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**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

**THE POINTE AT NEWPORT RIDGE
ORANGE COUNTY, CALIFORNIA**

THIS DOCUMENT IS BEING RE-RECORDED TO CORRECT 3 EXHIBITS. EXHIBIT B, C & D WERE CHANGED TO REFLECT THIS PHASE ONLY.

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- Exhibit B - Landscape Maintenance Areas
- Exhibit C - Perimeter Wall Maintenance
- Exhibit D - Permanent Walls That Cannot Be Removed
- Exhibit E - Contiguous Area Map
- Exhibit F - Storm Drain Agreement
- Exhibit G - Shear Zone

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS**

**THE POINTE AT NEWPORT RIDGE
ORANGE COUNTY, CALIFORNIA**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (the "Declaration") is made this 11th day of June, 1993, by STANDARD PACIFIC CORP., a Delaware corporation (the "Declarant"). All terms used in these Recitals shall mean the same as such terms are hereinafter defined in this Declaration unless the context clearly indicates otherwise.

RECITALS

A. Declarant (i) is the fee owner of certain real property located in the County of Orange, State of California described as Lots 4 to 15, inclusive, A and E to G, inclusive, of Tract Map No. 14711 (hereinafter "Tract No. 14711"), as per map filed in Book 696, Pages 11 to 14, inclusive, of Miscellaneous Maps, Records of said County, and (ii) when conveyed to Declarant, will be the holder of an easement over Lot C of Tract No. 14711 which shall be appurtenant to Lots F and G of Tract No. 14711 for use, maintenance, repair, renovation and reconstruction of storm drain pipelines and related underground storm water facilities as such easement is described in Section 8.05(b) of this Declaration. Said Lots and, subsequent to the conveyance thereof to Declarant, the easement shall hereinafter be referred to as the "Initial Covered Property."

B. The Covered Property is being developed as part of the Newport Ridge Planned Community which, if developed as planned, shall consist of the Covered Property together with other residential properties and common areas that will be managed and maintained by the Master Association pursuant to the provisions of the Master Declaration for the benefit of the members of the Master Association which shall be comprised of the Members of the Maintenance Association as well as members who are owners of such other residential property. The Master Declaration contains conditions, restrictions, rights, easements, liens and charges which constitute a general scheme for the management, use, occupancy and enjoyment of Newport Ridge Planned Community.

C. It is the desire and intention of Declarant to create a multiphased planned development in accordance with Section 1351(k) of the California Civil Code and to establish covenants, conditions, restrictions, rights, easements, liens and charges which will constitute a general scheme for the management, use, occupancy and enjoyment of the Covered Property, all running with the Covered Property for the purpose of enhancing and protecting the value, desirability and attractiveness of the Covered Property and enhancing the quality of life within the Covered Property.

D. All persons who purchase Residences within the Covered Property shall be Owners and Members.

NOW, THEREFORE, Declarant hereby covenants, agrees and declares that all of the Covered Property shall be held and conveyed subject to the following covenants, conditions, restrictions, rights, easements, liens and charges which are hereby declared to be for the benefit of said interests and shall be enforceable equitable servitudes and shall inure to the benefit of and bind all Owners in accordance with California Civil Code Section 1354 and shall be binding upon all parties having or acquiring any right or title in said interests or any part thereof, and shall inure to the benefit of each Owner thereof and are imposed upon said interests and every part thereof as a servitude in favor of each and every of said interests as the dominant tenement or tenements.

ARTICLE I

DEFINITIONS

Unless the context clearly indicates otherwise, the following terms used in this Declaration are defined as follows:

Section 1.01 - Allowable Charges. "Allowable Charges" shall mean the costs, late charges and interest in the amounts permitted by Section 1366(d) of the California Civil Code which may be recovered by the Maintenance Association when any Assessment becomes delinquent which, as of the date hereof, permits (1) reasonable costs incurred in collecting delinquent Assessments including reasonable attorneys' fees, (2) a late charge not exceeding ten percent (10%) of the delinquent Assessments or Ten Dollars (\$10.00), whichever is greater, and (3) interest on all sums imposed in accordance with this Section, including the delinquent Assessment, reasonable costs of collection and late charges, at an annual percentage rate not to exceed twelve percent (12%) interest, commencing not sooner than thirty (30) days after the Assessment becomes due. The Maintenance Association shall be exempt from compliance with the interest rate limitations imposed under Article XV of the California Constitution until and unless Section 1366(e) of the California Civil Code is amended to provide otherwise.

Section 1.02 - Annexation Property. "Annexation Property" shall mean that real property in the unincorporated area of the County described on Exhibit A attached hereto excepting therefrom the Initial Covered Property.

Section 1.03 - Annexed Property. "Annexed Property" shall mean any property that is described in a Supplementary Declaration that has been recorded in the Official Records and has become a part of the Covered Property.

Section 1.04 - Architectural Committee. "Architectural Committee" shall mean the committee or committees provided for in the Article hereof entitled "Architectural Control."

Section 1.05 - Articles and Bylaws. "Articles" and "Bylaws" shall mean the Articles of Incorporation and Bylaws of the Maintenance Association as the same may from time to time be duly amended.

Section 1.06 - Assessments. "Assessments" shall mean each of the charges levied by the Board pursuant to the provisions of the Maintenance Association Management Documents for the purposes indicated below:

(a) Cable Television Service Assessment for cable television services which may be levied against an Owner who has subscribed for such services;

(b) Capital Improvement Assessment levied against each Owner in any calendar year applicable to that year only for the purpose of defraying, in whole or in part, the cost of any installation, construction or replacement of a described capital Improvement upon the Common Area to the extent the same is not covered by Reconstruction Assessments, including the necessary fixtures and personal property related thereto;

(c) Penalty Assessment levied against an Owner as a monetary penalty as a disciplinary measure for failure of such Owner to comply with the provisions of the Maintenance Association Management Documents or as a means of reimbursing the Maintenance Association for costs incurred by the Maintenance Association in the repair of damage to Common Area that is being maintained by the Maintenance Association pursuant to the provisions of this Declaration for which the Owner was allegedly

responsible or bringing such Owner and his Residence into compliance with the provisions of the Maintenance Association Management Documents;

(d) Reconstruction Assessment levied against each Owner to cover the cost to the Maintenance Association for the repair, replacement or reconstruction of any portion or portions of the Insured Improvements pursuant to the provisions of the Article entitled "Destruction of Improvements" of this Declaration;

(e) Regular Assessment levied against each Owner for such Owner's proportionate share of the estimated Common Expenses for the forthcoming fiscal year;

(f) Special Assessment levied against all Owners to cover the cost of any action or undertaking on behalf of the Maintenance Association which is not specifically covered under any other Assessment. In the event the Maintenance Association undertakes to provide materials or services which benefit a particular Owner, such Owner in accepting such materials and services agrees that the cost thereof shall also be a Special Assessment; and

(g) Special Benefits Assessment levied against an Owner and such Owner's Residence within a particular Special Benefits Area representing such Owner's proportionate share of the Special Benefits Expenses for such Special Benefits Area.

Section 1.07 - Board. "Board" shall mean the Board of Directors of the Maintenance Association.

Section 1.08 - California Statutes. "California Statutes" (Sections of the California Civil Code, Business and Professions Code, Code of Civil Procedure or Corporations Code) when referenced in any of the Maintenance Association Management Documents shall mean each such statute, any amendments thereto or any successor statute thereof.

(Section 1.09 - Close of Escrow. "Close of Escrow" shall mean the date of the recordation in the Official Records of the conveyance of a Residence within a Phase in a transaction that requires the delivery of a Final Subdivision Public Report.

Section 1.10 - Common Area. "Common Area" shall mean the Covered Property excepting therefrom the Lots.

Section 1.11 - Common Expenses. "Common Expenses" shall mean the actual and estimated costs or amounts established by the Board, other than Special Benefits Expenses, which are to be allocated to all of the Owners to be paid for:

(a) maintenance, management, operation, repair and replacement of all real property and the Improvements thereon which the Maintenance Association is obligated to maintain pursuant to the provisions of the Maintenance Association Management Documents;

(b) unpaid Capital Improvement Assessments, Reconstruction Assessments, Regular Assessments, Special Assessments and Penalty Assessments that are levied as a means of reimbursing the Maintenance Association for costs incurred by the Maintenance Association in the repair of damage to Common Area;

(c) management and administration of the Maintenance Association, including, but not limited to, compensation paid by the Maintenance Association to managers, accountants, attorneys and employees;

(d) to the extent not metered or billed to Owners, utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Covered Property;

(e) premiums on all insurance and fidelity bonds maintained by the Maintenance Association pursuant to the Article entitled "Insurance" of this Declaration (except for fidelity bonds obtained by a management agent for its officers, employees and agents);

(f) adequate reserves to cover the deductible amounts of any insurance policies maintained by the Maintenance Association and for the future repair or replacement of, or additions to, those major components which the Maintenance Association is obligated to maintain pursuant to this Declaration, including reserves for replacements for structural elements and mechanical equipment of recreational or other facilities maintained by the Maintenance Association;

(g) taxes paid by the Maintenance Association;

(h) discharge of any lien or encumbrance levied against the Common Area or portions thereof;

(i) expenses incurred by committees established by the Board;

(j) security systems or services installed by or contracted for by the Maintenance Association;
and

(k) other expenses incurred by the Maintenance Association for any reason whatsoever in connection with the Common Area that is being maintained by the Maintenance Association pursuant to the provisions of this Declaration or the costs of any other item or items designated by the Maintenance Association Management Documents, or in furtherance of the purposes of the Maintenance Association or in the discharge of any duties or powers of the Maintenance Association.

Section 1.12 - Common Facilities. "Common Facilities" shall mean the Improvements upon the Nonexclusive Use Common Area.

Section 1.13 - County. "County" shall mean the County of Orange, State of California.

Section 1.14 - Covered Property. "Covered Property" shall mean the Initial Covered Property and, subsequent to the annexation thereof, any Annexed Property. The Covered Property is a common interest development as defined in Section 1351(c) of the California Civil Code which is being developed as a planned development.

Section 1.15 - Declarant. "Declarant" shall mean:

(a) Standard Pacific Corp., a Delaware corporation, its successors and assigns, by merger, consolidation or by purchase of all or substantially all of its assets; and

(b) any person or entity, his or its successors and assigns, to which the foregoing Declarant has assigned any or all of its rights and obligations by an assignment expressed in a recorded instrument including, without limitation, a deed, lease, option agreement, land sale contract or assignment as the case may be, transferring such interest if such assignee agrees in writing with Declarant to accept such assignment. Any reference in the Master Declaration to a "Participating Builder" shall include Declarant named in this Declaration.

Section 1.16 - Declaration. "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions as it may be amended from time to time. Any reference in the Master Declaration to a "Maintenance Association Declaration" shall include this Declaration.

Section 1.17 - Delegate. "Delegate" shall mean the person that is selected and/or elected in accordance with the provisions of the Master Declaration to represent the Owners within the Delegate District established pursuant to the provisions of the Master Association Management Documents at meetings of the Master Association.

Section 1.18 - Delegate District. "Delegate District" shall mean, as defined in Section 3.13 of the Master Declaration, the Covered Property. All references to a Delegate District in the Master Declaration shall include the Delegate District that is comprised of the Covered Property.

Section 1.19 - Development. "Development" shall mean the Initial Covered Property and the Annexation Property.

Section 1.20 - DRE. "DRE" shall mean the Department of Real Estate of the State of California.

Section 1.21 - Exhibit. "Exhibit" shall mean any document so designated herein and attached hereto or so designated in a Supplementary Declaration and attached thereto and each of such Exhibits is by this reference incorporated in this Declaration or such Supplementary Declaration.

Section 1.22 - Federal Agencies. "Federal Agencies" shall mean collectively one or more of the following agencies to the extent that any such agency is a Mortgagee, Owner, or insurer or guarantor of a Mortgage within the Covered Property and the following letter designation for such agencies shall mean respectively the agency specified within the parentheses following such letter designation: FHA (Federal Housing Administration), FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), VA (Department of Veterans Affairs).

Section 1.23 - Final Subdivision Public Report. "Final Subdivision Public Report" shall mean the report issued by the DRE pursuant to Section 11018.2 of the California Business and Professions Code on a portion of the Covered Property, as amended, if applicable.

Section 1.24 - Improvement. "Improvement" shall mean all:

- (a) structures and appurtenances thereto of every type and kind, including but not limited to, buildings, out buildings, walkways, sprinkler and sewer pipes or lines, garages, carports, gazebos, swimming pools and other recreational facilities, roads, driveways, parking areas, fences, screens, screening walls, retaining walls, awnings, patio and balcony covers, stairs, decks, landscaping, hedges, slopes, windbreaks, the exterior surfaces of any visible structure, trees and shrubs, poles, signs, solar or windpowered energy systems or equipment, and water softener or heater or air conditioning and heating fixtures and equipment;
- (b) the demolition or destruction by voluntary action of any structure or appurtenance thereto of every type and kind;
- (c) the grading, excavation, filling, or similar disturbance to the surface of the land including, without limitation, change of grade, change of ground level, change of drainage pattern or change of stream bed;
- (d) landscaping, planting, clearing, or removing of trees, shrubs, grass, or plants;

(e) any change or alteration of any Improvement including any change of material, exterior appearance, color or texture; and

(f) the processing and recording of any lot line adjustment.

Section 1.25 - Landscape Maintenance Areas. "Landscape Maintenance Areas" shall mean the areas depicted on Exhibit B attached hereto and any Landscape Maintenance Areas designated in a Supplementary Declaration.

Section 1.26 - Lot and Original Lot. "Lot" shall mean a lot shown on the most recently filed tract map describing such lot or a parcel shown on the most recently filed parcel map describing such parcel covering any portion of the Covered Property and filed for record in the County as such lot or parcel may be adjusted from time to time by any recorded lot line adjustment to the extent that such lot or parcel is a part of the Covered Property. "Original Lot" shall mean each lot within the Initial Covered Property as such lot is shown on Tract Map No. 14711 and subsequent to the annexation thereof, each lot shown on the tract map or each parcel shown on the parcel map that was filed for record in the County and specifically referenced and described in the Supplementary Declaration by which such property was annexed to the plan of this Declaration, as such Original Lot may be adjusted from time to time by any recorded lot line adjustment. Lot or Original Lot shall not include any Maintenance Association Property.

Section 1.27 - Maintenance Association. "Maintenance Association" shall mean The Pointe at Newport Ridge Association, a nonprofit mutual benefit corporation incorporated under the laws of the State of California, its successors and assigns, for the purpose of managing the Covered Property. Any references in the Master Declaration to a "Maintenance Association" shall include the Maintenance Association named in this Declaration.

Section 1.28 - Maintenance Association Common Area. "Maintenance Association Common Area" shall mean the portions of the Common Area that are designated by the Maintenance Association from time to time for the exclusive use of the Maintenance Association or any designees of the Maintenance Association for purposes that are consistent with the management and operation of the Covered Property (i.e., office facilities, manager's living quarters, storage rooms or areas, utility installations and structures containing utility installations and control panels).

Section 1.29 - Maintenance Association Common Area Improvements. "Maintenance Association Common Area Improvements" shall mean the Improvements upon the Maintenance Association Common Area.

Section 1.30 - Maintenance Association Management Documents. "Maintenance Association Management Documents" shall mean the Articles, Bylaws, Architectural Standards, Declaration, Supplementary Declaration and the Maintenance Association Rules and any amendments to any of the foregoing.

Section 1.31 - Maintenance Association Property. "Maintenance Association Property" shall mean all real property and the Improvements thereon owned in fee, by easement or leased from time to time by the Maintenance Association. The Maintenance Association Property within the Initial Covered Property is described as follows:

Lots 14 and 15 and Lots A and E to G, inclusive, of Tract Map No. 14711.

Section 1.32 - Maintenance Association Rules. "Maintenance Association Rules" shall mean rules adopted, amended and repealed from time to time by the Board pursuant to the Article entitled "Discipline of Members" of the Bylaws.

Section 1.33 - Master Association. "Master Association" shall mean Newport Ridge Community Association, a nonprofit mutual benefit corporation incorporated under the laws of the State of California, its successors and assigns.

Section 1.34 - Master Association Architectural and Landscape Standards. "Master Association Architectural and Landscape Standards" shall mean any architectural and/or landscape standards adopted pursuant to the provisions of the Master Declaration for the management and control of any Improvements made upon the Covered Property.

Section 1.35 - Master Association Management Documents. "Master Association Management Documents" shall mean the Articles of Incorporation, Bylaws, Declaration of Covenants, Conditions and restrictions, and any rules and regulations adopted by the Board of Directors of the Master Association.

Section 1.36 - Master Association Property. "Master Association Property" shall mean all real property and the Improvements thereon owned in fee, by easement or leased from time to time by the Master Association.

Section 1.37 - Master Declaration. "Master Declaration" shall mean that certain Declaration of Covenants, Condition and Restrictions for Newport Ridge Community Association recorded by The Irvine Company, a Michigan corporation as Declarant, on May 5, 1993, as Instrument No. 93-0301553, of the Official Records, and any amendments and/or supplements thereto.

Section 1.38 - Member. "Member" shall mean every person or entity who is an Owner including Declarant so long as Declarant continues to be an Owner.

Section 1.39 - Mortgage and Mortgagee. "Mortgage" and "Mortgagee" shall mean any duly recorded mortgage or deed of trust encumbering a Residence, and the holder of the mortgagee's or beneficiary's interest under any such Mortgage, respectively. "First Mortgage" and "First Mortgagee" shall mean a Mortgage which has priority over all other Mortgages encumbering a specific Residence, and the holder of any such First Mortgage, respectively.

Section 1.40 - Newport Ridge Planned Community. "Newport Ridge Planned Community" shall mean the master planned development as such term is defined in Title 10, Section 2792.32 of the California Administrative Code, that is encumbered by the Master Declaration.

Section 1.41 - Nonexclusive Use Common Area. "Nonexclusive Use Common Area" shall mean the real property and amenities owned or managed by the Maintenance Association for the common use of all Owners. The Nonexclusive Use Common Area shall consist of the Common Area.

Section 1.42 - Official Records. "Official Records" shall mean the Official Records in the Office of the County Recorder of the County.

Section 1.43 - Owner. "Owner" shall mean one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Residence, including Declarant, excluding those having any such interest merely as security for the performance of an obligation. If a Residence has been sold under a land sale contract in which the State of California is the vendor, then the vendee shall be deemed to be the Owner of such Residence.

Section 1.44 - Perimeter Walls. "Perimeter Walls" shall mean the perimeter walls within the Covered Property and Master Association Property as depicted on Exhibits C and D attached hereto and any perimeter walls depicted on similar Exhibits attached to a Supplementary Declaration.

Section 1.45 - Phase. "Phase" shall mean each increment of the Covered Property covered by a Final Subdivision Public Report. "First Phase" shall mean the first increment of the Covered Property covered by a Final Subdivision Public Report.

Section 1.46 - Pro Forma Operating Budget. "Pro Forma Operating Budget" shall mean as defined in Section 1365(a) of the California Civil Code which, until said Section is amended to provide otherwise, includes the following:

- (a) The estimated revenue and expenses on an accrual basis;
- (b) A summary of the Maintenance Association's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code and the Section entitled "Review of Accounts" of the Bylaws which is printed in bold type and includes all of the following:
 - (i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component that the Maintenance Association is obligated to maintain;
 - (ii) As of the end of the fiscal year for which the study is prepared:
 - (A) The current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components that the Maintenance Association is obligated to maintain;
 - (B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components that the Maintenance Association is obligated to maintain; and
 - (iii) The percentage that the amount determined for purposes of clause (B) of subparagraph (ii) above is of the amount determined for purposes of clause (A) of subparagraph (ii) above
- (c) A statement as to whether the Board has determined or anticipates that the levy of one or more special Assessments will be required to repair, replace or restore any major component that the Maintenance Association is obligated to maintain or to provide adequate reserves therefor; and
- (d) A general statement setting forth the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that the Maintenance Association is obligated to maintain.

Section 1.47 - Public Agency. "Public Agency" shall mean individually and/or collectively the City, if any, the County, the State of California, and the United States of America, or any agency of any of the foregoing that has authority over all or any portion of the Covered Property or which regulates or has the authority to regulate any of the uses thereon.

Section 1.48 - Residence. "Residence" shall mean a Lot together with any easements appurtenant thereto.

Section 1.49 - Special Benefits Area. "Special Benefits Area" shall mean a particular portion of the Covered Property designated as such in this Declaration or in any Supplementary Declaration which will require particular services for which the Maintenance Association shall incur expenses which are attributable only to Owners within such portion of the Covered Property. There are no Special Benefits Areas within the Initial Covered Property.

Special Benefits Areas may be created by the provisions of a Supplementary Declaration as to any Annexed Property described in such Supplementary Declaration.

Section 1.50 - Special Benefits Common Area. "Special Benefits Common Area" shall mean, as to any Special Benefits Area, the portion thereof, or the Improvements therein required to be maintained by the Maintenance Association pursuant to the provisions of this Declaration or any Supplementary Declaration for the exclusive benefit of the Owners within such Special Benefits Area. There is no Special Benefits Common Area within the Initial Covered Property.

Section 1.51 - Special Benefits Expenses. "Special Benefits Expenses" shall mean and refer to the actual and estimated costs or expenses incurred by the Maintenance Association for the exclusive benefit of Owners within a particular Special Benefits Area and may include, without limitation, any of the kinds of expenses that are described as Common Expenses hereunder but which pertain only to the Residences or Owners within such Special Benefits Area.

Section 1.52 - Storm Drain Agreement. "Storm Drain Agreement" shall mean the Agreement and Grant of Easements between The Irvine Company, a Michigan corporation, as the Grantor and the Declarant as the Grantee substantially in the form attached hereto as Exhibit F which conveys an easement appurtenant to a portion of the Covered Property for drainage and for the maintenance, repair, replacement and reconstruction of Storm Drain Facilities and shall also mean any similar agreement for drainage and for the maintenance, repair, replacement and reconstruction of Storm Drain Facilities appurtenant to any Annexed Property described in a Supplementary Declaration.

Section 1.53 - Storm Drain Easement Areas. "Storm Drain Easement Areas" shall mean (i) the storm drain easement areas described on Tract Map No. 14711 as the "easement reserved for private storm drain purposes," (ii) private storm drain easement areas described as such on any other tract map covering any other portion of the Covered Property, (iii) any private storm drain easement areas depicted on any Exhibit attached to a Supplementary Declaration, or (iv) any private storm drain easement areas described in a Storm Drain Agreement.

Section 1.53 - Storm Drain Facilities. "Storm Drain Facilities" shall mean the pipes, lines, catches, grates, concrete structures, security fences, gates and the like upon, under or across any Storm Drain Easement Areas.

Section 1.54 - Supplementary Declaration. "Supplementary Declaration" shall mean a writing annexing additional property extending the plan of this Declaration to such additional property.

ARTICLE II

THE MAINTENANCE ASSOCIATION

Section 2.01 - General Duties and Powers. The Maintenance Association, through the Board, shall have the duty and obligation to manage and maintain the Covered Property in accordance with the provisions of the Section entitled "Powers and Duties" of the Article entitled "Powers, Duties and Limitations" of the Bylaws and other provisions of the Maintenance Association Management Documents. Subject to the limitations and restrictions enumerated in the Maintenance Association Management Documents, including without limitation, the Article entitled "Mortgagee Protection" of this Declaration and the said Article entitled "Powers, Duties and Limitations" of the Bylaws, the Maintenance Association shall have all of the powers permitted by California law as set forth below:

(a) The powers granted to a nonprofit mutual benefit corporation permitted by California statute as set forth in Corporations Code Section 7140, Code of Civil Procedure Section 374 and Civil Code Section 1363.

(b) Standing to institute, defend, settle, or intervene in litigation, arbitration, mediation, or administrative proceedings in its own name as the real party in interest and without joining with it the individual Owners in matters pertaining to the following:

- (i) Enforcement of the Maintenance Association Management Documents;
- (ii) Damage to the Common Area;
- (iii) Damage to the Residences that the Maintenance Association is obligated to maintain or repair;
- (iv) Damage to the Residences which arises out of, or is integrally related to, damage to the Common Areas or Residences that the Maintenance Association is obligated to maintain or repair;

(c) The other powers granted to the Maintenance Association by law.

Such powers shall include, but not be limited to, the right to designate from time to time portions of Common Area as Maintenance Association Common Area and the right to join with Declarant in the execution of any lot line adjustment and quitclaim deeds and to accept title to additional property (1) for the purpose of eliminating encroachments due to engineering errors or errors in construction of any Improvements upon any of the affected property, (2) to permit changes in the development plan in circumstances where such changes are the result of topography, obstruction, hardship, aesthetic or other environmental conditions, (3) are the requirement of a regulatory agency, (4) do not have a significant negative impact upon the Maintenance Association or the Owners, or (5) to transfer the burden of management and maintenance of any Maintenance Association Property which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of any particular use or benefit to the Owners.

Section 2.02 - Power to Grant Rights. The Maintenance Association shall have the right to grant utility easements under, through and across any Common Area as reasonably necessary for the ongoing development and operation of the Covered Property.

Section 2.03 - Membership. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Residence. A Member may own more than one membership in the Maintenance Association by complying with the qualifications of membership as to more than one (1) Residence.

