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ATTN: GENERAL COUNSEL

ORDER NO.

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Tom Daly, Clerk-Recorder



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MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
WOODBURY

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IRVINE COMMUNITY DEVELOPMENT COMPANY LLC
550 Newport Center Drive
Newport Beach, CA 92660
Attn: General Counsel

**MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
WOODBURY**

(A Residential Master Planned Community)

**NOTE: ARTICLE V, SECTION 14 OF THIS MASTER
DECLARATION INCLUDES PROVISIONS WHICH REQUIRE
CERTAIN DISPUTES TO BE RESOLVED THROUGH JUDICIAL
REFERENCE AND WAIVE THE CONSTITUTIONAL RIGHT TO
TRIAL BY JURY AND THE RIGHT TO PUNITIVE DAMAGES.**

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EXHIBITS

EXHIBIT A LEGAL DESCRIPTION OF THE PROPERTY

EXHIBIT B LEGAL DESCRIPTION OF THE ANNEXABLE PROPERTY

EXHIBIT MAP LEGAL DESCRIPTION AND/OR DEPICTION OF THE MASTER
ASSOCIATION PROPERTY IN THIS FIRST PHASE OF
THE COMMUNITY

**MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
WOODBURY**

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS FOR WOODBURY (hereinafter referred to as the "Master Declaration") is made this 27th day of August, 2004 by IRVINE COMMUNITY DEVELOPMENT COMPANY LLC, a Delaware limited liability company (hereinafter referred to as "Declarant"). (Various capitalized words and phrases used in the following Recitals are defined in Article I hereinbelow.)

RECITALS:

A. Lennar Homes of California, Inc., a California corporation (hereinafter referred to as "Lennar") owns that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in **Exhibit "A"** attached hereto (hereinafter referred to as the "Property"). (Lennar constitutes a "Merchant Builder" as defined herein.)

B. Declarant and/or Lennar also owns that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described on **Exhibit "MAP"** attached hereto (hereinafter referred to as the "Master Association Property").

C. Declarant and/or Merchant Builders also own fee title to or an easement over, or otherwise may acquire rights, responsibilities and/or obligations that affect any or all of that certain real property located in the City of Irvine, County of Orange, State of California, more particularly described in **Exhibit "B"** attached hereto (hereinafter referred to as the "Annexable Property");

D. Declarant on behalf of itself and all of the Merchant Builders desires that the Property, the Master Association Property and all portions of the Annexable Property which are annexed thereto pursuant to this Master Declaration (hereinafter collectively referred to as

the "Community") be developed as a common interest development pursuant to the Davis-Stirling Common Interest Development Act (California Civil Code Sections 1350, et seq.) and constitute a "Master Planned Development" (as defined in Section 2792.32 of Title 10 of the California Code of Regulations) commonly known as "Woodbury;"

E. As presently planned, the Community will include a variety of residential housing products, including, but not limited to, single family homes constructed on a separate Lot (detached and attached), Condominiums (attached and detached) and Apartments;

F. Some of the housing products may be included within a Planned Development or a Condominium Project so as to be subject to the jurisdiction of a Sub-Association as well as the Master Association referenced below;

G. Declarant on behalf of itself and all of the Merchant Builders deems it desirable to establish a general plan for the development, maintenance, care, improvement, protection, use, occupancy and management of the Community, and in furtherance thereof, to impose protective covenants, conditions, restrictions, reservations, easements, equitable servitudes, liens and charges (hereinafter collectively referred to as the "Protective Covenants") on the Community for the purpose of protecting and preserving the desirability and attractiveness of the Community;

H. Declarant on behalf of itself and all of the Merchant Builders further deems it desirable for the efficient implementation and enforcement of the Protective Covenants to create a corporation that will be responsible for managing the Community and, in furtherance thereof, will be assigned the powers and duties of administering, implementing and enforcing the Protective Covenants set forth herein;

I. WOODBURY COMMUNITY ASSOCIATION, a nonprofit, mutual benefit corporation (hereinafter referred to as the "Master Association") has been or will be incorporated under the laws of the State of California for the purpose of managing the Community and exercising the aforesaid powers and duties;

J. If any portion of the Annexable Property is developed as a Planned Development or a Condominium Project and is annexed into the Community, Declarant and/or any Merchant Builder (with Declarant's consent) may record a Supplemental Declaration imposing such covenants, conditions and restrictions as are reasonably necessary to provide for the administration, operation and maintenance of such Planned Development or Condominium

Project, and may cause a Sub-Association to be incorporated under the laws of the State of California that will be responsible for managing such Planned Development or Condominium Project and that will be assigned the powers and duties of administering, implementing and enforcing the covenants, conditions and restrictions set forth in the Supplemental Declaration, including, without limitation, the power to assess the Owners within the Planned Development or Condominium Project for the costs to manage, administer, operate and maintain such Planned Development or Condominium Project; and

K. Declarant and each Merchant Builder shall convey any and all portions of the Community subject to the Protective Covenants set forth herein.

NOW, THEREFORE, Declarant, for and on behalf of itself and all of the Merchant Builders, hereby establishes a general plan for the development, maintenance, care, improvement, protection, use, occupancy and management of the Community, and declares that the Property, the Master Association Property and all portions of the Annexable Property annexed thereto pursuant to this Master Declaration shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the Protective Covenants set forth herein. Each and all of the Protective Covenants set forth herein shall run with the Community and shall be binding upon and inure to the benefit of Declarant and all of the Merchant Builders and their respective successors, assigns and grantees.

ARTICLE I DEFINITIONS

Section 1. “Annexable Property” shall mean and refer to that certain real property described in **Exhibit “B”** attached hereto, including all Improvements constructed thereon, all or any part of which may be annexed from time to time into the Community and made subject to this Master Declaration and to the jurisdiction of the Master Association by the Declarant (or by a Merchant Builder with Declarant's consent) as set forth in the Article herein entitled “Annexation of Additional Property.” The Annexable Property consists of real property that Declarant and/or a Merchant Builder owns fee title to or an easement over, and also consists of real property that may be subject to various rights and/or obligations imposed by a Public

Agency in connection with the development of the Community that are intended to be exercised and/or performed by the Master Association.

Section 2. "Apartment" shall mean and refer to the individual dwelling located within an Apartment Building intended for rental or lease to persons for residential purposes.

Section 3. "Apartment Area" shall mean and refer to one or more Lots (or a legal subdivisions thereof) within the Annexable Property which have been or will be improved with one or more Apartment Buildings and which are designated by Declarant (or by a Merchant Builder with Declarant's consent) herein or in a Notice of Annexation as constituting an Apartment Area.

Section 4. "Apartment Building" shall mean and refer to any building constructed on a Lot (or a legal subdivision thereof) containing two (2) or more Apartments.

Section 5. "Articles" shall mean and refer to the Articles of Incorporation of Woodbury Community Association, as filed in the Office of the Secretary of State of the State of California, as such Articles may be amended from time to time.

Section 6. "Assessments" is used herein as a generic term to mean and refer to the following:

(a) "Regular Assessment" shall mean and refer to the annual charge against each Owner and his respective Lot or Condominium representing a portion of the Common Expenses of the Master Association.

(b) "Special Assessment" shall mean and refer to the charge against an Owner and his respective Lot or Condominium representing a portion of the costs incurred by the Master Association to: (i) repair or reconstruct any portion or portions of the Master Association Property or Maintenance Areas which have been destroyed or damaged by fire or other casualty; (ii) construct or install capital improvements to the Master Association Property or Maintenance Areas; or (iii) take any extraordinary action for the benefit of the Master Association Property, Maintenance Areas or the membership of the Master Association pursuant to the provisions of this Master Declaration.

(c) "Compliance Assessment" shall mean and refer to the charge against an Owner (or a Sub-Association) imposed by the Board after Notice and

Hearing for: (i) the costs incurred by the Master Association to bring an Owner and his Lot or Condominium (or a Sub-Association and/or its Sub-Association Property) into compliance with this Master Declaration; and/or (ii) any amount due the Master Association (e.g., a monetary penalty) based upon discipline imposed by the Board against an Owner in accordance with this Master Declaration for a violation of the Master Association Documents.

(d) "Damage Reimbursement Assessment" shall mean and refer to the charge against an Owner and his respective Lot or Condominium (or against a Sub-Association) imposed by the Board after Notice and Hearing as a means of reimbursing the Master Association for all costs incurred to repair or replace any damage to the Master Association Property, Maintenance Areas and/or Special Benefit Improvements which the Board reasonably determined was caused by the negligent or intentional acts or omissions of an Owner, the members of his family or his tenants, lessees or invitees (or by a Sub-Association).

(c) "Special Benefit Assessment" shall mean and refer to the charge levied by the Master Association against an Owner and his respective Lot or Condominium to cover the Special Benefit Expenses which have been or will be incurred by the Master Association on behalf of the respective Special Benefit Area and which are allocable only to the Owners and their respective Lots or Condominiums within such Special Benefit Area.

Section 7. "Best Management Practices" shall mean and refer to those certain structural (i.e., physical improvements) and non-structural (i.e., activities and educational information) water quality management practices set forth in, or otherwise required pursuant to, the Water Quality Management Plans prepared in connection with the development of the Community. The structural Best Management Practices may include, without limitation, detention basins, retention basins, debris basins, "V" ditches, bench drains, catch basins, catch basin media filters, inlet trash racks, drainpacs and other storm drain filtration devices, energy dissipaters, culverts, pipes, efficient irrigation technology and related storm drain and water quality facilities constructed on the Master Association Property and/or Maintenance Area. The non-structural Best Management Practices generally require the Master Association, any Sub-Association and the Owners and other residents within the Community to be aware of the

sensitive natural environment surrounding the Community and to take appropriate actions to control runoff from the Community. With respect to the Master Association, the non-structural Best Management Practices may include, among other things, (i) providing informational materials to the Owners and other residents within the Community regarding general good housekeeping practices for protection of storm water quality; (ii) restricting certain activities addressed in the informational materials to protect the quality of water entering the storm drain system; (iii) managing the landscaping on the Master Association Property and Maintenance Areas, including, without limitation, using fertilizers and pesticides in accordance with the "Management Guidelines for Use of Fertilizers and Pesticides" which is included in the appendix to the Water Quality Management Plan; (iv) performing on a regularly scheduled basis maintenance consisting, at a minimum, of litter control, emptying of common trash receptacles and sweeping of dumpster enclosures; (v) inspecting and cleaning as needed on a monthly basis (and more frequently during the rainy season [i.e., October 15 through April 15]) the catch basins located on the Master Association Property; and (vi) sweeping any on-site private paved areas on a regular basis and prior to the rainy season (i.e., no later than October 15 of each year). With respect to the Owners and other residents within the Community, the non-structural Best Management Practices may include, among other things, restricting certain activities to protect the quality of water entering the storm drain system (e.g., prohibiting the disposal of motor oil, paint products, car detergents and other pollutants into the storm drains in the Community). The Best Management Practices are designed and intended to control runoff and must be implemented by the Master Association, each Sub-Association, and the Owners and other residents within the Community. The Best Management Practices may vary from tract to tract within the Community such that Owners and other residents of some tracts may be subject to more stringent Best Management Practices than in other tracts. The Best Management Practices may be modified from time to time by the Declarant or any Public Agency having jurisdiction regarding water quality for runoff waters from the Community in order to control runoff as the Community develops and runoff conditions change. Compliance by the Master Association, any Sub-Association, and the Owners and other residents within the Community with the Best Management Practices, as they may be modified from time to time, may be monitored and enforced by any Public Agency having jurisdiction regarding water quality for runoff waters from the Community.

Section 8. “Board” shall mean and refer to the Board of Directors of the Master Association, elected in accordance with the provisions of the Bylaws of the Master Association and this Master Declaration.

Section 9. “Bylaws” shall mean and refer to the Bylaws of the Master Association which have been, or will be, adopted by the Board, as such Bylaws may be amended from time to time.

Section 10. “City” shall mean and refer to the City of Irvine.

Section 11. “Close of Escrow” shall mean and refer to the date on which a deed is recorded conveying a Lot or Condominium in the Community to a member of the general public as a retail buyer under the authority of a Final Subdivision Public Report issued by the DRE.

Section 12. “Common Area” shall mean and refer to any portion of the Community which is designated by Declarant (or by a Merchant Builder with the Declarant’s consent) as “Common Area” in a Supplemental Declaration recorded in connection with the development of a Condominium Project (or in a Notice of Annexation, if there is no Sub-Association) and which will be owned by some or all of the Owners in such Condominium Project as tenants in common, and if applicable, maintained by the respective Sub-Association.

Section 13. “Common Expenses” shall mean and refer to the actual and estimated costs to be paid by the Master Association for the common benefit of all Owners of Lots and Condominiums in the Community. Unless otherwise indicated, the Common Expenses shall include all costs and expenses incurred by the Master Association in connection with the following: (a) owning, insuring, maintaining, managing, operating, repairing and replacing the Master Association Property and Maintenance Areas; (b) managing and administering the Master Association, including, but not limited to, compensation paid by the Master Association to managers, accountants, budget preparers, attorneys and other consultants and any Master Association employees; (c) all general office and administrative expenses incurred by the Design Review Committee; (d) providing utilities and other services to the Master Association Property and Maintenance Areas; (e) maintaining insurance coverage and fidelity bonds as provided for herein; (f) paying that portion of any Assessment attributable to Common Expenses not paid by the Owner responsible for payment; (g) paying taxes for the Master Association; (h) paying all reasonable out-of-pocket expenses actually incurred by the members of the Board of Directors

and officers of the Master Association and of the Delegates (and Alternates) in performing their duties as provided herein (e.g., postage and photocopying); (i) enforcing the provisions of the Master Association Documents; and (j) paying for all other goods and services as reasonably required by the Master Association to perform its powers and duties as set forth herein. The Common Expenses shall also include adequate reserves as the Board shall determine to be appropriate for the repair and/or replacement of those elements of the Master Association Property and Maintenance Areas which must be repaired or replaced on a periodic basis, rather than on a regular annual basis. The Common Expenses do not include any actual or estimated costs to be paid by the Master Association for any Improvements to the Master Association Property which constitute Special Benefit Improvements and which are allocable as Special Benefit Expenses to the Owners of Lots or Condominiums within a Special Benefit Area.

Section 14. "Community" shall mean and refer to the Property, the Master Association Property and all portions of the Annexable Property which are annexed in accordance with the provisions of this Master Declaration so as to be subject to this Master Declaration and to the jurisdiction of the Master Association.

Section 15. "Condominium" shall mean and refer to a condominium as defined in Section 1351(f) of the California Civil Code, as same may be amended from time to time, consisting of a separate interest in a condominium unit, any and all easements appurtenant thereto and the respective undivided interest in certain Common Area.

Section 16. "Condominium Project" shall mean and refer to any portion of the Community which is developed by Declarant or a Merchant Builder as a condominium project as defined in Section 1351(f) of the California Civil Code, as same may be amended from time to time.

Section 17. "County" shall mean and refer to the County of Orange, and to its various departments and divisions having jurisdiction over the Community.

Section 18. "Declarant" shall mean and refer to Irvine Community Development Company LLC, a Delaware limited liability company, and to any person(s) or entity(ies) to whom the Declarant's rights hereunder shall be expressly assigned and/or the Declarant's duties hereunder shall be expressly delegated pursuant to a written assignment which is recorded in the Office of the County Recorder for Orange County. Any such assignment may be to all or any portion of the Community or Annexable Property and may include only certain

specific rights and/or duties of the Declarant and may be subject to such conditions as Declarant may impose in its sole discretion.

Section 19. “Declaration of Annexation” shall mean and refer to a document recorded by Declarant or by a Merchant Builder for the purpose of annexing all or a portion of the Annexable Property into a Sub-Association in accordance with the provisions of a Supplemental Declaration, thereby subjecting such property to such Supplemental Declaration and to the jurisdiction of such Sub-Association.

Section 20. “Delegate” shall mean and refer to the person who represents all of the Owners within a Delegate District (excluding Declarant and all Merchant Builders) at the meetings of the Master Association and casts the collective voting power attributable to such Owners as provided in this Master Declaration and in the Bylaws. The Declarant shall select its own Delegate to represent Declarant and the Merchant Builders at the meetings of the Master Association and to cast its/their collective voting power as provided in this Master Declaration and in the Bylaws, and all other Delegates shall be selected as provided herein.

Section 21. “Delegate District” shall mean and refer to a specific portion of the Community designated by Declarant to constitute a Delegate District for the purpose of establishing a representative form of governance for the Master Association. The Property constitutes Delegate District No. 1. Subsequent Phases may either be designated as a separate Delegate District or may be incorporated into an existing Delegate District, as Declarant, in its sole discretion, deems appropriate.

Section 22. “Design Guidelines” shall mean those certain architectural standards, landscape standards, guidelines, procedures and criteria initially established by Declarant for the Community for: (i) the use by the Owner of a Lot or Condominium in the preparation of plans and specifications for Improvements to be built, constructed, erected, planted or otherwise installed on his Lot or Condominium; (ii) the use by any Sub-Association in the preparation of plans and specifications for Improvements to be built, constructed, erected, planted or otherwise installed on its Sub-Association Property; (iii) the use by each Sub-Association as the basis for its review of plans and specifications for proposed Improvements submitted by an Owner within such Sub-Association; (iv) the use by the Design Review Committee as the basis for its review of plans and specifications for proposed Improvements submitted by an Owner who is not subject to a Sub-Association. The Design Guidelines may be

revised from time to time as provided in the Article herein entitled "Design Review." The Design Guidelines may include supplemental guidelines and/or architectural and landscape standards which are applicable only to the Lots or Condominiums within a specific Sub-Association which are approved by the Board. In all cases, the supplemental guidelines and/or architectural and landscape standards which are applicable to the Lots or Condominiums within a specific Sub-Association must be consistent with the general Design Guidelines, and may not be amended without the prior written consent of the Board. A copy of the Design Guidelines may be obtained from the Design Review Committee.

