, fish or insects of any kind ("animals") shall be raised, bred or kept on the Project, except that a reasonable number of domestic dogs, cats, fish, birds or other household pets may be kept on Lots, provided that they are not kept, bred or maintained for commercial purposes or in unreasonable quantities. As used in this Additional Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per Dwelling Unit, provided, however, that the Board may determine that a reasonable number in any instance may be more or less than two (2). The Board shall have the right to prohibit maintenance of any animal which in its opinion constitutes a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Project 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, each Owner shall be absolutely 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 Project by an Owner or by members of his Family, his tenants or his guests.

Section 10.08. Parking and Vehicular Restrictions. No Owner shall park, store or keep on any Lot or street (public or private)

within the Project, any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck); any recreation vehicle (including, but not limited to, any camper unit, house-car, or motor home), bus, trailer, trailer coach, camp trailer, boat, aircraft, mobile home, inoperable vehicle or any other similar vehicle. In addition, no Owner shall park, store, or keep anywhere on the Project any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board, upon any unenclosed parking area, so as to be visible from anywhere in the Project. No Owner shall park, store or keep on any street (public or private) within the Project or on the unenclosed front set-back portion of any Lot, or the unenclosed sideyard area of any Lot which is adjacent to any street (public or private) within the Project, any recreational vehicle (including, but not limited to, any camper unit, housecar or motor-home), any trailer, trailer coach, camp trailer or boat. No Owner of a Lot shall conduct major repairs or major restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of any Lot except wholly within the Owner's garage and then only with the garage door closed; provided, however, that such activity shall at no time be permitted if it is determined by the ARC to be a nuisance. Garage doors shall remain closed except for reasonable periods while the garages are being used. Garages shall be used for garage purposes only and shall not be converted to other uses. Vehicles owned, operated or within the control of any Owner shall be parked in the garage of such Owner, to the extent of the space available therein, and each Owner, to the extent necessary, shall ensure that his garage is maintained so as to be capable of accommodating at least two (2) full-sized automobiles. Notwithstanding the foregoing, these restrictions shall not be interpreted in such a manner so as to permit any activity which would be contrary to any ordinance of the City of Yorba Linda.

Section 10.09. Trash. No rubbish, trash or garbage or other waste material shall be kept or permitted upon any Lot, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Trash containers shall be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor and fire pits in the enclosed yards designed in such a manner that they do not create a fire hazard. No clothing or household fabrics shall be hung, dried or aired in such a

way in the Project as to be visible to other property in the Project, and no lumber, grass, shrub or tree clippings or plant waste, metals, bulk materials, scrap, refuse or trash shall be kept, stores or allowed to accumulate on any portion of the Project except within an enclosed structure or appropriately screened from view.

Section 10.10. Temporary Buildings. No outbuilding; basement, tent, shack, shed or other temporary building or Improvement of any kind shall be placed upon any portion of the Project, either temporarily or permanently. No garage, trailer, camper, motorhome or recreational vehicle shall be used as a residence in the Project, either temporarily or permanently.

Section 10.11. No Hazardous Activities. No activities shall be conducted on any Lot, and no Improvements shall be constructed on any Lot which are or might be unsafe or hazardous to any Person or property.

Section 10.12. Common Area Facilities. Nothing shall be altered or constructed in or removed from the Common Area or Association Maintenance Areas except upon the written consent of the Association.

Section 10.13. No Mining or Drilling. No portion of the Project shall be used for the purpose of mining, quarrying, drilling, boring or exploring for or removing water, oil, gas, or other hydrocarbons, minerals, rocks, stones, gravel or earth.

Section 10.14. Further Subdivision. No Owner shall further subdivide or partition his Lot; provided, however, that this provision shall not be construed to limit the right of an Owner (1) to rent or lease all of his Lot by means of a written lease or rental agreement subject to the restrictions of this Additional Declaration, so long as the Lot is not leased for transient or hotel purposes; (2) to sell his Lot; or (3) to transfer or sell his Lot to more than one Person to be held by them as tenants in common, joint tenants, tenants by the entirety or as community property. The terms of any such rental or lease agreement shall be subject in all respects to the provisions of this Additional Declaration and the By-Laws of the Association, and shall (a) expressly refer to this Additional Declaration and contain a covenant by the lessee or tenant that he accepts the leasehold estate subject to this Additional Declaration, and (b) contain either a covenant that the lessee or tenant agrees to perform and comply with the restrictions herein or adequate provisions to permit entry and other actions by the lessor for the purpose of performing and complying with these restrictions. Any failure by the

lessee of such lot to comply with the terms of this Additional Declaration or the By-Laws of the Association shall constitute a default under the lease or rental agreement.

Section 10.15. Water and Sewer Systems. No individual water supply system, water softener system or sewage disposal system shall be permitted on any Lot unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water district and any applicable governmental health authority having jurisdiction.

Section 10.16. Insurance Rates. Nothing shall be done or kept in the Project which will increase the rate of insurance on any property insured by the Association without the approval of the Board, nor shall anything be done or kept in the Project which would result in the cancellation of insurance on any property insured by the Association or which would be in violation of any law.

Section 10.17. Drainage. There shall be no interference with the established drainage pattern over any Lot within the Project, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the ARC. For the purposes hereof, "established" drainage is defined as the drainage which exists at the time that such Lot is conveyed to a purchaser from Declarant, or that which is shown on any plans approved by the ARC, which may include drainage from the Common Area over any Lot or Lots in the Project.