Section 2.04 - Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner required for membership. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Maintenance Association. The Maintenance Association shall have the right to record the transfer upon the books of the Maintenance Association without any further action or consent by the transferring Owner.

Section 2.05 - Delegation of Membership Rights. A Member who has leased or sold his Residence to a contract purchaser under an agreement to purchase shall be entitled to delegate to such lessee or contract purchaser, as applicable, his membership rights in the Maintenance Association. Such delegation shall be in writing and must be delivered to the Board before such lessee or contract purchaser may vote.

However, the lessor or contract seller shall remain liable for all charges and Assessments attributable to his Residence as long as such lessor or contract seller continues to be an Owner.

Section 2.06 - Classes of Membership. The Maintenance Association shall have two (2) classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of Declarant until the Class B membership has been converted to Class A membership, and after such conversion all Owners shall be Class A Members.

Class B. The Class B Member shall be Declarant. The Class B membership shall forever cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) the second anniversary of the first Close of Escrow to occur in the most recent Phase of the Development; or

(b) the fourth anniversary of the first Close of Escrow to occur in the First Phase.

Section 2.07 - Voting Power. Class A Members shall be entitled to one (1) vote for each Original Lot owned and the Class B Member shall be entitled to three (3) votes for each Original Lot owned. In the event an Original Lot has been split into more than one Lot, the vote for such Original Lot may be allocated to the Owners of such Original Lot in an agreement which is approved in writing by the Board and recorded in the Official Records. When more than one person owns a portion of the interest in a Residence required for membership, each such person shall be a Member and the vote for such Residence shall be exercised as they among themselves determine, but in no event shall the total number of votes for each Original Lot exceed the total number permitted for such Original Lot as provided in this Section. The Maintenance Association may, but shall not be obliged to, refuse to recognize the vote or written assent of any such co-Owner, except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Maintenance Association.

Section 2.08 - Voting Rights. All voting rights shall be subject to the restrictions and limitations provided in the Maintenance Association Management Documents. A Member's right to vote shall vest immediately upon the date Regular Assessments are levied against the Residence of such Member. Except as provided in the Article entitled "Enforcement of Bonded Obligations" of this Declaration, wherever a provision of the Maintenance Association Management Documents requires the approval or written assent of Members other than Declarant, it shall be deemed to mean:

(a) as long as there is a Class B membership, the vote or written assent of a bare majority of the Class B voting power and the prescribed majority of the total Class A voting power; and

(b) after the Class B membership has been converted to Class A membership, the vote or written assent of a bare majority of the total voting power of the Maintenance Association as well as the vote or written assent of a prescribed majority of the total voting power of Members other than Declarant.

Section 2.09 - Approval of All Members. Unless elsewhere otherwise specifically provided in the Maintenance Association Management Documents, any provision of the Maintenance Association Management Documents which requires the vote or written consent of either the voting power of the Maintenance Association or of Members other than Declarant shall be deemed satisfied by the following:

(a) the vote in person or by proxy of the specified percentage of all of the votes which are entitled to be cast. Said vote shall be at a meeting duly called and noticed pursuant to the provisions of the Bylaws dealing with annual or special meetings of the Members; and

(b) written consents signed by the specified percentage of all of the votes which are entitled to be cast. Said vote by written consent shall be solicited pursuant to the procedures provided in the Bylaws.

Nothing in this Section or in any other provision of any of the Maintenance Association Management Documents shall preclude Members from assenting to the amendment of any of the Maintenance Association Management Documents by joining in the execution of, or attaching their written consent to, such amendment.

Section 2.10 - Special Benefits Area Approval. Notwithstanding any other provision of the Maintenance Association Management Documents, any action expressly for the benefit of a Special Benefits Area or the Owners of Residences therein which requires a vote of the membership shall require the approval of the prescribed percentage of the class or classes of membership or the approval of Members other than Declarant of only those Owners within such Special Benefits Area.

Section 2.11 - Certificate Evidencing Approvals. The certificate of any officer or officers authorized by resolution of the Board or of the president and secretary certifying that the required voting power of the Maintenance Association has approved the execution, delivery and/or recordation of an amendment to any of the Maintenance Association Management Documents, any Supplementary Declaration or any other document requiring the approval of the voting power of the Maintenance Association shall be deemed conclusive proof thereof.

Section 2.12 - Delegates; Delegate Districts. In accordance with the provisions of the Master Declaration, the Residences within the Covered Property shall comprise a Delegate District. Delegates for this Delegate District shall be elected by the Board and Declarant as provided in the Bylaws.

ARTICLE III

ASSESSMENTS

Section 3.01 - Agreement to Pay. Subject to limitations contained in the Maintenance Association Management Documents, the Maintenance Association, through its Board, shall fix, establish and collect from time to time Assessments sufficient to perform its obligations under the Maintenance Association Management Documents. Each Owner, including Declarant to the extent Declarant is an Owner as defined herein, is deemed to covenant and agree to pay such Assessments to the Maintenance Association.

Section 3.02 - Collection and Disbursement. All funds of the Maintenance Association may be commingled so that the Maintenance Association may qualify for higher yielding accounts at banking or savings and loan institutions as long as the accounting records of the Maintenance Association reflect deposits and disbursements in a manner that will insure that the funds collected as Capital Improvement Assessments, Reconstruction Assessments, Regular Assessments and Cable Television Service Assessments will be used only for the purposes for which such funds were collected.

Section 3.03 - Maximum Assessments.

(a) Except as provided in this Section, the Board shall levy Assessments sufficient to perform its obligations under the Maintenance Association Management Documents. However, annual increases in Regular Assessments or Special Benefits Assessments for any fiscal year, as authorized by Section 1366(b) of the California Civil Code, shall not be imposed unless the Board has complied with Section 1365(a) of

the California Civil Code with respect to that fiscal year, or has obtained the approval of the percentage of the Owners prescribed in subsections (b) and (c) of this Section of the Declaration. The provisions of Section 1365(a) of the California Civil Code require the Maintenance Association to prepare and distribute a Pro Forma Operating Budget annually within a certain prescribed period of time prior to the beginning of the Maintenance Association's fiscal year as provided in Article IX of the Bylaws.

(b) The Board may not impose a Regular Assessment that is more than twenty percent (20%) greater than the Regular Assessment for the Maintenance Association's preceding fiscal year, or impose Assessments for any other act or undertaking of the Maintenance Association which in the aggregate exceed five percent (5%) of the Common Expenses of the Maintenance Association for that fiscal year, without the approval of Owners constituting a quorum casting a majority of the votes at a meeting or election of the Maintenance Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the California Corporations Code and Section 7613 of the California Corporations Code. A Special Assessment levied pursuant to subdivision (c) of Section 1365.5 of the California Civil Code shall not be subject to the five percent (5.0%) limitation contained in the preceding sentence. For the purposes of this Section, quorum means more than fifty percent (50%) of the Owners of the Maintenance Association.

(c) In addition to the foregoing, the Board may not impose a Special Benefits Assessment in a Special Benefits Area that is more than twenty percent (20%) greater than the Special Benefits Assessment for such Special Benefits Area for the Maintenance Association's preceding fiscal year, or impose Assessments for any other act or undertaking of the Maintenance Association for such Special Benefits Area which in the aggregate exceed five percent (5%) of the Special Benefits Expenses of such Special Benefits Area for that fiscal year, without the approval of Owners within such Special Benefits Area constituting a quorum casting a majority of the votes at a meeting or election of the Maintenance Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3, Division 2 of Title 1 of the California Corporations Code and Section 7613 of the California Corporations Code. A Special Assessment levied for such Special Benefits Area pursuant to subdivision (c) of Section 1365.5 of the California Civil Code shall not be subject to the five percent (5.0%) limitation contained in the preceding sentence. For the purposes of this Section, quorum means more than fifty percent (50%) of the Owners of such Special Benefits Area.

(d) This Section does not limit Assessment increases necessary for emergency situations. For purposes of this Section, an emergency situation is any one of the following:

(i) an extraordinary expense required by an order of a court;

(ii) an extraordinary expense necessary to repair or maintain the Covered Property or any part of it for which the Maintenance Association is responsible where a threat to personal safety on the property is discovered; and

(iii) an extraordinary expense necessary to repair or maintain the Covered Property or any part of it for which the Maintenance Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the Pro Forma Operating Budget. However, prior to the imposition or collection of an Assessment under this subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of Assessment.

(e) In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the Common

Expenses and to the extent permitted in this Section determine the revised amount of the Regular Assessment and the installments thereof, if applicable, allocable to each Residence, and the date or dates when due. The Board shall provide notice by first-class mail to all Members of any increase in Regular Assessments not less than thirty (30) nor more than sixty (60) days prior to the date upon which such increased Assessment becomes due.

(f) In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Special Benefits Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the Special Benefits Expenses and to the extent permitted in this Section determine the revised amount of the Special Benefits Assessment and the installments thereof, if applicable, allocable to each Residence within the Special Benefits Area, and the date or dates when due. The Board shall provide notice by first-class mail to all Members within such Special Benefits Area of any increase in Special Benefits Assessments not less than thirty (30) nor more than sixty (60) days prior to the date upon which such increased Assessment becomes due.

(g) In the event the amount budgeted to meet Common Expenses for the then current year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessments as it deems appropriate except that as long as Declarant is offering Residences for sale pursuant to a Final Subdivision Public Report, the Regular Assessment may not be decreased by ten percent (10%) or more without the express written consent of Declarant and the DRE.

(h) In the event the amount budgeted to meet Special Benefits Expenses in any Special Benefits Area for the then current year proves to be excessive in light of the actual Special Benefits Expenses, the Board in its discretion may either reduce the amount of the Special Benefits Assessment or may abate collection of Special Benefits Assessments as it deems appropriate except that as long as Declarant is offering Residences for sale pursuant to a Final Subdivision Public Report, the Special Benefits Assessment may not be decreased by ten percent (10%) or more without the express written consent of Declarant and the DRE.

Notwithstanding the foregoing, an increase in the amount of an Assessment that is the result of annexing a Phase on which the DRE has issued a Final Subdivision Public Report shall not require membership approval even if such increase does result in an increase in the amount of the Assessment that is more than twenty percent (20%) greater than the Assessment for the preceding fiscal year provided that the annexation of such Phase and the maintenance of any additional Improvements resulting from such annexation was reflected in the Pro Forma Operating Budget for the Development approved by the DRE and provided further that such increase in the Assessment is permitted or not prohibited under any California Statute in effect at the time of such increase.

Section 3.04 - Assessment Allocation. Assessments shall be fixed for each Residence on which Assessments have commenced in accordance with the provisions of this Declaration as hereinafter provided in this Section.

(a) Penalty Assessments. Penalty Assessments levied against an individual Owner shall be fixed (1) at the amount necessary to reimburse the Maintenance Association for costs incurred by the Maintenance Association in performing any repair and maintenance of damage for which such Owner was allegedly responsible, or (2) as determined from time to time by the Board as a disciplinary measure for failure of such Owner to comply with the provisions of the Maintenance Association Management Documents;

(b) Special Assessments for Materials or Services. In the event an Owner accepts materials or services provided by the Maintenance Association, the Special Assessment levied against such Owner shall be the amount necessary to reimburse the Maintenance Association for the costs incurred in providing such materials and services.

(c) Cable Television. In the event the Board elects to contract with a cable television service company to provide service for the benefit of Owners, Cable Television Service Assessments shall be levied against Owners who have subscribed with the Maintenance Association for such services.

(d) Special Benefits Assessments. Special Benefits Assessments as to a particular Special Benefits Area shall be fixed at an equal amount for each Original Lot within such Special Benefits Area.

(e) Assessments for All Other Purposes. Regular Assessments, Capital Improvement Assessments and Reconstruction Assessments for the repair, replacement, or reconstruction of Improvements within the Common Area and Special Assessments for any other act or undertaking of the Maintenance Association shall be fixed at an equal amount for each Original Lot.

All Assessments may be collected at intervals selected by the Board except that Regular Assessments and Special Benefits Assessments must be paid in regularly scheduled monthly installments.

In the event an Original Lot has been subdivided into more than one Lot, the Assessment for such Original Lot shall be allocated by the Board to the Owners thereof unless the Owners of such Original Lot agree upon an allocation in an agreement which is approved in writing by the Board and recorded with respect to such Original Lot in the Official Records.

Section 3.05 - Certificate of Payment. The Maintenance Association shall, upon demand, furnish to any Owner liable for Assessments a certificate in writing signed by an authorized agent of the Maintenance Association or by the president setting forth whether the Assessments on such Owner's Residence have been paid, and the amount of delinquency, if any. A reasonable charge may be collected by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

Section 3.06 - Exempt Property.

(a) Declarant and any other Owner of a Residence which does not include a structural Improvement for human occupancy shall be exempted from the payment of that portion of the Regular Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of such structural Improvements. The exemption may include, but shall not be limited to, the portion of such Regular Assessment attributable to (1) roof replacement, (2) exterior maintenance, (3) walkway and carport lighting, (4) refuse disposal, and (5) domestic water supplied to the Residence. Any exemption of a Residence from the payment of Regular Assessments attributable to the existence and use of such Improvements shall be in effect only until the earliest to occur of the following events:

- (i) a notice of completion of such structural Improvement has been recorded;
- (ii) the occupation or use of the dwelling unit affected by such structural Improvements;

or

(iii) completion of all elements of the residential structure which the Maintenance Association is obliged to maintain.

(b) Declarant and any other Owner shall be exempted from the payment of that portion of any Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of Common Facilities and Maintenance Association Common Area Improvements that are not complete at the time Assessments commence. Any exemption from the payment of Assessments attributable to any incomplete Common Facility or Maintenance Association Common Area Improvement shall be in effect only until the earliest of the following events:

(i) a notice of completion of such Common Facility or Maintenance Association Common Area Improvement has been recorded;

(ii) the Common Facility or Maintenance Association Common Area Improvements have been put into use.

(c) All properties dedicated to and accepted by, or otherwise owned or acquired by, a Public Agency for nonresidential public purposes shall be exempt from the Assessments created herein.

Section 3.07 - Date of Commencement.

(a) The Regular Assessments shall commence with respect to all Residences in a Phase on the first day of the month following the first Close of Escrow to occur within such Phase.

(b) All other Assessments may be levied against an Owner when Regular Assessments have commenced against such Owner's Residence.

The first Regular Assessment and Special Benefits Assessment shall be adjusted according to the number of months remaining in the fiscal year.

Section 3.08 - No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason.

Section 3.09 - Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect or in effect from time to time hereafter.

Section 3.10 - Taxation of Maintenance Association. In the event that any taxes are assessed against Common Area or the personal property of the Maintenance Association, rather than against the individual Residences, said taxes shall be added to the annual Regular Assessments, or, if necessary, a Special Assessment may be levied against the Residences in an amount equal to said taxes, to be paid in two (2) installments thirty (30) days prior to the due date of each tax installment.

Section 3.11 - Delinquency. Any Assessment provided for in this Declaration which is not paid shall be delinquent fifteen (15) days after such Assessment was due (the "delinquency date") and Allowable Charges may be recovered if an Assessment becomes delinquent. The Maintenance Association may at its option, and without waiving the right to judicially foreclose its lien against such Owner's Residence, pursue any available remedies, including, without limitation, bringing an action at law against the Owner personally obligated to pay the same, and/or upon compliance with the notice provisions set forth in the Section entitled "Personal Obligation; Lien" of this Article, to foreclose the lien against such Owner's Residence under the power of sale granted herein. Each Owner vests in the Maintenance Association, or its assigns, the right and power to bring all actions at law or any lien foreclosure against such Owner or other Owners for the collection of such delinquent Assessments.

Section 3.12 - Limitation on Fees. The Maintenance Association shall comply with Section 1366.1 and 1368(c) of the California Civil Code and, until such Sections are amended to provide otherwise, shall not:

(a) impose or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which it is levied; and

(b) impose or collect any Assessment, penalty, or fee in connection with a transfer of title or any other interest except the Maintenance Association's actual cost to change its records and that authorized in connection with subsection (n) of the Section entitled "Powers and Duties" of the Bylaws to provide copies of Maintenance Association Management Documents, copies of financial statements and statements of unpaid Assessments and Allowable Charges.

Section 3.13 - Personal Obligation; Lien. An Assessment and any Allowable Charges shall be a personal obligation and debt of the Owner of the Residence at the time the Assessment or Allowable Charges are levied and shall not pass to successors in title unless assumed by the successors in title. The amount of the Assessment, plus any Allowable Charges, shall be a lien on the Owner's Residence from and after the time the Maintenance Association causes to be recorded in the Official Records a notice of delinquent assessment which shall state (1) the amount of the Assessment and Allowable Charges, (2) a description of the Owner's Residence against which the Assessment and Allowable Charges are levied, (3) the name of the record Owner of the Residence against which the lien is imposed, and (4) in order for the lien to be enforced by nonjudicial foreclosure as hereinafter provided, the name and address of the trustee authorized by the Maintenance Association to enforce the lien by sale. The notice of delinquent assessment shall be signed by the officers authorized for such purpose by resolution of the Board or by the president of the Maintenance Association. Upon payment of the sums specified in the notice of delinquent assessment, the Maintenance Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof. A lien created pursuant to this Section shall be prior to all other liens recorded subsequent to the notice of delinquent assessment, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any First Mortgage.

Section 3.14 - Not Subject to Lien. Penalty Assessments and Allowable Charges incurred in connection with delinquent Penalty Assessments may not be characterized nor treated as an Assessment which may become a lien against an Owner's Residence enforceable in accordance with the Section entitled "Foreclosure Sale" of this Article. Nothing in this Declaration, however, shall prevent the Maintenance Association from bringing an action at law or in equity against an Owner to collect Penalty Assessments.

Section 3.15 - Foreclosure Sale. Said lien created pursuant to this Article may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Section 2934a of the California Civil Code. Any sale by a trustee provided for above is to be conducted in accordance with the provisions of Sections 2924 et seq. and Section 1367 of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust. Upon the affirmative vote of a majority of the voting power of the Maintenance Association, the Maintenance Association, through its duly authorized agents, shall have the power to bid on the Residence, using Maintenance Association funds, or funds borrowed for such purpose, at the sale, and to acquire and hold, lease, mortgage and convey the same. Nothing in this Section prohibits actions against any Owner to recover sums for which a lien is created pursuant to this Article or prohibits the Maintenance Association from taking a deed in lieu of foreclosure.

Section 3.16 - Subordination of Assessment Liens. The lien of the Assessments and Allowable Charges provided for in this Declaration shall be subordinate to the lien of any First Mortgage upon any Residence. The foreclosure of any lien provided for in this Article for the payment of Assessments and Allowable Charges shall not operate to affect or impair the lien of a First Mortgage and the foreclosure of the lien of a First Mortgage or the sale under a power of sale included in such First Mortgage (such events being

hereinafter referred to as "Events of Foreclosure") shall not operate to affect or impair such Assessment lien, except that any persons who obtain an interest through any of the Events of Foreclosure, and the successors in interest, shall take title free of such Assessment lien or any personal obligation for said charges as shall have accrued up to the time of any of the Events of Foreclosure, but subject to the Assessment lien for all said charges that shall accrue subsequent to the Events of Foreclosure. Notwithstanding the foregoing, any delinquent Special Benefits Assessments in a Special Benefits Area that were extinguished pursuant to this paragraph may be reallocated and assessed to all Residences within such Special Benefits Area as a Special Benefits Expense and any other delinquent Assessments that were extinguished pursuant to this paragraph may be reallocated and assessed to all Residences as a Common Expense.

A First Mortgagee's rights pursuant to this Section shall not be affected by the failure of such First Mortgagee to deliver a notice to the Board.

The lien of the Assessments and Allowable Charges as aforesaid shall also be subordinate to the interests of the Department of Veterans Affairs of the State of California as the vendor under its Cal-Vet loan contracts to the same extent that the said liens are made subordinate to the liens or charges of First Mortgages as provided above.

ARTICLE IV

ARCHITECTURAL CONTROL

Section 4.01 - Architectural Committee. The Architectural Committee shall consist of not fewer than three (3) nor more than five (5) persons as fixed from time to time by resolution of the Board. Declarant shall initially appoint the Architectural Committee. Declarant shall retain the right to appoint, augment or replace all members of the Architectural Committee until one (1) year after the occurrence of the first Close of Escrow within the Initial Covered Property. Declarant shall retain the right to appoint, augment or replace a majority of the members of the Architectural Committee until (1) five (5) years after the occurrence of the first Close of Escrow within the Covered Property, or (2) Close of Escrow has occurred on ninety percent (90%) of the Residences within the Development, whichever of (1) or (2) shall first occur, at which time the right to appoint, augment or replace all members of the Architectural Committee shall automatically be transferred to the Board. As long as Declarant has the right to appoint some but not all of the members of the Architectural Committee, the Board shall have the right but not the obligation to fill the remaining vacancies on the Architectural Committee. Persons appointed by the Board to the Architectural Committee must be Members; however, persons appointed by Declarant to the Architectural Committee need not be Members, in Declarant's sole discretion. The address of the Architectural Committee shall be the address established for giving notice to the Maintenance Association unless another address is specified for such purpose in the Architectural Standards or Architectural Committee Rules. Such address shall be the place for the submittal of plans and specifications and the place where the current Architectural Standards and Master Association Architectural and Landscape Standards shall be kept.

Section 4.02 - Architectural Standards. Any Master Association Architectural and Landscape Standards adopted from time to time pursuant to the provisions of the Master Declaration for the management and control of the Covered Property shall be enforced by the Architectural Committee and by the Master Association in accordance with the requirements of the Master Declaration. In addition, the Board may, from time to time, adopt and promulgate additional Architectural Standards to be administered through the Architectural Committee and has the additional rights described in the Sections entitled "Appeal" and "Variances" of this Article. The Architectural Standards may include among other things those restrictions and limitations upon the Owners set forth below:

(a) time limitations for the completion of the Improvements for which approval is required pursuant to the Architectural Standards;

(b) conformity of completed Improvements to plans and specifications approved by the Architectural Committee;

(c) such other limitations and restrictions on Improvements as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the placement, kind, shape, height, materials, species and location of any Improvement; and

(d) a description of the Improvements which, if completed in conformity with the Architectural Standards, do not require the approval of the Architectural Committee.

Section 4.03 - Functions of Architectural Committee.

(a) It shall be the duty of the Architectural Committee to consider and act upon proposals or plans submitted pursuant to the terms of this Declaration, the Architectural Standards, or the Master Association Architectural and Landscape Standards and to perform such other duties delegated to it by the Board.

(b) The Architectural Committee may delegate its plan review responsibilities to one or more members of such Architectural Committee. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the entire Architectural Committee.

(c) The Architectural Committee may, from time to time, subject to the approval of the Board, adopt, amend and repeal Architectural Committee Rules, may require the prepayment of a deposit to be applied toward the payment of any Special Assessment levied by the Board if such Owner fails to restore any portion of the Covered Property to a clean and attractive condition and may assess a reasonable fee as appropriate for the type and nature of the Improvement, to cover the cost of inspections that may be necessary to insure compliance and in connection with the review of plans and specifications for proposed Improvements, including without limitation, a procedure for approval of preliminary plans and drawings, as well as final approval, the number of sets of plans to be submitted, and may require such detail as it deems proper, including without limitation, floor plans, site plans, elevation drawings, and descriptions or samples of exterior material and colors.

(d) Unless all of the rules of the Architectural Committee have been complied with, such plans and specifications shall be deemed not submitted.

Notwithstanding the foregoing as long as the majority of the members of the Architectural Committee are appointed by Declarant, members of the Architectural Committee appointed by Declarant shall have the absolute right to (i) limit their responsibility and obligations to the review of plans and specifications on a selective basis either by designating the kinds of Improvements that require review and approval by such members of the Architectural Committee or by limiting the review and approval of such members only as to design, appearance, or other like considerations deferring all other considerations of review and approval by the members of the Architectural Committee appointed by the Board, (ii) abstain from voting and deferring the determination as to approval and disapproval to the members of the Architectural Committee appointed by the Board, or (iii) delegate all or any portion of the plan review and approval or disapproval responsibilities to the members of the Architectural Committee appointed by the Board.

Section 4.04 - Approval.

(a) No Improvements shall be made upon the Covered Property except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee except as may otherwise be provided in the Architectural Standards, Master Association Architectural and Landscape Standards or in any Supplementary Declaration.

(b) The Architectural Committee shall review plans and specifications submitted for its approval as to style, exterior design, appearance and location and shall approve such plans and specifications only if it deems that the proposed Improvement will not be detrimental to the appearance of the Development as a whole; that the Improvement complies with the Architectural Standards and the Master Association Architectural and Landscape Standards; that the appearance of any Improvements will be in harmony with the surrounding structures; that the construction of any Improvement will not detract from the beauty and attractiveness of the Development or the enjoyment thereof by the Owners; and that the upkeep and maintenance of any Improvement will not become a burden on the Maintenance Association. The Architectural Committee (1) may determine that such Improvement cannot be approved because of its effect on existing drainage, utility or other easements, (2) may require submission of additional plans and specifications or other information or materials prior to approving or disapproving plans and specifications submitted, or (3) may condition its approval of plans and specifications for any Improvement on such changes therein as it deems appropriate such as, and without limitation, the approval of such Improvement by a holder of an easement which may be impaired thereby or upon approval of any such Improvement by the appropriate Public Agency. Any Architectural Committee approval conditioned upon the approval by a Public Agency or an easement holder shall not imply the Maintenance Association is enforcing any government codes or regulations or provisions of any easement agreement, nor shall the failure to make such conditional approval imply that any such Public Agency or easement holder approval is not required.