Section 23. "Design Review Committee" shall mean and refer to the committee formed by the Board pursuant to the Article herein entitled "Design Review" and pursuant to the Bylaws.

Section 24. "DRE" shall mean and refer to the California Department of Real Estate, which administers the sale of subdivided lands pursuant to Sections 11000, et seq., of the California Business and Professions Code (or any similar statute hereafter enacted).

Section 25. "Dwelling" shall mean and refer to a structure which is designed and constructed for human occupancy for residential purposes. As used in this Master Declaration, a Dwelling may be an attached or detached home constructed on a separate Lot, a Condominium or an Apartment.

Section 26. "Eligible Mortgage Holder" shall mean and refer to the holder, insurer or guarantor of a first Mortgage on a Lot or Condominium in the Community who has filed with the Master Association a written request for notice of certain information as provided in the Article herein entitled "Mortgagee Protection."

Section 27. "FHLMC" shall mean and refer to the Federal Home Loan Mortgage Corporation (The Mortgage Corporation) created by the Emergency Home Finance Act of 1970, as amended from time to time, including any successors thereto.

Section 28. "FNMA" shall mean and refer to the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, as amended from time to time, including any successors thereto.

Section 29. “GNMA” shall mean and refer to the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, including any successors thereto.

Section 30. “Improvements” shall mean and refer to all structures and appurtenances thereto of every kind whatsoever, including, but not limited to, Dwellings, outbuildings (e.g., sheds), swimming pools, spas and other recreational facilities, gazebos, barbecues, garages, carports, open parking areas, roads, driveways, private streets, street lights, landscaped parkways and medians, sidewalks, walkways, pavement and other hardscape, trails, fences, screens, awnings, patio and balcony covers, stairs, decks, planters, trellises, sunshades, screening walls, wind screens, screen doors, skylights, poles, signs, retaining walls, walls (including Master Association Walls and Sub-Association Walls), footings, columns, gates, decorative or informative signs, mail kiosks, private utility lines and connections, private storm drains and catch basins and sewer lines and laterals, antennas, signs, solar energy systems, water softener and refining systems, heating and air conditioning systems, landscaped slopes, trees (including the Street Trees), shrubs, hedges, flowers and other landscaping and other landscaping and all landscape irrigation systems. Improvements shall also mean and refer to the following: (i) all exterior modifications to a Dwelling, (including, but not limited to, building, constructing or erecting any room additions and/or demolishing or conducting any exterior remodeling, changing the roof material, windows or exterior doors of any Dwelling, and painting the exterior of any Dwelling or other structure); (ii) the demolition or destruction by voluntary action or any structure or appurtenance thereto of every type and kind; (iii) the re-grading, excavating, filling or similar disturbance of the surface of the land, including, without limitation, change of grade, change of grade level, or change of drainage pattern; and (iv) the clearing or removal of landscaping.

Section 31. “Landscape Maintenance Agreement” shall mean and refer to (i) that certain “Agreement and Grant Deed of Real Property and Easements for Landscape Maintenance and Notices of Annexations” entered into by and among the Master Association, and certain Merchant Builders and Sub-Associations for the purpose, among others, of granting easements on, over and across certain portions of the Master Association Property for maintenance of landscaping and related Improvements by the respective adjoining Sub-Association; and (ii) any other agreement and conveyance of easements for landscape

maintenance purposes over portions of the Master Association Property and/or Sub-Association Property entered into by and among the Master Association, certain Merchant Builders and/or Sub-Associations for the purpose, among others, of granting easements on, over and certain portions of the Master Association Property and/or Sub-Association Property in order to preserve a uniform and harmonious landscape maintenance scheme for such Master Association Property and/or Sub-Association Property. A Landscape Maintenance Agreement will be recorded in the Official Records of Orange County, California and the maintenance responsibilities thereunder shall be reflected on the Woodbury Master Maintenance Exhibit.

Section 32. “Lot” shall mean and refer to a plot of land as shown and described on a recorded tract map or parcel map, as such plot of land may be modified or otherwise adjusted by a recorded lot line adjustment. A Lot includes all Improvements (including the Dwelling or Dwellings) constructed thereon and all easements appurtenant thereto. As contemplated in this Master Declaration, a Lot may be improved with only one Dwelling (e.g., a detached single family home) or may be improved with two or more Dwellings as in the case of a Condominium Project or an Apartment Area. The term “Lot” shall not mean or refer to any portion of the Community which constitutes Master Association Property or Sub-Association Property.

Section 33. “Maintenance Areas” shall mean and refer to the following areas (and any Improvements constructed thereon) which are not owned by the Master Association but which will be maintained by the Master Association and the costs and expenses of such maintenance included in the Common Expenses of the Master Association:

(a) certain real property (and all Improvements thereon) which is located outside the boundaries of the Community (including, but not limited to, parkways and/or medians located within the right-of-way of a public street within or adjoining the Community) which the Master Association is obligated to maintain pursuant to a condition of approval or other requirement imposed in connection with the development of the Community;

(b) certain Improvements located on a Lot or Condominium (excluding any Special Benefit Improvements) or located on any portions of Sub-Association Property including, but not limited to, the following:

- (1) the exterior surface(s) (i.e., the surface(s) facing a public and/or private street so as to be generally visible to the public and/or residents within the Community), the top and the structural integrity of a Master Association Wall;
- (2) entry monuments;
- (3) landscaped areas; and
- (4) Street Trees.

The Maintenance Areas in this first Phase of the Community and the Maintenance Areas in any subsequent Phase of the Community (other than the Master Association Walls) will be generally depicted on the Woodbury Master Maintenance Exhibit. All depictions of the Maintenance Areas are intended for illustrative purposes only and the "as-built" conditions shall control.

Section 34. "Maintenance Guidelines" shall mean and refer to those certain general guidelines regarding the ordinary and necessary maintenance, repair, replacement and/or restoration of the Master Association Property and Maintenance Areas. Among other things, the Maintenance Guidelines set forth suggested minimum maintenance levels, recommended intervals for regularly scheduled maintenance items and recommended scope of maintenance practices and procedures. The Maintenance Guidelines are expressly intended to be flexible and may be modified by the Board from time to time as it deems prudent to adjust to the maturing and/or other changes within the Community. Declarant has provided both the Board and the property manager for the Community with a copy of the Maintenance Guidelines.

Section 35. "Master Association" shall mean and refer to Woodbury Community Association, a California nonprofit, mutual benefit corporation, in which all Owners shall be Members.

Section 36. "Master Association Documents" shall mean and refer to the Articles, Bylaws, this Master Declaration, all Notices of Annexation recorded for subsequent Phases of the Community, the Design Guidelines, the Maintenance Guidelines and all Rules and Regulations adopted by the Master Association, as such documents may be restated, amended or otherwise modified from time to time.

Section 37. "Master Association Property" shall mean and refer to: (a) all personal property now or hereafter owned by the Master Association; and (b) all real property, and all Improvements constructed or otherwise installed thereon, now or hereafter owned in fee or by easement or leased to the Master Association which the Master Association is obligated to

manage, operate, insure, maintain, repair, replace, restore and/or reconstruct in accordance with the provisions of this Master Declaration. Without limiting the foregoing, the Master Association Property may include trees and other landscaping (including, without limitation, Street Trees) located on certain portions of Sub-Association Property which Street Trees are to be maintained by the Master Association in accordance with the provisions of a Landscape Maintenance Agreement and/or this Master Declaration. Conversely, certain portions of the Master Association Property may be improved with turf, ground cover or other low landscaping that extends into certain adjoining Sub-Association Property and in order to preserve a uniform and harmonious appearance for such landscaping, such portions of the Master Association Property may be maintained by the adjacent Sub-Association pursuant to a Landscape Maintenance Agreement and/or this Master Declaration. Additionally, portions of the Master Association Property may consist of easements for maintenance of certain Improvements which are designated as Special Benefit Improvements and which are to be maintained by the Master Association for the benefit of Owners of Lots and/or Condominiums within a Special Benefit Area. The Master Association Property included in this first Phase of the Community is generally described and/or depicted on **Exhibit "MAP"** attached hereto. Portions of the Annexable Property may be designated as additional Master Association Property and annexed into the Community by a Notice of Annexation recorded in the office of the County Recorder in accordance with the provisions of the Article herein entitled "Annexation of Additional Property." Such additional Master Association Property shall be generally described and/or depicted on an **Exhibit "MAP"** attached to such Notice of Annexation. Any description or depiction of the Master Association Property is intended for illustrative purposes only and the actual "as-built" condition shall be controlling. Further, in the event of any conflict between the descriptions and/or depictions of the Master Association Property on the individual **Exhibits "MAP"** and the descriptions and/or depictions of the Master Association Property on the Woodbury Master Maintenance Exhibit, the descriptions and/or depictions on the Woodbury Master Maintenance Exhibit shall control. Any real property conveyed by Declarant or a Merchant Builder to the Master Association for use as a park shall be used solely and exclusively for park and related recreational and social purposes and may not be converted to any other use whatsoever without the express written consent of the City and of the Declarant for so long as Declarant or any Merchant Builder owns any portion of the Annexable Property.

Section 38. "Master Association Walls" shall mean and refer to those certain walls, fences and pilasters originally constructed by Declarant or a Merchant Builder on the Master Association Property or on a Maintenance Area which are designated by Declarant (or by a Merchant Builder with Declarant's consent) as a Master Association Wall, and as the result of such designation, will be maintained in whole or in part by the Master Association as provided herein. The Master Association Walls included in this first Phase and any subsequent Phase of the Community are generally depicted on the Master Association Wall exhibit on file with the property manager for the Community. The depiction of the Master Association Walls on such exhibit is intended for illustrative purposes only and the "as-built" condition shall be controlling.

Section 39. "Master Declaration" shall mean and refer to this "Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Woodbury," as same may be restated and/or amended from time to time.

Section 40. "Member" shall mean and refer to every person or entity who holds a membership in the Master Association, as more particularly set forth in the Article herein entitled "The Master Association."

Section 41. "Merchant Builder" shall mean and refer to Lennar and to any other person or entity (other than the Declarant) who: (i) is designated by Declarant as a Merchant Builder; (ii) owns or acquires any portion of the Annexable Property for the purpose of developing either (A) an Apartment Area, or (B) five (5) or more Lots or Condominiums and reselling such Lots or Condominiums to the general public under the authority of a Final Subdivision Public Report issued by the DRE; and (iii) intends, with Declarant's consent, to annex such portion of the Annexable Property into the Community.

Section 42. "Mortgage" shall mean and include any mortgage, deed of trust or other conveyance of a Lot or Condominium to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance, including an installment land sales contract (as defined in Section 2985 through 2985.6 of the California Civil code, as same may be amended from time to time). The term "Deed of Trust," when used herein, shall be synonymous with the term "Mortgage."

Section 43. "Mortgagee" shall mean and refer to a person or entity to whom a Mortgage is made, and shall include the beneficiary of a Deed of Trust or the vendor under an installment land sales contract, as the case may be, and the assignees of a Mortgagee, beneficiary or vendor.

Section 44. "Mortgagor" shall mean and refer to a person or entity who mortgages his or its Lot or Condominium to another, i.e., the maker of a Mortgage, and shall include a trustor of a Deed of Trust and the vendee under an installment land sales contract.

Section 45. "Notice and Hearing" shall mean and refer to written notice and the opportunity for a hearing before the Board of the Master Association, the Design Review Committee, or other tribunal created by the Board in the manner provided in the Bylaws, at which the affected Owner(s) shall have an opportunity to be heard in person or by counsel at such Owner's expense, in the manner provided herein and in the Bylaws before any decision is reached.

Section 46. "Notice of Annexation" shall mean and refer to that certain document recorded by Declarant (or by a Merchant Builder with Declarant's consent) for the purpose of annexing a portion of the Annexable Property into the Community in accordance with the provisions of this Master Declaration, thereby subjecting such portion of the Annexable Property to this Master Declaration and to the jurisdiction of the Master Association.

Section 47. "Owner" shall mean and refer to the record owner (or owners if more than one [1]) of fee title to, or an undivided interest in, any Lot or Condominium in the Community. Without limiting the foregoing, the term "Owner" also includes the Declarant and each Merchant Builder offering Lots or Condominiums in the Community for sale pursuant to a Final Subdivision Public Report issued by the DRE, and the purchaser under an installment land sales contract (as described in Section 2985 through 2985.6 of the California Civil Code, as same may be amended, from time to time). Additionally, the term "Owner" also includes any Merchant Builder who originally developed an Apartment Area and retained ownership thereof after the commencement of the rental or leasing program as well as any person or entity who acquired an Apartment Area from either the original Merchant Builder thereof or from a previous Owner of such Apartment Area. The term "Owner" does not include persons or entities who hold an interest in a Lot or a Condominium merely as security for the performance of an obligation.

Section 48. "Phase" shall mean and refer to: (a) the Property and Master Association Property described on **Exhibit "A"** and **Exhibit "MAP"** attached hereto; and (b) any portion of the Annexable Property which is annexed into the Community pursuant to a Notice of Annexation recorded in the Office of the County Recorder for Orange County, as provided in this Master Declaration.

Section 49. "Planned Development" shall mean and refer to any portion of the Community (other than a Condominium Project) which is developed by Declarant or a Merchant Builder as a planned development as defined in Section 1351(k) of the California Civil Code, as same may be amended from time to time. A Planned Development may either be a Special Benefit Area or may be subject to a Supplemental Declaration and to the jurisdiction of a Sub-Association.

Section 50. "Property" shall mean and refer to all of that certain real property described on **Exhibit "A"** attached hereto, and to all Improvements constructed thereon.

Section 51. "Public Agencies" shall mean and refer individually and/or collectively to any of the various local, state and federal governmental agencies having jurisdiction over all or any portion of the Community (including, but not limited to, the City, the County, the DRE, the Regional Water Quality Control Board and the Irvine Ranch Water District ["IRWD"] and the Orange County Fire Authority ["OCFA"]).

Section 52. "Rules and Regulations" shall mean and be synonymous with "operating rules" as defined in Section 1357.100 of the California Civil Code which are adopted, amended or repealed by the Board pursuant to this Master Declaration.

Section 53. "Special Benefit Area" shall mean and refer to any portion of the Community designated by Declarant (or by a Merchant Builder with Declarant's consent) as constituting a Special Benefit Area by reason of the significantly disproportionate use of certain Improvements by the Owners of two (2) or more Lots or Condominiums. Although the use of such Improvements must be significantly disproportionate, it need not be exclusive. In no event may the use of any street in the Community by the Owners of Lots or Condominiums that adjoin such street be the basis for the formation by the Board of a Special Benefit Area without the written consent of all Owners to be included in such Special Benefit Area. Such Improvements utilized by the Owners within the Special Benefit Area shall constitute Special Benefit

Improvements and the Master Association shall levy Special Benefit Assessments against the Lots or Condominiums within such Special Benefit Area to recoup the Special Benefit Expenses incurred by the Master Association on account thereof. The Lots or Condominiums which constitute a Special Benefit Area shall be so designated by Declarant (or by the Merchant Builder with Declarant's consent) in the Notice of Annexation recorded on such Lots or Condominiums. Special Benefit Areas established by the Board shall be created by a written instrument recorded on all of the Lots or Condominiums in such Special Benefit Area in the Official Records of Orange County, California.

Section 54. "Special Benefit Expenses" shall mean and refer to the actual and estimated costs to be paid by the Master Association which are allocable only to the Owners of Lots or Condominiums within a Special Benefit Area. The Special Benefit Expenses attributable to a Special Benefit Area may include, without limitation, the costs and expenses incurred by the Master Association in connection with the following: (a) administering the Special Benefit Area, including compensation paid to budget preparers for determining the annual operating budget for the Special Benefit Area; (b) maintaining, painting, irrigating, repairing and/or replacing (as the case may be) the Special Benefit Improvements in accordance with the provisions of this Master Declaration; (c) obtaining and maintaining insurance coverage as provided herein for the Special Benefit Improvements; (d) providing utility services as reasonably required for the Special Benefit Improvements; (e) funding reasonable reserves, as deemed appropriate by the Board, for the repair and replacement of those Special Benefit Improvements which must be repaired or replaced on a periodic basis rather than on a regular annual basis in accordance with the provisions of this Master Declaration; (f) unpaid Special Benefit Assessments; and (g) paying for all other goods and services designated by, or in accordance with other expenses incurred by the Master Association for the benefit of the Owners and the Lots or Condominiums located within a Special Benefit Area.

Section 55. "Special Benefit Improvements" is used herein as a generic term to mean and refer to those Improvements which shall be insured, operated, maintained, painted, irrigated, repaired, replaced and/or reconstructed (as the case may be) by the Master Association for the benefit of the Owners of Lots or Condominiums within a Special Benefit Area in accordance with the provisions of this Master Declaration. The actual Special Benefit Improvements included within a Special Benefit Area will be set forth in the budget for the

Special Benefit Area. (Due to the fact that the Special Benefit Improvements will be located on real property that is either owned in fee by the Master Association or over which the Master Association owns an easement for access and maintenance, the Special Benefit Improvements will constitute a portion of the Master Association Property.)