Section 10.18. Landscaping. Within six (6) months after conveyance of the title to the Lot to an Owner, such Owner shall install and thereafter maintain landscaping (1) in the backyard of his Lot (facing the lake) and (2) the portion of the Lot Owner Maintenance Areas adjacent to his Lot over which such Owner has an exclusive easement in a neat and attractive condition, including all necessary landscaping and gardening. Each Owner shall properly maintain and periodically replace when necessary the trees, plants, grass and other vegetation placed thereon. The landscape plans therefor must be submitted to and approved in writing by the ARC pursuant to Article VIII of this Additional Declaration. In the event that any Owner shall fail to install and maintain landscaping in conformance with the provisions of Article VIII of this Additional Declaration, or shall allow his landscaping to deteriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board, upon thirty (30) days'

prior written notice to such Owner, shall have the right to seek any remedies at law or in equity which it may have or to correct such condition, and, after Notice and Hearing, to enter upon such Owner's Lot for the purpose of doing so, and such Owner shall promptly reimburse the Association for the cost thereof. Such cost shall be a Special Assessment and shall create a lien enforceable in the same manner as Common Assessments as set forth in this Additional Declaration.

ARTICLE XI

DAMAGE, DESTRUCTION OR CONDEMNATION OF COMMON AREA

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

(a) In the event of damage or destruction to the Common Area, and the insurance proceeds are sufficient to effect total restoration, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed.

(b) If the insurance proceeds are within Ten Thousand Dollars (\$10,000.00) or less of being sufficient to effect total restoration to the Common Area, then the Association shall cause such Common Area to be repaired and reconstructed substantially as it previously existed, and the difference between the insurance proceeds and the actual cost shall be levied as a Reconstruction Assessment equally against each of the Lot Owners, in accordance with the provisions of Article VI, Section 6.05, of this Additional Declaration.

(c) If the insurance proceeds are insufficient by more than Ten Thousand Dollars (\$10,000.00) to effect total restoration to the Common Area, then by written consent or vote of a majority of both classes of the voting power of the Association, the Members shall determine whether (1) to rebuild and restore in substantially the same manner as the Improvements existed prior to damage and to raise the necessary funds over the insurance proceeds by levying equal Reconstruction Assessments against all Lots, (2) to rebuild and restore in a way which utilizes all available insurance proceeds and an additional amount not in excess of Ten Thousand

Dollars (\$10,000.00), and which is assessable equally these Improvements in substantially the same manner as they existed prior to being damaged, or (3) subject to the provisions of Article XIII, to not rebuild and to distribute the available insurance proceeds equally to the Owners and Mortgagees of the Lots as their interests may appear.

(d) Each Member shall be liable to the Association for any damage to the Common Area not fully reimbursed to the Association by insurance proceeds which may be sustained by reason of the negligence or willful misconduct of said Member or the Persons deriving their right and easement of use and enjoyment of the Common Area from said Member, or of his respective Family, guests and tenants, both minor and adult. The Association reserves the right, acting through the Board, after Notice and Hearing, to (1) determine whether any claim shall be made upon the insurance maintained by the Association and (2) charge a Special Assessment equal to the increase, if any, in the insurance premium directly attributable to the damage caused by such Member or the Persons for whom such Member may be liable as described herein. In the case of joint ownership of a Lot, the liability of such Owners shall be joint and several, except to the extent that the Association has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing, the cost of correcting such damage, to the the extent not reimbursed to the Association by insurance, shall be a Special Assessment against the Lot and may be collected as provided herein for the collection of Common Assessments.

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

ARTICLE XII

INSURANCE

Section 12.01. Casualty Insurance. The Association shall keep all buildings, Improvements and fixtures of the Common Area insured against loss or damage by fire for the full insurance replacement cost thereof, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area shall be written in the name of, and the proceeds thereof shall be payable to the Association. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are Common Expenses included in the Common Assessments made by the Association.

In addition to casualty insurance on the Common Area, the Association, through the Board of Directors, may elect to obtain and continue in effect, on behalf of all Owners, adequate blanket casualty insurance and fire insurance in such form as the Board of Directors deems appropriate in an amount as near as possible to the full replacement value, without deduction for depreciation or coinsurance, of all of the Dwelling Units, including the structural portions and fixtures thereof, owned by such Owners. Insurance premiums from any such blanket insurance coverage, and any other insurance premiums paid by the Association shall be a Common Expense of the Association to be included in the regular Common Assessments of the Owners, as levied by the Association. In the event such blanket insurance is obtained by the Association, and only for so long as such policy remains in effect, the provisions of Section 12.02 of this Article shall not be applicable.

Section 12.02. Insurance Obligations of Owners. Each Owner shall insure his entire Dwelling Unit, including the structural portions of his Dwelling Unit, against loss or damage by fire or by any other casualty, under the standard form of extended endorsement now in use in the State of California or under such other insurance as may be required by any Mortgagee of the Dwelling Unit. All such insurance shall be in an amount as near as practicable to the full replacement value of the Dwelling Unit, without deduction for depreciation or coinsurance. Each Owner shall, within

thirty (30) days after recordation of the conveyance of his Lot from Declarant and thereafter at least ten (10) days prior to the the expiration, termination, cancellation or modification of any existing policy, furnish to the Association duplicate copies of policies or certificates thereof, showing that such insurance is currently in force certified by the insurance company or by its duly authorized agent. All such policies shall contain a provision that the same shall not be cancelled or terminated except upon at least thirty (30) days' written notice to the Association and each Owner shall notify the Association of the existence or non-existence of an assignment of such insurance maintained by said Owner upon the sale of his Lot.

Section 12.03. Replacement or Repair of Property. In the event of damage to or destruction of any part of the Common Area Improvements, the Association shall repair or replace the same from the insurance proceeds available, or distribute such insurance proceeds, subject to the provisions of Article XI of this Additional Declaration. If such insurance proceeds are insufficient to cover the costs of repair or replacement of the property damaged or destroyed, the Association may make a Reconstruction Assessment against all Lot Owners to cover the additional cost of repair or replacement not covered by the insurance proceeds, in addition to any other Common Assessments made against such Lot Owners, in accordance with the provisions of Article VI, Section 6.05 and Article XI of this Additional Declaration.