Section 4.05 - Nonliability for Approval. Plans and specifications are not approved for (1) engineering design, (2) compliance with zoning and building ordinances, and other applicable statutes, ordinances or governmental rules or regulations, (3) compliance with the requirements of any public utility, (4) any easements or other agreement, or (5) preservation of any view and by approving such plans and specifications neither the Architectural Committee, the members thereof, the Maintenance Association, the Owners, the Board nor Declarant, nor agents, employees, attorneys or consultants of any of the foregoing, assume liability or responsibility therefor, or for any defect in any Improvement constructed from such plans and specifications or for any obstruction or impairment of view caused or created as the result of any Improvements approved by the Architectural Committee.

Section 4.06 - Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board within the time limitation stated in the Section entitled "Performance Dates" of this Article. The Board shall submit such request to the Architectural Committee for review, whose written recommendations are to be submitted to the Board.

Section 4.07 - Evidence of Approval.

(a) As provided elsewhere in the Maintenance Association Management Documents, Declarant is not subject to the provisions of the Maintenance Association Management Documents pertaining to architectural control. Any Improvements constructed by Declarant shall automatically be in compliance with the Maintenance Association Management Documents and shall not be subject to further architectural control until and unless there has been a change or alteration made by a successor in title to Declarant as to any Residence in the material, texture, color or appearance of any such Improvement upon such Residence. Normal maintenance, repair or reconstruction by any successor in title to Declarant in the event of a destruction, in substantial conformance with the Improvements constructed by Declarant, shall

not be deemed to be an Improvement that requires approval pursuant to the provisions of this Article. If the Improvements upon such Residence comply with the provisions of the Maintenance Association Management Documents, the Architectural Committee shall, upon request, issue a statement (hereinafter a "Compliance Statement") which will evidence such compliance. If any of the Improvements upon such Residence do not comply with the provisions of the Maintenance Association Management Documents, the Architectural Committee shall, upon such request, issue a statement (hereinafter a "Noncompliance Statement") delineating the corrective action that is required to bring such Improvements into compliance with the Maintenance Association Management Documents. The Compliance Statement or Noncompliance Statement, as applicable, must be provided within the time limitation set forth in the Section entitled "Performance Dates" of this Article. In the event the Architectural Committee has issued a Noncompliance Statement as to any such Residence, the Architectural Committee shall provide a Compliance Statement, upon request, after the corrective work has been satisfactorily completed which shall then evidence that the Improvements upon such Residence comply with the provisions of the Maintenance Association Management Documents. Any Compliance or Noncompliance Statement issued by the Architectural Committee shall be executed by any person or persons authorized by resolution of the Board or by the president and secretary of the Maintenance Association. The signatures on a Compliance Statement shall be notarized. A Compliance Statement shall be conclusive evidence of compliance with the provisions of the Maintenance Association Management Documents as to the Improvements described in the Compliance Statement and further approval of any such Improvements shall not be required unless there is a change or alteration in material, exterior appearance, color or texture in such Improvements. The Maintenance Association shall be entitled to collect a fee to cover the cost of inspections and other costs in connection with the issuance of any Compliance Statements and Noncompliance Statements in accordance with the provisions of this Declaration contained in the Section entitled "Limitation on Fees" of the Article entitled "Assessments" and the Section entitled "Functions of Architectural Committee" of this Article. Failure to schedule an inspection or to issue a Compliance Statement or Noncompliance Statement for any reason within the time limitation established herein shall be deemed to mean that all existing Improvements do comply with the Maintenance Association Management Documents and any such requesting Owner, purchaser, Mortgagee or prospective Mortgagee shall be entitled to receive a Compliance Statement evidencing such compliance.

Section 4.08 - Performance Dates. Failure to make the inspections and responses required to be made pursuant to the provisions of this Article shall have the effect indicated below in this Section.

(a) In the event the Architectural Committee fails to approve or disapprove plans and specifications within thirty (30) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Architectural Committee, such plans and specifications will be deemed approved except that, notwithstanding the above, plans and specifications shall not be deemed to be "duly submitted" until and unless the Owner has complied with all requirements of the Architectural Committee and has supplied all information and documents requested from time to time by the Architectural Committee.

(b) The written request for an appeal to the Board of a decision rendered by the Architectural Committee must be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee.

(c) The Board shall render its written decision in connection with a written appeal to the Board of a final decision of the Architectural Committee within forty-five (45) days following receipt of the request for appeal. Failure of the Board to render such decision within such period of time shall be deemed a decision in favor of the appellant.

(d) If for any reason an inspection has not been made within forty-five (45) days of notification by the Owner of the completion of an Improvement or the Owner requesting such inspection has not been

notified of any noncompliance within thirty (30) days after such inspection, the Improvement shall be deemed to be completed in substantial conformance with approved plans and specifications.

(e) The Architectural Committee shall provide to any Owner, prospective Owner, Mortgagee or prospective Mortgagee of a Residence who has submitted a written request therefor a statement as to the compliance or noncompliance, as the case may be, of the Improvements upon such Residence made by Owners other than Declarant with the provisions of the Maintenance Association Management Documents provided that the Architectural Committee, after notice of not less than three (3) days delivered to the Owner of such Residence, was afforded the right to enter upon the affected Residence at a reasonable time specified by the Architectural Committee.

Section 4.09 - Nonconformity. In the event an Improvement was commenced without the required approval of the Architectural Committee, or, if such Improvement was not completed within the time limitation established for such Improvement in the Architectural Standards and the Master Association Architectural and Landscape Standards or in substantial conformance with the approved plans and specifications, a notice of noncompliance or noncompletion shall be delivered to the violating Owner and the Architectural Committee shall correct the violation or take other appropriate action in accordance with the procedure described in the Article entitled "Discipline of Members" of the Bylaws.

Section 4.10 - Variances. The Board may authorize a variance from compliance with the architectural controls set forth in this Article when circumstances such as topography, natural obstructions, hardship, aesthetic, or environmental consideration may require; provided, however, that no variance from the use restrictions contained in the Article entitled "Use Restrictions" of this Declaration may be granted. Written evidence of such variance must be delivered to such Owner and a copy of the resolution of the Board authorizing such variance must be retained in the permanent records of the Maintenance Association. If such variances are granted, no violation of the covenants, conditions and restrictions contained in the Maintenance Association Management Documents 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 the Maintenance Association Management Documents for any purpose except as to the particular Residence and particular provision of this Article covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all government laws and regulations affecting his use of his Residence including, but not limited to, zoning ordinances and lot setback lines or requirements imposed by any governmental or municipal authority.

ARTICLE V

INSURANCE

Section 5.01 - Obligation to Insure. The Maintenance Association shall obtain and maintain in effect insurance and fidelity bond coverage in the amounts and with endorsements deemed adequate by the Board which shall be not less than the coverages hereinafter required in this Section. All coverages must be consistent with Public Agency insurance laws.

(a) Public Liability Insurance. The comprehensive general liability insurance policy shall insure the Maintenance Association against any liability incident to the ownership or use of the Maintenance Association Property or any other areas including any commercial spaces (even if such commercial spaces are leased to others) and public ways under the supervision of the Maintenance Association. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000) for claims arising out of a single occurrence for personal injury, bodily injury, deaths of persons and property damage. Coverage under this policy shall include without limitation liability of the insureds for property damage, bodily injury and deaths of persons in connection with the operation, maintenance or use of the Maintenance Association Property. If such policy does not include "severability of interest" in its terms, a specific endorsement

will be required precluding the insurer from denying the claim of an Owner because of negligent acts of the Maintenance Association or other Owners.

(b) Fire and Casualty Insurance. The policy of fire and casualty insurance shall cover all of the insurable Improvements within the Common Area of each Phase of the Covered Property in which a Close of Escrow has occurred, including fixtures and building service equipment that are part of such Common Area as well as common personal property and supplies belonging to the Maintenance Association. The term "insurable Improvements," as used in this Article, shall mean those Improvements which are capable of being insured and specifically do not include items that are usually excluded from insurance coverage.

The policy shall be in an amount equal to one hundred percent (100%) of the insurable value of all such insurable Improvements and shall provide for loss or damage settlement on the current replacement cost, without deduction for depreciation or coinsurance, of all of the property covered by the policy. Such insurance must afford protection against at least loss or damage by fire and other perils normally covered by the standard extended coverage endorsement, and such other perils which are customarily covered and required by private institutional mortgage investors with respect to planned development projects similar in construction, location and use, including all perils normally covered by the standard "all risk" endorsement. The policy shall name as insured the Maintenance Association, for the use and benefit of the Owners.

(c) Worker's Compensation Insurance. The Board shall purchase and maintain in force worker's compensation insurance, to the extent that the same shall be required by law, for all employees of the Maintenance Association.

Section 5.02 - Notice of Cancellation or Modification. All insurance policies maintained by the Maintenance Association must provide that such policies may not be cancelled, reduced or substantially modified without at least ten (10) days' prior written notice to the Maintenance Association.

Section 5.03 - Waiver by Owners. All insurance obtained by the Maintenance Association shall be maintained by the Maintenance Association for the benefit of the Maintenance Association, the Owners and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims against the Maintenance Association, the Board, other Owners, Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 5.04 - Annual Insurance Review. The Board shall at least annually determine whether the amounts and types of insurance it has obtained provide adequate coverage in light of increased construction costs, inflation, practice in the area in which the Covered Property is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interest of the Owners and of the Maintenance Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 5.05 - Requirements of Federal Agencies. Notwithstanding the foregoing provisions of this Article, the Maintenance Association shall obtain and maintain in effect such fidelity bonds and insurance policies, coverages and endorsements established from time to time by any of the Federal Agencies which, as of the recordation of this Declaration, include without limitation those specifically itemized below, except to the extent that any such policies, coverages and endorsements are not available or have been waived in writing by the particular Federal Agency that had imposed the requirements.

(a) Hazard Insurance. Each hazard insurance policy must be written by an insurance carrier that meets the requirements of the Federal Agencies. Unless a higher maximum is required by California

law, the maximum deductible amount shall be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount. Funds for such deductible amounts must be included in the Maintenance Association's reserves and must be so designated. The following endorsements are required:

- (i) an Inflation Guard Endorsement, when it can be obtained;
- (ii) Construction Code Endorsement, if there is a construction code provision that would require change to undamaged portions of the building(s) even when only part of a building is destroyed by an insured hazard. Typical endorsements include Demolition Cost Endorsements, Contingent Liability from Operation of Building Laws Endorsement and Increased Cost of Construction Endorsement;
- (iii) Steam Boiler and Machinery Coverage Endorsement, if the project has central heating or cooling. This coverage should provide for the insurer's minimum liability per accident to at least equal the lesser of Two Million Dollars (\$2,000,000) or the insurable value of the building(s) housing the boiler or machinery; and
- (iv) Agreed Amount Endorsement.

The Maintenance Association must also obtain any additional coverage commonly required by private mortgage investors for developments similar in construction, location and use.

(b) **Liability.** The Maintenance Association shall obtain such other coverage in kinds and amounts usually required by mortgage investors in other projects in the area including, where applicable and available, comprehensive automobile liability, bailee's liability, elevator collision liability, garage keeper's liability, host liquor liability, workers' compensation and employer's liability and contractual liability.

(c) **Fidelity Bonds.** Fidelity bond coverage is not required by any Federal Agency unless the Covered Property is comprised of more than twenty (20) Residences. The blanket fidelity bond shall cover losses resulting from dishonest or fraudulent acts on the part of anyone who handles or is responsible for funds held or administered by the Maintenance Association, including directors, officers, trustees, employees or volunteers of the Maintenance Association. Where the Maintenance Association delegates some or all of the responsibility for the handling of funds to a management agent, fidelity bonds are required for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Maintenance Association whether or not such persons receive compensation for services. A management agent who handles funds for the Maintenance Association should also be covered by its own fidelity bond which must provide the same coverage required by the Maintenance Association and must submit evidence of such coverage to the Maintenance Association. The Maintenance Association shall be named as an additional obligee in the management agent's bond. The fidelity bond should cover the maximum funds that will be in the custody of the Maintenance Association or its management agent at any time while the bond is in force, but must be written in an amount of not less than the highest amount required by any of the Federal Agencies. Fidelity bonds shall name the Maintenance Association as obligee and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. All fidelity bonds maintained by the Maintenance Association must provide that such fidelity bonds may not be cancelled or substantially modified without at least ten (10) days' prior written notice to the Maintenance Association and each Mortgage servicing contractor that is servicing any Federal Agency owned or securitized Mortgage.

(d) **Flood Insurance.** If any part of the Improvements within the Common Area of a Phase in which a Close of Escrow has occurred, are located in a Special Flood Hazard Area (which is designated as A, AE, AH, AO, A1-30, A-99, V, VE, OR V1-30 on a Flood Insurance Rate Map), the Maintenance

Association shall obtain and maintain a policy of flood insurance to cover any such Improvements. The amount of flood insurance should be at least equal to the lesser of one hundred percent (100%) of the insurable value of the facilities or the maximum coverage available under the appropriate National Flood Insurance Administration program. Unless a higher deductible amount is required by California law, the maximum deductible amount for policies covering such Improvements shall be the lesser of Five Thousand Dollars (\$5,000) or one percent (1%) of the policy's face amount. Funds for such deductible amounts must be included in the Maintenance Association's reserves and must be so designated.

(e) Mortgage Clause. All policies documenting insurance for hazard and flood insurance coverages obtained by the Maintenance Association must have the "standard mortgage clause" or equivalent endorsement providing that coverage of a Mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the Mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Covered Property is located, unless such coverage is prohibited by applicable law. A mortgage clause in favor of Mortgagees holding Mortgages on Residences is not required on a policy insuring the Maintenance Association Property.

ARTICLE VI

ENFORCEMENT OF BONDED OBLIGATIONS

In the event that the Improvements to the Common Area required to be completed by the Declarant have not been completed prior to the issuance of a Final Subdivision Public Report and the Maintenance Association is obligee under a bond or other arrangement (the "Bond") to secure performance of the commitment of Declarant to complete such Improvements, the following provisions shall apply:

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

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

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

ARTICLE VII

REPAIR AND MAINTENANCE

Section 7.01 - By Maintenance Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided, and without limiting the generality of the statement of duties and powers contained in the Maintenance Association Management Documents, the Maintenance Association acting through its Board and its officers shall have the duty to accomplish the following upon the Covered Property or other land in such manner and at such times as the Board shall prescribe:

- (a) manage, operate, control, maintain, repair, restore, replace and make necessary Improvements to the Common Area of any Phase in which a Close of Escrow has occurred, except any portion thereof that is to be maintained by the Owners as hereinafter provided in this Article, including, without limitation, the following:
 - (i) private streets and adjacent streetscapes within the Covered Property in conformance with the standard of maintenance established by the Public Agency responsible for public streets and streetscapes;
 - (ii) Special Benefits Common Area, if any.
- (b) manage, operate, control, maintain, repair, replace and restore the landscaping Improvements within the Landscape Maintenance Areas of any Phase in which a Close of Escrow has occurred and any Improvements within Landscape Maintenance Areas within any other Phase described in any Supplementary Declaration in which a Close of Escrow has occurred;
- (c) maintain all portions of the Perimeter Walls depicted on Exhibit C of the Declaration or on any similar Exhibit attached to a Supplementary Declaration such maintenance to include the structural integrity, exterior surface, color and cap except any interior surfaces of any such Perimeter Walls that front a Residence;
- (d) maintain Storm Drain Facilities within Storm Drain Easement Areas, including, without limitation, Storm Drain Facilities required to be maintained by the Association in accordance with the provisions of any easement appurtenant to Association Property, or any portion thereof, granted by any Storm Drain Agreement;
- (e) maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature as may from time to time be requested by the vote or written consent of a majority of the voting power of the Maintenance Association; and
- (f) accomplish any of the foregoing activities or any maintenance, repair, restoration or replacement of any other Improvements that are described in a Supplementary Declaration covering any subsequent Phase of the Development.

The costs of any such maintenance and repair of Special Benefits Common Area pursuant to this Section shall be Special Benefits Expenses of the Special Benefits Area that is to receive the benefit of such maintenance. The costs of any other maintenance and repair shall be Common Expenses except as otherwise specified in this Declaration for costs which are to be paid in the form of Special Assessments, Reconstruction Assessments or Capital Improvement Assessments.

The duty to perform the maintenance of Storm Drain Facilities shall include the obligation to maintain said Storm Drain Facilities in a debris-free and good operating condition since the Storm Drain Facilities provide the only drainage from the Covered Property.

Any Storm Drain Facilities that are within Master Association Property and are being maintained by the Maintenance Association pursuant to the provisions of a Storm Drain Agreement shall be maintained in good condition and repair to a standard that is acceptable to the Master Association. In the event that the Maintenance Association fails to adequately perform such maintenance and repair, the Master Association has the right, but not the obligation, to perform such maintenance and repair, to levy Special Assessments in equal amounts against all Owners to cover the cost of performing such maintenance and repair as well as any Allowable Charges permitted under the provisions of the Master Association for the payment of such Special Assessments, and shall have the right to enforce the payment of such Special Assessments and Allowable Charges in accordance with the provisions of Article V of the Master Declaration.

Any Exhibits depicting or delineating maintenance areas or obligations of the Maintenance Association are for illustrative purposes only. The "as-built" condition of all such maintenance areas and obligations as built by Declarant shall be controlling.

The Maintenance Association shall be relieved of any of the obligations set forth in this Section to the extent that any of such obligations are the responsibility of the Master Association pursuant to the provisions of the Master Declaration or any Supplementary Declaration of Covenants, Conditions, and Restrictions for Newport Ridge Community Association recorded in the Official Records for the purpose, among other things, to annex additional real property to the plan of the Master Declaration.

Section 7.02 - By Owner.

(a) The installation of yard landscaping upon all portions of the yard of a Residence which are visible from a street, Common Area, or Master Association Property shall be completed on or before a date six (6) months from the Close of Escrow of such Residence; and

(b) All portions of a Residence that are not maintained by the Maintenance Association, including, without limitation, the interior surface of any Perimeter Wall, shall be maintained, repaired, replaced, reconstructed and restored in good condition and repair in accordance with the Master Association Architectural and Landscape Standards, Architectural Standards, any rules and regulations promulgated by the Board, and, if required by such Master Association Architectural and Landscape Standards, Architectural Standards or rules and regulations, only after approval of the Architectural Committee. All slopes and terraces on any Residence maintained by an Owner shall be maintained so as to prevent any erosion thereof upon adjacent streets or adjoining property.

Section 7.03 - Repair of Damage. In the event the Board shall determine that any portion of the Covered Property required to be maintained by the Maintenance Association has been damaged or destroyed by any negligent or malicious act or omission of any Owner, his family, guests, employees, tenants, or agents, such Owner shall be responsible for the cost of repairing such damage in accordance with the Article entitled "Discipline of Members" of the Bylaws. Any increase in insurance payable by the Maintenance Association which is the result of damage by any negligent or malicious act or omission of a particular Owner, or any of such Owner's family, guests, employees, tenants or agents, shall also be paid by such Owner. The Board shall have the power to levy a Penalty Assessment against such Owner for the cost of repair or for an amount equal to any such increase in premium.

Section 7.04 - Noncompliance by Owner. In the event that an Owner fails to accomplish any installation, maintenance or repair required by this Article, the Board shall give to such Owner a notice describing such

deficiency and give such Owner an opportunity to have a hearing as provided in the Section entitled "Enforcement" of the Article entitled "Discipline of Members" of the Bylaws.

Section 7.05 - Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Maintenance Association to maintain, replace or restore the underground facilities or public utilities which are located within easements in the Common Area owned by such public utilities.

Section 7.06 - Transfer of Maintenance Association Property.

(a) The Maintenance Association Property within a Phase shall be conveyed to the Maintenance Association prior to or concurrently with the first Close of Escrow to occur within such Phase. Declarant shall convey the Maintenance Association Property to the Maintenance Association free of all liens and encumbrances except current real property taxes and assessments (which taxes and assessments shall be prorated as of the date of conveyance), title exceptions of record and the covenants, conditions, reservations and restrictions contained in this Declaration and the instrument which conveys the Maintenance Association Property to the Maintenance Association.

(b) The Maintenance Association shall be deemed to have accepted the obligation to maintain the Improvements required to be maintained by the Maintenance Association within any Phase (1) when such Improvements have been completed in substantial conformance with the plans and specifications therefor, and (2) when a Close of Escrow has occurred within such Phase. The issuance of a certificate by the architect who designed any such Improvements stating that such Improvements are in substantial conformance with the original plans and specifications shall be satisfactory evidence of such completion.

The Maintenance Association shall release Declarant from the Bond defined in the Article entitled "Enforcement of Bonded Obligations" of this Declaration as to any Improvements accepted for maintenance as provided above.

ARTICLE VIII

EASEMENTS AND RIGHTS

Section 8.01 - Nature of Easements. Unless otherwise set forth herein, all easements reserved to Declarant herein shall be nonexclusive.

Section 8.02 - Oil and Mineral Rights; Ingress and Egress.

(a) Oil and Mineral Rights; Water Rights. There has previously been reserved by The Irvine Company, a Michigan corporation, together with the right to grant and transfer the same, easements and rights that include the following:

(i) all oil, oil rights, minerals, mineral rights, natural gas rights, and other hydrocarbons by whatsoever name known, geothermal steam, and all products derived from any of the foregoing, that may be within or under the Covered Property, together with the perpetual right of drilling, mining, exploring and operating therefor and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from lands other than the Covered Property, oil or gas wells, tunnels and shafts into, through or across the subsurface of the Covered Property and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, retunnel, equip, maintain, repair, deepen and operate any such wells or mines without, however, the right to drill, mine, store, explore and operate through the surface or the upper five hundred (500) feet of the subsurface of the Covered Property; and

(ii) the right and power to use or utilize on any other property owned or leased by the Irvine Company, any and all water rights or interest in water rights no matter how acquired by The Irvine Company, and all water rights or interests in water rights that may be within, under or on the Covered Property, whether such water rights shall be riparian, overlying, appropriative, percolating, prescriptive or contractual, provided, however, that the reservation did not reserve to or for the benefit of The Irvine Company any right to enter upon the surface of the Covered Property in the exercise of such rights.

(b) Ingress and Egress. There is hereby reserved to Declarant, together with the right to grant and transfer same, easements over the private streets within the Covered Property for ingress, egress, use and enjoyment for the benefit of the Annexation Property.

Section 8.03 - Easements for Construction and Marketing Activities. There is hereby reserved to Declarant, together with the right to grant and transfer same:

(a) Improvements. Easements (1) over the Common Area for the purpose of constructing, erecting, operating and maintaining thereon, therein or thereunder roads, streets, walks, driveways, parkways and park areas, and (2) over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, irrigation lines, sanitary sewer lines and drainage facilities;

(b) Cable Television. The right to emplace on, under or across the Covered Property transmission lines and other facilities for a cable television or a community antenna television system and the right to enter upon the Covered Property to service, maintain, repair, reconstruct and replace said lines or facilities;

(c) Construction and Sales. Easements for construction, display, maintenance, sales and exhibit purposes over the Common Area in connection with the erection and sale or lease of Residences within the Covered Property provided, however, that such use shall not be for a period beyond the sale by Declarant of all Residences within the Development;

(d) Utilities Shown on Tract Map. Easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities as shown on any recorded final tract or parcel map covering the Covered Property; and

(e) Completing Improvements. Easements over the Common Area for the purpose of completing Improvements required to be made by the Declarant provided that access for such purpose is not otherwise reasonably available.

The easements reserved to Declarant, or granted and conveyed by Declarant pursuant to this Section shall not unreasonably interfere with the use and enjoyment by the Owners of the Covered Property and any damage, repair or restoration necessitated by any such installation, construction or maintenance shall be completed by the holder of the easement that has entered upon the Covered Property for any such purpose within a reasonable time after the occurrence of such damage or need for restoration.

Section 8.04 - Easements for Owners. There is hereby reserved to Declarant, together with the right to grant and transfer same:

(a) Ingress, Egress and Recreational Rights. Easement on and upon the Nonexclusive Use Common Area, which, when granted and conveyed by Declarant shall be appurtenant to each Residence in

each Phase of the Covered Property, for ingress, egress, use and enjoyment (which includes, without limitation, the unrestricted right of ingress and egress to such Owner's Residence); and

(b) Drainage. Easement, which shall be for the benefit of and appurtenant to the Residence receiving the benefit thereof:

(i) for surface drainage from such Residence over any contiguous portion of the Covered Property and for drainage over, under, through and across any Storm Drain Facilities within any Storm Drain Easement Area that is contiguous to such Residence together with the right to maintain and repair any such Storm Drain Facilities that are not being maintained by the Maintenance Association or the Master Association; and

(ii) to the extent provided or permitted by the provisions of the Master Declaration or any Supplementary Declaration of Covenants, Conditions and Restrictions recorded for the purpose, among other things, to annex additional property to the Master Declaration, for surface drainage from such Residence over any contiguous portion of any Master Association Property for drainage over, under, through and across any storm drain improvements contiguous to such Residence that were constructed in the course of the initial development and construction of such contiguous portion of the Master Association Property, together with the right to maintain and repair any such storm drain improvements that are not being maintained by the Master Association.