Section 56. "Street Trees" shall mean and refer to certain trees located along certain portions of the public and/or private streets within the Community which will be maintained by the Master Association as provided in the Article herein entitled "Repair and Maintenance." The Street Trees may be located on portions of the Master Association Property, any portion of Sub-Association Property and/or within a public right-of-way. All Street Trees will be generally depicted on the Woodbury Master Maintenance Exhibit on file with the Property Manager for the Community.

Section 57. "Sub-Association" shall mean and refer to any California non-profit mutual benefit corporation organized and established in connection with a Condominium Project or Planned Development within the Community.

Section 58. "Sub-Association Documents" shall mean and refer to the documents identified in a Supplemental Declaration as constituting Sub-Association Documents, including, but not limited to, the Articles of Incorporation and Bylaws for a Sub-Association, the Supplemental Declaration, all Declarations of Annexation, any rules and regulations adopted by the Sub-Association, and any restatements and/or amendments to any of the foregoing. In the event of any conflict between the provisions of the Sub-Association Documents and the Master Association Documents, the Master Association Documents shall control.

Section 59. "Sub-Association Property" shall mean and refer to any portion of the Community which: (a) is designated by a Merchant Builder with Declarant's consent as "Sub-Association Property" in a Supplemental Declaration (or in a Declaration of Annexation); (b) will be owned, in fee or by easement, by a Sub-Association; and (c) unless otherwise designated by a Merchant Builder with Declarant's consent, shall be solely for the use and benefit of and/or shall be maintained at the sole cost and expense of (i) only the Owners of Lots within a Planned Development, or (ii) only the Owners of Condominiums within a Condominium Project. Sub-Association Property may include certain portions of the Master Association Property which, although owned by the Master Association, shall be maintained by the respective Sub-Association pursuant to the provisions of a Landscape Maintenance

Agreement and/or the provisions of this Master Declaration. Conversely, portions of the Sub-Association Property may be maintained by the Master Association pursuant to the provisions of a Landscape Maintenance Agreement and/or the provisions of this Master Declaration.

Section 60. “Sub-Association Walls” shall mean and refer to those certain walls, fences and/or pilasters originally constructed by Declarant or a Merchant Builder on or adjacent to the Master Association Property, any Sub-Association Property and/or a Lot or Condominium within a Sub-Association, which are designated by Declarant or a Merchant Builder in a Supplemental Declaration or Declaration of Annexation as constituting Sub-Association Walls and as the result of such designation will be maintained in whole or in part by the Sub-Association as provided herein and/or in the Supplemental Declaration. In the event a Sub-Association is responsible for maintaining the interior surface of a Master Association Wall, such interior surface shall be deemed to be a Sub-Association Wall even though the Master Association is responsible for maintaining the other surface, the top and the structural integrity of such Master Association Wall. The Sub-Association Walls located within a Sub-Association shall either be depicted on an exhibit attached to the Supplemental Declaration or a Declaration of Annexation recorded on for a subsequent Phase, or on a composite depiction on file with the property manager for the Sub-Association. All depictions of the Sub-Association Walls are for illustrative purposes only and the “as-built” condition shall be controlling.

Section 61. “Supplemental Declaration” shall mean and refer to any declaration of covenants, conditions and restrictions, and reservation of easements, or any similar document recorded by Declarant (or by a Merchant Builder with Declarant’s consent) in connection with a Condominium Project or Planned Development developed within the Community. In the event of any conflict between the provisions of this Master Declaration and the provisions of a Supplemental Declaration, this Master Declaration shall control.

Section 62. “Water Quality Management Plans” shall mean and refer to the following: (i) the Water Quality Management Plan for Planning Area 9 (Including Tentative Tract 16339)” prepared by Hunsaker & Associates, dated December 17, 2002; and (ii) all other water quality management plans that may be prepared for Declarant and/or any Merchant Builder for a portion of the Community in compliance with applicable federal, state and local laws for the Community (or portions thereof) and approved by the applicable Public Agencies. The Water Quality Management Plans address water runoff generated by the residential areas

and other development Improvements within the Community and will be monitored by various Public Agencies (e.g., the Regional Water Quality Control Board and the City). The Water Quality Management Plans contain, among other things, certain Best Management Practices that must be followed by the Master Association, any Sub-Association, the Owners and/or other residents within the Community. The Water Quality Management Plans and the related Best Management Practices may be amended or otherwise modified at any time by the Declarant and/or the Public Agencies having jurisdiction over such matters. A copy of each approved Water Quality Management Plan is available in the office of the property manager for the Community.

Section 63. “Woodbury Master Maintenance Exhibit” shall mean and refer to that certain exhibit on file with the property manager for the Community which generally describes and/or depicts certain portions of the Community to be maintained by the Master Association, by each Sub-Association or by the City or other Public Agency. The Woodbury Master Maintenance Exhibit will be prepared by Declarant, from time to time, as development within the Community progresses and shall describe and/or depict the respective maintenance obligations as of the date specified thereon. At such time as the Community has been fully developed, the Master Developer shall cause to be prepared a composite final Woodbury Master Maintenance Exhibit for the overall Community and shall have the absolute unilateral right, but not the obligation, to cause such final Exhibit to be recorded as an amendment to this Master Declaration in the Official Records of Orange County, California.

Section 64. Application of Definitions. Unless otherwise indicated or the context shall prohibit such application the aforesaid definitions shall be applicable throughout the Master Association Documents and to any restatements or amendments thereto.

ARTICLE II

INTRODUCTION TO WOODBURY

Section 1. General Plan of Development.

(a) Phasing. Woodbury is a residential master planned community, and as presently planned, the Community will be developed by Declarant and various Merchant Builders in a series of Phases over several years. The Property described on **Exhibit “A”** attached hereto, and the Master Association Property described on

Exhibit “MAP” attached hereto, constitute the first phase of the Community. All or any portions of the Annexable Property may be developed by Declarant and/or Merchant Builders as additional Phases and annexed to the Property and made subject to this Master Declaration and to the jurisdiction of the Master Association as provided in the Article herein entitled “Annexation of Additional Property”. This Master Declaration (and the other Master Association Documents) impose Protective Covenants and other terms, provisions and regulations which establish the general plan for the development, maintenance, care, improvement, use, occupancy and management of the Community.

(b) Types of Dwellings. As presently planned, the Dwellings to be constructed within the Community may include, but are not limited to, attached and detached single family homes constructed on a separate Lot, attached and detached Condominiums and Apartments. Each Owner will receive title to his respective Lot or Condominium, all easements appurtenant thereto and an appurtenant membership in the Master Association. The Owners of a Lot or Condominium located within a portion of the Community which is subject to a Sub-Association, shall also receive an appurtenant membership in the Sub-Association, shall be subject to the Sub-Association Documents, and shall receive an appurtenant easement to use and enjoy any Sub-Association Property, and/or an undivided ownership interest in certain Common Area included within such Sub-Association.

(c) The Master Association. The Master Association will be the management body for the Community, and subject to the provisions of this Master Declaration, will be responsible for owning and/or maintaining the Master Association Property and Maintenance Areas and for administering and enforcing the Protective Covenants set forth in the Master Association Documents. The Master Association Property and Maintenance Areas (other than the Master Association Walls) included within this first Phase of the Community and any additional Master Association Property and Maintenance Areas annexed into the Community in a subsequent Phase will be generally described and/or depicted on the Woodbury Master Maintenance Exhibit on file with the property manager for the Community. Each Sub-Association may provide additional amenities which shall be solely for the

use and enjoyment of the members of such Sub-Association and not for the Members of the Master Association at large.

(d) Membership in the Master Association. Each Owner of a Lot or Condominium in the Community shall automatically become a member of the Master Association, and shall be obligated for the payment of Assessments to the Master Association as provided herein. In addition, each Owner, his family members, lessees, tenants and their respective guests and invitees will be entitled to the use and enjoyment of the Master Association Property within the Community in accordance with the Master Association Documents. The Owners of Lots or Condominiums which are located within a Planned Development or a Condominium Project so as to be subject to a Sub-Association will also automatically be a member of the respective Sub-Association, and obligated for the payment of assessments levied by such Sub-Association. Only such Owners, their family members, lessees, tenants and their respective guests and invitees will be entitled to the use and enjoyment of any Sub-Association Property located in such Sub-Association in accordance with the Sub-Association Documents.

Section 2. Development Control.

(a) Construction of Improvements. Subject only to the prior approval of the applicable Public Agencies, nothing in this Article or elsewhere in this Master Declaration shall limit the right of Declarant (and/or any Merchant Builder with Declarant's consent) to: (a) install, construct, modify, alter or remove any Improvements in any portions of the Community owned or controlled by Declarant and/or any Merchant Builder; (b) redesign or otherwise alter the style, size, square footage, color or appearance of any Improvements in any portion of the Community owned or controlled by Declarant and/or any Merchant Builder; (c) construct such additional Improvements on any portion of the Community owned or controlled by Declarant and/or any Merchant Builder; (d) subdivide, re-subdivide, grade or regrade any portion of the Community owned or controlled by Declarant and/or any Merchant Builder; (e) control all aspects of designing and constructing the Improvements (including without limitation, all recreational amenities) in the Property and the Annexable Property; and (f) conduct a program of marketing and selling and/or

leasing Lots or Condominiums in the Community (or other lots or condominiums owned by Declarant or a Merchant Builder even though such other lots or condominiums are located in a separate and unrelated development outside the Community).

(b) Reconstruction of Improvements. In addition to the foregoing, Declarant hereby reserves for itself and each Merchant Builder until development of the Community has been completed and Declarant and each Merchant Builder has concluded its program for selling, leasing or otherwise marketing its Lots and/or Condominiums in the Community (and/or other lots or condominiums owned by Declarant or a Merchant Builder outside the Community) a non-exclusive easement of ingress, egress and access on, over, under and across all Master Association Property and Maintenance Areas to install, construct, maintain, repair, remove, reconstruct and replace any Improvements located on any portion of the Master Association Property and/or Maintenance Areas as may be required by any Public Agency or as Declarant, in its sole discretion, deems reasonably necessary.

(c) Access Rights. Declarant hereby reserves for itself and each Merchant Builder until development of the Community has been completed and Declarant and each Merchant Builder has concluded its program for selling, leasing or otherwise marketing its Lots and/or Condominiums in the Community (and/or other lots or condominiums owned by Declarant or a Merchant Builder located outside the Community): (i) a nonexclusive easement for ingress, egress and access on, over, under and across the Community as Declarant, in its sole discretion, deems necessary to exercise its rights and easements reserved in this Section or elsewhere in this Master Declaration; (ii) the right to carry on normal sales, leasing and/or other marketing activities, including the operation of model complexes and sales or leasing offices, and to display reasonable signs and exhibits on any portion of the Community owned or controlled by Declarant or a Merchant Builder; and (iii) a nonexclusive easement for ingress, egress, access and use (without charge) of the Master Association Property in connection with the sales, leasing or marketing of Lots and/or Condominiums in the Community (and/or other lots or condominiums owned by Declarant or a Merchant Builder located outside the Community as provided above).

(d) Assignment. Declarant hereby reserves the right to assign and transfer (on an exclusive or non-exclusive basis as Declarant deems appropriate) any or all of the rights reserved in this Section or elsewhere in this Master Declaration to any person or entity, at Declarant's sole and absolute discretion, by an express written assignment recorded in the Official Records of Orange County.

Section 3. Non-Liability. Nothing in this Article or elsewhere in this Master Declaration shall be understood or construed to compel Declarant and/or any Merchant Builder to cause any subsequent Phase to be constructed or annexed into the Community. The purpose of this Article is merely to describe the legal relationship between the first and any subsequent Phases of the Community in the event all or any of such Phases shall be constructed and annexed into the Community.

Section 4. Soil Conditions. Many areas of Southern California have soil types known to be expansive in nature, and the Community is no exception. The soils reports prepared for the Community indicate that soils within the Community are moderate to very high in expansion potential. Expansive soils will expand when they become wet and contract when they dry out. This expansion and contraction may cause movement, cracking and other distress in concrete slabs, patios, sidewalks and other flatwork Improvements within the Community. Since movement of Improvements constructed on expansive soils is normal and will occur, each Owner of a Lot or Condominium in the Community should take this into account in the design of the landscape, hardscape and other Improvements which such Owner constructs on his respective Lot or Condominium.

Additionally, the soils within the Community have very high corrosive potential to metal, and appropriate action should be taken to protect below grade structures.

Further, the soils in portions of the Community may be very hard and/or contain subterranean rocks. Consequently, the installation of pools, spas, landscaping and other Improvements that require digging, trenching or other excavation may be more expensive due to the cost of working with such soils.

Each Owner of a Lot or Condominium within the Community should advise his contractors, engineers, architects and other professional consultants of the existence of the soils conditions described above so that their effect may be mitigated by appropriate design and construction techniques. Further details on the soils conditions within the Community can be

found in the soils reports which are available for review at the City of Irvine Building Inspection Department.

Section 5. Use of Reclaimed Water and Water Softeners. In its efforts to conserve water, IRWD has for years required the use of reclaimed water (treated wastewater) to irrigate parks, school yards, golf courses, greenbelt areas and common areas. The water used to irrigate all of the Master Association Property and Maintenance Areas will be reclaimed water. The water used in the Dwellings and outside in the private yards through hose bibs will be domestic potable water.

In the future, IRWD may require the use of reclaimed water to irrigate landscaping in the private yard areas. In order to establish reclaimed water service to a Lot or Condominium, IRWD will require each Owner to complete an application for residential reclaimed water service and the irrigation system hookup will have to meet special design requirements. Declarant does not make any representations whether reclaimed water service will be required or available to a Lot or Condominium in the Community.

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. In no event shall Declarant or any Merchant Builder or any of their respective employees, consultants or agents be liable for any property damage or personal injury caused by reclaimed water.

Each Owner is subject to IRWD's rules and regulations. Further information regarding District regulations is available from IRWD at its headquarters office.

Section 6. Post Tension Slabs. The concrete slab for a Dwelling constructed in the Community may have been reinforced with a grid of steel cables installed in

the concrete slab and then tightened to create extremely high tension. This type of slab is known as a "Post Tension Slab." Cutting into a Post Tension Slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Dwelling and/or personal injury. Each Owner covenants and agrees to verify with Declarant or the Merchant Builder who constructed the Dwelling or the City Building Department whether his Dwelling was constructed on a Post Tension Slab. If an Owner's Dwelling was constructed on a Post Tension Slab, such Owner further covenants and agrees that: (1) he shall not cut into or otherwise tamper with the Post Tension Slab; (2) he shall not knowingly permit or allow any other person to cut into or tamper with the Post Tension Slab so long as he owns any interest in the Dwelling; (3) he shall disclose the existence of the Post Tension Slab to any person who rents, leases or purchases the Dwelling from him; and (4) he shall indemnify and hold Declarant, the Merchant Builder and their respective officers, directors, shareholders, employees, contractors, consultants and agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys' fees) arising from any breach of this covenant.

Section 7. Electric Power Lines. The electric power lines within the Community have been installed underground. Underground and overhead electric distribution and transmission lines are located in the vicinity of the Community. The electric lines are owned and operated by Southern California Edison Company ("Edison"), and produce electromagnetic fields ("EMF"). Numerous studies and evaluations of EMF and human health risks have been undertaken over many years, and some are ongoing. Some studies have reported a possible relationship between EMF exposure and some health conditions, including certain types of cancer, miscarriage, and ALS (Lou Gehrig's disease), while other studies have found no such relationship. Additional information regarding EMFs is available from Edison's Regional EMF Manager, Southern California Edison Company, 1851 West Valencia Drive, Fullerton, CA 92833. Other sources for the current information regarding EMF and related studies, include: (1) the Electric and Magnetic Fields Program, California Department of Health Services, 1515 Clay Street, 17th Floor, Oakland, California 94612, Website: <http://www.dhs.cahwnet.gov/ps/deodc/ehib/emf/>, (2) the Federal EMF-Rapid Website at <http://www.niehs.nih.gov/emfrapid/home.htm>, or (3) the International Agency for Research on

Cancer, 150 cours Albert Thomas, F-69372 Lyon cedex 08, France, Website: <http://www.iarc.fr/pageroot/top.html>.

Section 8. Plants and Wildlife. The Community is located in close proximity to natural open space areas which provide habitat for various forms of wildlife (including, but not limited to, coyotes, snakes, raccoons, possums, skunks, squirrels and mice) and poisonous vegetation (e.g., poison ivy, poison oak, etc.). Animal wildlife may venture from the open space areas into the Community, including your Lot or Condominium.

Each Owner assumes all risks pertaining to such wildlife and releases Declarant, all Merchant Builders, the Master Association and their respective shareholders, directors, officers, employees, consultants and agents from any and all claims, damages, costs, expenses, losses and other liability (including actual attorney's fees) for death or injury to any person and/or damage to any property arising from or otherwise relating to such wildlife.

Section 9. Proto-II Walls. The walls located on a Lot or Condominium in the Community may be of a type of masonry wall known as "Proto-II" walls. Although Proto-II walls typically look the same as conventional masonry walls, the method of construction is different. Conventional masonry walls are built with rigid vertical and horizontal sleeves of rebar and grout to provide strength and stability to the wall. Proto-II walls, on the other hand, are constructed using high strength steel post-tensioning rods inside the footings and wall to induce tightness (tension) throughout the footings and wall. Because of the presence of post-tension rods within the structure of the wall, it is imperative that Owners contact a professional Proto-II wall installer before undertaking any structural repair of the Proto-II walls. Each Owner covenants and agrees to verify with Declarant or the Merchant Builder who constructed the Owner's Dwelling or the City Building Department whether there are any Proto-II walls located on such Owner's Lot or Condominium.