In the event the Association is maintaining insurance on the Dwelling Units on the Lots in the Project, the Association shall repair or replace the same from the insurance proceeds available. If such insurance proceeds are insufficient to cover the costs of such repair and replacement of the Dwelling Unit or Dwelling Units so damaged or destroyed, the Board may levy a Reconstruction Assessment equally against all of the Owners to cover such insurance deficiency.

Section 12.04. Waiver of Subrogation. All policies of physical damage insurance maintained by the Association shall provide, if reasonably possible, for waiver of: (1) any defense based on coinsurance; (2) any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association; (3) 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;

(4) any rights of the insurer to repair, rebuild or replace, and, in the event any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured or the fair market value thereof; (5) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot. As to each policy of insurance maintained by the Association which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss.

Section 12.05. Liability and Other Insurance. The Association shall have the power and duty to and shall obtain comprehensive public liability insurance, including medical payments and malicious mischief, in such limits as it shall deem desirable, insuring against liability for bodily injury, death and property damage arising from the activities of the Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Association may also obtain, through the Board, Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Lot Owner and the Association, Board of Directors and Manager, from liability in connection with the Common Area, Association Maintenance Areas and Dock Easement Area, the premiums for which are a Common Expense included in the Common Assessments made against the Owners. All insurance policies shall be reviewed at least annually by the Board of Directors and the limits increased in its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity bonds and other insurance as it deems advisable, insuring the Board, the officers of the Association and the Manager against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the requirements for planned unit developments established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Mortgage Corporation ("FHLMC"), so long as any of which is a Mortgagee or an Owner of a Lot in the Project, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

ARTICLE XIII

MORTGAGEE PROTECTION CLAUSE

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

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

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

(c) Each first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Lot free and clear of any claims of unpaid assessments or charges against such Lot which accrued prior to the acquisition of title to such Lot by the Mortgagee.

(d) Unless at least two-thirds (2/3rds) of first Mortgagees (based upon one vote for each Mortgage owned) or Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

(1) subject to California nonprofit corporation law to the contrary, by act or omission seek to abandon, partition, alienate,

subdivide, release, hypothecate, encumber, sell or transfer the Common Area and the Improvements thereon which are owned by the Association;

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

(2) change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

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

(4) fail to maintain Fire and Extended Coverage on insurable Common Area property on a current replacement cost basis in an amount as near as possible to one hundred percent (100%) of the insurance value (based on current replacement cost);

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

(6) amend this Additional Declaration or the Articles of Incorporation or By-Laws of the Association in such a manner that the rights of any first Mortgagee will be adversely affected.

(e) First Mortgagees, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) require

from the Association the submission of audited annual financial reports and other financial data, (3) receive written notice of all meetings of the Members, and (4) designate in writing a representative to attend all such meetings.

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

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

(h) The Common Area Reserve Fund described in Article VI of this Additional Declaration must be funded by regular scheduled monthly, quarterly, semi-annual or annual payments rather than by large Special Assessments.

(i) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of any professional Manager.

In addition to the foregoing, the Board of Directors may enter into such contracts or agreements on behalf of the Association

as are required in order to satisfy the guidelines of the FHLMC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Lots with Dwelling Units thereon. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their Dwelling Units, if such agencies approve the Project as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

ARTICLE XIV

DECLARANT EXEMPTION

Declarant or its successors or assigns will undertake the work of constructing Dwelling Units and developing all of the Lots included within the Project and any annexation thereto. The completion of that work and sale, rental and other disposal of Dwelling Units is essential to the establishment and welfare of the Project as a first-class residential community. As used in this Section and its subparagraphs, the words "its successors or assigns" specifically do not include purchasers of Lots improved with completed Dwelling Units. In order that said work may be completed and the Project be established as a fully occupied residential community as rapidly as possible, no Owner nor the Association shall do anything to interfere with, and nothing in this Additional Declaration shall be understood or construed to:

(a) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from doing on any Lot owned by them whatever they determine to be necessary or advisable in connection with the completion of said work, including without limitation the alteration of construction plans and designs as Declarant deems advisable in the course of development; or

(b) Prevent Declarant, its successors or assigns, or its or their representatives, from erecting, constructing and maintaining on any Common Area or any Lot or portion thereof owned or controlled by Declarant, or its successors or assigns or its or their contractors or subcontractors, such structures as may be reasonably necessary for the conduct of its or their business of

completing said work and establishing the Project as a residential community and disposing of the same in Lots by sale, lease or otherwise; provided, however, that Declarant shall not, in exercising its rights under this Article XIV, unreasonably interfere with the use of the Common Area by any Member;

(c) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from conducting on any Lot, or any portion thereof, owned or controlled by Declarant, or its successors or assigns, its or their business of developing, subdividing, grading and constructing Dwelling Units and other Improvements in the Project as a residential community and of disposing of Dwelling Units thereon by sale, lease or otherwise; or

(d) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from maintaining such sign or signs on the Common Area or any Lot owned or controlled by any of them as may be necessary in connection with the sale, lease or other marketing of Lots and Dwelling Units in the Project; or

(e) Prevent Declarant, at any time prior to acquisition of title to a Lot in a Phase of Development by a purchaser from Declarant, to establish on that Phase additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Project.

ARTICLE XV

ANNEXATION OF ADDITIONAL PROPERTY

Additional real property may be annexed to Phase 1 of the Project and such additional real property may become subject to this Additional Declaration by any of the methods set forth hereinafter:

Section 15.01. Additions by Declarant. If Declarant, its successors or assigns shall develop, or cause to be developed, additional real property ("Annexed Property") within the area located in the City of Yorba Linda, County of Orange, State of California, which is more particularly described in Exhibit "E" which is

attached hereto and by this reference incorporated herein, Declarant or its successors or assigns shall have the right from time to time to add such Annexed Property or any portion or portions thereof to the Project and to bring such Annexed Property within the general plan and scheme of this Additional Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on the third anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of Development of the Project. As each Phase of Development is developed, Declarant may, with respect thereto, record a Supplemental Declaration which may supplement this Additional Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development of the Project. A "Phase of Development" for purposes of this Additional Declaration means a portion of subdivided real property for which a Notice of Addition of Territory shall be recorded, except that the first Phase of Development shall consist of all of the real property described in Paragraph A of the Preamble of this Additional Declaration.