Section 8.05 - Easements for Maintenance Association. There is hereby reserved to Declarant, together with the right to grant and transfer the same to the Maintenance Association:

(a) easements over the Covered Property, or portion thereof, as follows:

(i) Repair and Maintenance. Easement for the purpose of performing the repair and maintenance obligations described in Article VII of this Declaration and emergency repairs or other work reasonably necessary for the proper maintenance of the Covered Property;

(ii) Discharge Obligations. Easement for the purpose of permitting the Maintenance Association to discharge any other obligations and powers as described in the Maintenance Association Management Documents; and

(iii) Drainage. Easement, which shall be for the benefit of and appurtenant to the Maintenance Association Property receiving the benefit thereof for drainage from such Maintenance Association Property over any contiguous portion of the Covered Property for sheet flow and other drainage over, under, through and across drainage Improvements installed by the Declarant together with the right to maintain and repair any such drainage Improvements that are not being maintained by the Master Association.

Any damage to Improvements upon the Covered Property resulting from the exercise of any of the easement rights granted pursuant to this Section shall be repaired by the entity exercising such rights within a reasonable time after the occurrence of such damage unless otherwise specified in the document by which such easement was conveyed.

(b) Over the Master Association Property, easements as conveyed in any Storm Drain Agreement assigned to the Maintenance Association for drainage from the Maintenance Association Property to which such easement is appurtenant over the Master Association Property which is burdened with the easement for drainage over, under, through and across Storm Drain Facilities, and for the maintenance, repair, replacement and reconstruction of such Storm Drain Facilities all as more particularly described in the Storm Drain Agreement.

Section 8.06 - Support, Settlement and Encroachment. There is hereby reserved to Declarant, together with the right to grant and transfer the same, the following reciprocal easements for the purposes set forth below:

(a) an easement appurtenant to each Lot which is contiguous to another Lot or Maintenance Association Property which Lot shall be the dominant tenement and the contiguous Lot or Maintenance Association Property shall be the servient tenement; and

(b) an easement appurtenant to the Maintenance Association Property contiguous to a Lot, which Maintenance Association Property shall be the dominant tenement and which contiguous Lot shall be the servient tenement.

Said easements shall be for the purposes of:

(a) engineering errors, errors in construction, reconstruction, repair, support, and accommodation of the natural settlement or shifting of any portion of the Improvements and for the maintenance thereof;

(b) minor encroachments by reason of a roof or eave overhang and for the maintenance of such roof or eave overhang by the owner of the dominant tenement for as long as such encroachments exist; and

(c) encroachment of fireplaces, doorsteps, foundations, footings, garage doors, utilities and other appurtenances or fixtures and the maintenance thereof by the owner of the dominant tenement, which, in the construction of the structures upon the dominant tenement or from any reconstruction or modifications of such structures, project beyond the external surface of the outer walls of such structures.

The rights and obligations of owners of the dominant tenements shall not be altered in any way by said encroachments, settlement or shifting provided, however, that in no event shall an easement for encroachment be created in favor of an owner of the dominant tenement if said encroachment occurred due to the willful misconduct of any such owner. In the event any portion of a structure on the Covered Property is partially or totally destroyed and then repaired or rebuilt, each such owner agrees that minor encroachments over adjoining Lots or Maintenance Association Property shall be easements for the maintenance of said encroachments as long as they shall exist.

Section 8.07 - Utilities and Cable Television. Wherever sanitary sewer house connections, water house connections, air conditioning connections or ducts, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, the Maintenance Association or any Owner as the owner of any property served by said connections, lines or facilities shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to any such owner, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service such owner's property, and to enter, or have utility or cable television companies enter upon any portion of the Covered Property including without limitation, upon the Lot in or upon which said connections, lines or facilities or any portion thereof lie, to repair, replace and generally maintain said connections, lines and facilities as and when the same may be necessary, provided that any damage caused by such entry shall be repaired by such owner, utility or cable television company as promptly as possible after completion of work thereon.

Section 8.08 - Public Bicycle and Pedestrian Trails. There is hereby reserved to Declarant, together with the right to grant and transfer the same, an easement for public ingress and egress over any bicycle, pedestrian, equestrian or other trails shown on any recorded final tract or parcel map covering the Covered

Property. The reservation of this easement shall not imply any right of public use of the Covered Property or Improvements.

Section 8.09 - Clustered Mailboxes. There is hereby reserved to Declarant, together with the right to grant and transfer same, easements over the Covered Property to the extent necessary to comply with any requirements of the United States Postal Service and the appropriate Public Agency to cluster mailboxes for the delivery, deposit and pickup of United States mail, for maintenance, repair and replacement of such mailboxes and for ingress and egress to and across that portion of the Covered Property to the extent necessary for all such purposes. The easement rights and obligations of each Owner shall be limited to the mailbox that services such Owner and any appurtenances thereto and the portion of the Covered Property on which such mailbox and appurtenances are located and to the extent necessary to access said mailbox for all of the foregoing purposes.

Section 8.10 - Subordination. Except as may be otherwise provided in the grant or dedication of an easement, any easement conveyed in favor of a Public Agency shall be prior and superior to all other easements described herein, and any easement conveyed pursuant to the provisions of this Article to a utility company shall be prior and superior to all other easements described herein except any easement in favor of a Public Agency. Grantor and any grantee by acceptance of a conveyance of any easement described in this Declaration, whether or not so stated in such conveyance document, agree that such easement shall be subordinate to any such prior and superior easements and further agree to execute any document acknowledging such subordination that may be required by the holder of any such prior easement.

Section 8.11 - Delegation of Use. Any Owner may delegate his right of enjoyment to the Nonexclusive Use Common Area to the members of his family or his tenants who reside on his Residence or to a vendee under a land sales contract subject to the covenants, conditions and restrictions contained in the Maintenance Association Management Documents and the rules and regulations adopted by the Board. In the event and for so long as an Owner delegates said rights of enjoyment to his tenants or a vendee, said Owner shall not be entitled to the use and enjoyment of any facilities or equipment belonging to or controlled by the Maintenance Association for the use and enjoyment of its Members.

Section 8.12 - Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Maintenance Association, or release the Residence owned by him from the liens, charges and other provisions of the Maintenance Association Management Documents by waiver of the use and enjoyment of the Nonexclusive Use Common Area or the abandonment of his Residence.

ARTICLE IX

USE RESTRICTIONS

Section 9.01 - Commercial Use. Subject to the subsection entitled "Construction and Sales" of the Section entitled "Reservations to Declarant" of the Article entitled "Easements and Rights" of this Declaration, no part of a Residence shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any nonresidential purposes except that a Residence may be used for business, commercial, manufacturing, mercantile, storing, vending, or similar nonresidential purposes provided that (i) there is no external evidence of such activity, (ii) such activities are conducted in conformance with all applicable governmental ordinances, (iii) the patrons or clientele of such activities do not visit the Residence or park automobiles or other vehicles within the Covered Property, (iv) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from the exterior of a Residence, (v) such nonresidential activity does not generate an unreasonable amount of traffic, and (v) such activities are consistent with the residential character of the Covered Property and conform with the provisions of this Declaration.

Section 9.02 - Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Covered Property except (1) such signs as may be used by Declarant or its sales agents in connection with the development of the Covered Property and sale of the Residences, and (2) signs that are installed or displayed by the Maintenance Association; provided, however, that in accordance with Section 712 of the California Civil Code, an Owner may display on his Residence, or on real property owned by others with their consent, or both, signs which are reasonably located, in plain view of the public, are of reasonable dimensions and design, do not adversely affect public safety, including traffic safety, and which advertise the property for sale, lease, or exchange, or advertise directions to the property or the Owner's or agent's address and telephone number. As provided in said Section 712 of the California Civil Code, a sign which conforms to an ordinance adopted in conformity with Section 713 of the California Civil Code shall be deemed to be of reasonable dimension and design. In addition, any sign within the Covered Property that is placed on or near a Perimeter Wall or that is visible from any primary arterial right-of-way shall be prohibited because it shall be deemed to not be reasonably located. Declarant shall repair any damage to or complete any restoration of the Covered Property caused or necessitated by the display of signs by Declarant or its sales agents within a reasonable time after the occurrence of such damage or need for restoration.

Section 9.03 - Nuisance. No noxious or offensive trade or activity shall be permitted upon any part of the Covered Property, nor shall anything be done thereon which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Residence, or which shall in any way increase the rate of insurance on any other Residence or the Covered Property.

Section 9.04 - Temporary Residences. No garage, trailer, camper, motor home or recreational vehicle shall be used as a dwelling structure although the Board may adopt rules that would permit the temporary use of such structure or vehicles for such purpose on a limited basis under prescribed conditions such as, but not limited to, the period of time that the residential dwelling structure may be under construction or renovation. No structure or a temporary character, trailer or tent shall hereafter be used on any Residence at any time, either temporarily or permanently, that extends above the height of a fence enclosing such structure. Temporary structures shall specifically not include any Improvements that are permitted under the Architectural Standards and Master Association Architectural and Landscape Standards or that are approved by the Architectural Committee.

Section 9.05 - Vehicles.

(a) The following terms used in this Section are defined to mean as follows:

(i) "Commercial Vehicle" shall mean a truck of greater than one ton capacity;

(ii) "Recreational Vehicle" shall mean any recreational vehicle or equipment designed to be used for recreational purposes, to include, without limitation, trailers, boats, campers, trailer coaches, buses, house cars, camp cars, motor homes (if the motor homes are a size larger than seven (7) feet in height and/or greater than one hundred twenty-four (124) inches in wheel base length) or any other similar type of equipment or vehicle; and

(iii) "Temporary Parking" shall mean temporary parking for washing and polishing of vehicles and activities related thereto, temporary parking for loading and unloading of vehicles, parking of vehicles belonging to guests of Owners and temporary parking of commercial vehicles being used in the furnishing of services to the Maintenance Association or the Owners.

(b) Except for Temporary Parking, no Commercial Vehicle, Recreational Vehicle or any other similar type of equipment or vehicle shall hereafter be permitted to remain upon the Covered Property

unless placed or maintained within an enclosed area, or unless obscured from view of adjoining streets, Maintenance Association Property and Residences by a solid wall or fence or appropriate screen; and

(c) No automobile, Commercial Vehicle, Recreational Vehicle or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on the Covered Property unless performed within a completely enclosed structure located on a Residence which completely screens the sight and sound of such activity from streets, Maintenance Association Property and neighboring Residences.

The Board may adopt rules for the regulation of the admission and parking of vehicles within the Covered Property, including the assessment of Penalty Assessments to Owners who violate, or whose family, guests, employees, tenants or agents violate, such rules.

Section 9.06 - Use of Common Area. The Board may establish reasonable rules and regulations as it deems appropriate in its sole discretion with regard to the use and enjoyment of any portion of the Common Area, including, without limitation, designating portions thereof as Maintenance Association Common Area, for "parking" and "guest parking" or granting the exclusive use of portions thereof for a limited period of time for parking purposes to Owners who are temporarily being denied vehicular access to their Residences because of any construction, reconstruction, repair or maintenance activity being conducted by the Board or conducted by others with the consent of the Board.

Section 9.07 - Animals. No livestock, reptiles, poultry or other animals of any kind shall be raised, bred or kept upon the Covered Property, except that dogs, cats or other household pets may be kept on the Residences, provided they are not kept, bred or maintained for any commercial purpose, or in numbers deemed unreasonable by the Board.

Notwithstanding the foregoing, no animals may be kept on the Residences which in the good faith judgment of the Board result in any annoyance or are obnoxious to residents in the vicinity. All animals permitted to be kept by this Section shall be kept on a leash when on any portion of the Covered Property except when confined within a Residence.

Section 9.08 - Restrictions on Drilling Operations. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in the Covered Property nor, subsequent to the recording of this Declaration, shall oil wells, tanks, tunnels, or mineral excavations or shafts be installed upon the surface of the Covered Property or within five hundred (500) feet below the surface of such properties. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Covered Property.

Section 9.09 - Unsightly Items. All weeds, rubbish, debris, or unsightly material or objects of any kind shall be regularly removed from the Residences and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, trash cans, woodpiles, storage areas, machinery and equipment shall be prohibited upon any Residence unless obscured from view of adjoining streets or portions of the Covered Property from a height of six (6) feet or less.

Section 9.10 - Antennae; Roof Structures.

(a) Antennae. No television, radio, or other electronic towers, aerials, antennae or devices of any type for the reception or transmission of radio or television broadcasts or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on the Covered Property unless they are (1) contained within a building or underground conduits, (2) completely obscured from view from any streets or any other portion of the Covered Property or the property encumbered by the Master Declaration, or (3) screened from view by an appropriate screen that has been approved in writing by the Architectural Committee.

(b) Solar Energy Systems. As provided in Section 714 of the California Civil Code, reasonable restrictions on the installation of solar energy systems that do not significantly increase the cost of the system or significantly decrease its efficiency or specified performance, or which allow for an alternative system of comparable cost, efficiency, and energy conservation benefits may be imposed by the Architectural Committee. Whenever approval is required for the installation or use of a solar energy system, the application for approval shall be processed and approved by the Architectural Committee in the same manner as an application for approval of an architectural modification to the property, and shall not be willfully avoided or delayed. "Solar energy system" as used herein shall mean as such term is defined in Section 801.5 of the California Civil Code. Failure to comply with Section 714 of the California Civil Code could result in the payment of actual damages and a civil penalty and the prevailing party in any action to enforce compliance with said Section 714 of the California Civil Code shall also be awarded reasonable attorneys fees.

(c) Other Roof Structures. No other appliances or installations on exterior roofs of structures including, without limitation, roof-top turbine ventilators, shall be permitted unless they are installed in such a manner that they are not visible from streets or any other portion of the Covered Property.

Section 9.11 - Drainage. All drainage of water from any Residence shall drain or flow into adjacent streets or alleys and shall not be allowed to drain or flow upon, across, or under any other portion of the Covered Property unless an easement for such purpose is granted. An Owner shall not alter the drainage of water which exists pursuant to the drainage plan originally created at the time of the initial sale of his Residence by Declarant except through the use of a positive drainage device which does not materially affect the concentration or flow direction of drainage water under said drainage plan.

Section 9.12 - Garages. No garage doors shall be permitted to remain open except for a temporary purpose, and the Board may adopt rules for the regulation of the opening of garage doors, including the assessment of Penalty Assessments to Owners whose garage doors have remained open in violation of such rules.

Section 9.13 - Window Covers. Curtains, drapes, shutters or blinds may be installed as window covers. No window shall be covered with aluminum foil, newspapers or other material not designed for use as a window cover.

Section 9.14 - California Vehicle Code. The applicable Public Agency shall be allowed to impose and enforce all provisions of the applicable California Vehicle Code sections or local ordinances on any private streets contained within the Covered Property.

Section 9.15 - Leases. Any agreement for the leasing or rental of a Residence (hereinafter in this Section referred to as a "lease") shall be in writing and shall provide that the terms of such lease shall be subject in all respects to the provisions of the Maintenance Association Management Documents and any applicable agreements between the Maintenance Association and any of the Federal Agencies. Any Owner who shall lease his Residence shall be responsible for assuring compliance by such Owner's lessee with the Maintenance Association Management Documents. No Residence shall be leased for any period less than seven (7) days. The Development and the Residences shall be operated to the extent reasonably possible in a manner that will satisfy guidelines or regulations that permit the Federal Agencies to purchase, insure, or guarantee First Mortgages encumbering Residences. As long as hotel-type rentals preclude Federal Agencies from purchasing, insuring or guaranteeing First Mortgages, as aforesaid, such hotel type rentals shall not be permitted. "Hotel-type rentals" have been defined by FNMA to mean rentals that include the presence of a registration desk, available food and telephone service, daily occupancy rates, daily cleaning services or rental pooling agreements that require Owners to either rent their Residences or give management firm control over the occupancy of the Residences.

Section 9.16 - View. Each Owner by acceptance of a deed or other conveyance of a Residence acknowledges that any construction or Improvement by Declarant, the Maintenance Association or any other Owner, or any owner of any other property may change, impair, obstruct or otherwise affect any view that such Owner may have enjoyed at the time of the purchase of his Residence. The Maintenance Association Management Documents do not contain any provisions intended to protect any view or to guarantee that any views that an Owner may have enjoyed will not be impaired or obstructed in the future by changes to other property. Each Owner further acknowledges that any rights acquired do not include the preservation of any view and further consents to such obstruction and/or impairment. No representations or warranties of any kind, express or implied, have been given by Declarant, or its officers, employees, partners, subsidiaries, affiliated companies, or directors and agents of any of them in connection with the preservation of views and each Owner and/or the Maintenance Association agree to hold Declarant, and all of such officers, employees, partners, subsidiaries, affiliated companies, and directors and agents of any of them free of liability from such damages, costs, expenses or charges incurred in connection therewith, such as, but not limited to, attorneys' fees and court costs and costs arising from any changes, obstruction or impairment of the view from such Owner's Residence.

Section 9.17 - Post Tension Slabs. Building structures within the Covered Property may have been constructed using post tension concrete slabs (defined to mean concrete slabs that contain a grid of steel cables under high tension). Each Owner, by acceptance of a deed to his Residence, acknowledges that modification or alteration of concrete slab floors contained within his Residence could damage the integrity of such post tension slabs and could cause serious personal injury or property damage. Each Owner and/or the Maintenance Association agree to hold Declarant and all partners, subsidiaries and affiliated companies of Declarant, and all of the officers, employees, directors and agents of any of them, free of liability from such damages, costs, expenses or charges incurred in connection therewith, such as, but not limited to, attorneys' fees and court costs and costs incurred by reason of injury to property or injury to persons caused by any modification or alteration of such post tension slabs.

Section 9.18 - Fire Protection Access Easement Areas. Improvements, to include without limitation, speed bumps and gates, shall not be permitted upon any fire protection access easement area within any portion of the Covered Property without the approval of the Fire Chief of the applicable local Public Agency.

Section 9.19 - Prohibition of Removal of Perimeter Walls. The Perimeter Walls described on Exhibit D shall not be removed, reconstructed or modified as to structure, finish or color. Any such Perimeter Wall, or portion thereof, that has been damaged or destroyed shall be repaired or reconstructed so that such Perimeter Wall shall at all times remain in the condition as initially constructed in the course of the development and construction of the Newport Ridge Planned Community.

Section 9.20 - Street Trees. Street trees planted by the Declarant are not to be removed or relocated and any street trees that are damaged or destroyed or that had to be removed because of disease must be replaced with a like species and in a size acceptable to the Architectural Committee.

ARTICLE X

DESTRUCTION OF IMPROVEMENTS

Section 10.01 - Definitions. The following terms used in this Article are defined to mean as follows:

(a) "Insured Improvements" shall mean the Improvements on the Covered Property insured under the fire and casualty insurance policy maintained by the Maintenance Association and shall consist of Maintenance Association Common Area Improvements and Common Facilities.

(b) "Affected Maintenance Association Common Area Improvements" shall mean partially or totally destroyed insured Maintenance Association Common Area Improvements.

(c) "Affected Common Facility" shall mean a partially or totally destroyed insured Common Facility.

(d) "Acceptable Range of Reconstruction Cost" shall mean that the amount of the insurance proceeds paid for partially or totally destroyed Insured Improvements together with the amount of any deductible amount designated in the fire and casualty insurance policy maintained by the Maintenance Association totals at least ninety percent (90%) of the estimated cost to repair, replace or reconstruct such partially or totally destroyed Insured Improvements.

(e) "Substantial Destruction" shall mean a destruction of Insured Improvements representing at least seventy-five percent (75%) of the current replacement cost value of all Insured Improvements upon the Covered Property.

Section 10.02 - Board Action. In the event any Insured Improvements are damaged, the Board shall take the following action:

(a) Acceptable Range of Reconstruction Cost. The Board shall ascertain the cost of repair, replacement or reconstruction of such Insured Improvements by obtaining fixed price bids from at least two (2) reputable contractors, which bids shall include the obligation of the contractor to obtain a performance bond, if the Board deems that such bids are necessary or appropriate. The Board shall further have full authority to negotiate with representatives of the insurer and to make settlement with the insurer for less than full insurance coverage on the damage. Any settlement made by the Board in good faith shall be binding upon all Owners. After the settlement has been approved by the Board, any two (2) directors of the Maintenance Association may sign a loss claim form and release form in connection with the settlement of a loss claim.

(b) Notice of Reconstruction Assessments. The Board shall promptly cause notice to be delivered to all Owners if, during the process of determining the Acceptable Range of Reconstruction Cost, it appears likely that the repair, replacement or reconstruction of a partially or totally destroyed Insured Improvement will result in the levying of Reconstruction Assessments. Such notice shall specify the estimated amount of any such Reconstruction Assessment.

(c) Vote of Members. The Board shall call a special meeting or shall distribute written ballots to the Owners for action to be taken without a meeting to determine whether not to proceed with the repair, replacement or reconstruction of partially or totally destroyed Insured Improvements upon the happening of any one of the following events:

(i) a Substantial Destruction;

(ii) a determination that the requirements of the Acceptable Range of Reconstruction Cost have not been met;

(iii) receipt of a written request of Owners representing at least five percent (5%) of the total voting power of the Owners requesting such action; or

(iv) failure or inability to make a determination as to the Acceptable Range of Reconstruction Cost within sixty (60) days of the date of the destruction.

Section 10.03 - Reconstruction. The repair, replacement or reconstruction of the Insured Improvements shall commence as soon as practicable following either of the following events:

(a) a determination that the requirements of the Acceptable Range of Reconstruction Cost have been met, except that if Reconstruction Assessments must be levied, such work shall not commence until ten (10) days have elapsed following the delivery of the notice of the Reconstruction Assessment to all Owners required to pay Reconstruction Assessments. The notice of estimated Reconstruction Assessment required to be delivered to each such Owner as hereinabove provided in this Article shall satisfy this condition if the actual amount of the Reconstruction Assessment does not exceed the estimated amount set forth in the said notice; or

(b) approval of such action by not less than thirty-four percent (34%) of the voting power of the Owners other than Declarant.

Section 10.04 - Proceeds of Insurance. All insurance proceeds covering the Insured Improvements shall be paid to the Maintenance Association to be used for the benefit of Owners, mortgagees and others as their respective interests shall appear. In the event any portion of the insurance proceeds were paid to a mortgagee, an amount equal to the amount paid to such mortgagee shall be paid to the Board by the Owners. In the event any Owner fails to pay such amount within thirty (30) days of a written demand therefor by the Maintenance Association, the Board may levy a Special Assessment against such Owner and his Residence for such amount.

Section 10.05 - Reconstruction Assessments. If necessary, the Board shall levy a Reconstruction Assessment against the Owners at such time and in such amount determined necessary to cover the costs of repair, replacement or reconstruction in excess of insurance proceeds.

Section 10.06 - Compliance with Plans. Any reconstruction undertaken pursuant to this Article shall substantially conform to the original plans and specifications unless other action is approved by a majority of the voting power of the Maintenance Association.

Section 10.07 - Determination of Allocable Proceeds. The amount of insurance proceeds "allocated" or "allocable" to an Affected Common Facility or Maintenance Association Common Area Improvement shall be determined pursuant to this Section as follows:

(a) In the event the insurance carrier allocates insurance proceeds among Affected Common Facilities and Affected Maintenance Association Common Area Improvements such allocation is approved by the Board, such allocation shall be final and binding upon the Owners and mortgagees.

(b) In the event the insurance carrier fails to allocate the insurance proceeds, such allocation shall be determined by multiplying the amount of insurance proceeds available for distribution by a fraction, the denominator of which is the total decrease of M.A.I. appraised fair market value of all of the Affected Common Facilities and Affected Maintenance Association Common Area Improvements and the numerator of which is the decrease of M.A.I. appraised fair market value of each such Affected Common Facility or Affected Maintenance Association Common Area Improvements. The appraised values shall be determined by an M.A.I. appraiser selected by the Board. Such allocation shall be final and binding on the Owners, the mortgagees and the Maintenance Association.

Section 10.08 - Distribution of Insurance Proceeds. In the event there has been a decision not to repair, replace or reconstruct any partially or totally destroyed Insured Improvements, the Board shall retain the insurance proceeds allocated to each Affected Common Facility or Affected Maintenance Association Common Area Improvement in the general funds of the Maintenance Association subject to the prior rights of all mortgagees holding mortgages encumbering the particular Affected Common Facility or Affected

Maintenance Association Common Area Improvement for which such insurance proceeds have been allocated.

Allocable proceeds paid to mortgagees shall be paid in the order of their recorded priority on each such Affected Common Facility or Affected Maintenance Association Common Area Improvement.

Section 10.09 - Payment of Mortgagees. Any insurance proceeds paid to a mortgagee pursuant to this Article shall be paid in the amount required by such mortgagee, but not to exceed (1) the outstanding indebtedness secured by said mortgage, or (2) the insurance proceeds allocated to such Affected Common Facility or Affected Maintenance Association Common Area Improvement as hereinabove provided in this Article, whichever of (i) or (ii) is the lesser.