Section 10. No Guarantee of Views. Some Lots or Condominiums in the Community depending upon location may enjoy some unique view potential. The view, if any, a Lot or Condominium in the Community will enjoy is subject to the limitations and disclaimers set forth herein.

The term "view" as used in this Master Declaration shall refer to the field of vision from the front or rear of the Lot or Condominium (however, in the case of a corner Lot or Condominium, the field of vision may also be oriented toward the exposed side yard), shall be

limited solely to the area located between the prolongation of the side property lines (and may not be widened to extend at an angle across the side yard of an adjoining Lot or Condominium on either side), and shall extend straight out from the finished grade of the Lot or Condominium. Notwithstanding the foregoing limitations, there are no express or implied easements for views or for the passage of light and air to any Lot or Condominium in the Community.

Although the provisions of the Article herein entitled "Design Review" may have some effect on preserving views from and providing for the passage of light and air to an individual Lot or Condominium, Declarant, the Merchant Builders, the Board and the Design Review Committee, and the directors, officers, employees, consultants, agents and contractors of the foregoing, do not make any representations or warranties, express or implied, concerning the view, if any, that a particular Lot or Condominium will enjoy. Furthermore, the payment by any Owner of any "premium" does not constitute a representation or warranty, express or implied, concerning the view, if any, the Lot or Condominium will enjoy. Each Owner, by accepting a deed to his respective Lot or Condominium, expressly acknowledges and agrees that any view which his Lot or Condominium may enjoy as of the date of purchase may be impaired or obstructed by the installation of trees, other landscaping or other types of barriers (both natural and artificial), the growth of landscaping, the construction or other installation of Improvements in the Community and/or on any property adjoining the Community in accordance with applicable laws, codes, ordinances and regulations, and each Owner expressly consents to any such obstructions. Each Owner further understands that the provisions of this Master Declaration establish certain architectural and landscaping controls applicable to the Community, and that each Owner has the right to enforce such controls. Except as expressly set forth in this Master Declaration, there are no rights concerning the preservation of any view.

Section 11. Public Access. In accordance with certain conditions of approval imposed by the Public Agencies in connection with the development of the Community, certain portions of the Master Association Property include certain trails which will be (e.g., walking, hiking and/or biking trails) which will be available for use by the general public.

Section 12. Statutory Notice. In accordance with California Civil Code Section 1353, Declarant hereby provides the following notice:

NOTICE OF AIRPORT IN VICINITY

This property is presently located in the vicinity of an airport, within what is known as an airport influence area. For that reason, the property may be subject to some of the annoyances or inconveniences associated with proximity to airport operations (for example: noise, vibration, or odors). Individual sensitivities to those annoyances can vary from person to person. You may wish to consider what airport annoyances, if any, are associated with the property before you complete your purchase and determine whether they are acceptable to you.

Section 13. Siphon Reservoir. The Community is located southwesterly of the Siphon Reservoir and Dam. The reservoir, which is uncovered and is used to store irrigation water for agricultural operations, has a capacity of 578 acre-feet of water. A dam inundation study prepared for this reservoir indicates that in the event of a sudden and unexpected dam failure (e.g., a failure due to an earthquake), large portions of the Community would be subject to flooding that could cause injury to persons and damage to property. Information regarding the Siphon Reservoir and Dam and the dam inundation study is available from the City.

ARTICLE III

PROPERTY RIGHTS REGARDING THE MASTER ASSOCIATION

PROPERTY AND RESERVATION OF EASEMENTS

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of ingress, egress, access, use and enjoyment in and to the Master Association Property. Said right and easement shall be appurtenant to and shall pass with title to every Lot and Condominium, subject to the limitations set forth in this Article III. Notwithstanding the foregoing, certain portions of the Master Association Property are not intended for use and enjoyment by the Owners (e.g., those portions which constitute landscaped slopes), and accordingly the easements for ingress, egress, access, use and enjoyment do not apply to such portions of the Master Association Property.

Section 2. Limitations on Owners' Easement Rights by the Master Association. The rights and easements of ingress, egress, access, use and enjoyment set forth in Section 1 hereinabove shall be subject to the provisions of this Master Declaration, including, but not limited to, the following:

(a) Limitations on Guests. The right of the Master Association to reasonably limit the number of guests of Owners using the Master Association Property and the recreational amenities located thereon;

(b) Rules and Regulations. The right of the Master Association to establish and enforce reasonable Rules and Regulations pertaining to the use of the Master Association Property and the recreational amenities located thereon, (including, without limitation, the imposition of security deposits and/or cleaning fees for use of the amenities by large groups as defined by the Board);

(c) Suspension of Rights and Imposition of Penalties. The right of the Master Association to suspend the voting rights attributable to a Lot or Condominium and the rights and easements of use and enjoyment of the recreational amenities located on the Master Association Property of any Member, (and all persons deriving such rights and easements from any Member as provided herein) for any period during which any Assessment against such Member's Lot or Condominium remains unpaid and delinquent, and to impose monetary penalties or suspend such use rights and easements for a period not to exceed thirty (30) days for any noncontinuing violation of the Master Association Documents; provided that all such disciplinary action shall be made only by the Board after Notice and Hearing, and in no event shall any disciplinary action restrict vehicular or pedestrian access to the Member's Lot or Condominium;

(d) Use Fees. The right of the Board to establish and impose reasonable fees for the temporary exclusive use for private events by an Owner of the facilities located on the Master Association Property (e.g., a rental charge for use of the recreation center for a private wedding reception, or birthday party, etc.). Except as otherwise provided herein, use of the recreational amenities shall be on a first-come-first-served basis;

(e) Borrowings and Encumbrances. The right of the Master Association, with the assent of Delegates casting affirmative votes on behalf of at least sixty-seven percent (67%) of the Owners other than Declarant and the Merchant Builders, to borrow money for the purpose of improving the Master Association Property and Improvements located thereon and/or, subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," to mortgage, pledge, deed in trust, hypothecate or otherwise encumber any or all of its real or personal property, as security for money borrowed or debts incurred;

(f) Dedications. Subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," the right of the Master Association to dedicate or transfer a portion of the Master Association Property to a Public Agency or any utility for such purposes and subject to such conditions as may be agreed to by the Master Association, and in furtherance thereof, to deannex such portion of the Master Association Property from this Master Declaration. No such dedication or transfer and deannexation shall be effective unless it is approved by the Delegates and first Mortgagees as provided in the Article herein entitled "Mortgage Protection" and a certificate executed by the President and the Secretary of the Master Association evidencing such approvals is recorded in the Office of the County Recorder for Orange County;

(g) Acceptances and Conveyances of Property. The right of the Board to join with the Declarant, a Merchant Builder, a Sub-Association, an Owner, a Public Agency, utility company, or other person or entity in the execution of a lot line adjustment, grant deed and/or grant of easement for the purpose of accepting or conveying title to property, including without limitation, any portion of the Master Association Property, and in furtherance thereof to deannex such portion of the Master Association Property from this Master Declaration, as necessary to transfer title, provided and on condition that any such lot line adjustment and/or conveyance is made for any of the following purposes: (i) to eliminate encroachments due to engineering errors or errors in construction of any Improvements upon any of the affected property, (ii) to permit changes in the development plan in circumstances where such changes are the result of topography, obstruction, hardship, aesthetic

considerations or environmental conditions, (iii) to fulfill the requirement of a Public Agency, or (iv) to transfer the burden of management and maintenance of any Master Association Property which in the reasonable judgment of the Board is generally inaccessible or is not likely to be of general use or benefit to the membership at large of the Master Association.

(h) Limitations on Access and Use. The right of the Master Association to reasonably restrict access to and/or use of greenbelts, open space areas, slopes and/or other areas within the Master Association Property that are not intended for recreational use;

(i) Performance of Duties. The right of the Master Association to perform and exercise its powers and duties as set forth herein;

(j) Public Access. The right of the general public to use certain portions of the Master Association Property (including, without limitation, hiking and/or biking trails) as required by any Public Agency in connection with the development of the Community;

(k) Offers of Dedication. Portions of the Master Association Property (including, but not limited to, streets, parks, trails and open space areas) may be subject to an unaccepted offer of dedication to a Public Agency for various purposes, including, but not limited to public access, use and/or maintenance. Such portions of the Master Association Property may be used by the Members of the Master Association and shall be maintained by the Master Association as provided herein in the same manner as all other Master Association Property until such time, if ever, that the offer of dedication is accepted by the applicable Public Agency. If the offer of dedication is accepted, the affected portion of the Master Association Property shall (i) be maintained by the applicable Public Agency, if applicable; (ii) no longer constitute a portion of the Master Association Property; (iii) shall no longer be subject to this Master Declaration; and (iv) be open for use by the general public as permitted by the applicable Public Agency;

(l) Other Rights. Other rights of the Master Association, the Board, the Owners and Declarant with respect to the Master Association Property as may be provided for in this Master Declaration; and

(m) Other Restrictions. Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of the Master Association Property imposed by the Master Association, Declarant or any Public Agency having jurisdiction to impose any such limitations, restrictions or conditions, including, but not limited to, the rights of any and all Public Agencies to use their vehicles or appropriate equipment as reasonably necessary over those portions of the Master Association Property designed for vehicular movement to perform municipal functions or emergency or essential public service.

Section 3. Use of Recreational Amenities by Non-Residents. In addition to the limitations on each Owner's nonexclusive right and easement of ingress, egress, access, use and enjoyment in and to the Master Association Property set forth in the preceding Section, each Owner acknowledges that the Master Association's Rules and Regulations may allow certain recreational amenities (and the related parking areas) (including, without limitation, the private park located on Lot 232 of Tract 16577) to be used by non-residents of Woodbury (e.g., competitive swim meets, exercise classes and other events) and to restrict the use by Owners and other residents to accommodate such use by non-residents.

Section 4. Delegation of Master Association Property Use Rights. Subject to the rights reserved to the Master Association in Section 2 above, each Owner of a Lot or Condominium in the Community (including, without limitation, the Owner of an Apartment Area) may delegate his rights of use and enjoyment to the Master Association Property, and the recreational amenities thereon, to the members of his immediate family, his tenants and lessees and their respective guests and invitees. In the event an Owner shall rent or lease his Lot or Condominium, his rights of use and enjoyment to the Master Association Property, and the recreational amenities thereon, shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner's rights of use and enjoyment to the Master Association Property, and the recreational amenities thereon, shall be deemed suspended for the duration of such tenancy, except reasonable rights of ingress, egress and access to his respective Lot or Condominium and such other rights as may be reasonably required to perform the necessary functions of a landlord. The seller under an installment sales contract shall be deemed to have delegated any rights of use and enjoyment in the Master Association Property, and the recreational amenities thereon, to the purchaser under the contract.

Section 5. Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Master Association nor release any Lot or Condominium which he owns in the Community from the liens and charges imposed by the Master Association by waiver of the use and enjoyment of the Master Association Property, and the recreational amenities thereon, or by abandonment of any Lot or Condominium in the Community.

Section 6. Easements for Vehicular and Pedestrian Traffic. In addition to the general right and easement of ingress, egress, access, use and enjoyment granted herein, there is hereby created, granted and reserved a nonexclusive easement appurtenant to each Lot and Condominium in the Community for vehicular ingress, egress and access on, over and across all of the public and any private streets within the Community.

Section 7. Easements for Unintentional Encroachments. There is hereby created, established and granted nonexclusive easements appurtenant to any Lot or Condominium, the Master Association Property and/or Sub-Association Property (as the case may be) on, over and across those portions of an adjacent Lot or Condominium, Master Association Property and/or Sub-Association Property, not to exceed two feet (2') for the encroachment by any Improvement as originally constructed by Declarant or by a Merchant Builder, and for the encroachment by any Improvement resulting from subsequent settling, shifting or other movement of such Improvements. All such encroachments shall be measured at the point of encroachment along a line which is perpendicular to the common boundary between the affected properties.

Section 8. Easements for Utilities. The rights and duties of the Owners of Lots or Condominiums within the Community with respect to sanitary sewer, storm drains, water, electricity, gas and telephone lines, cable television (or CATV) lines, security system lines and other facilities shall be governed by the following:

(a) Regulations governing the installation of antennae are more particularly set forth in the Article entitled "Use Restrictions" hereinbelow.

(b) Each respective utility company and private purveyor shall maintain all utility facilities and connections on the Community owned by such utility company; provided, however, that if any company shall fail to do so, it shall be the obligation of each Owner to maintain those facilities and connections located upon

such Owner's Lot or Condominium, and it shall be the obligation of the Master Association to maintain those facilities and connections located upon the Master Association Property.

(c) Wherever sanitary sewer, storm drains, water or gas connections, television cables, electricity, security system or telephone lines are installed within the Community, and it becomes necessary to gain access to said connections, cables and/or lines through a Lot or Condominium owned by someone other than the Owner of the Lot or Condominium served by said connections, cables and/or lines, the Owner of the Lot or Condominium served by said connections, cables and/or lines shall have the right, and is hereby granted an easement to the fullest extent necessary therefor, to enter upon such other Lot or Condominium or to have the utility companies and private purveyors enter upon such other Lot or Condominium to repair, replace and generally maintain said connections, cables and/or lines.

(d) Whenever sanitary sewer, storm drains, water or gas connections, television cables, electricity or telephone lines are installed within the Community, and said connections, cables and/or lines serve more than one (1) Lot or Condominium, the Owner of each Lot or Condominium served by said connections, cables and/or lines shall be entitled to the full use and enjoyment of such portions of same as service his Lot or Condominium.

(e) In the event of a dispute between Owners respecting the repair or rebuilding of the aforesaid connections, cables and/or lines, or the sharing of the cost thereof, said Owners shall first contact the appropriate utility company in an effort to resolve the dispute; provided however, if said dispute remains unresolved, upon written request of one (1) of such Owners addressed to the Master Association, the matter shall be submitted to the Board who, and after Notice and Hearing in which the Owners shall have an opportunity to be heard, shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

(f) Easements over the Community for the installation and maintenance of electric, telephone and cable television lines, water, gas, storm drains and sanitary sewer connections and facilities, utility meters, street lights, mail boxes, fire hydrants and traffic signs as shown on any recorded map of the Community or

otherwise of record are hereby reserved by Declarant, for itself and the Merchant Builders, together with the right to grant and transfer the same. Notwithstanding that an Owner may install Improvements (including landscaping) within a utility easement area with the approval of the Design Review Committee, each Owner acknowledges that such Improvements (including landscaping) may be removed by the respective utility company or Public Agency to maintain, repair or replace any of the foregoing facilities without any liability to the Owner to repair or restore such Improvements (including landscaping).

Section 9. Easements for Maintenance by the Master Association. There is hereby created, granted and reserved a nonexclusive easement in favor of the Master Association for ingress, egress and access on, over and across those portions of the Community as reasonably required by the Master Association to exercise its rights and perform its obligations (including, but not limited to, the maintenance of the Master Association Property and Maintenance Areas as more particularly set forth in the Article herein entitled "Powers and Duties of the Master Association"). When it is necessary for the Master Association to enter upon any Lot or Condominium or any Sub-Association Property for the purpose of: (a) maintaining the Master Association Property and/or Maintenance Areas (including any Street Trees located thereon); (b) bringing an Owner and/or his Lot or Condominium into compliance with the Master Association Documents; or (c) bringing the Sub-Association Property into compliance with the Master Association Documents, the Master Association, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and/or Sub-Association (as the case may be) and at a reasonable hour of the day, to enter upon such Owner's Lot or Condominium or the Sub-Association Property for the performance of such work. Such entry shall be made with as little inconvenience as is practicable, and in the event that any damage shall be proximately caused by such entry, the Master Association shall repair the same as a Common Expense. Notwithstanding the foregoing, in the event of an emergency, such right of entry shall be immediate, and shall not require advance notice.

Section 10. Easements for Maintenance by Sub-Associations. There is hereby created, granted and reserved nonexclusive easements in favor of each Sub-Association for ingress, egress and access on, over and across such portions of the Community as reasonably required to perform its respective maintenance obligations. When it is necessary for a Sub-

Association to enter upon a portion of the Master Association Property that adjoins Sub-Association Property and/or upon any Lot or Condominium that is subject to such Sub-Association to perform any maintenance or other obligation, the Sub-Association, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Master Association and/or Owner (as the case may be) and at a reasonable hour of day, to enter upon the Master Association Property and/or such Owner's Lot or Condominium. Such entry shall be made with as little inconvenience to the Owner as is practicable, and any damage proximately caused by such entry shall be repaired at the Sub-Association's expense. Notwithstanding the foregoing, in the event of an emergency, such right of entry shall be immediate, and shall not require advance notice.

Section 11. Easements for Clustered Mailboxes. In order to comply with the various requirements of the City, County and the United States Postal Service, clustered mailboxes may be installed within the Community. Easements are hereby created on and over the affected portions of the Community in favor of all Owners and the United States Postal Service for delivery, deposit and retrieval of mail. The location of the clustered mailboxes as originally installed may be subject to change as required by the United States Postal Service.