Section 15.02. Other Additions. In addition to the provision for annexation specified in Section 15.01 above, additional real property may be annexed to the Project and brought within the general plan and scheme of this Additional Declaration upon the approval by vote or written consent of Members entitled to no less than two-thirds (2/3rds) of the voting power of each Class of Members.

Section 15.03. Title to Common Area. Prior to the conveyance of any Lot improved with a Dwelling Unit within the Annexed Property to an individual purchaser thereof, whether such annexation was accomplished by either method set forth in Sections 15.01 and 15.02 above, fee simple title to or an easement over the Common Area, if any, within said Annexed Property shall be conveyed to the Association, free and clear of any and all encumbrances and liens, subject to reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Additional Declaration.

Section 15.04. Notice of Addition of Territory. The additions authorized under Sections 15.01 and 15.02 of this Article XV shall be made by filing of record a Notice of Addition of Territory, or other similar instrument (which Notice or Instrument may contain

the Supplemental Declaration, if any, affecting each such Subdivision), with respect to the additional property which shall be executed by Declarant or the Owner thereof and, in the case of additions made pursuant to Section 15.02, two officers of the Association certifying that the vote or written consent of the requisite percentage of Members has been obtained, recordation of such Notice of Addition of Territory shall extend the general plan and scheme of this Additional Declaration to such Annexed Property. The filing of record of said Notice of Addition shall constitute and effectuate the annexation of the Annexed Property described therein, and thereupon said Annexed Property shall become and constitute a part of the Project, become subject to this Additional Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Owners of Lots, if any, in said Annexed Property shall automatically become Members of the Association. Such Notice of Addition may contain such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Additional Declaration as may be necessary to reflect the different character, if any, of the Annexed Property, or as Declarant may deem appropriate in the development of the Annexed Property, and as are not inconsistent with the general plan and scheme of this Additional Declaration. In no event, however, shall such Notice of Addition revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Additional Declaration as the same shall pertain to the real property originally covered by this Additional Declaration. No addition of territory shall substantially increase the burden upon the Common Area facilities, if any, or substantially increase assessments above the level of assessments disclosed in the Final Subdivision Public Report for Phase 1 of the Project.

Section 15.05. Deannexation. Declarant may delete all or a portion of a Phase of Development of the Project from coverage of this Additional Declaration and the jurisdiction of the Association, so long as Declarant is the Owner of all such Phase of Development, and provided that (1) a Notice of Deletion of Territory is recorded in the Office of the County Recorder in the same manner as the applicable Notice of Addition was recorded, (2) Declarant has not exercised any Association vote with respect to any portion of the Phase of Development, (3) assessments have not yet commenced with respect to any portion of such Phase of Development, (4) no escrow has closed for the sale of any Lot in such Phase of Development to a purchaser from Declarant pursuant to a Final Subdivision

Public Report issued by the California Department of Real Estate, and (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development.

ARTICLE XVI

GENERAL PROVISIONS

Section 16.01. Enforcement. This Additional Declaration, the Articles of Incorporation and the By-Laws may be enforced by the Association as follows:

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

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

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

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

(e) A breach or amendment of the covenants, conditions or restrictions contained in this Additional Declaration or in the By-Laws shall not affect or impair the lien

or charge of any first Mortgage or Deed of Trust made in good faith and for value on any residential Lot or the improvements thereon, provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether such Owner's title was acquired by foreclosure in a trustee's sale or otherwise.

(f) If any Owner, his family, guest, licensee, lessee or invitee violates any such restrictions, the Board may impose a reasonable Special Assessment upon such Owner for each violation and may suspend the voting privileges of such Owner as further provided in the By-Laws. Such Special Assessment shall be collectible in the same manner as Common Assessments hereunder, but the Board shall give such Owner Notice and Hearing before invoking any such Special Assessment or suspension.

Section 16.02. Severability. Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 16.03. Term. The covenants and restrictions of this Additional Declaration shall run with and bind the Project, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to this Additional Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Additional Declaration is recorded, after which time said covenants, conditions, reservation of easements, equitable servitudes and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by the then Owners of a majority of the Lots, has been recorded, agreeing to terminate said covenants and restrictions in whole or in part.

Section 16.04. Interpretation. The provisions of this Additional Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of the Common Area. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the masculine, feminine and neuter.

Section 16.05. Amendments. This Additional Declaration may be amended only by the affirmative vote or written consent of the Owners holding not less than seventy-five percent (75%) of the voting power of each class of Members; provided, however, that the prior written approval of at least seventy-five percent (75%) of all first Mortgagees must be obtained also, before Article XIII may be amended; and provided, further, must so long as Declarant owns a Lot, the prior written consent of Declarant must be obtained before Article XIV may be amended. Notwithstanding the foregoing, until the close of any escrow of the sale of the first Lot in the Project, Declarant shall have the right to terminate or modify this Additional Declaration by recordation of a supplement hereto setting forth such termination or modification. For purposes of this Additional Declaration the "close of escrow" shall be deemed to be the date upon which a deed conveying a Lot is recorded in the Office of the County Recorder in the County in which the Project is located. Any termination or modification to this Additional Declaration shall be effective upon recordation of a written instrument, signed by at least two officers of the Association certifying that the vote or written consent of the requisite number of Owners has been obtained, in the Office of the County Recorder.

Section 16.06. No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Project to the public, or for any public use.

Section 16.07. Constructive Notice and Acceptance. Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Project does and shall be conclusively deemed to have consented and agreed to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Project, or any portion thereof.