ARTICLE XI

EMINENT DOMAIN

Any awards paid in the event of condemnation by eminent domain, or by sale under threat thereof, of all or any portion of the Covered Property owned by the Declarant that is not within a Phase in which a Close of Escrow has occurred, shall be negotiated by, and paid to, the Declarant.

Section 11.01 - Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of the Maintenance Association Property that is within a Phase in which a Close of Escrow has occurred.

Section 11.02 - Representation by Board. In the event of a taking, the Owners hereby appoint the Board and such persons as the Board may delegate to represent all of the Owners in the affected Phases in which a Close of Escrow has occurred in an action to recover all awards. No Owner shall challenge the good faith exercise or the discretion of the Board in fulfilling its duties under this Article. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action.

Section 11.03 - Award. Any awards received on account of the taking of Common Area in a Phase in which a Close of Escrow has occurred shall be paid to the Maintenance Association and shall be retained in the general funds of the Maintenance Association subject to the prior rights of any mortgagee holding an encumbrance upon any Maintenance Association Property for which such award has been paid.

Section 11.04 - Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

ARTICLE XII

PARTY WALLS

Section 12.01 - Definition. Each wall or fence which is placed on the dividing line between two 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 property damage due to negligence or willful acts or omissions shall apply thereto. A party wall shall be considered to adjoin and abut against the property line dividing the Lots from the bottom of the foundation over the full length and height of any wall or fence.

Section 12.02 - Use. Owners whose Lots are separated by a party wall shall equally have the right to use such party wall, except that each shall have the right to the exclusive use of the surface of the party wall

on his side. Neither such Owner shall use any portion of such party wall so as to interfere with the use and enjoyment of the other Owner.

Section 12.03 - Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use. *Every*

person indicates to the person
Section 12.04 - Destruction. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has the use thereof may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 12.05 - Right to Contribution Runs With Land. The right of an 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 12.06 - Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, said dispute shall be submitted to the Board for a resolution thereof. In the event the Board cannot or will not resolve such dispute, it shall employ an arbitrator for said purpose. Said arbitrator shall be selected at the discretion of the Board but shall be a member of the American Arbitration Association. The arbitrator who is chosen by the Board shall resolve said dispute pursuant to the prevailing rules of the American Arbitration Association and the requirements of the law of the State of California.

ARTICLE XIII

ANNEXATIONS

Real property may be annexed to and become subject to this Declaration by any of the methods set forth hereinafter in this Article, as follows:

Section 13.01 - Plan of Development. Declarant intends to sequentially develop the Annexation Property on a phased basis; however, Declarant may elect not to develop all or any part of such real property, to annex such real property to this Declaration in increments of any size whatsoever, or to develop more than one such increment at any given time and in any given order. Moreover, Declarant reserves the right to subject all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said property to the jurisdiction and powers of a homeowner association or other entity with powers and obligations similar to the Maintenance Association and which is not subject to the provisions of this Declaration. Although Declarant shall have the ability to annex the Annexation Property as provided in this Article, Declarant shall not be obligated to annex all or any portion of such property, and such property shall not become subject to this Declaration unless and until a Supplementary Declaration shall have been so executed and recorded.

Section 13.02 - Annexation Without Approval. All or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Maintenance Association without the approval, assent or vote of the Maintenance Association or its Members, provided that:

(a) the recordation of the Supplementary Declaration annexing a new Phase is effected prior to the third anniversary of the first Close of Escrow to occur after the issuance of the most recently issued Final Subdivision Public Report for the most recent Phase of the Covered Property; and

(b) the DRE has agreed to issue a Final Subdivision Public Report which shall be deemed to be evidence that Declarant has furnished proof satisfactory to the DRE that (1) no proposed annexation will result in overburdening of the common interests of the then existing Owners, and (2) no proposed annexation will cause a substantial increase in Assessments against existing Owners which was not disclosed in Final Subdivision Public Reports under which pre-existing Owners purchased their interests.

Section 13.03 - Annexation Pursuant to Approval. Upon approval in writing of the Maintenance Association, pursuant to the vote or written assent of sixty-seven percent (67%) of the total voting power of Members other than Declarant as such voting power is determined pursuant to the Section entitled "Voting Rights" of the Article entitled "The Maintenance Association" of this Declaration, any person who desires to add real property to the plan of this Declaration other than the Annexation Property and to subject such property to the jurisdiction of the Maintenance Association, may file or record a Supplementary Declaration. The provisions of this Section shall also apply to the Annexation Property subsequent to the expiration of the power of Declarant to annex such property without the approval of the Members as provided in this Article.

Section 13.04 - Effectuation of Annexation. Upon the satisfaction of all of the conditions contained in this Article, the recordation of a Supplementary Declaration in the Official Records shall constitute and effectuate the annexation of the Annexed Property described therein, making said Annexed Property subject to this Declaration and subject to the functions, powers and jurisdiction of the Maintenance Association, and thereafter said Annexed Property shall be part of the Covered Property and all of the Owners of Residences in said Annexed Property shall automatically be Members. The Supplementary Declaration shall incorporate by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration, and may contain such complementary additions or modifications of the covenants, conditions and restrictions in this Declaration as may be necessary to reflect the different character, if any, of the Annexed Property as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration revoke, modify or add to the covenants established by this Declaration or by any prior Supplementary Declaration with respect to property covered by this Declaration at the time of the recording of the said Supplementary Declaration.

Section 13.05 - Mergers or Consolidations. Upon a merger or consolidation of the Maintenance Association with another association which merger or consolidation must be approved by the vote or written assent of sixty-seven percent (67%) of the total voting power of Members other than Declarant, the Maintenance Association's properties, rights and obligations may, by operation of law, be transferred to the surviving or consolidated association, or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Maintenance Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants, conditions and restrictions established by this Declaration within the Covered Property, together with the covenants, conditions and restrictions established upon any other property as one plan.

Section 13.06 - Deannexation. Any instrument deleting or deannexing any portion of the Covered Property from the coverage of this Declaration must be executed by Declarant, and, if any portion of such Covered Property is owned by any persons or entities other than Declarant, also by such other Owner(s) and must be recorded in the Official Records. Any portion of the Covered Property that is not within a Phase may be deleted or deannexed from the coverage of this Declaration at any time. Any other portion of the Covered Property may be deleted or deannexed from coverage of this Declaration as long as the portion of the Covered Property that is being deleted or deannexed is not a part of a Phase in which (1) a Close of Escrow has occurred, (2) Maintenance Association Property has been conveyed to the Maintenance Association, or (3) Assessments have commenced.

ARTICLE XIV

MORTGAGEE PROTECTION

Section 14.01 - Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions, nor the enforcement of any lien provisions contained in this Declaration, shall affect, impair, defeat or render invalid the lien or charge of any mortgage made in good faith and for value encumbering any portion of the Covered Property, but all of said covenants, conditions and restrictions shall be binding upon and effective against any owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to such portion of the Covered Property.

Section 14.02 - Curing Defaults. A Mortgagee, or the immediate transferee of such Mortgagee, who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 14.03 - Resale. It is intended that any Mortgage to facilitate the resale of any Residence after judicial foreclosure, deed in lieu of foreclosure or trustee's sale is a loan made in good faith and for value and the Mortgagee of such Mortgage shall be entitled to all of the rights and protections afforded to other Mortgagees.

Section 14.04 - Mortgagees Furnishing Information. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage.

Section 14.05 - Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of the Maintenance Association Management Documents, the provisions of this Article shall control.

Section 14.06 - Federal Agency Agreement. The Board may enter into agreements with any of the Federal Agencies as necessary to satisfy guidelines and regulations of any such Federal Agency which would permit such Federal Agency to purchase, insure or guarantee, as applicable, First Mortgages encumbering Residences.

ARTICLE XV

GENERAL PROVISIONS

Section 15.01 - Enforcement.

(a) Against Covered Property. The Maintenance Association, the Master Association to the extent permitted by the Master Declaration, or any Owner shall have the right of action against any Owner, and any Owner shall have a right of action against the Maintenance Association to enforce by proceedings at law or in equity, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of the Maintenance Association Management Documents or any amendment thereto, including the right to prevent the violation of such restrictions, conditions, covenants, or reservations and the right to recover damages or other dues for such violation except that Owners shall not have any right of enforcement with respect to Assessment liens. With respect to architectural control and Maintenance Association Rules, the Maintenance Association shall have the exclusive right to the enforcement thereof unless the Maintenance Association refuses or is unable to effectuate such enforcement, in which case any Owner shall have the right to undertake such enforcement. Notwithstanding the foregoing or any other provision of the Maintenance Association Management

Documents, judicial proceedings must be instituted before any items of construction can be altered or demolished in connection with any summary abatement or similar means of enforcing restrictions against any Residence Improvement or its use.

(b) Against Property Included in Lot Line Adjustment. Notwithstanding the foregoing, the Maintenance Association or any Owner shall also have the right of action against any Owner, and any Owner shall have a right of action against the Maintenance Association to enforce by proceedings at law or in equity as aforesaid, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of the Maintenance Association Management Documents or any amendment thereto, against any portion of a Lot that as the result of a lot line adjustment had not been properly encumbered by this Declaration by the recordation of the Declaration or a Supplementary Declaration.

Section 15.02 - No Waiver. Failure by the Maintenance Association or by any Owner to enforce any covenant, condition, restriction or reservation contained in any of the Maintenance Association Management Documents in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same or any other covenant, condition, restriction and reservation.

Section 15.03 - Cumulative Remedies. All rights, options and remedies of Declarant, the Maintenance Association, the Owners or Mortgagees under the Maintenance Association Management Documents are cumulative, and no one of them shall be exclusive of any other, and Declarant, the Maintenance Association, the Owners and the Mortgagees shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in the Maintenance Association Management Documents.

Section 15.04 - Severability. Invalidation of any one or a portion of these covenants, conditions, restrictions or reservations by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

(Section 15.05 - Term. The covenants, conditions and restrictions of this Declaration shall run with and bind the Covered Property and shall inure to the benefit of and be enforceable by the Maintenance Association or any Owner, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Declaration is recorded, after which time said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by not less than sixty-seven percent (67%) of the then Owners has been recorded agreeing to terminate said covenants, conditions and restrictions.

Section 15.06 - Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract and for the maintenance of the Covered Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 15.07 - Singular Includes Plural. Whenever the context of this Declaration requires the same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

Section 15.08 - Nuisance. The result of every act or omission where any provision, condition, restriction, covenant, easement, or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a private nuisance, shall be applicable against every such result, and may be exercised by the Maintenance Association or any Owner. Such remedy shall be deemed cumulative and not exclusive.

Section 15.09 - Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto reasonable attorneys' fees and costs of such suit as determined by the court or by arbitration as part of the judgment.

Section 15.10 - Notices. Any notice to be given to an Owner, the Maintenance Association, or a First Mortgagee, Insurer or Guarantor under the provisions of this Declaration shall be in writing and shall be deemed to have been properly delivered when directed to such addressee at the address furnished by such addressee for the purpose of notice and placed in the first class United States mail, postage prepaid. Notice to Owners shall also be deemed to have been properly delivered when personally delivered or delivered to a common carrier for personal delivery to the addressee, or delivered to a person giving such notice by electronic means. If no address was furnished by an Owner or the Maintenance Association for the purpose of notice, the notice to an Owner may be delivered to the principal office of the Maintenance Association and the street address of such Owner's Residence, and notice to the Maintenance Association may be delivered to the address of its principal place of business. In the case of co-Owners any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall be deemed delivery on all such co-Owners.

The affidavit of an officer or authorized agent of the Maintenance Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, to any Mortgagee or Mortgagees, to any insurer or guarantor or to all Owners or all Mortgagees, or all insurers or all guarantors to the address or addresses shown on the records of the Maintenance Association, shall be deemed conclusive proof of such mailing, whether or not such notices are actually received.

Section 15.11 - Conflicts Between Documents. The terms and provisions set forth in this Declaration are not exclusive as Owners shall also be subject to the terms and provisions of the other Maintenance Association Management Documents. In the event of a conflict between any provisions of any of the Maintenance Association Management Documents with the provisions of another Maintenance Association Management Document, the order of superiority of such documents shall be (1) Articles, (2) Declaration, (3) Supplementary Declaration, (4) Bylaws, (5) Architectural Standards, and (6) Maintenance Association Rules and the provisions of any such document shall be superseded by the provisions of the document shown above to be superior to such document to the extent of such conflict.

In the event of any conflict between the governing documents of the Master Association, including without limitation, the Master Association Architectural and Landscape Standards, with the provisions of the Maintenance Association Management Documents, the provisions of the governing documents of the Master Association shall be deemed to supersede such provisions of the Maintenance Association Management Documents to the extent of such conflict.

Section 15.12 - Effect of Declaration. This Declaration is made for the purposes set forth in the Recitals to this Declaration and Declarant makes no warranties or representations, express or implied as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

Section 15.13 - Personal Covenant. To the extent the acceptance or conveyance of a Residence creates a personal covenant between the Owner of such Residence and Declarant or other Owners, such personal covenant shall terminate and be of no further force or effect from or after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Maintenance Association.

Section 15.14 - Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, and other committees of the Maintenance Association or any member of such

Board or committee shall be liable to any Owner or the Maintenance Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

Section 15.15 - Construction By Declarant. Nothing in this Declaration shall limit the right of Declarant to alter any Residences still owned by Declarant or the Nonexclusive Use Common Area, or to construct such additional Improvements as Declarant deems advisable prior to completion of Improvements upon and sale of the entire Development. Such right shall include but shall not be limited to erecting, constructing and maintaining on the Covered Property such structures and displays as may be reasonably necessary for the conduct of the business of completing the work and disposing of the same by sale, lease or otherwise. Declarant shall repair any damage to and complete any restoration of the Covered Property caused or necessitated by such activities of Declarant within a reasonable time after the occurrence of such damage or need for restoration. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title by a purchase from Declarant to establish on the Covered Property 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 Development. Declarant reserves the right to alter its construction plans and designs as it deems appropriate. Declarant shall exercise its rights contained in this provision in such a way as not to unreasonably interfere with the Owners' rights to use and enjoy the Covered Property.

Section 15.16 - Special Rights. Declarant shall not be subject to any provisions of the Maintenance Association Management Documents pertaining to architectural control and use restrictions. In addition, as long as Declarant continues to own Residences within the Covered Property and/or continues to have the right to annex the Annexation Property, or any portion thereof, without the approval of the Owners, the written approval of the Declarant shall be required to (1) annex property other than the Annexation Property to the plan of this Declaration, (2) amend any provision of the Maintenance Association Management Documents, (3) levy a Capital Improvement Assessment for the construction of additional Common Facilities or Maintenance Association Common Area Improvements not contemplated for the Covered Property by the Declarant or a Special Assessment for any other act or undertaking of the Maintenance Association, and (4) decrease the standard of maintenance or services being provided for the Common Facilities and Maintenance Association Common Area Improvements.

Section 15.17 - Inapplicability to Government Property. The provisions of this Declaration shall not be applicable to any portion of the Covered Property owned by a Public Agency and held for a public purpose, but shall apply to any Residence owned by a Public Agency.

ARTICLE XVI

AMENDMENT PROVISIONS

Section 16.01 - Vote of Maintenance Association. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees, this Declaration may be amended as follows:

(a) Until there has been a Close of Escrow, cancellations, amendments or modifications of this Declaration shall be effective when executed by Declarant, and, if any portion of the Covered Property is owned by any persons or entities other than Declarant, by such other Owner(s) of the Covered Property. Until there has been a Close of Escrow within any Annexed Property described in a Supplementary Declaration, cancellation, amendment or modification of such Supplementary Declaration shall be effective when executed by Declarant, and, if any portion of the Annexed Property described in such Supplementary Declaration is owned by any persons or entities other than Declarant, by such other Owner(s) of such Annexed Property. Thereafter, any amendments shall require the vote or written assent of a majority of

the voting power of Members other than Declarant as such voting power is determined pursuant to the Section entitled "Voting Rights" of the Article entitled "The Maintenance Association" of this Declaration and shall also require compliance with the provisions of this Declaration contained in the Section entitled "Special Rights" of the Article entitled "General Provisions." Such amendments shall not be effective until they are recorded in the Official Records. In addition to the foregoing, any amendment to any of the provisions of the Maintenance Association Management Documents which by their terms are for the express benefit of Mortgagees, insurers or guarantors of Mortgages must also have the prior written approval of sixty-seven percent of the First Mortgagees (based on one vote for each First Mortgage owned) who have delivered a written notification to the Board stating the name and address or other identification of the Residence encumbered by such First Mortgagee.

(b) Any amendments or modifications to this Declaration relating to the establishment and enforcement of architectural or landscape standards or the Perimeter Walls or any signs on or near such Perimeter Walls, shall require approval of seventy-five percent (75%) of the total voting power of the Maintenance Association.

(c) Notwithstanding the foregoing, any provision of the Maintenance Association Management Documents which expressly requires the approval of a specified percentage of the voting power of the Maintenance Association for action to be taken under said provision can be amended only with the affirmative vote or written assent of not less than the same percentage of the voting power of the Maintenance Association.

Section 16.02 - Petition to Amend. The Maintenance Association or any Owner may petition the superior court of the County for an order reducing the percentage of affirmative votes necessary to amend this Declaration pursuant to Section 1356 of the California Civil Code.

Section 16.03 - Amendments by Declarant. Notwithstanding any other provisions of this Article, for so long as Declarant owns any portion of the Covered Property or the Annexation Property, Declarant shall have the right to unilaterally amend this Declaration without the approval of the Members or any Mortgagees in order to make any modifications or additions that are required by any of the Public Agencies as a condition to approving the documents or the Development, or any construction thereon.

ARTICLE XVII

COMMUNITY INFORMATION

Section 17.01 - Acceptance and Agreement. The information being provided by the Declarant in this Article is intended to provide information about the site and the improvements that will be of interest to the Owners and the Maintenance Association as well as information that should be considered by the Owners and the Maintenance Association in the course of the maintenance and construction of additional Improvements.

Section 17.02 - Contiguous Area Map. Exhibit E attached hereto contains information pertaining to public and private improvements in close proximity to the Covered Property which are in existence or are contemplated as of the recordation of this Declaration. Although the Declarant believes this information to be factual as of the date of the recordation of this Declaration, Declarant assumes no responsibility for the accuracy of the information contained therein. The Contiguous Area Map is being provided for informational purposes only and is subject to change without notice. Owners are advised to contact the appropriate Public Agency for current and more precise information.

Section 17.03 - Declarant's Improvements.

(a) Fences. Fences constructed by the Declarant may not have been constructed on the boundary line of a Lot in order to maintain the structural integrity of the fence and/or slope, or to restrict access to any Landscape Maintenance Area being maintained by the Maintenance Association. Any fence or gate return not installed by Declarant that forms the closure from the side yard fences to the dwelling structure must be installed by the Owner within the time set forth in the Architectural Standards or by the Architectural Committee. Any side and rear yard fencing that consists all or in part of wrought iron and/or tempered glass is intended to provide a sense of openness for the lot. Any proposed additions or modifications to any of the fences and walls must be submitted to the Architectural Committee. Changes to party walls (walls that are constructed to separate two Residences and are shared by the Owners who have the use thereof) require approval by each Owner who shares the use thereof. Changes or modifications to some of the walls in the project may not be permitted either by the Architectural Committee, the Master Association or by the Public Agency that has jurisdiction over the project. Owner should contact the County Building and Safety Department to determine fencing requirements for pools and spas as existing fencing may not meet Safety Code requirements for the installation of pools and spas.

(b) Maintenance of Wrought Iron Fences. Any wrought iron fences installed by Declarant have been fabricated and installed to high industry standards for production housing. For example, vertical joints have been shopwelded around the joint rather than "spot welded" and the fence is roll-primed and painted in the field with high-quality paint. In spite of this fabrication and painting technique, particularly in the presence of moisture either from the coastal environment or irrigation water overspray, this fabrication and painting technique only retards the inevitable rusting process. Rust will start to form on the surface of the paint and slowly penetrate to the metal. This is largely an aesthetic consideration particularly if the wrought iron is painted with a light color instead of black or dark brown. This rusting process can be retarded in part by an active maintenance program to wipe off the moisture and rust.

This rust typically does not cause early structural damage to the fence, but does require a certain degree of maintenance.

(c) Landscape Improvements. Landscaping Improvements that have been made by the Declarant and are irrigated by an irrigation system that is metered and billed to the Maintenance Association are maintained by the Maintenance Association. Owners shall not install or construct any Improvements within any such landscape area, or modify any Improvements or landscaping upon any such areas being maintained by the Maintenance Association, even if such maintenance areas are located within their Lots.

(d) Drainage. Lots are typically graded in accordance with codes of the local Public Agency and sound engineering practices to accomplish certain objectives such as to (a) direct surface water from the rear to the front of the Lot or toward drainage inlets that exit onto the driveway, sidewalk, or street; (b) prevent surface water from ponding on the Lot or against structures; (c) prevent surface water from draining to an adjacent Lot unless an easement for drainage purposes has been granted; and (d) permanently accept existing or intended surface and subsurface drainage from adjacent property if so designed and approved by the appropriate Public Agency. Easements for drainage are described in Sections 8.04 and 8.05 or Article VIII of the Declaration.

Section 17.04 - Owner Improvements.

(a) Indemnity. Each Owner and the Maintenance Association, by the acceptance of a deed or other conveyance of a Residence or Maintenance Association Property, acknowledge and agree that the Declarant shall not be liable or responsible for any damage to Improvements that have been constructed or modified by an Owner or the Maintenance Association or that is the result of Improvements that have been constructed or modified by the Maintenance Association or an Owner. Improvements should not be installed, constructed or modified without the assistance of qualified consultants. For example, professional soils and structural engineers should be consulted to determine the existing soil conditions and

such Improvements or modifications should be designed to compensate for any expansive soil within the Lot.

(b) Code Requirements. All Improvements upon the Covered Property must be completed in conformance with the Uniform Building Code and other applicable regulations of any of the Public Agencies. Improvements constructed or installed upon a slope area, at the top or toe of a slope, or upon expansive soil may require additional design techniques to mitigate the effect of such expansive soil condition or upon such slope.

(c) Public Right-of-Way. Making Improvements such as planters, walls and curb cores within a street or public right-of-way may require permission from the utility companies, the responsible Public Agency in addition to the Architectural Committee. Construction of any such Improvements should not be commenced until all required approvals and permits have been obtained.

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

(e) Slope Maintenance. Owners who are required to maintain slope areas within their Lots must maintain the landscaping upon such slope areas in a condition that will prevent slope erosion in conformance with any requirements of the Maintenance Association and the responsible Public Agency.

The Pointe at Newport Ridge is a hillside development project. Slopes are an integral part of hillside development. Most slopes within the Development will be irrigated and planted by Declarant and maintained by the Maintenance Association. This landscaping is a requirement to prevent slope erosion, and is not intended for purely ornamental purposes. In many cases property lines extend beyond the location of walls or fencing to the top or toe of slope. In these cases, the Maintenance Association has been granted an easement for slope and wall maintenance purposes. Owner acknowledges and understands that the slopes have been planted by Declarant and are irrigated by an irrigation system that is metered and billed to the Maintenance Association and maintained by the Maintenance Association. Owner further acknowledges and understands that he shall not install or construct any improvements within any slope area, or modify any improvements or landscaping upon any slope areas being maintained by the Maintenance Association even if such slope areas are within his Lot. Some slopes, however, are to be maintained by the Owner. Owner responsibility for slope maintenance starts at close of escrow, or thereafter by written notice from Declarant.

(f) Grading. The grading and drainage design of a Lot should not be altered by any Owner or by any contractors or agents of an Owner in the course of installing Improvements such as patios, planters, walls, swimming pools and/or spas in a manner that will redirect surface water flow toward the dwelling or onto adjacent property or that will trap water so that it ponds and floods. Drainage devices such as concrete ditches, area drain lines and gutters should be carefully designed and installed with professional assistance. Drainage devices installed by the Declarant that are designed to serve more than one Lot should not be altered or modified in a manner that will redirect or obstruct the drainage through these drainage devices. Any grading and drainage modifications are subject to applicable codes of the applicable Public Agency, subject to approval by the Architectural Committee and subject to the terms of any other drainage easements that may be of record.

Section 17.05 - Matters of Record.

(a) Property Lines. The boundaries of each Lot within the Covered Property are delineated on tract maps, lot line adjustments or parcel maps that are public records and are available at the office of the County Recorder.

(b) Preliminary Title Report. The preliminary title report issued by the title company that insures the title to a Residence which is available for review, inspection and approval by any prospective purchaser as a condition to the close of escrow will reveal matters of record that, unless removed as a condition to the close of the escrow, will continue to be effective against the Residence after the close of escrow. The preliminary title report describes easements and rights of record which include, without limitation, the following:

(i) Utility Easements. The Residences are subject to easements in favor of utility companies for the installation and maintenance of utility lines and facilities that provide service to the Covered Property. The location of the various lines and facilities are totally within the control of the respective utility companies although facilities such as electrical vaults, telephone, street lights and cable television boxes are generally located in the area behind the sidewalk.

(ii) Mailboxes. An easement has been reserved for the installation, maintenance, repair and replacement of mailboxes. Mailboxes are usually located within the utility easement area adjacent to the street but the locations and configurations are controlled by the United States Postal Service and subject to change.