Section 12. Easements Over Sidewalks. There are hereby created, granted and reserved nonexclusive reciprocal appurtenant easements in favor of all Owners, the members of their families, their lessees and tenants and their respective guests and invitees on, over and across all sidewalks located along any street (public or private) within the Community.

Section 13. Easements for Drainage. There are hereby created, granted and reserved over each Lot and each Condominium in the Community nonexclusive appurtenant easements for drainage according to the drainage facilities installed and/or patterns created by Declarant and/or the Merchant Builder in accordance with the approved grading plans for the Community, as well as according to the actual, natural and existing patterns for drainage. In the event the approved grading plans make provisions for "cross drainage," whereby water from a Lot and/or Condominium drains across one (1) or more contiguous Lots or Condominiums by means of surface ditch or subsurface pipe or other facilities, each Owner of a Lot or Condominium affected by such "cross drainage" covenants and agrees for himself and his successors and assigns that he will permit free access by Owners of adjacent or adjoining Lots or Condominiums to all drainage facilities located on his Lot or Condominium which affect such

adjacent or adjoining Lots and/or Condominiums when access is essential for the maintenance of permanent stabilization of slopes, or maintenance of the drainage facilities for the protection and use of the adjacent or adjoining Lots and/or Condominiums. Additionally, each Owner, for himself and his successors and assigns, covenants and agrees that he will not, in any way, interfere with the established drainage patterns over his Lot or Condominium or any drainage facilities located thereon. In the event it is necessary and essential to alter said drainage patterns or facilities for the protection and use of his Lot or Condominium, such Owner shall make adequate provision for proper drainage and shall obtain plans and specifications from a licensed soils or civil engineer and shall submit such plans and specifications to the Design Review Committee for prior review and approval. Further, each Owner, for himself and his successors and assigns, covenants and agrees that he shall maintain and repair all drainage facilities located on his Lot or Condominium in proper working order at all times, including keeping the facility free from dirt, debris and other obstructions.

Section 14. Easements for Community Cable Television, Telecommunication Systems and Alarm System Cabling. There are hereby reserved for the benefit of Declarant, and its successors and assigns permanent, non-exclusive easements in gross on, over, under, across and through: (i) all private and public streets, roads, trails, sidewalks and walkways in the Community (including any Lot or parcel shown as a street or road right-of-way on a final map or parcel map recorded on any portion of the Community and any street or road right-of-way conveyed or dedicated in fee or easement to any governmental agency); (ii) all parkways which are adjacent to any such streets, roads, trails, sidewalks or walkways in the Community; and (iii) all lettered Lots or parcels as shown on a final map or parcel map recorded on any portion of the Community, all for the purposes of constructing, installing (including the right to connect to existing facilities and systems), repairing, replacing, maintaining and using existing or future lines, connections, conduit and other facilities, equipment and systems for any or all of the following: (a) a community antenna television system; (b) alarm system cabling; and (c) electric, gas, cable, telephone, future information technology, water, sewer, drainage facilities and systems; provided however, that the construction, installation, repair, replacement, maintenance and use of such lines, connections, conduit and other facilities, equipment and systems shall not unreasonably interfere with an Owner's use of his respective Lot or Condominium. Declarant hereby reserves the ownership of all such lines, connections, conduit

and other facilities, equipment and systems currently existing and owned by Declarant or hereafter installed by or conveyed to Declarant.

Section 15. Easements for Fiber Optic Cable and/or Other Telecommunication and Video (Broadband) Systems. There are hereby reserved for the benefit of Declarant, and its successors and assigns permanent, non-exclusive easements in gross on, over, under, across and through the dry utilities easement located on each Lot and Condominium in the Community for the installation of fiber optic cable and/or other telecommunication and video (broadband) systems, and for the installation in the Dwelling of a low-voltage structured wiring systems (including RG6 coaxial cable, CAT5e cable, empty conduit and related outlets and other facilities).

Section 16. Reservation of Construction Rights. Without limiting the rights of Declarant and the Merchant Builders set forth in Article II hereinabove, during the period the Community is being developed, nothing in this Master Declaration shall limit the right of Declarant (and/or any Merchant Builder with Declarant's consent) to establish additional licenses, easements and rights-of-way on, over and across the Community in favor of Declarant, a Merchant Builder, Public Agencies, utility companies and private purveyors of utility services, and/or others as may, from time to time, be reasonably necessary for the development, maintenance and proper operation of the Community. The foregoing rights established and reserved herein shall be subject only to the applicable regulations and requirements of the Public Agencies. The foregoing rights may be assigned by Declarant (or by a Merchant Builder with Declarant's consent) to any successor to all or part of Declarant's (or the Merchant Builder's) interest in the Community by an express assignment recorded in the Official Records of Orange County.

Section 17. Reservation of Easements Over Master Association Property. Declarant (and each Merchant Builder with Declarant's consent) hereby reserves the right to grant nonexclusive easements for ingress, egress, access, use and enjoyment over the Master Association Property within the Community in favor of Owners of Lots and/or Condominiums located in any portion of the Annexable Property which is annexed as a subsequent Phase pursuant to this Master Declaration. At such time as the Notice of Annexation recorded on a subsequent Phase becomes effective as provided herein, the Owners of the Lots and/or Condominiums in all prior Phases of the Community shall automatically obtain nonexclusive

easements for ingress, egress, access, use and enjoyment over any Master Association Property included in such subsequent Phase. Notwithstanding the foregoing, portions of the Master Association Property consist of slopes, parkways and other areas that are not intended for recreational or other use by the Owners and other residents within the Community, and accordingly, the aforesaid easements of ingress, egress, access, use and enjoyment shall not apply thereto.

Section 18. Transfer of Master Association Property to Master Association.

(a) Conformance with Plan of Development. Declarant and each Merchant Builder covenants for itself, and its successors and assigns, to convey to the Master Association fee simple title to, an easement over, or a leasehold interest in the Master Association Property located within a particular Phase of the Community, if any, prior to or concurrently with the first Close of Escrow for the sale of a Lot or Condominium in such Phase. Such conveyance shall be subject to the Protective Covenants set forth herein and to any non-monetary liens and encumbrances and to any other matters of record or apparent at the time of such conveyance. All conveyances shall be made in conformity with Declarant's general plan for the development of the Community, as such general plan may be modified, from time to time, by Declarant, in its sole discretion.

(b) Completion of Master Association Property. As more particularly set forth in the Article herein entitled "Enforcement of Bonded Obligations," in the event that Improvements proposed to be constructed on the Master Association Property included in this first Phase of the Community have not been completed prior to the first day of the month following the first Close of Escrow for the sale of a Condominium in this first Phase of the Community (or the Improvements proposed to be constructed on the Master Association Property included in a subsequent Phase have not been completed as of the first Close of Escrow for the sale of a Lot or Condominium in such subsequent Phase, as applicable), as evidenced by a valid Notice of Completion recorded in the Official Records of the County, the completion of such Improvements shall be assured in accordance with Section 11018.5 of the California Business and Professions Code (or any similar statute hereinafter enacted) and the applicable regulations of the DRE.

(c) Commencement of Master Association Responsibilities. Except as otherwise provided herein and/or in the Grant Deed conveying Master Association Property, the Master Association's responsibility to begin maintenance of the Master Association Property and/or any Maintenance Areas included in a Phase of the Community shall commence upon the earlier of: (1) the first day of the month following the first Close of Escrow for the sale of a Lot or Condominium in such Phase to a bona fide purchaser pursuant to a Final Subdivision Public Report issued by the DRE; or (2) the recordation of the grant deed or other instrument conveying the Master Association Property to the Master Association. Notwithstanding the foregoing, if the contractors or subcontractors of Declarant or a Merchant Builder are contractually obligated to maintain or warrant the landscaping or other Improvements on the Master Association Property (or Maintenance Areas) for a specified period of time during which said contractors or sub-contractors shall perform such maintenance, the Master Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors shall not serve to postpone the commencement of Assessments pursuant to this Master Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such Assessments.

(d) Character of Improvements to Master Association Property; Disputes. The nature, design, quality and quantity of all Improvements to the Master Association Property and Maintenance Areas shall be determined by Declarant in its sole discretion. The Master Association shall be obligated to accept title to the Master Association Property and undertake all maintenance responsibilities for the Master Association Property and Maintenance Areas as provided herein. In the event that a dispute arises between Declarant (and/or the Merchant Builders) and the Master Association with respect to the nature, design, quality or quantity of the Improvements, or the acceptance of maintenance responsibilities therefore, the Master Association shall be obligated to accept title to the Master Association Property and to undertake maintenance responsibilities pending resolution of the dispute in accordance with the provisions of this Master Declaration.

ARTICLE IV

THE MASTER ASSOCIATION

Section 1. Membership. Every Owner (including Declarant and each Merchant Builder) shall be a Member of the Master Association. Each Class A Member's membership in the Master Association shall be appurtenant to the Lot or Condominium owned by such Member and shall not be assignable, except to the person or entity to whom the title to such Lot or Condominium has been transferred. Membership in the Master Association shall be in addition to membership in any Sub-Association. Ownership of a Lot or Condominium shall be the sole qualification for Class A membership in the Master Association.

Section 2. Classes of Membership. The Master Association shall have three (3) classes of voting membership, as follows:

(a) Class A Members. Initially, the Class A Members shall be all Owners other than Declarant and the Merchant Builders. Upon the conversion of the Class B Membership as provided below, Declarant and each Merchant Builder shall also become a Class A Member as to those Lots and Condominiums which they own and are paying Assessments levied by the Master Association. Subject to the provisions of the Article herein entitled "Apartment Areas," the Class A Member(s) who own a Lot or a Condominium are allocated one (1) vote for their respective Lot or Condominium. When more than one (1) person holds an ownership interest in a Lot or Condominium, all such persons shall be Class A Members. The vote attributable to such Lot or Condominium shall be exercised as the Owners among themselves determine, but in no event shall more than one (1) Class A vote be cast with respect to any Lot or Condominium. (All references in the Master Association Documents to votes cast by Delegates on behalf of a specified percentage of the Class A Members is intended and shall be interpreted to be consistent with one (1) vote per Lot or Condominium as provided in this Section, except as provided in the Article herein entitled "Apartment Areas.")

(b) Class B Members. The Class B Members shall be Declarant and the Merchant Builders. Except as otherwise provided in Section 3 hereinbelow and in the Article herein entitled "Apartment Areas," each Class B Member shall be entitled to three (3) votes for each Lot or Condominium it owns and is paying the

Assessments levied by the Master Association. The Class B membership shall cease and shall be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest (hereinafter referred to as the "Class B Conversion Date"):

(1) When seventy five percent (75%) of the estimated total number of Dwellings in the overall Community (excluding Apartments) (e.g., currently estimated to be approximately two thousand two hundred twenty five [2,225] Dwellings X 75% equals approximately one thousand six hundred sixty eight [1,668] Dwellings) have been conveyed to Class A Members;

(2) The fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Community; or

(3) The twenty-fifth (25th) anniversary of the first Close of Escrow for the sale of a Condominium pursuant to a Final Subdivision Public Report issued by the DRE for the first Phase of the Community.

(c) Class C. The Class C Member shall be the Declarant, without regard to whether Declarant is the Owner of a Lot or Condominium in the Community. The Class C Membership shall not be considered part of the voting power of the Master Association, and Declarant shall not be entitled to exercise any Class C vote except for the purpose of electing those members of the Board which the Class C Member is entitled to elect hereunder. The Class C Member shall be entitled to solely elect a majority of the members of the Board until the first to occur of the following events:

(1) When seventy five percent (75%) of the estimated total number of Dwellings in the overall Community (excluding Apartments) (e.g., currently estimated to be approximately two thousand two hundred twenty five [2,225] Dwellings X 75% equals approximately one thousand six hundred sixty eight [1,668] Dwellings) have been conveyed to Class A Members;

(2) The fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium pursuant to the original issuance by the DRE of the

most recently issued Final Subdivision Public Report for a Phase of the Community; or

(3) The twenty-fifth (25th) anniversary of the first Close of Escrow for the sale of a Condominium pursuant to a Final Subdivision Public Report issued by the DRE for the first Phase of the Community.

Unless a specific provision of this Master Declaration or the Articles requires the approval of a greater percentage, any action taken by the Master Association which must have the approval of either (i) the Members of the Master Association, or (ii) the "total voting power" of the Master Association, before being undertaken shall require the vote or written assent of at least a majority of the Class B Members and at least a majority of the Class A Members, so long as both the Class A and Class B memberships exist. At such time as the Class B membership ceases and converts to Class A membership as provided above, any action taken by the Master Association which must have the approval of either (i) the Members of the Master Association, or (ii) the "total voting power" of the Master Association, before being undertaken shall require the vote or written assent of at least a majority of all Class A Members and at least a majority of the Class A Members other than the Declarant and the Merchant Builders. Notwithstanding the foregoing, any action by the Master Association pursuant to the Article herein entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Members, other than the Declarant and the Merchant Builders.

Section 3. Assignment of Merchant Builder Voting Rights. Unless otherwise expressly agreed to in a writing executed by Declarant and a Merchant Builder and such writing is delivered to the Secretary of the Master Association, each Merchant Builder hereby irrevocably assigns to Declarant all Class A and Class B voting rights to which such Builder would be entitled under this Master Declaration, and all such voting rights shall be exercised solely by Declarant's Delegate, as Declarant may deem appropriate in its sole and absolute discretion.

Section 4. Special Voting Procedures for Election of the Board. So long as the Class B or Class C memberships shall remain in effect, Delegates representing the Class A Members (other than Declarant and the Merchant Builders) shall be entitled to solely elect at least twenty percent (20%) of the members of the Board. At such time as the Class B and Class C membership shall cease and terminate, the Declarant's Delegate shall be entitled to solely elect

at least twenty percent (20%) of the members of the Board until development of the Community has been completed and Declarant and each Merchant Builder has concluded its program for selling, leasing or otherwise marketing its Lots and/or Condominiums in the Community.

Section 5. Record Dates. Subject to the provisions of Section 12 below regarding record dates for the determination of Class A Members entitled to notice of any meeting of the Members of the Delegate District, the Board may fix, in advance, record dates for the purpose of determining Members entitled to notice of any other meetings, the votes attributable to each class of membership, or to exercise any other rights under the Master Association Documents.

Section 6. Vesting of Voting Rights. The voting rights attributable to a Lot or Condominium in the Community shall not vest until the Assessments provided for in this Master Declaration have been levied by the Master Association against such Lot or Condominium.

Section 7. The Delegate District System.

(a) Establishment of the Delegate District System. In order to provide for the efficient and effective management of the Master Association, Declarant hereby establishes a representative form of governance for the Master Association which utilizes a Delegate District system of voting, as more fully set forth herein and in the Bylaws.

(b) Formation of Delegate Districts. If any portion of the Community consists of an Apartment Area, such Apartment Area shall constitute a separate Delegate District. If any portion of the Community consists of a Planned Development or a Condominium Project so as to be subject to the jurisdiction of a Sub-Association, all of the Lots or Condominiums subject to the jurisdiction of the respective Sub-Association shall constitute one Delegate District. As to all portions of the Community which are not an Apartment Area or subject to a Sub-Association, each Phase which is annexed into the Community shall constitute a separate Delegate District; provided however, Declarant (or a Merchant Builder with Declarant's consent) may, from time to time: (i) incorporate a new Phase of the Community into an existing Delegate District by so indicating in the Notice of Annexation recorded on such Phase; or (ii) consolidate two or more Delegate Districts by recording a written

instrument signed by Declarant (and the respective Merchant Builder, if applicable) containing a legal description of the affected Delegate Districts, and thereafter such Districts shall constitute a single Delegate District for purposes of this Master Declaration. The Delegate and Alternate Delegate representing any Districts which are consolidated as provided above, shall be entitled to serve the balance of their terms of office.

(c) Delegates and Alternate Delegates. Each Delegate District shall have one (1) Delegate to represent the Members (other than Declarant and any Merchant Builder) in that Delegate District at all meetings of the Master Association and to cast all votes attributable to Members (other than Declarant and all Merchant Builders) in such Delegate District. Each District shall also have one (1) Alternate Delegate to act in the place and stead of the Delegate when the Delegate is absent, disabled or otherwise unable to act. All Delegates and Alternate Delegates must satisfy the eligibility requirements set forth in Section 9 below.

(d) Declarant's Delegate. Declarant shall be entitled to appoint one (1) Delegate ("Declarant's Delegate") to represent Declarant (and the Merchant Builders) at all meetings of the Master Association and to cast all of votes which Declarant is entitled to cast (including the votes assigned by Merchant Builders to Declarant as provided herein). The Declarant's Delegate shall have all of the rights, privileges, powers and duties as other Delegates. Declarant may, from time to time, change the person who it has appointed to serve as the Declarant's Delegate, at its sole discretion. Declarant may also designate an Alternate Delegate to act in the place and stead of the Declarant's Delegate if such Delegate is absent or otherwise unable to act. Declarant shall give written notice to the Board of any such appointment or change in appointment. Declarant's right to appoint a Declarant's Delegate shall cease and terminate at such time as the overall Community has been completed and neither Declarant nor any Merchant Builder owns a Lot or Condominium in the Community or any portion of the Annexable Property.

Section 8. Initial Appointment of Delegates and Alternate Delegates.