Section 16.08. Reservation of Easements. Declarant expressly reserves for the benefit of all of the real property in the Project, and the Owners, reciprocal, nonexclusive easements of access, ingress and egress over all Lots, and over the Common Area, for the purposes and enjoyment of the Lots in accordance with this Additional Declaration, including without limitation, for maintenance and repair of utility services, for drainage over, across and upon adjacent Lots for water resulting from the normal use of adjoining Lots, and for maintenance and repair of any Dwelling Unit. In the

event that any Dwelling Unit encroaches upon the Common Area and facilities, as a result of construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for encroachment and for the maintenance of the same shall exist so long as the encroachment exists. Declarant and the Lot Owners of each Lot on which there is constructed a Dwelling Unit along or adjacent to said Lot line shall have an easement appurtenant to said Lot over the Lot line to and over the adjacent Lot, for the purposes of accommodating any natural movement or settling of any Dwelling Unit located on said Lot, any encroachment of any Dwelling Unit due to minor engineering or construction variances, and any encroachment of eaves, roof overhangs and architectural features as parts of the original construction of any Dwelling Unit located on said Lot.

Section 16.09. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

Section 16.10. No Representation or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents or employees in connection with the Project or any portion of the Project, or any Improvement thereon, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned development, except as specifically and expressly set forth in this Additional Declaration and except as may be filed by Declarant from time to time with the California Department of Real Estate or with any other governmental authority.

Section 16.11. Nonliability and Indemnification. Except as provided herein, no right, power, or responsibility conferred on the Board or the ARC by this Additional Declaration, the Articles or the By-Laws shall be construed as a duty, obligation or disability charged upon the Board, the ARC, any member of the Board or of the ARC, or any other officer, employee or agent of the Association. No such Person shall be liable to any party (other than the Association or a party claiming in the name of

the Association) for injuries or damage resulting from such Person's acts or omissions within what such Person reasonably believed to be the scope of his Association duties ("Official Acts"), except to the extent that such injuries or damage result from such Person's willful or malicious misconduct. No such Person shall be liable to the Association (or to any party claiming in the name of the Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct.

The Association shall pay all expenses incurred by, and satisfy any judgment or fine levied against, any person as a result of any action or threatened action against such Person to impose liability on such Person for his Official Acts, provided that:

(1) The Board determines that such Person acted in good faith and in a manner such Person reasonably believed to be in the best interests of the Association;

(2) In the case of a criminal proceeding, the Board determines that such Person had no reasonable cause to believe his conduct was unlawful; and

(3) In the case of an action or threatened action by or in the right of the Association, the Board determines that such Person acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Any determination of the Board required under this Section 16.11 must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote of a majority of a quorum of the Members of the Association voting at a meeting of the Association called for such purpose, provided that the Person to be indemnified shall not be entitled to vote.

Payments made hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action. This Section 16.11 shall be construed to authorize payments and indemnification to the fullest extent now or hereafter permitted by applicable law.

Notwithstanding the foregoing, no employee, officer, or director of Declarant, serving the Association as an appointee of Declarant, shall be granted indemnification hereunder.

The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any Person entitled to such indemnification.

Section 16.12. Special Provision for Enforcement of Certain Bonded Obligations. In the event that (1) the Common Area improvements located in any Phase of Development of the Project are not completed, prior to the issuance of a Final Subdivision Public Report for that Phase by the California Department of Real Estate ("DRE"), and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Declarant to complete the improvements, the following provisions of this Section will be applicable:

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

(2) A special meeting of Members, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held no fewer than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Members representing ten percent (10%) of the total voting power of the Association. A vote by Members of the Association other than Declarant shall be taken at such special meeting. A vote of a majority of the voting power of the Association residing in 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 this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XVII

ANNEXATION TO LAKE ASSOCIATION

Section 17.01. Annexation of Territory. Declarant is the Owner of the Project and hereby declares that the Project is added to and made a part of the residential development comprising the Properties, subject to the Master Declaration.

Section 17.02. Use Classification. The Project shall be deemed to be a portion of the Residential Area, as defined in the Master Declaration.

Section 17.03. Membership in Lake Association. Each purchaser from Declarant of one (1) or more residential Lots within the Project pursuant to a Final Subdivision Public Report covering the Project shall become an "Owner" as defined in the Master Declaration and shall automatically become a member of the Lake Association, as set forth in Article II, of the Master Declaration.

Section 17.04. Assessment Obligations. The rights, obligations and easements of all Owners of Lots located in the Project shall be the same as the rights and obligations of the Owners of Lots currently affected by the Master Declaration. The annual Common Assessments provided for in the Master Declaration shall commence as to all Lots in the Annexed Territory on the first day of the month following the date on which the deed is recorded conveying the first Lot in the Project to a purchaser from Declarant pursuant to a Final Subdivision Public Report covering the Project.

Section 17.05. Delegate Districts. Pursuant to Article VI, Section 4(a) of the Master Declaration, the Project is established as Delegate District No. 5 of the Master Declaration. All of the real property described in Paragraph A of the Preamble to this Additional Declaration together with any real property which may be annexed thereto pursuant to this Additional Declaration, shall constitute such Delegate District No. 5.

ARTICLE XVIII

PARTY WALLS

Section 18.01. General Rules of Law to Apply. Each wall or fence which is built as a part of the original construction of the Dwelling Units upon the Project and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for party damage due to negligence or willful acts or omissions shall apply thereto.

Section 18.02. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the Owners of the Dwelling Units connected by such party walls.

Section 18.03. Destruction by Fire or Other Casualty. Subject to the repair obligation, if any, of the Association pursuant to Article XII, Section 12.03, if a party wall is destroyed or damaged by fire or other casualty, any Owner whose Dwelling Unit is affected thereby may restore it, and the other Owner whose Dwelling Unit is connected thereto shall contribute equally to the cost of restoration thereof without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

Section 18.04. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 18.05. Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 18.06. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, then such dispute shall be submitted to and determined by arbitration. Each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator. The decision shall be by a majority of all the arbitrators, in accordance with

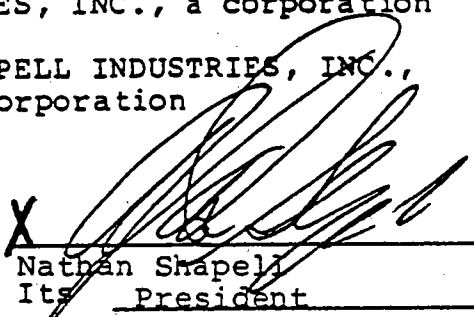
the American Arbitration Association Commercial Rules of Arbitration.