(iii) Special Assessment or Mello-Roos Community Facilities Districts. The Covered Property lies within the boundaries of Special Assessment Districts and Mello-Roos Community Facilities Districts which may require the levy of a special tax for the repayment of bonds issued for the purpose of paying the cost of the services or the capital improvements that have been or are being provided. The amount of the special tax and any other information pertaining to any such district can be obtained from the County Assessor's office.

(A) Community Facilities District No. 90-1. The Newport Mesa Unified School District established Community Facilities District No. 90-1 ("CFD"), which includes the Covered Property. The CFD was formed under the provisions of the Mello-Roos Community Facilities Act of 1982. The purpose of the CFD is to finance the acquisition of land and the construction or refurbishment of school facilities benefitting Newport Coast and Newport Ridge residents (the "School Costs").

The CFD is authorized to issue up to \$26,000,000.00 in bonds. (A vote of two-thirds of the registered voters within the proposed CFD would be required to authorize sale of bonds in excess of the \$26,000,000.00 limit). The \$26,000,000.00 bond authorization is the maximum amount of funds which the School District estimates is necessary to cover costs under the current School Facilities Plan.

Special taxes to cover School Costs for the CFD will be established each year by the School District at a public hearing. The special taxes are charged to each property owner within the proposed CFD as a portion of each owner's annual real estate tax bill. The obligation to pay the special tax became effective against each Residence on the issuance of a building permit for such Residence. In the event a property owner fails to pay these taxes when due, the District may exercise its statutory remedy to foreclose on the property. The special tax is levied annually whether or not bonds have been sold.

(B) Assessment District No. 92-1. The County of Orange has established Assessment District No. 92-1 which includes the Covered Property. The Assessment

District was formed under the authority of the Municipal Improvement Act of 1913. The purpose of the Assessment District is to pay for construction of major infrastructure improvements such as streets, drainage improvements, sewers, storm drain improvements, improvements to the proposed Canyon Watch Park and Harbor Watch Park, a contribution to the construction of the fire station, measures concerning the mitigation of the landfill site located adjacent to the Newport Ridge Planned Community and utilities benefitting the Newport Ridge Planned Community. Any bonds issued under the authority of the Bond Act of 1915 to finance such infrastructure improvements will be allocated among all properties within the Assessment District and will constitute a lien against the Residences. The lien must be paid off in installments which will appear as annual assessments on the annual real estate tax bill for each Residence. (As an alternative, each owner of a Residence has the option of paying the entire lien amount in one lump sum, plus a bond redemption charge.) In the event assessments are not paid when due, the statutes permit the County of Orange to foreclose on the Residence, and the County of Orange has covenanted to do so.

(c) Street Lighting Assessment District. The Covered Property lies within Orange County Street Lighting Assessment District, Zone 1.

(c) Maintenance Association. The Maintenance Association has the right and obligation to manage and control all of the property covered by this Declaration in accordance with the Maintenance Association Management Documents which consist of Articles, Bylaws, this Declaration, Architectural Standards and Maintenance Association Rules and the Master Association Architectural and Landscape Standards. All of these documents comprise the governing documents of the Maintenance Association and include provisions pertaining to the following:

(i) Improvements. All Improvements installed or constructed by Owners must comply with the Architectural Standards and the Master Association Architectural and Landscape Standards.

(ii) Declarant Control. Owners other than Declarant have the right to elect at least twenty percent (20%) of the Board. For as long as Declarant has sufficient voting power, Declarant intends, but has no obligation, to exercise its voting rights under the Declaration to elect at least a majority of the Board and the Declarant has the absolute right, pursuant to the Declaration, to initially appoint or replace all of the members of the Architectural Committee and to appoint a majority of the members of the Architectural Committee for a period of five (5) years after the date of the issuance of the first Final Subdivision Public Report by the DRE or until ninety percent (90%) of all of the Residences within the overall Development have been conveyed. Declarant intends to transition the Board members appointed by the Declarant out of the management and control of the Maintenance Association and the Architectural Committee when the Development is substantially complete by appointing other Owners to serve the remainder of the terms of any resigning architectural committee members and directors.

(iii) Maintenance Association Common Areas. There may be areas within this project and/or adjacent to some of the Residences which are designated as open space areas and will be maintained as such by the Maintenance Association. The Maintenance Association can provide additional information as to the location of all such areas, the plant materials and any facilities or Improvements thereon, and any permitted use thereof.

The common facilities such as landscaping, walls and recreational facilities that have been installed or constructed by the Declarant will be accepted for maintenance by the Maintenance Association when such Improvements have been completed in accordance with the plans and specifications and certified as complete by the architect who designed such improvements.

(d) Master Association. All of the property covered by this Declaration as well as other property within Newport Ridge Planned Community is subject to the jurisdiction of the Master Association as more particularly set forth in the Master Declaration. The Master Declaration includes provisions pertaining to the following:

(i) Improvements. All Improvements installed or constructed by Owners must comply with the Master Association Architectural and Landscape Standards as may be adopted pursuant to the provisions of the Master Declaration.

(ii) Declarant Control. In order to provide for the efficient and effective management of the Master Association, a Delegate District system of voting was formed. The appointment of Delegates and the procedure for calling annual meetings of the Master Association and meetings of the Delegate District is contained in the Master Declaration.

(iii) Master Association Property. There may be areas within this project and/or adjacent to some of the Residences which are designated as open space areas and will be maintained as such by the Master Association. The Master Association can provide additional information as to the location of all such areas, the plant materials and any facilities or Improvements thereon, and any permitted use thereof.

Section 17.06 - Coyote Canyon Sanitary Landfill. The Coyote Canyon Sanitary Landfill is located northeast of, and adjacent to, the Newport Ridge Planned Community. The Landfill, which is operated by the County, stopped accepting waste in 1990 and the County is responsible for developing and carrying out a closure/post-closure plan for the Landfill which includes placement of a soil cover over the Landfill, grading, installation of storm drains and the implementation of gas and liquid management/monitoring programs. In addition, a gas recovery system has been installed. The County estimates that closure operations will be completed by 1994. The ultimate use of the Landfill site is not known at this time, but it is anticipated that the site will be used for open space or recreational purposes which may include a public park or public golf course.

The Point at Newport Ridge may experience dust, odors and noise from time to time as a result of the ongoing closure and maintenance activities on the Landfill. A gas recovery system, which has been operational since 1989, collects gas from the Landfill and produces electricity from that gas. It includes a system of underground wells and piping to collect the gas, a gas processing facility and an electrical generation facility. The electrical generation facility is located on the other side of Newport Coast Drive from Newport Ridge, approximately one-half mile from the intersection of San Joaquin Hills Road and Newport Coast Drive, and is visible from many locations in the Newport Ridge Planned Community. The facility operates 24 hours a day, 365 days a year, except when it is shut down for necessary maintenance. When it is shut down for maintenance, a backup flare system at the same facility is used to burn excess gas. The facility routinely releases steam, and the facility, the steam (and, possibly, the flares) can be seen from portions of the Newport Ridge Planned Community. The facility also produces noise which can be heard periodically in the Newport Ridge Planned Community.

Under certain circumstances, the underground decomposing waste in the Landfill can combust and cause subsurface smoldering within the Landfill. When it does occur, subsurface smoldering is generally confined within the Landfill. The possibility of such smoldering will be further reduced with the placement of the final soil cap on the Landfill. The Post-Closure Plan referred to above includes a section which discusses detection, monitoring, prevention and management of the subsurface combustion at the Landfill.

In addition to the gas recovery system operated on the Landfill, an underground, physical barrier has been installed along the common boundary of the Landfill and the Newport Ridge Planned Community to further supplement the closure plans. A series of multi-depth gas probes will also be installed near the periphery of the Landfill to monitor the effectiveness of the gas recovery system.

Current regulations require the County or its designee to conduct periodic air and water quality testing as well as to monitor the effectiveness of the control systems.

Section 17.07 - Helipad Facilities. Future development of undeveloped land adjacent to, or in near proximity to, the Newport Ridge Planned Community (the "Newport Coast Project") may include the establishment of helipad facilities.

Section 17.08 - Earthquake Faults. The Newport Inglewood Earthquake Fault is located approximately four (4) miles south of the Newport Ridge Planned Community on the floor of the Pacific Ocean. An inactive fault is located within the Pelican Hill Custom Lot Project within the Newport Coast Project.

A shear zone has been mapped traversing through the Development during preliminary and mass grading phases of the development. The origin of this shear zone was described as possibly being a splay of or associated with the main Pelican Hill fault which is located southwest of the site. Previous investigations have determined that minor displacements have occurred on the Pelican Hill Fault Zone (2 million years ago). However, no evidence of movement in the past 11,000 years has been found along this fault zone; therefore, the Pelican Hill Fault is not considered to be active.

The shear zone mapped within the Development depicted on Exhibit G has been investigated by Declarant prior to and during grading of the Development. This shear and its associated minor traces were found to exist within older bedrock and has been determined not to be active. The shear zone is relatively narrow (10 to 20 feet wide) with a 6-inch to 12-inch wide clay zone constituting the main geologic and engineering concerns. Mitigation of this narrow clay zone is being provided by over-excavation of the lots of concern, 1 to 3 feet, replacing this cut with excavated fill, and designing foundations for highly expansive soils.

During the grading an additional minor branch of the shear zone was encountered southwest of the principal zone. This zone was also mitigated by over-excavation of the affected lots and by providing foundation design recommendations for highly expansive soils.

From a geotechnical point of view, the subject property is considered suitable for the designed development based on our recommendations having been incorporated into the design criteria and the project specifications of the lots within the shear zone.

Section 17.09 - Aircraft Overflights. While it is not possible to make a definitive analysis of individual noise levels at each Residence, residents of The Pointe at Newport Ridge can expect airplane, jet and helicopter noise from overflying commercial and private aircraft coming into and out of John Wayne Airport and the Marine Corps Air Stations in Tustin and El Toro. In addition, residents should be aware that newspapers and other publications advise of the possible future conversion of the Marine Corps Air Station at El Toro into a commercial civilian facility.

Section 17.10 - San Joaquin Reservoir. Portions of the Newport Ridge Planned Community will have a view of, or are in close proximity to, an operational water storage facility known as San Joaquin Reservoir Site. San Joaquin Reservoir Site is owned and managed by the Metropolitan Water District of Southern California ("MWD") in trust for MWD, four local water districts and two cities (collectively, the "Local Agencies"). The Local Agencies use San Joaquin Reservoir Site for regulatory and emergency storage for their domestic water systems. MWD and the Local Agencies contemplate making improvements to the

San Joaquin Reservoir Site, which will include an opaque floating cover over the surface of the reservoir within the San Joaquin Reservoir Site which would completely obstruct any view of the water contained within the reservoir.

Section 17.11 - San Joaquin Hills Transportation Corridor/Newport Coast Drive. Newport Coast Drive is a major arterial highway which has been constructed by the County between Pacific Coast Highway and MacArthur Boulevard. The San Joaquin Hills Transportation Corridor, which as of the recordation hereof, is planned to be constructed northerly of Newport Ridge and intersect with Newport Coast Drive, is a joint planning effort by the Transportation Corridor Agency and the County. If constructed under present design plans, the Corridor will convert a portion of Newport Coast Drive into Corridor right of way. Construction of the Corridor is contingent upon receipt of necessary funding and governmental approvals, and there is no assurance that the Corridor will be constructed. However, if the Corridor is constructed, a toll interchange will be constructed where Newport Coast Drive intersects with the Corridor, and, as with all segments of the Corridor, tolls will be charged for use of this portion of the Corridor between the interchange and MacArthur Boulevard.

Section 17.12 - Local Collector Road System Improvements. Several potential two (2) lane local collector road extensions may be constructed within or in the immediate vicinity of Newport Ridge. Portions of El Capitan Park will be subject to an existing but unimproved roadway easement in favor of the City of Newport Beach and an offer of dedication to local government for possible collector road extensions. One possible roadway extension would result in the connection of El Capitan Drive to San Joaquin Hills Road. The second possible roadway extension would result in the connection of Terrace Ridge to El Capitan Drive. In addition, an easement for maintenance purposes over Lot M of Tract No. 14509, which is located along the northerly border of the Newport Ridge Planned Community, will be transferred to the Newport Ridge Community Association, subject to an offer of dedication to a local Public Agency for roadway extension purposes to connect to a potential collector road in proximity to Bonita Canyon Road leading to the City of Irvine.

Section 17.13 - Irrigation With Reclaimed Water. In its efforts to conserve water, the Irvine Ranch Water District ("IRWD") has for years required the use of reclaimed water (Treated Wastewater) to irrigate parks, school yards, golf courses, green belt areas and common areas. The water used to irrigate Master Association Property and Maintenance Association Property will generally be reclaimed water although some common areas maintained by the Maintenance Association may be irrigated with potable domestic water. The use of reclaimed water will conserve the domestic potable water supply and may result in a savings in the cost of water service. Although there are reclaimed waterlines in the area, no provisions have been made for individual residents within The Pointe at Newport Ridge to utilize reclaimed water in underground yard irrigation systems. Reclaimed water is not potable and therefore not suitable for human consumption. Based upon a number of independent studies, the California Department of Health Services has determined that inadvertent consumption of reclaimed water by domestic pets and other animals will not cause harm and, further, that the use of reclaimed water has not resulted in any significant adverse health consequences. As with any water spray, the repeated spray of reclaimed water may stain or discolor personal property, fencing and structural improvements over time. According to IRWD, IRWD'S reclaimed water is disinfected with chlorine and its clarity to the human eye is indistinguishable from domestic water. The standards imposed upon IRWD for reclaimed water quality are established by various governmental regulatory agencies, and the standards may change from time to time. The water used in the Residences and outside exterior hose bibs will be domestic potable water.

Section 17.14 - Water Softeners. Owners are also subject to the Rules and Regulations of the Irvine Ranch Water District, one of which prohibits the use of self-generation water softeners connected to the sewer facilities of the District.

Section 17.15 - Electric Power Lines. Overhead and underground electric transmission and distribution lines are located within and in the immediate vicinity of the Newport Ridge Planned Community. These power lines are owned, operated and maintained by the Southern California Edison Company. Specifically, a 50 foot Edison easement is located approximately 260 feet west of The Pointe at Newport Ridge. Towers and transmission lines above ground in this easement area currently accommodate a 66 KV transmission line. Edison maintains the right to access and operate these lines and the right to add additional lines. Numerous scientific and epidemiological studies have been conducted as to whether there are any adverse health effects from magnetic and electric fields generated by electric power lines. The California State Department of Education has established site selection standards for locating new schools near power lines with voltages of 100 KV or greater. However, the State of California has not established any setback or other limitations on construction of residential housing in the vicinity of power lines. The California Department of Health Services, in cooperation with the California Public Utilities Commission, continues to perform research in this area.

Section 17.16 - Schools. A proposed school site within the Newport Ridge Planned Community has been reserved for possible acquisition by the Newport Mesa Unified School District ("NMUSD") and future improvement as a school facility. NMUSD may elect to proceed with this school facility at any time prior to the issuance of seventy-five percent (75%) of all of the building permits for Newport Ridge or may elect not to proceed with the school facility. If school facilities are not constructed on this property, the zoning for this property would permit it to be converted to residential development.

Section 17.17 - Fire Station. A fire station is planned to be located in the vicinity of the intersection of Newport Coast Drive and Ridge Park Road. The Covered Property is located within a very high fire hazard area due to wildland exposure.

Section 17.18 - Signal Peak. Transmission towers and microwave stations currently exist on land easterly of Newport Coast Drive known as Signal Peak. These facilities will remain on this site and the facility operators retain limited rights to expand their structures and equipment. Service vehicles will access the site via the public roads.

Section 17.19 - Public/Private Parks. Newport Ridge Park, located at the intersection of San Joaquin Hills Road and East Newport Ridge Drive, if developed will be available for use of Newport Ridge Planned Community residents. Newport Ridge Park, Crestridge Park, Canyon Watch Park and Harbor Watch Park which are contemplated for the Newport Ridge Planned Community will be subject to an offer of dedication to public use. El Capitan Park may also be available for use by students from the school which may be developed on the school site. Some amenities within these parks may be lighted.

Section 17.20 - Buck Gully. Buck Gully encroaches within a one-quarter mile radius surrounding the Covered Property. The gully receives runoff from a large tributary area and portions may remain wet most of the year. This gully area may qualify as a wetlands under Department of Fish & Game Code Section 2785.

Section 17.21 - The Development Plan. Owners acknowledge and understand that Declarant may elect to build a complementary product in subsequent Phases of the Development and may elect to sell some lots as custom lots depending upon market demand for any of these products.

Section 17.22 - Expansive Soil. The soil within this project is composed of soil derived from bedrock belonging to the Topanga formation which may have "highly expansive" characteristics which could require special consideration and attention when such Improvements as masonry walls and planters, concrete slabs, pools, spas, decking and other concrete masonry Improvements are installed. Bedrock materials consist of thick bedded sand stones with occasional silt stone innerbeds. When this soil becomes wet it is prone to expand and subsequently may cause damage by lifting and cracking any Improvements

built on top of this soil unless adequate precautions have been designed and incorporated into their construction. For this reason, it is particularly important to maintain proper drainage away from the house footings and away from any Improvements constructed on the lot. Walls and other obstructions should not be constructed across swales unless adequate replacement drainage improvements are provided. It is extremely important to provide adequate surface drainage to avoid ponding for surface runoff. Declarant has engineered and graded all Lots to drain independently. It is imperative that Owners do not alter this system or divert drainage to adjacent Lots. Soil conditions were considered in the design and installation of builder provided Improvements, i.e., foundations, driveways, walls, public sidewalks and street improvements as recommended by both professional soil and structural engineers and the County.

Because of this soil condition, prior to the installation of Improvements on a Lot, a professional soils engineer and structural engineer should be consulted to check for soil conditions and, if necessary, to properly design the Improvements being installed to compensate for any expansion or settlement which may occur. Concrete or masonry decking must be specified, designed and constructed to compensate for said expansive soil in a Lot.

By acceptance of fee title to a Lot, Owner acknowledges and agrees that Owner and Owner's consultants shall be responsible for properly installing any Improvements so as to protect these Improvements from damage and cracking due to any expansive soil condition which may exist on a Lot and Declarant shall have no liability or responsibility in connection with said soil condition including but not limited to repairing any cracking which may occur to Improvements installed by Owner.

ARTICLE XVIII

SPECIAL REQUIREMENTS OF THE COUNTY

Section 18.01 - Conditions of Approval. The obligations imposed upon the Maintenance Association and the Owners and the rights of the County contained in this Article are conditions of approval of the Development by the County. In the event any of the provisions of this Article conflict with any other provisions of the Maintenance Association Management Documents, the provisions of this Article shall prevail.

Section 18.02 - Implementation of Best Management Practices. The provisions of this Article are intended to be guidelines that are to be (i) used to minimize the amount of watering, water run-off and the use of fertilizers, pesticides and herbicides, and (ii) a disclosure to the Maintenance Association and to the Owners that the discharge of debris, chemicals, oils or any other pollution materials into the storm drain system is prohibited.

Section 18.03 - Assumption of Post Construction Best Management Practices. As a condition to the recordation of the final tract map for the Development, Declarant has been required to incorporate structural and non-structural Best Management Practices as prescribed by the County in a manner meeting the approval of the Manager, Subdivision Division of the County in consultation with the Managers, Flood Programs and Environmental Resources, all as more particularly described in such conditions of approval, the post-construction maintenance of which must be assumed by the Maintenance Association and the Owners. As provided in the Sections entitled "By Maintenance Association" and "By Owner" of this Declaration, the Maintenance Association and the Owners have an obligation to maintain, repair, restore, replace and make all necessary Improvements of all Phases of the Covered Property in which a Close of Escrow has occurred which would include all post-construction Best Management Practices Improvements constructed or installed by Declarant. In accordance with the Section entitled "Noncompliance by Owner" of this Declaration and the Section entitled "Enforcement" of the Bylaws, the Maintenance Association further has the right to accomplish any maintenance, repair, restoration or replacement of any Improvements that are to be individually maintained by the Owners if such Owners fail to adequately

perform such maintenance, repair, restoration or replacement. The obligations of the Maintenance Association and Owners include the following:

- (a) Litter control to include Maintenance Association and individual trash collection, proper trash storage and collection procedures, emptying of trash receptacles and cleaning of trash storage areas;
- (b) Inspection of catch basins, cleanouts and inlets and annual cleaning of catch basins which must occur prior to October 15th of each year;
- (c) Vacuum truck sweeping of private streets at least once annually in the fall, prior to the October 15th start of the rainy season;

Washing of driveways onto streets should be avoided.

Section 18.04 - Landscaping and Irrigation System. Water conservation practices and fertilizer, pesticide and herbicide restrictions instituted for the Covered Property include the following:

- (a) All plant materials in a group should have the same watering requirements so that the irrigation controllers can be set to deliver the appropriate minimum amounts of water;
- (b) Plant materials should be selected that minimize the need for fertilizer and pesticides;
- (c) Native and drought-resistant plants should be used that adapt to local soil conditions and are resistant to pests and adequate soil drainage techniques should be used that will minimize the need for fertilizer and pesticides;
- (d) Watering practices should be established that minimize fungus and mildew potential;
- (e) Special controllers and heads that allow several start times for watering should be utilized in order to limit the amount of water surface runoff and upper and lower slopes should have different irrigation operating times;
- (f) Excessive use of water is not permitted; and
- (g) Buckets together with bio-degradable cleaning products are to be used for the washing of vehicles.

Section 18.05 - Catch Basin Stenciling. The letters and/or symbols on the catch basins being maintained by the Maintenance Association shall be inspected for legibility during the annual cleaning operation and the letters and/or symbols shall be re-stencilled if they are not legible. Stencilling shall read "NO DUMPING - DRAINS TO OCEAN."

Section 18.06 - Newsletter Reminders. Reminders should be included in newsletters distributed to Owners that the individually maintained areas are to be kept clean from debris and waste materials and that dumping of debris or waste materials into the storm drain system is prohibited.

Section 18.07 - Amendment. Any amendment to this Article of the Declaration shall require the prior written consent of the County.

Section 18.08 - Enforcement. The County shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants, and reservations now or hereafter imposed by the provisions

of this Article of the Declaration, or any amendment thereto, to the same extent as the Maintenance Association or any Owner.

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

STANDARD PACIFIC CORP., a Delaware corporation

By: [Signature]
Its: Robert T. Shiota - Authorized Representative

By: [Signature]
Its: Jari L. Kartoian - Authorized Representative

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

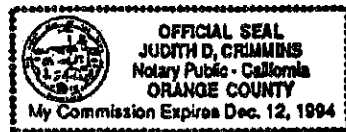
ss.

On June 2, 1993 before me, Judith D. Crimmins, a notary public in and for said State, personally appeared Robert T. Shiota and Jari L. Kartoian,

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Judith D. Crimmins



(Seal)

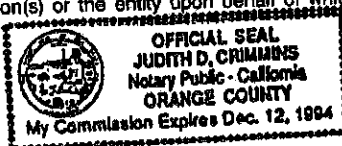
STATE OF CALIFORNIA)
COUNTY OF Orange) ss.

On August 19, 1993 before me, Judith D. Crimmins, personally appeared Robert T. Shiota and Jari L. Kartoian,

personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature Judith D. Crimmins



(This area for official notarial seal)

3006 (1/91) - (General) First American Title Company

SUBORDINATION

The undersigned, beneficiary under those certain deeds of trust encumbering all or a portion of the real property described within as the Initial Covered Property, which deeds of trust were recorded on April 6, 1993 as Instrument Nos. 93-0230272 and 93-0230273, respectively, of Official Records, hereby consents to the within Declaration of Covenants, Conditions and Restrictions and hereby subordinates the lien of said deeds of trust to the provisions of this Declaration.

The Irvine Company, a Michigan corporation

By: William H. [Signature]
Its: Executive Vice President

By: James A. [Signature]
Its: Assistant Secretary

STATE OF CALIFORNIA

COUNTY OF ORANGE

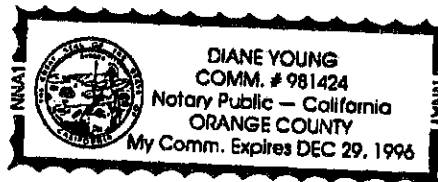
ss.