Subject to the eligibility requirement set forth in Section 9 below, the Board shall appoint the initial Delegate and Alternate Delegate to represent the Members (other than Declarant and

Merchant Builder) for each newly established Delegate District within sixty (60) days after the first Close of Escrow for the sale of a Lot or Condominium in such Delegate District; provided however, the Owner of an Apartment Area shall appoint the Delegate and Alternate Delegate to represent such Owner within ninety (90) days of the effective date of the annexation of such Apartment Area into the Community. The initial Delegate and Alternate Delegate so appointed shall serve in office until the successor Delegate and Alternate Delegate have been selected as provided in Section 9 below. The Board may, at any time, with or without cause, remove and replace the original Delegate and/or Alternate Delegate appointed by the Board for a Delegate District until the Delegate and Alternate Delegate have been selected as provided herein.

Section 9. Election of Delegates and Alternate Delegates.

(a) Declarant's Delegate. The Declarant's Delegate and Alternate Delegate shall be appointed by the Declarant as provided above.

(b) Delegates for an Apartment Area. The Delegate and Alternate Delegate for a Delegate District consisting of an Apartment Area shall be appointed by the Owner of such Apartment Area as provided above.

(c) Delegates for Areas Subject to a Sub-Association. The Delegate and Alternate Delegate for a Delegate District subject to a Sub-Association shall be the President, any Vice President, the Secretary or the Treasurer of the Sub-Association. The Board of Directors of the Sub-Association shall select the officers who will serve as the Delegate and Alternate Delegate after the first annual meeting of the members of the Sub-Association in accordance with the provisions of the Supplemental Declaration and/or Bylaws for the Sub-Association.

(d) Delegate and Alternate Delegate for Areas Not Subject to Sub-Association. As to all portions of the Community which are not an Apartment Area or which are not subject to a Sub-Association, the Delegate and Alternate Delegate that are the successors to the initial appointed Delegate and Alternate Delegate shall be selected in accordance with the procedures and requirements set forth herein. In all cases, the candidates must satisfy the eligibility requirements set forth in subsection (e) below.

(1) Solicitation of Candidates to Serve as the First Elected Delegates and Alternate Delegates. Within six (6) months after the first Close of Escrow for the sale of a Lot or Condominium in a Delegate District that is not an Apartment Area or subject to a Sub-Association, the Members in such Delegate District (other than Declarant and all Merchant Builders) shall elect their Delegate and Alternate Delegate. At the time that the Board appoints the initial Delegate, the Board may, at its discretion, either (i) concurrently appoint a nominating committee for such Delegate District that shall solicit candidates from among the Members of such District who are willing to serve as its first elected Delegate and Alternate Delegate; or (ii) delegate the task of soliciting candidates who are willing to serve as its first elected Delegate and Alternate Delegate for such District to the property manager for the Community. The nominating committee or the property manager to whom the task of soliciting candidates to serve as the first elected Delegate and/or Alternate Delegate has been delegated is referred to herein as the "Delegate Candidate Solicitor."

(2) Appointment of the Delegates by the Board of the Master Association. If the Delegate Candidate Solicitor is unable to identify at least two (2) eligible Members of a Delegate District who are willing to serve as the first elected Delegate and/or Alternate Delegate, the Board of the Master Association shall appoint the Delegate and/or Alternate Delegate to represent such Delegate District.

(3) Election of the Delegates. If the Delegate Candidate Solicitor identifies two (2) or more eligible Members who are willing to serve as the first elected Delegate and/or Alternate Delegate, the Delegate Candidate Solicitor shall request the Secretary of the Master Association to call a meeting of the Members of the Delegate District (other than Declarant and all Merchant Builders) in accordance with the provisions of Section 11 below for the sole purpose of electing such Delegate and/or Alternate Delegate. The Board shall adopt procedures that provide the candidates a reasonable opportunity to communicate their qualifications and reasons for candidacy to Class A Members within their respective District and to solicit votes. The Delegate Candidate Solicitor shall

conduct the election as provided herein. The Delegate and/or Alternate Delegate shall be elected by a majority of a quorum of the Members of such District (other than Declarant and all Merchant Builders) who are in attendance at a duly called and noticed meeting of the Members of such Delegate District either in person or by proxy. Alternatively, such Delegate and/or Alternate Delegate may be elected by written ballot without a meeting of the Members of such District if conducted in accordance with the provisions of Section 11 below. Each Class A Member of the Delegate District shall have the number of votes specified in Section 2 above. Election by written ballot shall be valid only when the total number of votes cast by ballot within the time period specified equals or exceeds the quorum which is required to be present at a meeting of the Members of the Delegate District (other than Declarant and all Merchant Builders), as more particularly described in Section 11(e) below. The candidate receiving the greatest number of votes cast shall be elected as the Delegate and the candidate receiving the second greatest number of votes cast shall be elected as the Alternate Delegate. The Delegate Candidate Solicitor shall certify in writing to the Board of the Master Association, the name and address of the Delegate and/or Alternate Delegate elected, the time and place of the meeting or election, and the Delegate District which the Delegate and Alternate Delegate represent. The Master Association shall not be obligated to recognize any Delegate or Alternate Delegate, or the votes or written assents cast by them, unless the Master Association has first received written confirmation of such election from the Delegate Candidate Solicitor.

(4) Appointment of the Delegate and Alternate Delegate by the Board of Directors. Notwithstanding the provisions of this subsection (d), if a majority of a quorum of the Members of a Delegate District (other than the Declarant and all Merchant Builders) shall vote in the affirmative, the Members of such Delegate District may confer the right and power to appoint the initial elected and/or any successor Delegate and Alternate Delegate for such Delegate District to the Board of Directors of the Master Association. Upon receipt of notice of such affirmative vote, the Board shall thereafter appoint the Delegate and Alternate Delegate to represent such Delegate District until such time as a

majority of a quorum of the Members of such Delegate District (other than the Declarant and all Merchant Builders) vote to reassume such right and power. Without limiting the foregoing, the Board of Directors shall have the right and power, at any time, to appoint the Delegate and Alternate Delegate for any Delegate District if there are less than two (2) candidates who are willing to serve as the Delegate for such District. Any Delegate or Alternate Delegate appointed by the Board may be removed at any time by the Board and a successor Delegate or Alternate Delegate shall be appointed by the Board.

(e) Eligibility Requirements for Delegates. The Declarant's Delegate and Alternate Delegate must be an employee or authorized agent of the Declarant. The Delegate and Alternate Delegate for an Apartment Area must be the Owner, an employee or an authorized agent of the Owner of such Apartment Area. All other Delegates and Alternate Delegates representing the Members (other than Declarant and the Merchant Builders) in a Delegate District must each be an Owner of a Lot or Condominium in the respective Delegate District and must be in "good standing" with the Master Association (and with the respective Sub-Association, if applicable) as set forth in subsection (h) below.

(f) Term of Office of Delegates.

(1) Declarant's Delegate. The Declarant's Delegate and Alternate delegate shall serve at the discretion of the Declarant.

(2) Delegate for an Apartment Area. The Delegate and Alternate Delegate for an Apartment Area shall serve at the discretion of the Owner of such Apartment Area.

(3) Delegates for Sub-Association. The term of office for the Delegate and Alternate Delegate representing Members subject to a Sub-Association shall be coincident with such Delegate's term of office as an officer of the Sub-Association.

(4) Delegates for Areas Not Subject to a Sub-Association. Subject to the vacancy provisions set forth below, the term of office for each Delegate and Alternate representing the Members in a District not subject to a Sub-Association shall be two (2) years and shall commence on the day the Delegate (or Alternate)

is elected by the Members (or is appointed by the Board) as provided in this Section, and shall continue for said two (2) year term or until a successor has been elected (or appointed) as provided herein, whichever is later. The successor Delegate and Alternate Delegate shall be elected by the Class A Members in the District (or appointed by the Board of the Master Association) in accordance with the provisions of this Section and Section 11 below.

(5) Consecutive Terms. Delegates may serve consecutive terms of office, whether as a Delegate, Alternate Delegate or combination thereof.

(g) Vacancies. The office of a Delegate (and Alternate Delegate) shall be deemed vacant if the Delegate (or Alternate Delegate) dies, resigns, sells his Lot or Condominium, is removed by the vote of the Members of the Delegate District (or is removed by the Board if the Delegate [or Alternate Delegate] was appointed by the Board), is judicially declared mentally incompetent, or fails to satisfy the eligibility requirements set forth hereinabove. Such vacancies shall first be filled by the Alternate Delegate, but if there is no Alternate Delegate, the Board shall appoint a Delegate and/or Alternate Delegate until such office(s) are filled by a special election by the Members of the Delegate District in accordance with the provisions of this Article. Subject to the eligibility and vacancy requirements, each Delegate and Alternate Delegate shall serve the remainder of the unexpired term of his predecessor. An officer of a Sub-Association serving as a Delegate or Alternate Delegate shall be deemed removed concurrently with his removal as an officer of the Sub-Association.

(h) Good Standing. In order to be eligible to serve as a Delegate (or Alternate Delegate), a Member must be in "good standing" with the Master Association (and with his respective Sub-Association, if applicable). "Good Standing" means that the Member has been current in the payment of Assessments for eleven (11) of the last twelve (12) consecutive months, and was not been in willful violation of the Master Association Documents within the past twelve consecutive months.

Section 10. Voting by the Delegates.

(a) Representative System. All meetings of the Master Association shall be attended by the Delegates (or Alternate Delegates, as applicable) representing

and casting the votes of the Members of their respective Delegate Districts (other than Declarant and the Merchant Builders) and by Declarant's Delegate (or Alternate Delegate) representing and casting the votes attributable to Declarant and the Merchant Builders, as provided herein. Members who are not Delegates may attend and observe any meeting of the Master Association (to the extent of the permissible capacity of the meeting room), but may not participate in any of the deliberations of the Delegates at that meeting or in the voting by the Delegates on any matter whatsoever. Delegates must act personally at a meeting of the Delegates of the Master Association or by written ballot, and may not act by proxy. If a Delegate is not present at a duly called meeting of the Delegates, then the Alternate Delegate for such absent Delegate may attend the meeting and exercise all rights and powers and cast the votes to which the absent Delegate would be entitled. If the Alternate Delegate is also not present at a duly called meeting of the Delegates, the Board of Directors may appoint any member of the Delegate District who is in attendance to serve as an "Interim Acting Delegate" solely for such meeting to exercise all rights and powers and cast the votes to which the absent Delegate would be entitled. If the previously absent Delegate (or Alternate Delegate) should arrive prior to the adjournment of any such meeting, the Alternate Delegate (or Interim Acting Delegate) shall no longer be entitled to act in the place of such Delegate (or Alternate Delegate); provided that such relinquishment of authority by the Alternate Delegate (or Interim Acting Delegate) shall not invalidate any matter previously voted or acted upon by such Delegate in his temporary capacity as the Delegate.

(b) Number of Delegate Votes. At a meeting of the Master Association, each Delegate shall be entitled to cast the voting power attributable to the Members in such Delegate District in accordance with the provisions of Section 2 hereinabove; provided however, no voting rights are attributable to the Members of a Lot or Condominium who are not in good standing with the Master Association, (and/or their respective Sub-Association) whereby their voting rights have been suspended after Notice and Hearing; and provided further that only the Declarant's Delegate shall cast the votes attributable to the Declarant (and the Merchant Builders) as provided herein. The Delegate for a Delegate District consisting of an Apartment

Area shall cast the votes applicable to such Apartment Area as provided in the Article herein entitled "Apartment Areas."

(c) Voting Procedures. Except as otherwise provided hereinbelow, Delegates representing the Members (other than Declarant and the Merchant Builders) may not exercise any discretion when casting the votes attributable to their respective Delegate District, unless the Delegate has been authorized to act on behalf of a Member pursuant to a proxy. Each Delegate is intended to be a vote carrier for the Members (other than Declarant and the Merchant Builders) in his respective Delegate District. Accordingly, (i) whenever a matter is designated in a notice of a meeting as an item that must be approved by the vote or written assent of Delegates representing a specified percentage of the membership or total voting power of the Master Association, (ii) whenever the Master Association Documents require that any matter or action be approved by the vote or written assent of Delegates representing a specified percentage of the membership or total voting power of the Master Association, and/or (iii) whenever Directors are to be elected, (individually referred to as a "Voting Proposal"), the Voting Proposal shall first be submitted to the vote of the Members in each Delegate District as set forth in Section 11 below. After such vote by the Members in each District, the Delegate shall cast all of the votes he represents "for" or "against" the Voting Proposal (or for the individual candidates, in the case of the election of Directors). In determining the number of votes to be cast by the Delegate, the following procedures shall govern:

(1) Votes Cast by Members. The number of votes cast by the Members who actually voted at the meeting of the Members of the Delegate District as described in Section 11 hereinbelow, whether in person, by proxy or written ballot, "for" or "against" the Voting Proposal (or for individual candidates, in the case of the election of Directors) shall be cast by the Delegate in precisely the same numbers as cast by such Members.

(2) Votes for Absentee Members. The votes attributable to absentee Members (i.e., Members who did not cast a vote in person, by proxy or written ballot) shall not be cast by the Delegate "for" or "against" the Voting

Proposal and shall not be considered in determining the votes cast by the Delegate.

(3) Abstentions. Abstentions shall not be considered in determining the votes cast by the Delegate.

(4) Cumulative Voting. The election of Directors shall be by cumulative voting when more than one (1) Director is to be elected. Cumulative voting rights may be exercised only by the Members and not by the Delegates. The Delegate shall cast all of the votes he represents for the individual candidates in precisely the same numbers as cast by the Members.

(5) Discretionary Action by the Delegates. At a meeting of the Delegates, any matter that was not included in the notice of the meeting, but which may be properly presented at the meeting for action, may be decided by the Delegates without the prior vote or written assent of the Members of their respective Delegate Districts if the decision to take action is approved by Delegates representing at least seventy-five percent (75%) of the total voting power of the Master Association; provided however, in all events any decision to increase Regular Assessments by more than twenty percent (20%) above the maximum Regular Assessment for the preceding fiscal year, to levy any Special Assessment, to discuss the commencement of a legal action pursuant to California Civil Code 1375 or any other action for alleged defects in the design and/or construction of any Improvements within the Community, and/or to materially amend the Master Association Documents as provided in Article XV hereinbelow entitled "Mortgagee Protection" shall require prior direction from the Members of the Delegate Districts.

(d) Meetings of the Master Association. All of the provisions regarding the meetings of the Master Association (including, but not limited to, regular and special meetings, notice of meetings, quorum requirements, etc.) are set forth in the Bylaws of the Master Association.

Section 11. Meetings of the Members of the Delegate Districts. Meetings of the Members of the Delegate Districts shall be duly called and noticed by the Secretary of the Master Association in accordance with the provisions of this Section. The Delegate

or Alternate Delegate shall act as the chairman for all meetings with the Members of the Delegate District and shall designate a secretary to take minutes of the meeting of the Members of the Delegate District. The Members of the Delegate District may take action by vote or written assent at such meeting or by action without a meeting as provided herein.

(a) Calling of Meetings. As to each Delegate District which is not an Apartment Area or subject to a Sub-Association, the Secretary of the Master Association shall duly call and give notice of meetings of the Members of the Delegate Districts not more than ninety (90) days prior to the termination of the Delegate's term of office to either: (i) nominate candidates for the office of Delegate and Alternate Delegate to represent the Members of the Delegate District; or (ii) authorize the Board to appoint the Delegate and Alternate Delegate, if the Members of such Delegate District have not previously conferred the right and power to appoint the Delegate and Alternate Delegate to the Board as provided above. Additionally, as to each Delegate District which is not an Apartment Area or subject to a Sub-Association, the Secretary of the Master Association shall duly call and give notice of meetings of the Members of the Delegate Districts not more than thirty (30) days prior to the termination of the Delegate's term of office to elect the Delegate and Alternate Delegate if two (2) or more candidates are seeking to be elected as the Delegate to represent the Members of the Delegate District. Further, as to each Delegate District which is not an Apartment Area or subject to a Sub-Association, the Secretary of the Master Association shall duly call and give notice of meetings of the Members of the Delegate Districts as directed by the Board to vote upon Voting Proposals.

(b) Notice of Meetings. Written notice of the meeting shall be sent to each Member of record and to each Eligible Mortgagee Holder at least five (5) days prior to such meeting; provided however, notice of the meeting to elect the Delegate and Alternate Delegate for the District need not be given to Declarant or to any Merchant Builder. The mailing of notice, postage prepaid, in the manner provided in this Section, shall be considered notice served two (2) business days after said notice has been deposited in a regular depository of the United States mail. Such notice

shall state the place, date and time of the meeting and the matters to be acted upon by the Members of the Delegate District.

In the case of the election of the Delegate and/or Alternate Delegate, the notice to Members shall identify the candidates. The nomination of candidates from the floor of the meeting of the Members of the Delegate District is permissible. The Board shall establish procedures which provide reasonable opportunity to the candidates to communicate their qualifications and reasons for candidacy to the Members of their Delegate District and to solicit votes. Cumulative voting shall not be required for the election of the Delegate and/or Alternate Delegate.

In the case of Voting Proposals (including the election of Directors to the Board), the notice shall include, a description of the particular Voting Proposal (including the names of all candidates for Directors of the Board, in the case of the election of Directors), and in the case of the election of Directors, a statement that cumulative voting procedures shall be followed for all elections of Directors where more than one (1) Director is being elected. The nomination of candidates for Directors of the Board from the floor of the meetings of Members in the Delegate Districts is not permissible.