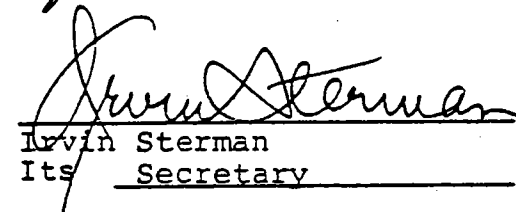
Declarant has executed this Additional Declaration the day and year first written above.

UPPER K-SHAPELL JOINT VENTURE, a Joint Venture composed of FOUNDERS K CORP., a corporation, and SHAPELL INDUSTRIES, INC., a corporation

(SEAL)

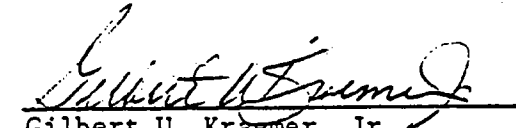
By: SHAPELL INDUSTRIES, INC.,
a corporation

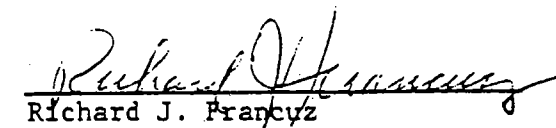
By: 
Nathan Shapell
Its President

By: 
Irvin Sterman
Its Secretary

(SEAL)

By: FOUNDERS K CORP.,
a corporation

By: 
Gilbert U. Kraemer, Jr.
Its President

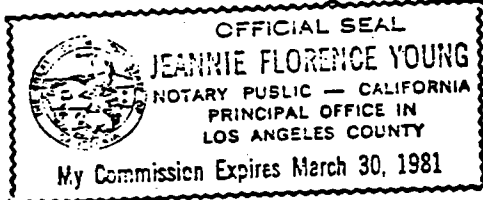
By: 
Richard J. Francuz
Its Secretary

"Declarant"

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On NOVEMBER 4, 1980, before me, the undersigned, a Notary Public in and for said State, personally appeared Nathan Shapell, known to me to be the President, and Irvin Sterman, known to me to be the Secretary, of SHAPELL INDUSTRIES, INC., the Corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said Corporation, said Corporation being known to me to be one of the Joint-Venturers of UPPER K-SHAPELL JOINT VENTURE, the Joint Venture that executed the within instrument, and acknowledged to me that such Corporation executed the same as Joint-Venturer and that Joint-Venture executed the same.

WITNESS my hand and official seal.

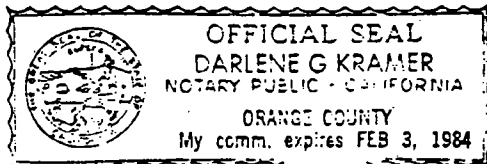


Jeannie Florence Young
Notary Public in and for said State

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

On November 12, 1980, before me, the undersigned, a Notary Public in and for said State, personally appeared Gilbert U. Kraemer, Jr., known to me to be the President, and Richard J. Francuz, known to me to be the Secretary, of FOUNDERS K CORP., the Corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said Corporation, said Corporation being known to me to be one of the Joint-Venturers of UPPER K-SHAPELL JOINT VENTURE, the Joint-Venture that executed the within instrument, and acknowledged to me that such Corporation executed the same as such Joint-Venturer and that such Joint Venture executed the same.

WITNESS my hand and official seal.



Darlene G. Kramer
Notary Public in and for said State

EXHIBIT "A"

ARTICLES OF INCORPORATION OF THE ASSOCIATION

EXHIBIT "B"

BY-LAWS OF THE ASSOCIATION

EXHIBIT "C"