On 21 June 1993 before me, DIANE YOUNG, a notary public in and for said State, personally appeared WILLIAM H. DEARLAND & JAMES A. CAVANAUGH personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature [Signature]



(Seal)

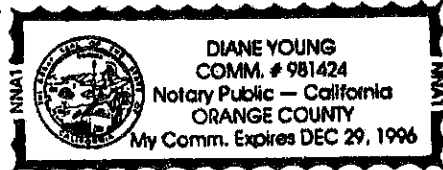
STATE OF CALIFORNIA }
COUNTY OF ORANGE } ss. THE POINTS AT NEWPORT RIDGE

On 23 Aug 1993 before me DIANE YOUNG, Notary Public personally appeared WILLIAM H. DEARLAND & JAMES A. CAVANAUGH personally known to me (or proved-

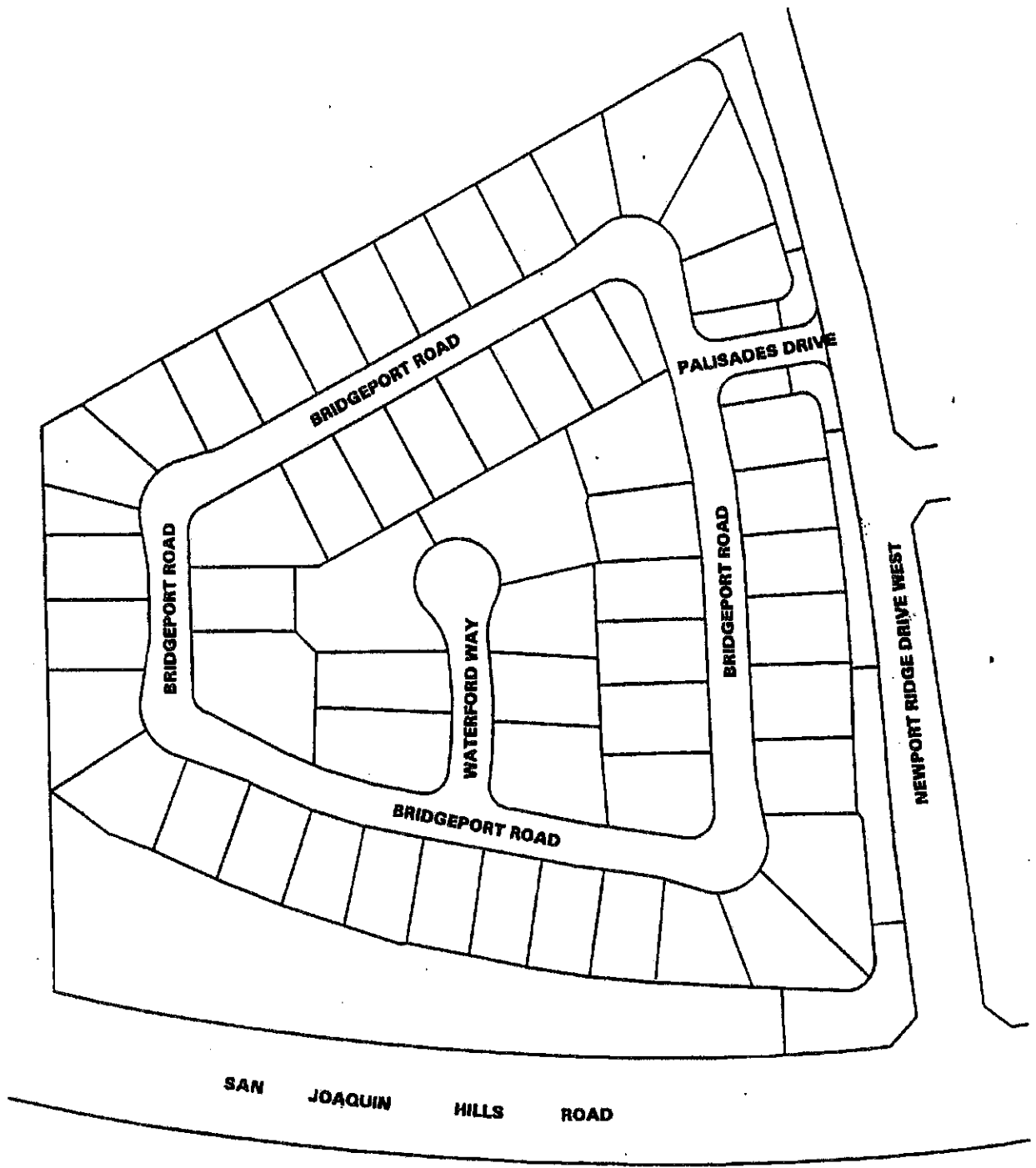
to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature [Signature]



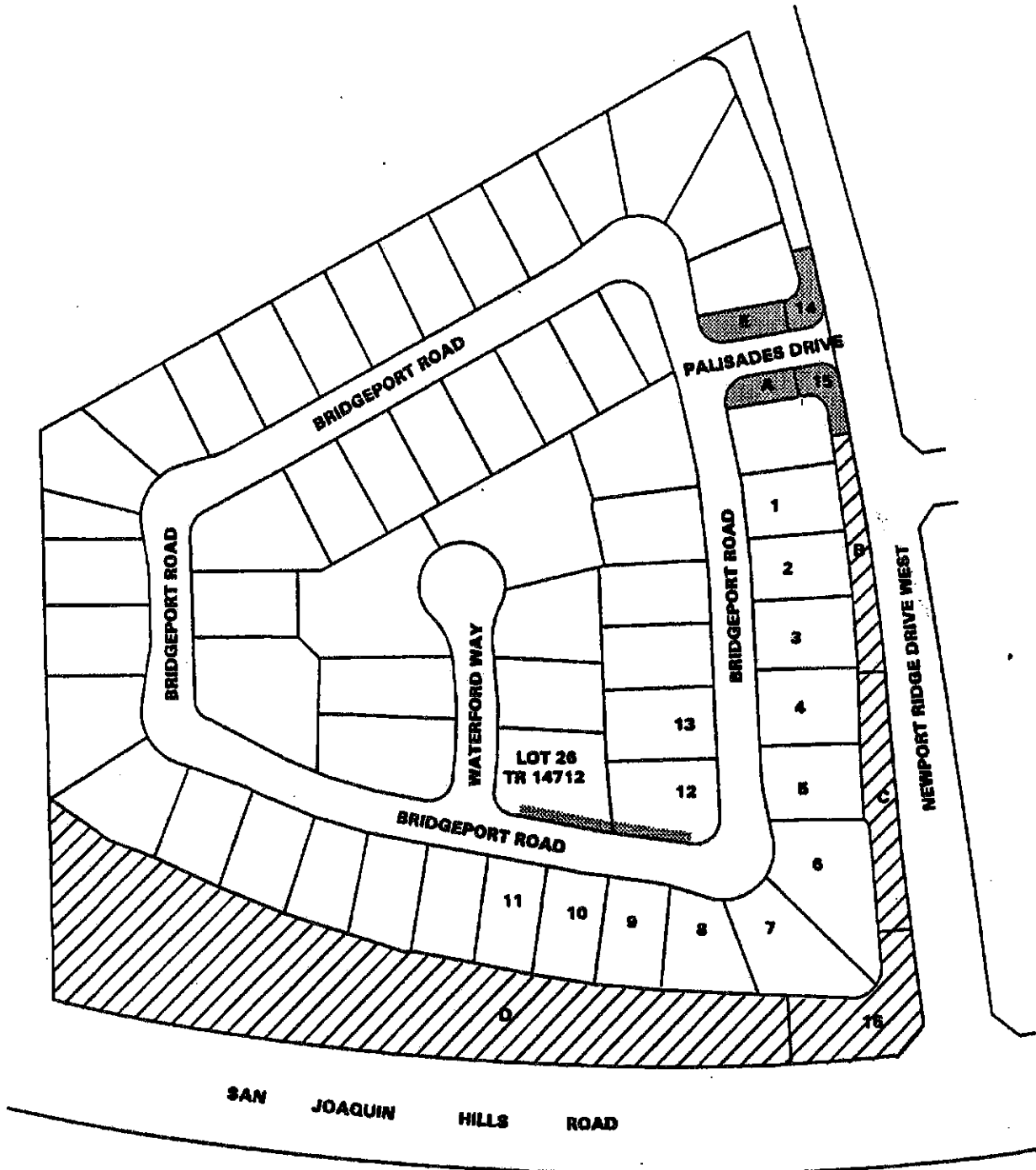
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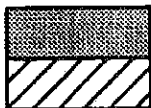
NOT TO SCALE

Annexation Property
TRACTS 14711, 14712 & 14583
NEWPORT RIDGE

EXHIBIT A



LEGEND



LANDSCAPE AREAS TO BE MAINTAINED BY SUB ASSOCIATION

LANDSCAPE AREAS TO BE MAINTAINED BY MASTER ASSOCIATION



NOT TO SCALE

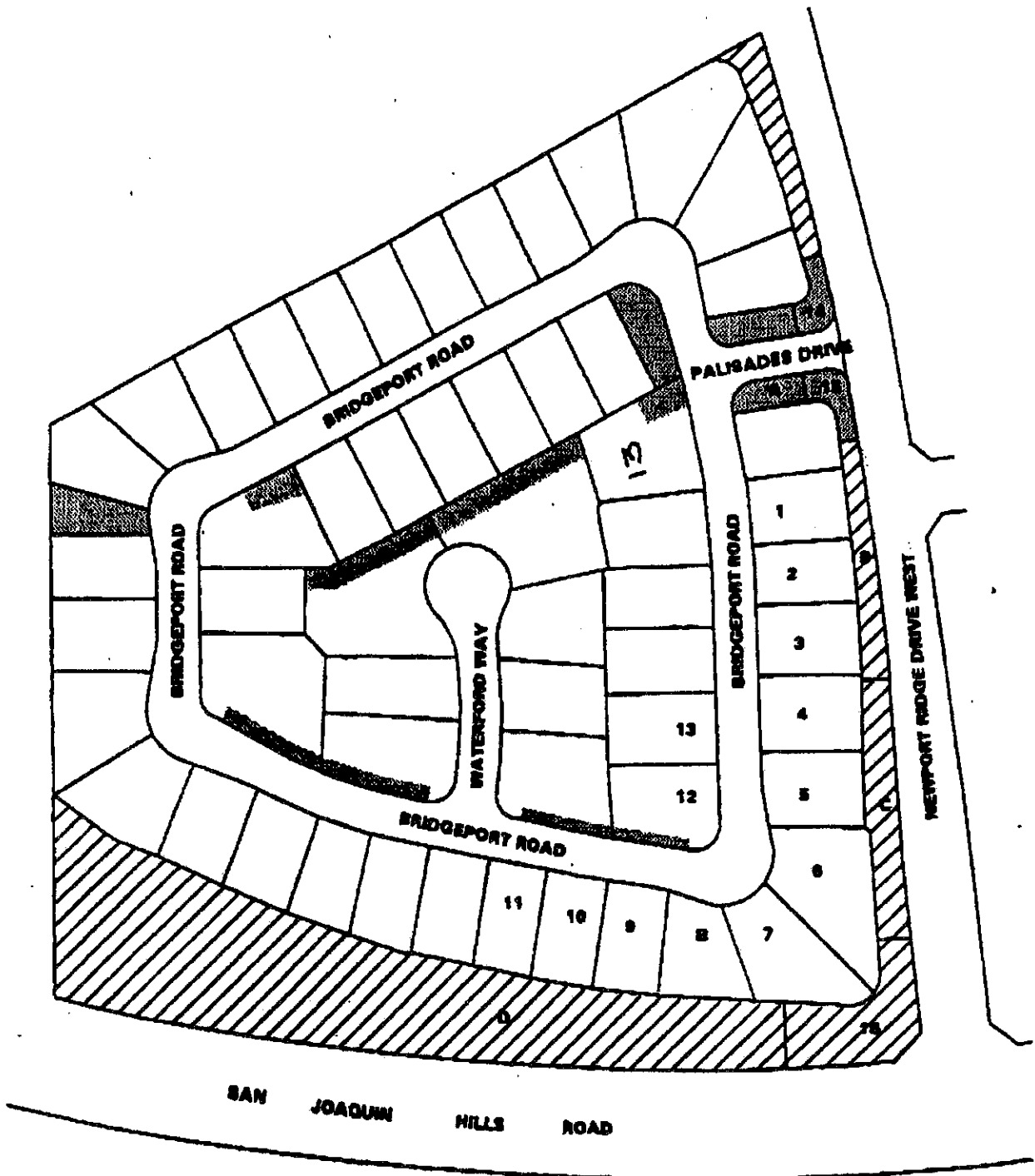
Landscape Maintenance

TRACT 14711

NEWPORT RIDGE

JULY 13, 1983

EXHIBIT B



LEGEND

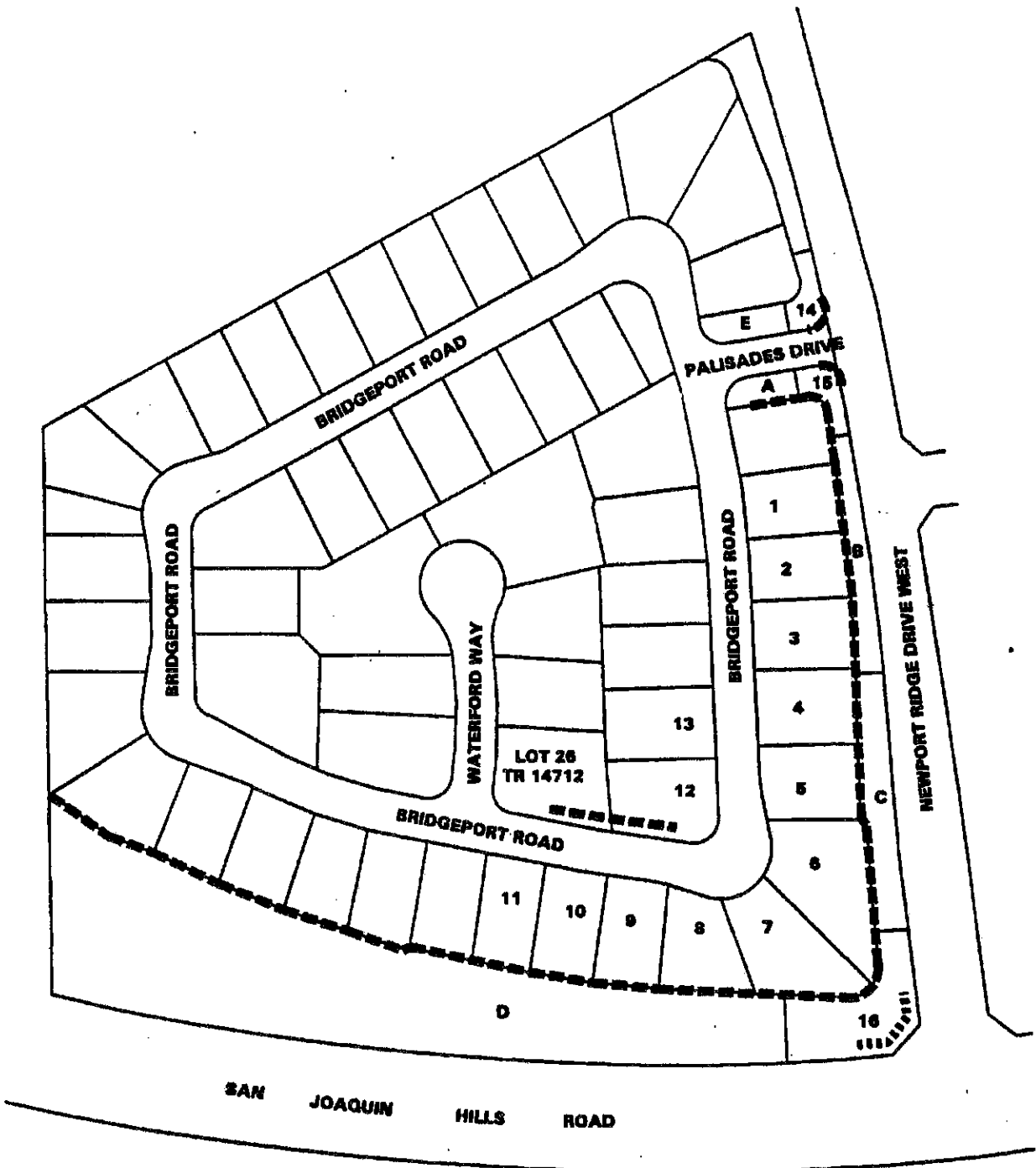


LANDSCAPE AREAS TO BE MAINTAINED BY SUB ASSOCIATION
 LANDSCAPE AREAS TO BE MAINTAINED BY MASTER ASSOCIATION



NOT TO SCALE

Landscape Maintenance
TRACT 14711
NEWPORT RIDGE



LEGEND

- WALLS/FENCES TO BE MAINTAINED BY SUB ASSOCIATION
- WALLS/FENCES TO BE MAINTAINED BY MASTER ASSOCIATION

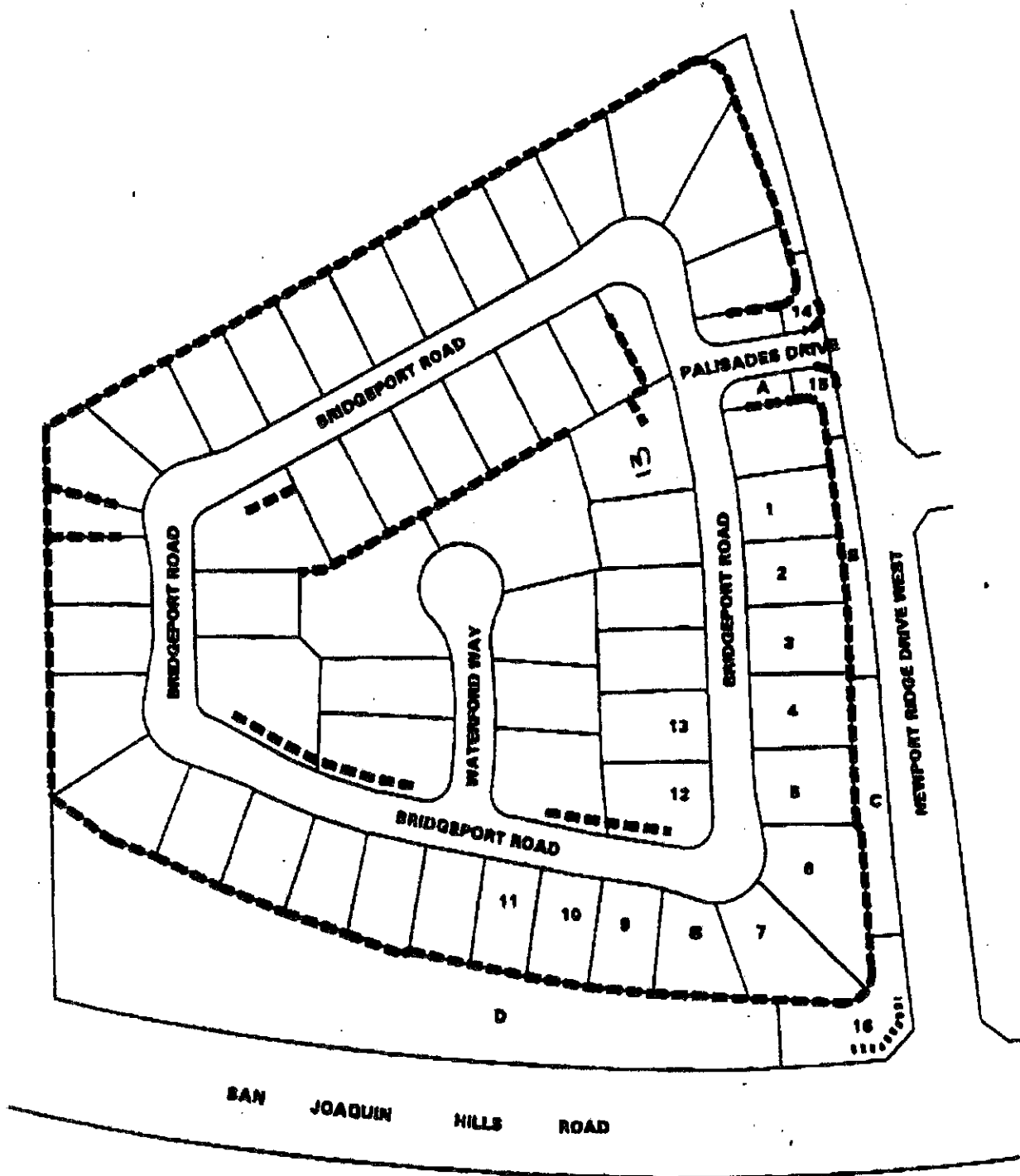


NOT TO SCALE

Perimeter Walls & Fences
TRACT 14711
NEWPORT RIDGE

JULY 13, 1983

EXHIBIT C



LEGEND

----- WALLS/FENCES TO BE MAINTAINED BY SUB ASSOCIATION

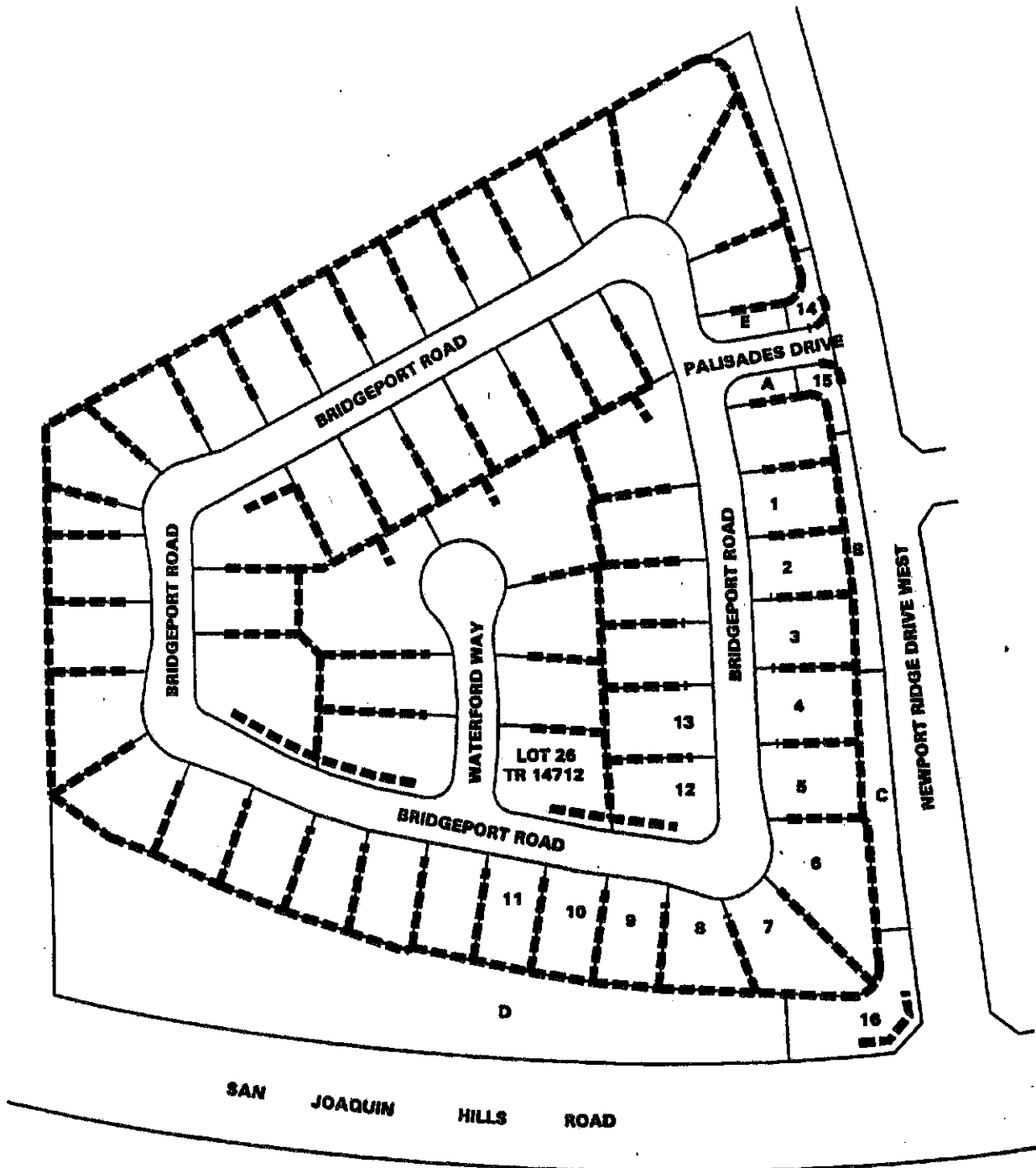
..... WALLS/FENCES TO BE MAINTAINED BY MASTER ASSOCIATION



NOT TO SCALE

Perimeter Walls & Fences

**TRACT 14711
NEWPORT RIDGE**



LEGEND

----- PERMANENT WALLS/FENCES THAT CANNOT BE REMOVED

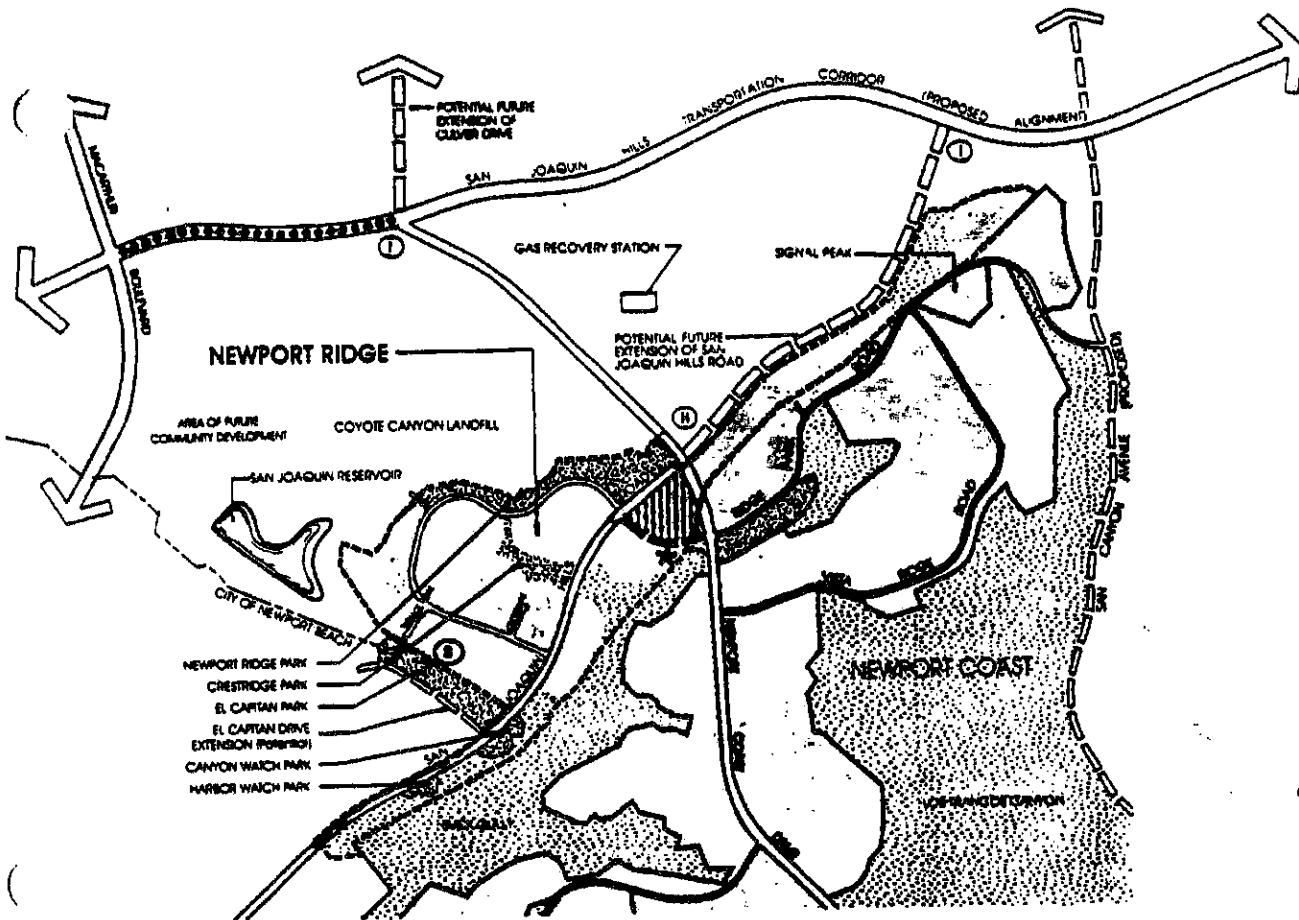


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







Permanent Walls & Fences
TRACT 14711
NEWPORT RIDGE

JULY 12, 1993

EXHIBIT D



LEGEND OF EXISTING/PROPOSED DEVELOPMENT

	RESIDENTIAL		FIRE STATION
	RETAIL		POTENTIAL SCHOOL SITE*
	PARK SITES		HELIPAD
	NATURAL AREAS/CANYONS		FUTURE CORRIDOR INTERCHANGE
			SEGMENT OF NEWPORT COAST DRIVE PROPOSED TO BE CONVERTED TO CORRIDOR RIGHT OF WAY

Note: The area of proposed development shown on this map is based on the latest planning information available. However, it should be noted that most of the information is preliminary in nature and therefore subject to change. The locations and uses shown will be refined further as subsequent development processing occurs through local government agencies.