(c) Special Meetings. A special meeting of the Members of a Delegate District shall be promptly called by the Secretary of the Master Association as provided in the Bylaws or herein or as directed by a majority of a quorum of the Board; or upon written request from (i) Declarant, for so long as Declarant is a Class B or Class C Member; (ii) the Merchant Builder for such Delegate District, if the Merchant Builder is a Class B Member; or (iii) the Delegate representing such Delegate District and the Members in the Delegate District having not less than five percent (5%) of the voting power within such Delegate District attributable to Members other than Declarant and any Merchant Builders. To be effective, such written request shall be delivered to the President or to the Secretary of the Master Association. The Board shall then cause at least ten (10) days notice to be given to all Members in such Delegate District (including Declarant and any Merchant Builders) that a meeting will be held at a time and place fixed by the Board not less than ten (10) days, nor more than thirty (30) days after receipt of the written request. The

notice of the special meeting shall specify the general nature of the business to be undertaken and that no other business may be transacted.

(d) Proxies. Every Member entitled to attend, vote at or exercise consents with respect to any meeting of the Members in any Delegate District may do so either in person or by proxy, duly executed in writing and filed with the Delegate prior to the meeting to which it is applicable. A proxy shall afford the Member the opportunity to specify a choice between approval and disapproval of each Voting Proposal or group of Voting Proposals to be acted upon, and in the cases of the election of the Delegate (and Alternate) or the election of the Directors of the Master Association, the preferred candidate(s). The proxy shall provide that where a Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it shall be valid. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (i) the conveyance by the Owner of his Lot or Condominium; (ii) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of the issuance of the proxy; or (iii) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy.

(e) Member Voting Rights. Voting by the Members at Delegate District meetings shall be by secret written ballot. The right to vote in any Delegate District may not be severed from the ownership of the Lot or Condominium to which it is appurtenant, except that any Member may give a revocable proxy as provided above, or may assign his right to vote to a contract purchaser, a lessee, employee or tenant actually occupying his Lot or Condominium or to the Mortgagee of the Lot or Condominium concerned, for the term of the lease or Mortgage. Any sale, transfer or conveyance of a Lot or Condominium to a new Owner or Owners shall operate automatically to transfer the appurtenant vote to the new Owner, subject to (i) any record date established by the Board as provided herein, and (ii) any outstanding assignment of the right to vote to a contract purchaser, lessee or Mortgagee as provided herein. When more than one (1) person or entity has an ownership interest in any Lot or Condominium, all such Owners shall be Members of the Delegate

District and may attend any meeting of the Members, but the vote attributable to the Lot or Condominium shall be exercised as they among themselves determine. Co-Owners of a Lot or Condominium may from time to time designate in writing one (1) of their number authorized to cast their vote. Fractional votes shall not be allowed, and the vote for each Lot or Condominium shall be exercised, if at all, as a unit. No vote shall be cast for any Lot or Condominium if the co-Owners present in person or by proxy are unable to agree as to how their vote should be cast. Unless the Delegate receives a written objection in advance from a co-Owner, it shall be conclusively presumed that the voting co-Owner is acting with the consent of all other co-Owners.

(f) Quorum. The presence, in person or by proxy, of Members representing at least twenty-five percent (25%) of the voting power attributable to Members other than Declarant and the Merchant Builders and twenty-five percent (25%) of the voting power attributable to Declarant and the Merchant Builders shall constitute a quorum for the transaction of business at a meeting of the Members of a Delegate District; provided however, the voting power attributable to Declarant and the Merchant Builders is not required to establish a quorum for a meeting of the Members of a Delegate District to elect their Delegate and/or Alternate Delegate. In the absence of a quorum at a meeting, a majority of those present, in person or by proxy, may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date. Except as may otherwise be required pursuant to the Master Association Documents, the quorum for such a meeting shall be at least fifteen percent (15%) of the necessary voting power(s) of the Delegate District present, in person or by proxy. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for the original meeting.

(g) Action Without a Meeting. Any action that may be taken by the Members of a Delegate District at a meeting of the Members may be taken without a meeting if the following requirements are satisfied:

(1) In the case of Voting Proposal other than the election of Directors where cumulative voting is required, the Secretary of the Master Association shall distribute to each Member of the Delegate District a written ballot in accordance with the provisions of Section 7513 of the California Corporations Code. In the case of the election of Directors where cumulative voting is required, the Secretary of the Master Association shall distribute to each Member of the Delegate District written instructions to the Delegate and proxy ("Delegate Instructions") by any means reasonably calculated to give notice to the Member (e.g., given personally, given by first-class mail [registered or certified] addressed to the Member at the address appearing on the books of the Master Association as the address for receipt of notices, or given by electronic mail, if requested by the Member). The ballot and the Delegate Instructions shall both provide a reasonable time within which to be returned.

(2) Each ballot and each Delegate Instructions shall set forth: (i) each proposed action, (ii) an opportunity to specify approval or disapproval of each proposed action (or in the case of the election of Directors, the candidate(s) voted for), (iii) a reasonable time within which to return the ballot or Delegate Instructions to the Master Association pursuant to applicable law in order to be counted, (iv) the number of responses needed to meet the quorum requirement for the Delegate District, and (v) the percentage of approvals necessary to approve each proposed action. Ballots and Delegate Instructions shall be solicited in a manner consistent with the requirements of Section 7511 and 7514 of the California Corporations Code, as same may be amended from time to time. The solicitation must specify the time by which the ballot or Delegate Instructions must be received in order to be counted.

(3) The proposed action taken by the Members without a meeting by written ballot shall be approved if (i) within the time period specified, the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and (ii) the number of approvals equals or exceeds the number of votes that would be required for approval at a

meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(4) The votes for Directors cast by the Members pursuant to the Delegate Instructions shall be cast by the Delegate at the meeting of the Master Association in accordance with the provisions of Section 10 above.

(5) A written ballot and a Delegate Instruction may not be revoked.

(6) All written ballots and all Delegate Instructions shall be filed with the Secretary of the Master Association and maintained in the corporate records.

Section 12. Record Date. The Board of Directors may fix a date as a record date for the determination of the Class A Members (other than Declarant and the Merchant Builders) entitled to notice of any meeting of the Members of the Delegate District. Any record date fixed by the Board shall ensure reasonable time to comply with all notice requirements set forth in the Master Association Documents. If the Board does not fix a record date for notice to Delegate District Members, the record date for notice shall be the close of business on the tenth (10th) business day preceding the day on which notice is to be given. In addition, the Board may fix a date in the future as a record date for the determination of the Members entitled to vote. The record date so fixed shall be not more than sixty (60) days prior to the date of the meeting. If the Board does not fix a record date for determining Members entitled to vote, Members on the day of the Delegate District meeting who are otherwise eligible to vote are entitled to vote at the meeting.

Section 13. Delegate Voting Reports. In order to verify compliance with the voting procedures set forth herein, the Declarant's Delegate and each other Delegate shall deliver to the Secretary of the Master Association at the meeting of the Delegates a certification containing the following information: (i) the total number of votes which such Delegate represents; (ii) the total number of votes cast by Declarant and/or the Merchant Builders "for" and "against" a Voting Proposal (or for individual candidates in the case of the election of Directors); and (iii) the total number of votes which were cast by the Members of the Delegate District "for" and "against" a Voting Proposal (or for individual candidates in the case of the election of Directors). The Secretary of the Master Association, or the person designated as the

inspector of the election, shall tabulate the total number of votes cast by all Delegates in each of the foregoing categories in order to determine whether the necessary approvals have been obtained. It will be conclusively presumed for purposes of all Master Association business that each Delegate (or Alternate Delegate or Interim Acting Delegate) casting votes on behalf of the Members in his Delegate District acted with the authority and consent of the Members in his respective District, and that Declarant's Delegate acted with the authority and consent of the Declarant and the respective Merchant Builders. All agreements and determinations lawfully made by the Master Association in accordance with the voting procedures established herein and in the Bylaws shall be deemed to be binding upon all Owners and their respective successors and assigns.

ARTICLE V

POWERS AND DUTIES OF THE MASTER ASSOCIATION

Section 1. Management Body. The Master Association is hereby designated as the management body of the Community, and the affairs of the Master Association shall be managed by the Board in accordance with the Bylaws of the Master Association. The initial Board shall be appointed by the incorporators or their successors. Thereafter, the Board shall be elected as provided herein and in the Bylaws.

Section 2. Powers. The Board, for and on behalf of the Master Association, shall have the right and power to perform all lawful acts which may be necessary to conduct, manage and control the affairs and business of the Master Association. Subject to the provisions of the Master Association Documents, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations, and shall have the specific powers to perform the following:

(a) Enforce the provisions of the Master Association Documents, and conduct disciplinary proceedings against Members for violations of the Master Association Documents in accordance with the Notice and Hearing procedures set forth in the Bylaws;

(b) Acquire and hold title, (whether in fee, by easement or leasehold) to the Master Association Property;

(c) Subject to the provisions of this Master Declaration and any Landscape Maintenance Agreement, maintain, repair, replace and reconstruct all Master Association Property and Maintenance Areas so as to keep same in a neat, clean, safe and attractive condition at all times, and pay for all utilities, maintenance and other necessary services for the Master Association Property and Maintenance Areas all as more specifically set forth in the Article herein entitled "Repair and Maintenance;"

(d) Maintain fire, casualty, liability and worker's compensation insurance coverage, fidelity bonds and other insurance coverage, as more particularly set forth in the Article herein entitled "Insurance;"

(e) Cause budgets and other financial statements for the Master Association to be regularly prepared and distributed to the Members as provided herein;

(f) Grant easements or licenses where necessary for utilities over the Master Association Property to serve all or any portion of the Community;

(g) Grant nonexclusive easements over portions of the Master Association Property in favor of a Sub-Association for the purpose of permitting the Sub-Association to perform its respective maintenance responsibilities;

(h) Execute lot line adjustments (and corresponding deeds); grant fee title to or easements over the Master Association Property to Declarant, a Merchant Builder, a Sub-Association, a Public Agency and/or a third party; and/or accept grants of fee title to or easements over real property from Declarant, a Merchant Builder, a Sub-Association, a Public Agency and/or a third party as provided in the Article herein entitled "Property Rights Regarding the Master Association Property and Reservations of Easements;"

(i) Levy and collect Assessments on all Lots and Condominiums in the Community for which Assessments have commenced in an amount sufficient to enable the Master Association to fully perform its duties under the Master Association Documents, and enforce payment of such Assessments in accordance with the terms and provisions set forth in the Article herein entitled "Nonpayment of Assessments: Remedies of the Master Association";

(j) Pay all taxes and special assessments which would be a lien upon the entire Community or the Master Association Property, and discharge any lien or encumbrance levied against the entire Community or the Master Association Property;

(k) Reconstruct all Master Association Property and Maintenance Areas which may be damaged or destroyed;

(l) Elect the officers of the Master Association and fill vacancies on the Board unless such vacancy was created by the removal of a Director by the Delegates;

(m) Engage the services of a professional property manager and/or management company to perform all or any portion of the duties and responsibilities of the Board with respect to administration of the Master Association;

(n) Engage the services of attorneys, accountants, architects, and other consultants as reasonably necessary and proper for the efficient operation of the Master Association, the enforcement of the Master Association Documents, or the performance of any other duties or exercise of any other rights of the Master Association;

(o) Enter into a maintenance and/or subsidy agreement made by and between the Master Association and the Declarant and/or a Merchant Builder for a term and on such conditions as are acceptable to the Board and the DRE for the purpose of reducing the any Assessments levied on Lots and Condominiums in the Community (including Lots and Condominiums owned by the Declarant and/or any Merchant Builder);

(p) In addition to the Master Association's rights to perform certain maintenance and repairs if a Sub-Association fails or refuses to perform such maintenance or repairs as required by a Supplemental Declaration, provide services to any Sub-Association on terms and conditions which are mutually agreeable to the Master Association and such Sub-Association. In any case, any such agreement shall be in writing and shall be executed by two (2) authorized officers of the Master Association and the Sub-Association pursuant to duly adopted resolutions of the Boards of Directors of the Master Association and the Sub-Association;

(q) Coordinate with each Sub-Association, to the maximum extent feasible, the contracting of maintenance of the Master Association Property with the contracting of maintenance of the Sub-Association Property by a Sub-Association (e.g., maintenance of the Master Association Property landscaped areas with the maintenance of the Sub-Association Property landscaped areas, etc.) and/or other goods and services, in order to maximize the efficient operation of the Master Association and the various Sub-Associations; and

(r) Adopt reasonable Rules and Regulations concerning the maintenance, improvement, use and/or occupancy of the Community;

(s) Delegate its powers to officers, committees, employees and agents as provided herein;

(t) Perform its obligations under any contract or other agreement entered into by the Master Association (including, without limitation, any Landscape Maintenance Agreement);

(u) Enter into any Lot or Condominium (including the Dwelling) when necessary in connection with maintenance or construction for which the Master Association is responsible;

(v) Maintain a website and provide internet services to the Owners and other residents within the Community;

(w) Provide social and/or educational events, activities and/or other opportunities for the Members; and

(x) Perform any and all other acts and things that a California nonprofit, mutual benefit corporation is empowered to do, which may be necessary, convenient or appropriate in the administration of its affairs for the specific purposes of carrying out its duties as set forth in this Master Declaration.

Section 3. Duties. The Board shall perform and execute the following duties on behalf of the Master Association:

(a) Provide, water, sewer, gas, electricity, garbage and trash collection, and other necessary services for the maintenance, repair and proper operation of the Master Association Property and Maintenance Areas;

(b) Provide insurance for the Master Association and its Members in accordance with the provisions of the Article herein entitled "Insurance;"

(c) Subject to the provisions of this Master Declaration and any Landscape Maintenance Agreement, maintain, irrigate, inspect, paint, repair, replace and/or restore (as applicable) all Master Association Property and Maintenance Areas so as to keep same in a neat, clean, safe, attractive, sanitary and orderly condition at all times as set forth in the Article herein entitled "Repair and Maintenance;"

(d) Pay all real and personal property taxes and assessments which the Master Association is required to pay for pursuant to the terms and provisions of this Master Declaration or by law, unless separately assessed to Owners; provided, however, that it shall be the obligation of each Owner to pay his respective share of the tax assessment levied on the Community prior to separate assessments by the County Tax Assessor pursuant to the applicable provisions of the California Revenue and Taxation Code;

(e) Contract for any other material, supplies, furniture, labor, services, maintenance, repairs, structural alterations and insurance which the Master Association is required to pay for pursuant to the terms and provisions of this Master Declaration or by law;

(f) Cause the following financial statements for the Master Association to be regularly prepared and distributed to each Member of the Master Association:

(1) A pro forma operating budget for each fiscal year shall be distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year, and shall contain all of the following information:

(i) An itemized estimate of the Master Association's revenue and expenses, determined on an accrual basis, together with a separate itemized estimate of the funds to be collected and expended for each Special Benefit Area;

(ii) A summary, printed in bold type, of the current status of the Master Association's reserves, based upon the most recent review or study conducted pursuant to California Civil Code Section

1365.5 ("Study"), as may be amended from time to time, setting forth the following:

(A) The current estimated replacement costs, estimated remaining life and the estimated useful life of the Master Association Property and Maintenance Areas, together with an explanation of the methods of funding being utilized by the Master Association to defray the costs of future repairs, replacements or additions to the Master Association Property and Maintenance Areas;

(B) As of the end of the fiscal year for which the Study was prepared, the current estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major Improvements to the Master Association Property and Maintenance Areas;

(C) As of the end of the fiscal year for which the Study was prepared, the accumulated cash reserves actually set aside to repair, replace, restore or maintain such major Improvements to the Master Association Property and Maintenance Areas; and

(D) The percentage that the accumulated cash reserves which have been set aside is of the current estimate of the amount of cash reserves which will be necessary.

A summary of the Master Association's reserves disclosed as provided herein shall not be admissible in evidence to show improper financial management of the Master Association, provided that other relevant and competent evidence of the financial condition of the Master Association is not made inadmissible by this provision;

(iii) A statement as to whether the Board has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major Improvements to the

Master Association Property and Maintenance Areas or to provide adequate reserves thereof; and

(iv) A general statement addressing the procedures utilized by the Master Association to calculate and establish reserves to defray the costs of future repairs, replacements, additions to the major Improvements to the Master Association Property and Maintenance Areas.

In lieu of distributing the pro forma operating budget required hereinabove to all Members, the Board may elect to distribute a summary of the pro forma operating budget to all Members with a written notice, in at least 10-point bold type on the front page, that the pro forma operating budget is available at the business office of the Master Association, or at another suitable location within the Community, and that copies will be provided upon request and at the expense of the Master Association. If any Member requests that a copy of the pro forma operating budget required herein be mailed to said Member, the Master Association shall mail the copy to the Member by first class mail at the expense of the Master Association within five (5) days of the receipt of said request.

A review of the Master Association's financial statement shall be prepared by a licensee of the California Board of Accountancy in accordance with generally accepted accounting principles for any fiscal year in which the gross income of the Master Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). If the review of the Master Association's financial statement is not prepared by an independent licensee of the California Board of Accountancy, said review shall be accompanied by a certificate from an authorized officer of the Master Association that the review was prepared from the books and records of the Master Association without an independent audit. An Eligible Mortgage Holder may have an audited financial statement prepared at its own expense. A copy of such review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year.

(2) A statement of the Master Association's policies and practices in enforcing its remedies against Members for nonpayment of Assessments, as set forth in the Article herein entitled "Nonpayment of Assessments: Remedies of the

Master Association," which shall be distributed within sixty (60) days prior to the beginning of the fiscal year.