DRAWINGS SHOWING LOCATION OF PORTIONS
OF ASSOCIATION MAINTENANCE AREAS

VILLAGE CENTER DRIVE

VISTA L NA

- OWNED BY HOMEOWNER
- MAINTENANCE BY E.L.S.C.A.
- EASEMENT TO E.L.S.C.A. FOR INGRESS
- EGRESS & MAINTENANCE PURPOSES

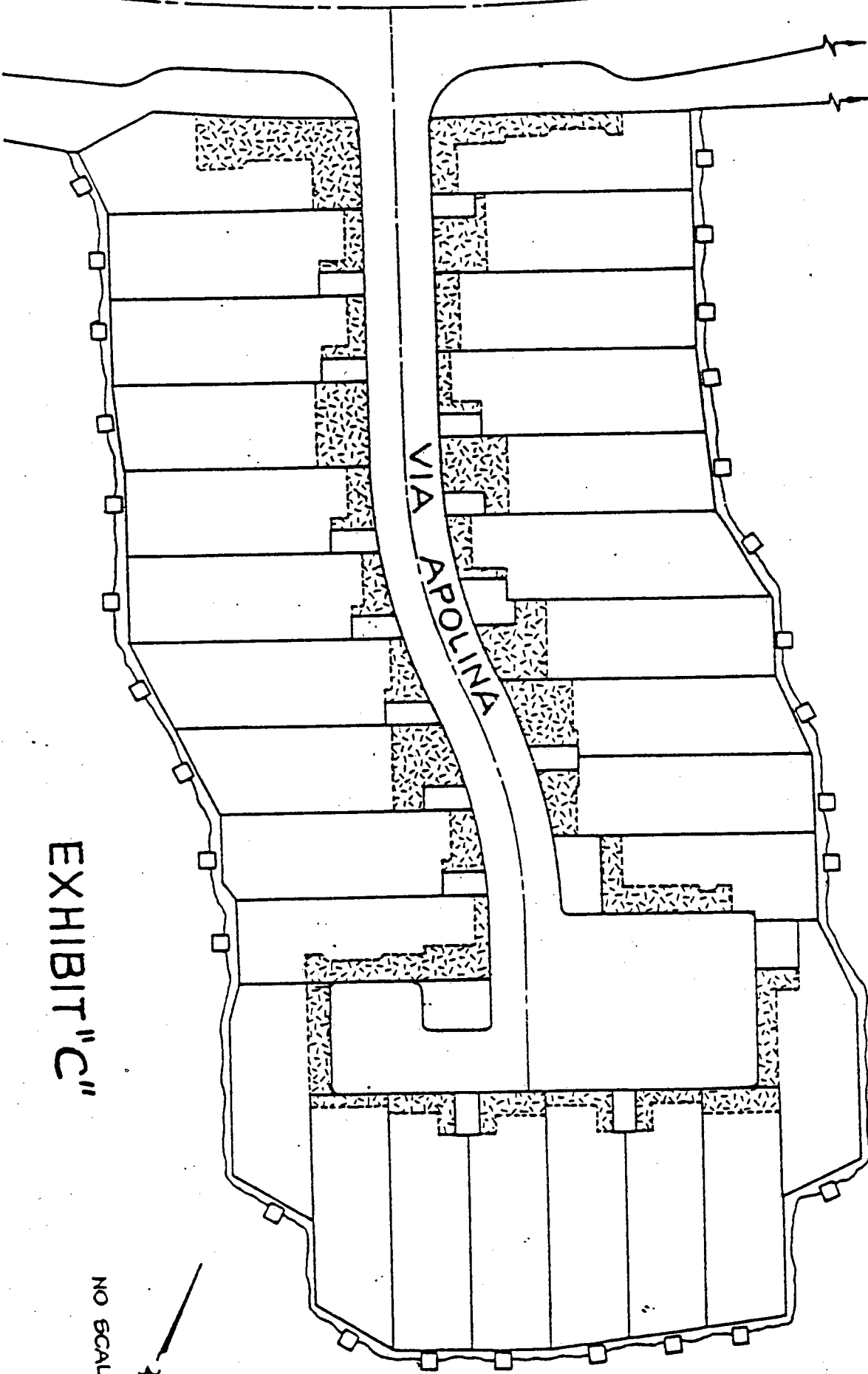


EXHIBIT "C"

NO SCALE

EXHIBIT "D"

LEGAL DESCRIPTION OF COMMON AREA

IN PHASE I OF THE PROJECT

The private street designated as Via Apolina on the Subdivision Map for Tract No. 9718, recorded on May 31, 1979, in Book 454, Pages 9 to 18, inclusive, of Miscellaneous Maps, in the office of the Orange County Recorder.

EXHIBIT "E"

LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

All that certain real property in the City of Yorba Linda,
County of Orange, described as follows:

Tract No. 9718, as shown on a Subdivision Map,
filed on May 31, 1979, in Book 454, Pages 9 to
18, inclusive, of Miscellaneous Maps, in the
Office of the Orange County Recorder; less
Phase 1 of the Project described in Paragraph A
to the Preamble of this Additional Declaration.

EXHIBIT "F"

PHASE I

DOCK EASEMENT AREA

EXHIBIT "G"

PHASE I LOT OWNER MAINTENANCE AREAS

VILLAGE CENTER DRIVE

- OWNED BY ELYCA.
- MAINTENANCE BY ELSGA.
- EASEMENT TO ELSGA FOR INGRESS
- ‡ EGRESS † MAINTENANCE PURPOSES
- EASEMENT TO HOMEOWNER FOR INGRESS † EGRESS