*Should the Newport-Mesa Unified School District determine that the potential elementary school site in Newport Ridge is not needed, the site will be developed with residential uses.

EXHIBIT "E"
CONTIGUOUS AREA MAP

LAND USE MAP

EXHIBIT F

RECORDING REQUESTED BY

WHEN RECORDED MAIL TO:

Pettis, Tester, Kruse & Krinsky
18881 Von Karman Avenue, Suite 1600
Irvine, California 92715
Attn: Dorothy A. Urbanec

(Space Above Line For Recorder's Use Only)

AGREEMENT AND GRANT OF EASEMENTS

NEWPORT RIDGE

THIS AGREEMENT AND GRANT OF EASEMENTS (the "Agreement") is made this 11th day of June, 1993 between THE IRVINE COMPANY, a Michigan corporation (the "Grantor"), and STANDARD PACIFIC CORP., a Delaware corporation (the "Grantee").

RECITALS

A. Grantor is the current owner of the following described real property in the County of Orange (the "County"), State of California:

Lot C of Tract Map No. 14711 as per map filed for record in Book 696, Pages 11 to 14, inclusive, of Miscellaneous Maps, records of said County

(the "Burdened Property") which is encumbered by the Declaration of Covenants, Conditions and Restrictions for Newport Ridge Community Association (the "Master Declaration") recorded by Grantor on May 5, 1993, as Instrument No. 93-0301553, of the Official Records of said County and is to be conveyed to the California nonprofit mutual benefit corporation (hereinafter the "Master Association") named in the Master Declaration.

B. Grantee is the current owner of the following described real property in said County and State:

Lots F and G of said Tract Map No. 14711

(the "Benefitted Property") which is encumbered by the Declaration of Covenants, Conditions and Restrictions (the "Declaration") recorded by Grantee on _____, as Instrument No. _____, of the Official Records of said County and is to be conveyed to the California nonprofit mutual benefit corporation (hereinafter the "Maintenance Association") named in the Declaration.

C. Grantor and Grantee desire and intend to establish an easement for storm drain purposes and certain storm drain maintenance and use covenants for a portion of the Burdened Property, all as more fully described herein.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Grantor and Grantee agree as follows:

ARTICLE I

GRANT OF EASEMENT

such maintenance, repair, renovation and reconstruction pursuant to the provisions of this Agreement and its Declaration and the Grantee shall have no further responsibility therefor.

(b) The Easement granted hereby is subject to all easements, covenants, conditions, encumbrances, liens, dedications, offers of dedication, restrictions, reservations, rights and rights-of-way of record or apparent or of which Grantee has actual notice, which include those contained in the Declaration and the Master Declaration.

Section 1.02 - Maintenance, Repair and Reconstruction Requirements.

(a) Storm Facilities. All maintenance and repairs of the Storm Facilities shall be performed by the owner of the Benefitted Property (hereinafter the "Benefitted Property Owner") at its sole cost and expense. All maintenance and repairs shall be performed in such a manner and at such intervals as shall be required to at all times maintain the Storm Facilities in good working condition.

(b) Other Maintenance and Repair. The Benefitted Property Owner, at its sole cost and expense, shall also repair and replace all improvements or other things, including without limitation, landscaping, slopes, sidewalks and fences on, under, over or across the Easement Area or any adjacent or nearby property, whether existing as of the date hereof or installed or planted subsequent to the date hereof, which are in any manner damaged or removed as a result of the Benefitted Property Owner's use of the Easement Area.

(c) Enforcement. All such maintenance, repairs or replacements shall be accomplished promptly and in any event within thirty (30) days of written notice from the Burdened Property Owner requesting that such maintenance, repairs and replacements be completed. If such maintenance, repairs or replacements are not completed within said thirty (30) days, the Burdened Property Owner may (but shall not be obligated to) accomplish such maintenance, repairs and replacements, and all costs and expenses incurred in performing such maintenance, repair and replacements, together with interest thereon at the rate of ten percent (10.0%) per annum (but not to exceed the legal maximum rate) from the date incurred until fully paid, shall be reimbursed by the Benefitted Property Owner within ten (10) business days after receipt of invoice therefor.

ARTICLE II

TERMS AND CONDITIONS

Section 2.01 - Control of Access. The Burdened Property Owner shall have the sole and exclusive control and management of the Easement Area subject to the covenants, conditions and restrictions of this Agreement provided that such control and management does not unreasonably restrict the use thereof by the Benefitted Property Owner for authorized easement purposes.

Section 2.02 - Obstruction. The Easement Area shall not be used by Burdened Property Owner in a manner that will unreasonably interfere with the use of the Easement for the easement purposes.

Section 2.03 - Liability Insurance. Unless waived in writing by the Burdened Property Owner, the Burdened Property Owner shall be named as an additional insured on the public liability insurance policy maintained by the Benefitted Property Owner insuring against any liability arising from or relating to the use of the Easement Area or the Storm Facilities therein by the Benefitted Property Owner. If required by Burdened Property Owner, Benefitted Property Owner shall deliver to Burdened Property Owner policies or certificates of insurance evidencing the above coverage immediately after execution of this Agreement and thereafter at least thirty (30) days prior to expiration of each such policy. The liability insurance policy shall be in the amount of not less than the amount required by the provisions of the Declaration and shall contain a clause that not less than thirty (30) days prior written notice will be given to Burdened Property Owner at the address set forth herein prior to cancellation or reduction in amount or scope of coverage and shall provide that such policy and coverage evidenced thereby are primary and the Burdened Property Owner's insurance is excess and noncontributing with such primary coverage. Any public liability insurance obtained by Burdened Property Owner shall not cover any liability of the Benefitted Property Owner in connection with the use of the Easement Area or the Storm Facilities therein by the Benefitted Property Owner. It shall be the responsibility of the Benefitted Property Owner to obtain public liability insurance insuring against any liability incident to its use of the Easement Area in the same manner as Benefitted Property Owner must obtain public liability insurance coverage for liability in

lien release to be recorded and all costs and expenses so incurred by the Burdened Property Owner, together with interest thereon at the rate of ten percent (10.0%) per annum (not to exceed the maximum legal rate), shall be reimbursed by the Benefitted Property Owner within ten (10) business days after receipt of an invoice therefor.

Section 2.05 - Mutual Indemnity. Benefitted Property Owner agrees to indemnify, protect, defend and hold harmless the Burdened Property Owner from and against any and all claims, obligations, expenses, liabilities and costs, including but not limited to attorneys' fees, for property damage or bodily injury, sickness, disability, disease or death of any person or persons arising directly or indirectly from the use of the Easement, including, without limitation, construction, grading, maintenance, fill, and related activities, by Benefitted Property Owner, its employees, contractors or agents, except to the extent such claim, obligation, expense, liability or cost arises out of the wilful or negligent acts or omissions of Burdened Property Owner. The Burdened Property Owner agrees to indemnify, protect, defend and hold harmless Benefitted Property Owner, from and against any and all claims, obligations, expenses, liabilities and costs, including but not limited to attorneys' fees, for property damage and bodily injury, sickness, disability, disease or death of any person or persons arising directly or indirectly from interference with the Benefitted Property Owner's use of the Easement by the Burdened Property Owner, its employees, contractors or agents, except to the extent such claim, obligation, expense, liability or cost arises out of the wilful or negligent act or omission of Benefitted Property Owner.

ARTICLE III

GENERAL PROVISIONS

Section 3.01 - Mortgagee Protection. No breach of the covenants, conditions or restrictions herein shall affect, impair, defeat or render invalid the lien or charge of any mortgage or deed of trust made in good faith and for value encumbering any portion of the Burdened Property or the Benefitted Property, but all of said covenants, conditions and restrictions shall be binding upon and effective against any owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to either the Burdened Property or the Benefitted Property.

Section 3.02 - Notices. All notices, requests, demands and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if personally delivered or sent by prepaid telegram or first class mail, postage prepaid, as follows:

If to Grantor: The Irvine Company
550 Newport Center Drive #700
Newport Beach, CA 92660
Attn: General Counsel
Land Development Companies

If to Grantee: Standard Pacific Corp.
1565 West MacArthur Boulevard
Costa Mesa, CA 92626
Attn: Mr. Michael White

If to any other
Benefitted Property
Owner: To the principal place of business of such Benefitted Property
Owner

If to any other
Burdened Property
Owner: To the principal place of business of such Burdened Property
Owner

Any party may change the address to which such communications are to be directed to it by giving a written notice to the other party in the manner provided in this paragraph. Any notice given by mail as provided in this paragraph shall be deemed given on the second (2nd) business day following such mailing and any notice given by telegram as provided herein shall be deemed delivered on the business day following the delivery of such notice to the telegraph company for transmission.

Section 3.03 - Paragraph Headings. All paragraph headings are inserted for convenience only and shall

limitation, reasonable attorneys' fees, incurred by the prevailing party in connection with such action or proceeding.

Section 3.06 - Severability. If any term(s) or provision(s) of this Agreement or the application thereof to any persons or circumstances shall to any extent be invalid or unenforceable, the remainder of this Agreement or the application of such term(s) or provision(s) to persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby. Each and every term of this Agreement shall be valid and enforced to the fullest extent permitted by law.

Section 3.07 - Inconsistencies and Ambiguities. This Agreement is to be deemed to have been prepared jointly by the parties hereto, and if any inconsistencies or ambiguities exist herein, they shall not be interpreted or construed against either party as the drafter.

Section 3.08 - Gender and Number. Wherever in this Agreement the context so requires, references to the masculine shall be deemed to include the feminine and neuter, and reference to the singular shall be deemed to include the plural.

Section 3.09 - Entire Agreement. This Agreement and the Exhibits attached hereto constitute the entire agreement between the parties pertaining to the subject matter hereof and all prior and contemporaneous agreements, representations, negotiations, and understandings of the parties, oral or written, are hereby superseded and merged herein.

Section 3.10 - Mutual Cooperation. Each party hereto agrees to execute any and all documents and writings which may be necessary or expedient to carry out the intent of this Agreement, to do such other acts as will further the purposes hereof, and to refrain from any actions which would impede or otherwise interfere with the other party with respect to the performance of its duties and obligations hereunder.

Section 3.11 - Covenants to Run with the Land. The easements and other rights reserved hereby and the covenants contained herein shall run with the Benefitted Property and the Burdened Property and shall bind and inure to the benefit of the Benefitted Property, the Burdened Property, Burdened Property Owner, and Benefitted Property Owner, and their respective successors and assigns.

Section 3.12 - Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

Section 3.13 - Amendments. Any amendment to this Agreement must be in writing and signed by the Benefitted Property Owner and the Burdened Property Owner.

Section 3.14 - Validity. The parties hereto acknowledge that the persons executing this Agreement, and all documents related thereto, on behalf of each party are and will be duly authorized so as to fully and legally bind such party.

Section 3.15 - No Rights in Public. Nothing herein contained shall be deemed to be a gift or dedication of any portion of the Easement Area to or for the general public or for any public purpose whatsoever, it being the intention of the parties hereto that this Agreement shall be strictly limited to and for the purposes herein expressed.

Section 3.16 - No Waiver. No waiver of any default by Benefitted Property Owner shall be implied from any omission by Burdened Property Owner to take any action in respect to such default, if such default continues or is repeated. No express waiver of any default shall affect any default or cover any period of time other than the default and period of time specified in such express waiver. A waiver of any default in the performance of any provision contained in this Agreement shall not be deemed to be a waiver of any subsequent default in the performance of the same provision or any other provision contained herein. The consent or approval of Burdened Property Owner to or of any act or request by Benefitted Property Owner requiring consent or approval shall not be deemed to be a waiver or render unnecessary the consent or approval to or of any subsequent similar or actual request.

IN WITNESS WHEREOF, the parties have executed this instrument as of the day and year first above written.

"Grantor"

"Grantee"

STANDARD PACIFIC CORP., a Delaware corporation

By: _____
Its: _____

By: _____
Its: _____

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

ss.

On _____ before me, _____, a notary public in and for said State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

(Seal)

STATE OF CALIFORNIA)
COUNTY OF ORANGE)

ss.

On _____ before me, _____, a notary public in and for said State, personally appeared _____ personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Signature _____

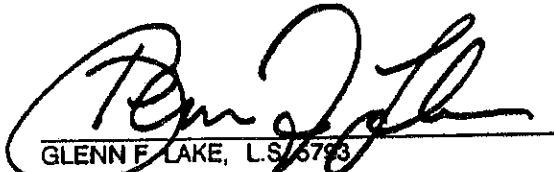
(Seal)

EXHIBIT ' A '
EASEMENT FOR STORM DRAIN PURPOSES
LOT C OF TRACT NO. 14711

AN EASEMENT FOR STORM DRAIN PURPOSES WITHIN LOT " C ", OF TRACT NO. 14711, IN THE UNINCORPORATED TERRITORY OF THE COUNTY OF ORANGE, STATE OF CALIFORNIA, AS SHOWN ON A MAP FILED IN BOOK 696 PAGES 11 THROUGH 14, INCLUSIVE OF MISCELLANEOUS MAPS, DESCRIBED AS FOLLOWS;

BEGINNING AT THE SOUTHEASTERLY CORNER OF LOT 5, AS SHOWN ON SAID TRACT NO. 14711; THENCE TO AN ANGLE POINT IN THE EASTERLY LINE OF SAID LOT " C ", NORTH 47°28'17" EAST, 33.77 FEET; THENCE ALONG SAID EASTERLY LINE SOUTH 19°53'50" EAST, 32.08 FEET TO A POINT OF INTERSECTION WITH SAID EASTERLY LINE AND THE EASTERLY PROLONGATION OF A LINE 15.00 FEET SOUTH OF THE NORTHERLY LINE OF LOT 6, AS SHOWN ON SAID TRACT NO. 14711; THENCE WESTERLY ALONG SAID EASTERLY PROLONGATION, SOUTH 78°12'13" WEST, 30.23 FEET TO A POINT ON THE EASTERLY LINE OF SAID LOT 6; THENCE ALONG SAID EASTERLY LINE THE FOLLOWING TWO (2) COURSES, 1) NORTH 17°33'33" WEST, 12.99 FEET AND 2) NORTH 56°47'47" WEST, 12.99 FEET TO SAID POINT OF BEGINNING.

AS MORE PARTICULARLY SHOWN ON EXHIBIT ' B ' ATTACHED HERETO AND MADE A PART HEREOF.


GLENN F. LAKE, L.S. 5793

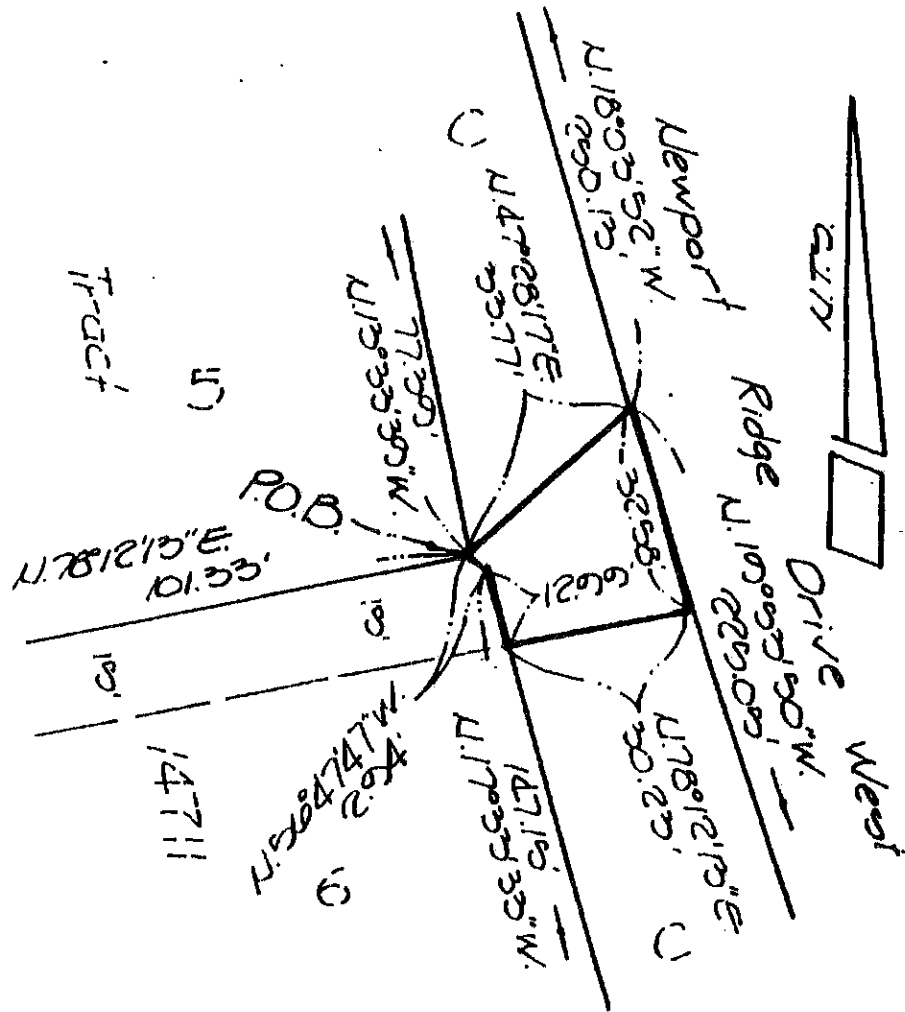
MORSE CONSULTING GROUP
PLANNING • ENGINEERING • SURVEYING

15070 LANE • SUITE 100
IRVINE, CALIFORNIA 92714-1999
(714) 253-9811 • FAX (714) 753-9822



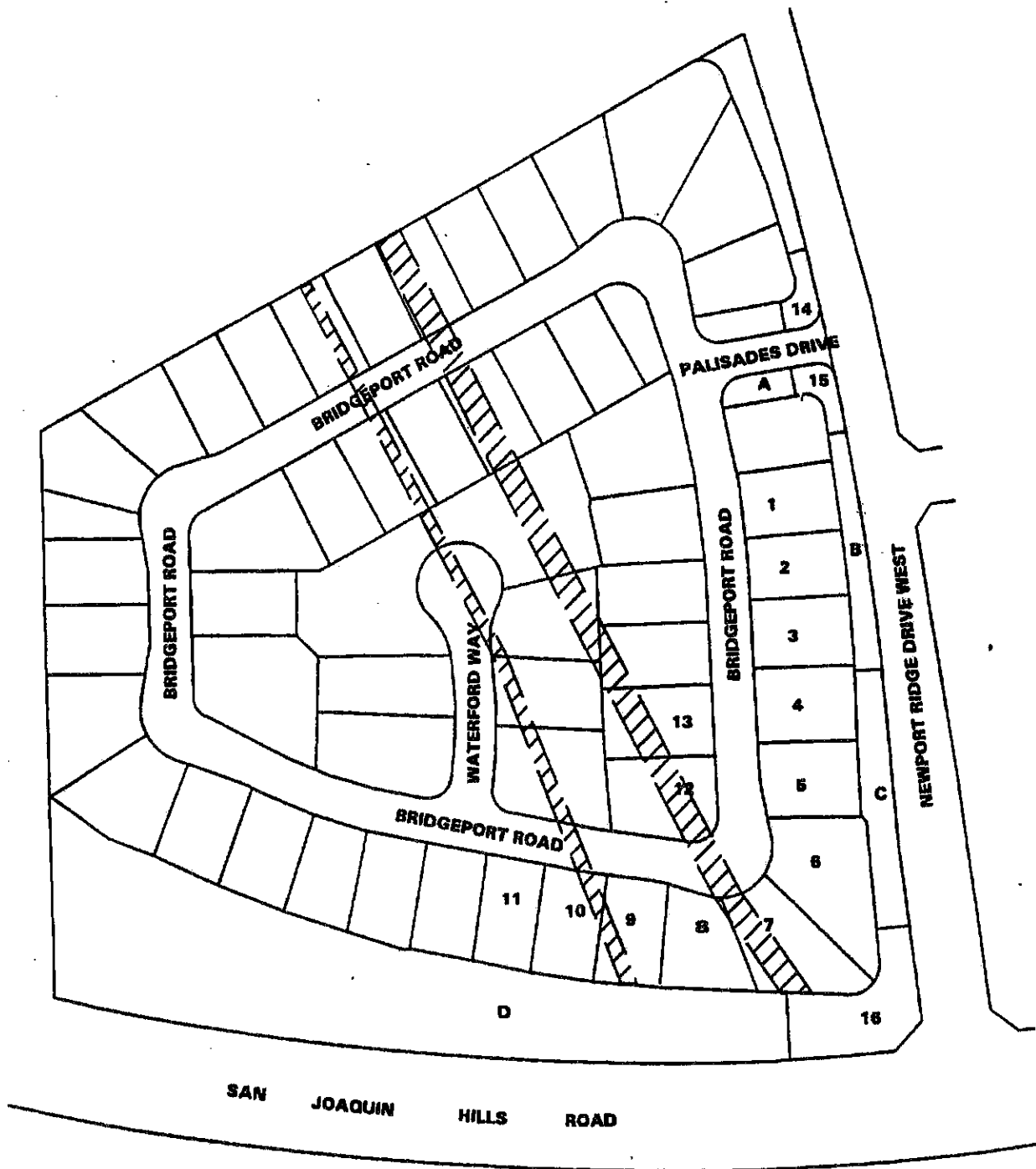
MC 188
WO 325-18
MAR. 30, 1993
G.F.L.

EXHIBIT " B



MORSE CONSULTING GROUP
 PLANNING • ENGINEERING • SURVEYING
1710 7th St. • Suite 100
 Brea, CA 92620 • (714) 851-1100
 (714) 851-1101 • Fax: (714) 851-1102

MIC 180



LEGEND



APPROXIMATE LOCATION OF SHEAR ZONES



NOT TO SCALE

Shear Zone Locations

TRACT 14711

NEWPORT RIDGE

EXHIBIT G