(g) Review on at least a quarterly basis, the following:

- (1) A current reconciliation of the Master Association's operating accounts;
- (2) A current reconciliation of the Master Association's reserve accounts;
- (3) The current year's actual amounts collected as reserves and expenses compared to the current year's budget;
- (4) An income and expense statement for the Master Association's operating and reserve accounts; and
- (5) The most current account statements prepared by the financial institutions where the Master Association maintains its operating and reserve accounts.

The withdrawal of funds from any of the Master Association's reserve accounts shall require the signature of either: (i) two (2) members of the Board; or (ii) one (1) member of the Board and an officer of the Master Association who is not also a member of its Board. As used in this Section, "reserve account" means moneys that the Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components of the Master Association Property and Maintenance Areas which the Master Association is obligated to repair or replace on a periodic basis, rather than on a regular annual basis. The Board shall not expend funds collected and budgeted as "reserve" moneys for any purposes other than as permitted by California Civil Code Section 1365.5, as same may be amended from time to time. Further, all funds collected from a Special Benefit Area to cover such Area's Special Benefit Expenses shall be deposited into separate operating and reserve accounts for the benefit of such Special Benefit Area so as not to be commingled with other operating and reserve funds collected by the Master Association, shall be used solely for such Area and shall be used solely for the purpose for which such funds were collected. Notwithstanding the foregoing, the

Board is authorized to transfer interest earned in all reserves into the general operating account in order to satisfy income taxes payable on such interest income.

(h) At least once every three (3) years, cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components of the Master Association Property and Maintenance Areas as part of a study of the reserve account requirements for the Community if the current replacement value of such major components is equal to or greater than one half (½) of the gross budget of the Master Association (excluding the Master Association's reserve account for that period). The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of such review. The reserve study shall consider and include, at a minimum, the requirements set forth in Section 1365.5(e) of the California Civil Code, as the same shall be amended from time to time;

(i) Formulate, adopt, distribute and enforce Rules and Regulations as more particularly described hereinbelow;

(j) Assume and pay out of the Assessments provided for hereinbelow all costs and expenses incurred by the Master Association in connection with the performance and execution of all of the aforesaid powers and duties, and any other powers and duties the Master Association may assume;

(k) Give notices in writing to FHLMC, FNMA and GNMA, and other lenders and investors participating in the financing of the sale of Lots or Condominiums in the Community as required herein;

(l) Enforce all applicable provisions of the Master Association Documents pertaining to the ownership, use, management and control of the Community;

(m) Within ten (10) days of the mailing or delivery of a written request from an Owner, provide said Owner with: (i) a copy of the Master Association Documents; (ii) a true statement in writing from an authorized representative of the Master Association of the amount of the Master Association's current Regular and Special Assessments, as well as the amount of any delinquent Assessments, late

charges, interest and costs of collection (including attorney's fees) which as of the date of such statement are or may be made a lien on such Owner's Lot or Condominium; and (iii) a copy of the most recent pro forma operating budget distributed pursuant to California Civil Code Section 1365, as same may be amended from time to time. The Board may impose a fee for providing the foregoing, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents. In addition, the Board shall make available, during normal working business hours, upon request by any prospective purchaser of a Lot or Condominium, any Owner of a Lot or Condominium, any first Mortgagee and the holder(s), insurer(s) and guarantor(s) of a first Mortgage of any Lot or Condominium, current copies of the Master Association Documents and all of the books, records and financial statements of the Master Association;

(n) Elect the officers of the Master Association, fill any vacancies on the Board, except if such vacancy is created by the removal of a Director by the Delegates;

(o) Appoint the members to the various Committees formed by the Board (e.g., the Nominating Committee, the Design Review Committee, etc.) as more particularly set forth herein or in the Bylaws;

(p) Cause a summary of the provisions of Section 1354 of the California Civil Code, as same may be amended from time to time, regarding alternative dispute resolution prefiling requirements and which specifically reference Section 1354, to be prepared and annually distributed to each Member of the Master Association. The summary shall be provided either at the time the pro forma operating budget is distributed as provided herein or in the manner specified in Section 5016 of the California Corporations Code, as same may be amended from time to time;

(q) Maintain the structural Best Management Practices located on the Master Association Property and/or Maintenance Areas, perform the non-structural Best Management Practices to the extent applicable to the Master Association and enforce compliance by any Sub-Association and by the Owners and other residents within the Community with their respective structural and/or non-structural Best

Management Practices obligations, all as more particularly set forth in the Water Quality Management Plans;

(r) Comply with the provisions of California Civil Code Section 1375, as same may be amended from time to time, as provided hereinbelow;

(s) Comply with the provisions of California Civil Code Section 1365.1 and 1367.1 when collecting delinquent Assessments;

(t) Distribute the written notice required by Section 1365.1 of the California Civil Code to each Member of the Master Association during the sixty (60) day period immediately preceding the beginning of the Master Association's fiscal year; notwithstanding the foregoing, unless otherwise required by law, nothing herein shall be interpreted or construed to require the Master Association to adopt a payment plan program for the payment of delinquent Assessments, however, if a payment plan program is adopted by the Board, such program shall be applied in a uniform and non-discriminatory manner;

(u) Cause summaries of the Master Association's fire and casualty insurance policy, comprehensive general liability insurance policy, earthquake and flood insurance policy (if one has been issued) and liability coverage policy for the directors and officers of the Master Association complying with the provisions of Section 1365 of the California Civil Code, as same may be amended from time to time, to be distributed to each Member of the Master Association within sixty (60) days preceding the beginning of the Master Association's fiscal year, that includes all of the following information about each policy: (i) the name of the insurer; (ii) the type of insurance; (iii) the policy limits of the insurance; and (iv) the amount of any deductibles. The Board shall, as soon as reasonably practical, notify the Members by first class mail if any of the policies have lapsed, been cancelled, and are not immediately renewed, restored or replaced, or if there is a significant change in coverage (e.g., a reduction in coverage or limits, or an increase in the deductible). If the Master Association receives any notice of non-renewal of a policy described herein, the Board shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. The summary of

insurance coverage required herein shall contain the statement required by Section 1365 (e)(4) of the California Civil Code, as same may be amended from time to time;

(v) Maintain in good condition at all times the blue reflective markers installed on the private streets within the Community which indicate the location of the fire hydrants;

(w) Perform its obligations under any contract or other agreement entered into by the Master Association (including, without limitation, any Landscape Maintenance Agreement); and

(x) Periodically review and revise the Maintenance Guidelines as the Board may deem reasonable and prudent to adjust to the changing needs of the Community.

Section 4. Financial Statements for Special Benefit Areas. The Board shall (i) cause appropriate financial statements for each Special Benefit Area to be regularly prepared and distributed to each Member of such Special Benefit Area; and (ii) review on at least a quarterly basis the applicable accounts and statements pertaining to such Special Benefit Area. The Board shall perform the foregoing duties concurrently with its performance of its duties described in Section 3, subsections (f) and (g) hereinabove, and shall apply the requirements and procedures set forth therein to each Special Benefit Area.

Section 5. Repair of Damage to the Master Association Property. Notwithstanding the Master Association's duty to maintain the Master Association Property and Maintenance Areas, if after prior Notice and Hearing, the Board determines that any maintenance, repair or replacement is necessary due to the willful or negligent acts or omissions of any Owner, his family, tenants, lessees and/or their respective guests or invitees (or a Sub-Association), the Board shall assess the cost of such maintenance, repair and/or replacement as a Damage Reimbursement Assessment against such Owner (or Sub-Association).

Section 6. Limitations on Contracts. Except as otherwise provided herein, no contract entered into by the Master Association or the Board, acting for and on behalf of the Master Association, may run for a term longer than one (1) year, except with the vote or written assent of Delegates representing a majority of the total voting power of the Master Association and Delegates representing a majority of the votes attributable to Members other than the Declarant and the Merchant Builders.

Section 7. Delegation of Duties. In the event that the Master Association shall delegate any or all of its duties, powers or functions to any person, corporation or firm to act as manager, neither the Master Association nor the members of the Board shall be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated.

Section 8. Right of Entry for Emergency. The Board, any person authorized by the Board or any Owner, may enter into any Dwelling in the event of any emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Master Association shall repair the same at its expense.

Section 9. Right of Entry. The Board, or any person authorized by the Board, shall have the right, after reasonable notice, to enter onto any Lot or Condominium to effect necessary repairs which the Owner has failed to perform (or which are necessary in connection with the repairs to the Master Association Property or an adjoining Lot or Condominium) or to bring such Lot or Condominium into compliance with the Master Association Documents. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Master Association shall repair the same at its expense.

Section 10. Limitations on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of Delegates representing a majority of the voting power of the Master Association residing in Members other than the Declarant and Merchant Builders:

(a) Entering into a contract with a third person, wherein the third person will furnish goods or services for the Master Association Property, the Maintenance Areas or the Master Association for a term longer than one (1) year, with the following exceptions:

(1) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate;

(2) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the policy permits for short-rate cancellation by the insured;

(3) Agreements for cable television, satellite, telecommunication, data and/or broadband services and equipment of not to exceed ten (10) years duration, provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect interest of ten percent (10%) or more;

(4) Agreements for the sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration, provided that the supplier or suppliers are not entities in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(5) A contract for a term not to exceed three (3) years that can be terminated by the Master Association within one (1) year without cause, penalty or other obligation upon ninety (90) days written notice of termination to the other party; and

(6) A contract to engage services for the Mitigation Areas or to engage any services required to comply with any condition of approval imposed by a Public Agency.

(b) Incurring aggregate expenditures for capital improvements to the Master Association Property in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year;

(c) Selling during any fiscal year property of the Master Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year;

(d) Paying compensation to members of the Board, to the officers of the Master Association or to the Delegates for services performed in the conduct of the Master Association's business; provided, however, the Board may cause a director, officer and all Delegates to be reimbursed for actual expenses incurred in carrying on the business of the Master Association; or

(e) Filling a vacancy on the Board created by the removal of a Director by the Delegates.

Section 11. Licenses, Easements and Rights of Way. The Board, for and on behalf of the Master Association, is authorized and empowered to grant such licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains and other utility purposes over those portions of the Master Association Property upon which no building or other similar structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Master Association Property (including, but not limited to, maintenance of the Master Association Property in accordance with the Fuel Modification Zones Maintenance Guidelines and the Environmental Documents) or for the preservation of the health, safety, convenience and welfare of the Owners. Such licenses, easements and rights-of-way may be granted at any time prior to twenty-one (21) years after the death of the individuals who have signed this Master Declaration, and their issue who are in being as of the date hereof, and the right to grant such licenses, easements and rights-of-way is hereby expressly reserved.

Section 12. New Improvements. Except as otherwise provided in this Master Declaration, the Master Association may construct new Improvements to the Master Association Property or demolish existing Improvements, provided that in the case of any Improvement, addition or demolition involving a total expenditure in excess of five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year, the written consent or vote of Delegates constituting a quorum and casting a majority of votes as to the maximum total cost therefor shall first be obtained, and provided that no Lot or Condominium shall be altered or damaged by any such demolition or construction without the consent of the Owner thereof. The Board shall levy a Special Assessment on all Owners in the Community for the cost of such work. For purposes of this Section, a quorum shall mean Delegates representing more than fifty percent (50%) of the Lots or Condominiums in the Community. Notwithstanding the foregoing, if the new Improvements or the demolition of existing Improvements relates to Special Benefit Improvements, only the vote or written consent of Delegates representing a majority of Owner's within such Special Benefit Area need be obtained, and the Board shall levy a Special Assessment solely on the Owners in the respective Special Benefit Area for the cost of such work.

Section 13. Master Association Rules and Regulations. The Board shall have the power to adopt, amend and repeal Rules and Regulations, as it deems reasonable, which

may include the establishment of a system of fines and penalties enforceable as Compliance Assessments. The Rules and Regulations shall govern such matters in furtherance of the purposes of the Master Association, including, without limitation, the use and operation of the Master Association Property and Maintenance Areas; placement of signs; parking restrictions and enforcement in compliance with Section 22658.2 of the California Vehicle Code, as same may be amended from time to time; trash collection; minimum standards for maintenance of Lots and Condominiums consistent with Maintenance Guidelines and the Design Guidelines, and any other matters which are within the jurisdiction of the Master Association. Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Master Declaration. Rules and Regulations described in Section 1357.120 of the California Civil Code shall be adopted, amended and repealed in accordance with the procedures set forth in Section 1357.130 of the California Civil Code, and the Board's action may be reversed in accordance with the procedures set forth in Section 1357.140 of the California Civil Code; provided however, that a reversal of the Board's action shall require the approval of a majority of the Class A Members and shall also require the approval of the Declarant for so long as Declarant or any Merchant Builder owns any portion of the Annexable Property. A copy of the Rules and Regulations as they may be adopted, amended or repealed, from time to time, or a notice setting forth the adoption, amendment or repeal of any Rule or Regulation, shall be delivered in writing to each Owner, shall be posted in a prominent location within the Master Association Property and shall be placed on file in the principal office of the Master Association. The Rules and Regulations shall be binding on the Owners and their successors in interest, and all other residents within the Community whether or not actually received thereby. The Rules and Regulations as adopted, amended or repealed, shall be available at the principal office of the Master Association to each Owner upon request. In the event of any conflict between any such Rules and Regulations and any provisions of the other Master Association Documents, the provisions of the Rules and Regulations shall be deemed to be superseded.

Section 14. Resolution of Disputes. Except as otherwise provided in this Section, all disputes between or among (i) the Master Association, (ii) any Sub-Association, (iii) any Owner(s), and/or (iv) the "Developer Parties" (as defined herein) which arise out of, relate to, or are in any way connected with the Master Association Documents or the Community shall be resolved as provided in this Section. For purposes of this Section, the term "Developer

Parties” shall mean and refer to the Declarant, all Merchant Builders, and their respective shareholders, directors, officers, employees, contractors, subcontractors, consultants, agents and representatives.

(a) Utilization of Alternative Dispute Resolution Procedures. The Master Association, any Sub-Association, each Owner of a Lot or Condominium in the Community, and Declarant, for and on behalf of itself and all of the Developer Parties, acknowledge and agree that the utilization of alternative dispute resolution (“ADR”) procedures (including, without limitation, mediation, arbitration and judicial reference) pursuant to this Master Declaration in lieu of traditional civil litigation is in accordance with the philosophy and intent of the Federal Arbitration Act (9 U.S.C. Sections 1 through 16) which is designed to encourage the use of alternative methods of dispute resolution that avoid costly and potentially lengthy traditional court proceedings. Parties interpreting this Section shall follow the federal court rulings which provide, without limitation, that the Federal Arbitration Act (i) is a congressional declaration of a liberal federal policy favoring arbitration agreements as an alternative dispute resolution procedure, notwithstanding substantive or procedural state policies to the contrary; (ii) requires that federal and state courts rigorously enforce agreements to arbitrate; (iii) requires the scope of this alternative dispute resolution agreement be interpreted broadly in favor of arbitration; and (iv) requires disputes over whether an issue is arbitrable be resolved in favor of arbitration. Specifically, this Section is to be interpreted in accordance with federal court rulings. References herein to California Code Sections are not intended to be, and shall not be interpreted to be, a waiver of rights created under the Federal Arbitration Act.

(b) Authority of the Board of Directors Regarding Resolution of Disputes. The Board, for and on behalf of the Master Association, is authorized and empowered to initiate, defend, join in, settle and pay costs and expenses incurred in connection with any legal proceedings (including any ADR proceedings), as the Board, in its sole discretion, deems appropriate in connection with any dispute between or among: (1) the Master Association and any Owner(s); (2) the Master Association and any Sub-Association; (3) the Master Association and any of the Developer Parties; (4) the Master Association and any other person or entity; (5) any

Owner and any of the Developer Parties; and (6) any Owner and another Owner. Such disputes may pertain to, among other things, (i) the interpretation and/or enforcement of the Master Association Documents; (ii) damage to any Improvements to the Master Association Property and/or Maintenance Areas; and (iii) damage to the Lots and/or Condominiums which arises out of, or is integrally related to, any damage to the Master Association Property and/or Maintenance Areas. The Board is also authorized and empowered to perform any act reasonably necessary to resolve any such dispute through ADR proceedings.

(c) Specific Dispute Resolution Procedures for Certain Disputes.

(1) Disputes Between Declarant and A Merchant Builder. All disputes between Declarant and a Merchant Builder shall be resolved solely in accordance with the documentation whereby the Merchant Builder purchased property in the Community from Declarant.

(2) Disputes Involving the Declarant, the Master Association, the Master Association Property and/or Maintenance Areas. Except where prohibited by law and except as otherwise expressly set forth herein, all disputes that involve in any way or to any extent the Declarant (excluding disputes between the Declarant and a Merchant Builder as Owners), the Master Association, the Master Association Property and/or the Maintenance Areas shall be resolved in accordance with the judicial reference provisions set forth in subsection (e) below. Notwithstanding the foregoing, any disputes between the Master Association and any Owner (including Declarant and any Merchant Builder) regarding delinquent Assessments may be resolved as provided in the Article herein entitled "Nonpayment of Assessments; Remedies of the Master Association" (including, without limitation, the commencement of a civil action for judicial foreclosure of the assessment lien). Additionally, any dispute between the Master Association and the Declarant regarding the enforcement of a completion bond for the Master Association Property shall be resolved in accordance with the instructions accompanying such completion bond and with the provisions of the Article herein entitled "Enforcement of Bonded Obligations."