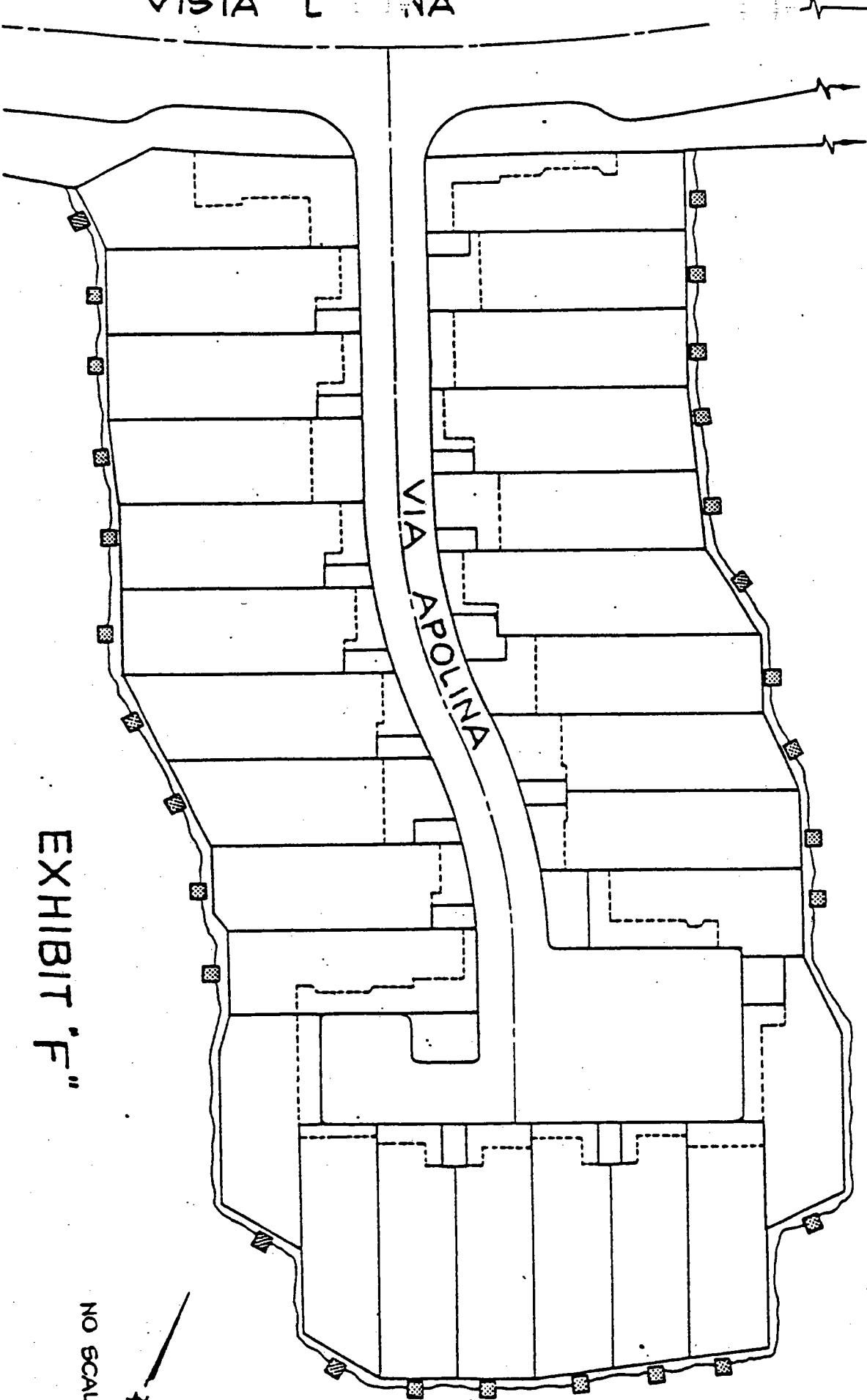


EXHIBIT 'F'

NO SCALE

VILLAGE CENTER DRIVE

- OWNED BY E.L.V.C.A.
- MAINTENANCE BY HOMEOWNER
- EASEMENT TO HOMEOWNER FOR INGRESS & EGRESS & MAINTENANCE PURPOSES

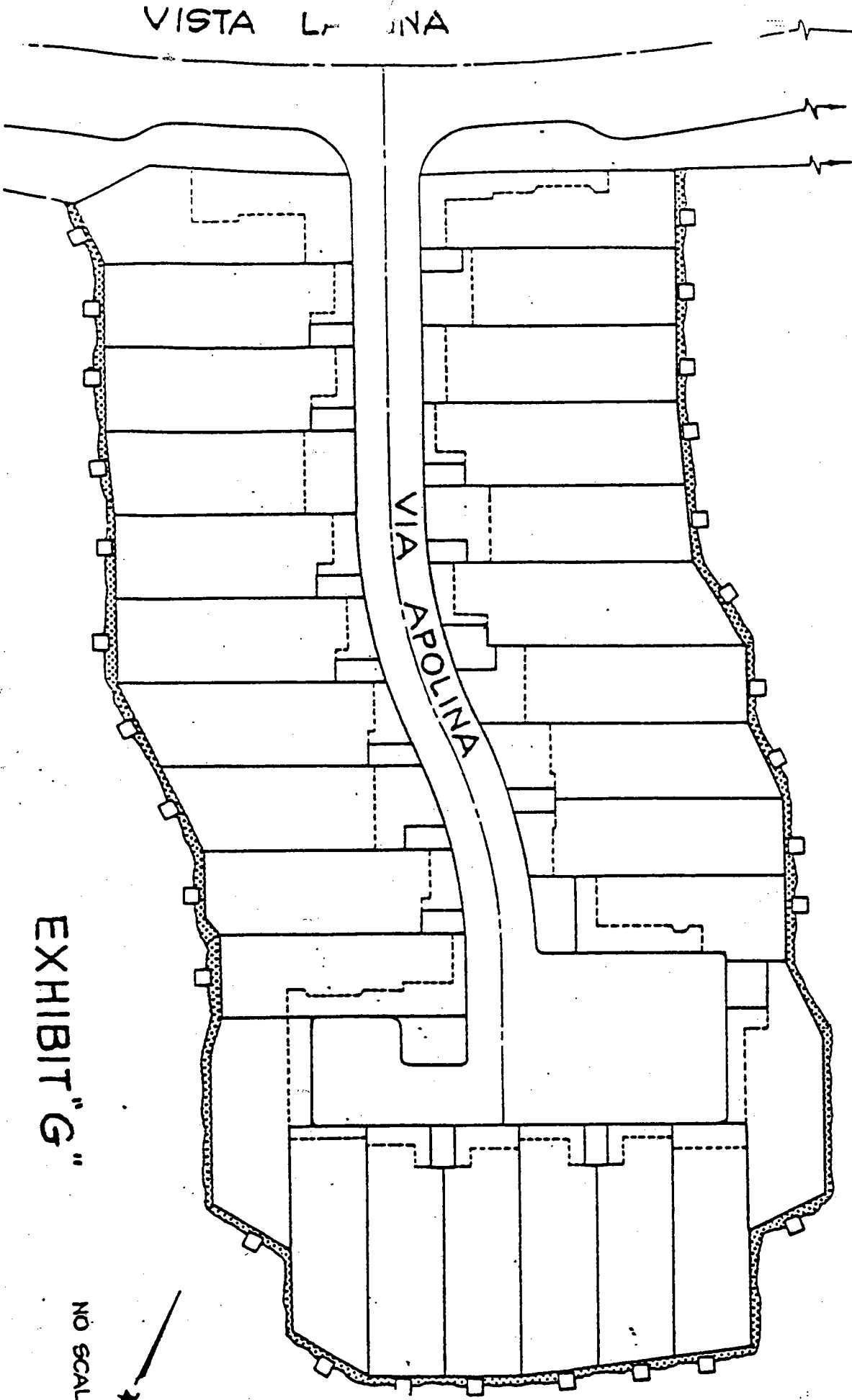


EXHIBIT "G"

NO SCALE

