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AMENDMENT AND RESTATEMENT OF
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
RANCHO HIGHLANDS

A Master Planned Community

TABLE OF CONTENTS

ARTICLE I	DEFINITIONS.....3
	1. Additional Declaration.....3
	2. Annexation Property.....3
	3. Apartment Area.....3
	4. Architectural Control Committee.....3
	5. Architectural Standards.....3
	6. Articles.....3
	7. Assessments.....3
	8. Board.....4
	9. By-Laws.....4
	10. CSA.....4
	11. CSA Maintained Areas.....4
	12. Common Area.....4
	13. Common Expenses.....5
	14. Community Association.....5
	15. Community Association Maintenance Areas.....5
	16. Condominium.....6
	17. Condominium Project.....6
	18. County.....6
	19. Declarant.....6
	20. DRE.....6
	21. Improvements.....6
	22. Lot.....7
	23. Master Declaration.....7
	24. Member.....7
	25. Merchant Builder.....7
	26. Mortgage.....7
	27. Mortgagee.....7
	28. Mortgagor.....7
	29. Notice and Hearing.....8
	30. Notice of Annexation.....8
	31. Owner.....8
	32. Phase.....8
	33. Planned Development.....8
	34. Project.....8
	35. Property.....8
	36. Residence.....9
	37. Rules and Regulations.....9
	38. Sub-Association.....9
	39. VA/FHA.....9
	40. Application of Definitions.....9
ARTICLE II	GENERAL PLAN OF DEVELOPMENT.....9
	1. Introduction.....9
	2. Rights and Obligations of Owners.....10
	3. Declarant's Control of Development.....11
	4. Non-Liability of Declarant.....11
ARTICLE III	RESERVATION OF EASEMENTS AND OTHER PROPERTY RIGHTS IN THE COMMON AREA.....12
	1. Owners' Easements.....12
	2. Limitations on Owners' Easement Rights.....12
	3. Delegation of Common Area Use Rights.....14
	4. Waiver of Use.....14
	5. Easements for Parking.....14
	6. Easements for Vehicular and Pedestrian Traffic.....15
	7. Easements for Unintentional Encroachments.....15
	8. Easements for Utilities.....15
	9. Easements for Maintenance of the Common Area.....16
	10. Easements for Clustered Mailboxes.....16

	11. Easements Over Sidewalks.....	16
	12. Easements for Drainage.....	17
	13. Title to the Common Area.....	17
	14. Easements for Construction and Sales.....	17
	15. Reservation of Construction Rights by Declarant and Merchant Builders.....	17
	16. Reservation of Common Area Easements.....	18
ARTICLE IV	THE COMMUNITY ASSOCIATION.....	19
	1. Membership.....	19
	2. Classes of Membership.....	19
	3. Voting.....	20
	4. Vesting of Voting Rights.....	21
	5. Suspension of Voting Rights.....	21
	6. Transfer.....	21
	7. Proxies.....	21
ARTICLE V	POWERS AND DUTIES OF THE COMMUNITY ASSOCIATION.....	22
	1. Management Body.....	22
	2. Powers.....	22
	3. Duties.....	24
	4. Establishment of County Service Area; Annexation of Common Area to the CSA.....	28
	5. Repair of Willful Damage to the Common Area.....	28
	6. Limitations on Contracts.....	28
	7. Delegation of Duties.....	28
	8. Right of Entry for Emergency.....	28
	9. Right of Entry for Repairs.....	29
	10. Limitations on Board Action.....	29
	11. Licenses, Easements and Rights of Way.....	30
	12. New Improvements.....	30
	13. Community Association Rules and Regulations.....	30
ARTICLE VI	ASSESSMENTS.....	31
	1. Creation of the Lien and Personal Obligation of Assessment.....	31
	2. Purpose of Regular Assessments: Levy and Collection.....	32
	3. Regular Assessments - Basis.....	32
	4. Special Assessments.....	34
	5. Special Benefits Assessments.....	34
	6. Notice and Quorum For Any Action Authorized Under Sections 3 and 4.....	35
	7. Date of Commencement of Regular Assessments: Due Dates.....	35
	8. Certification of Payment.....	35
	9. Delivery by Owner.....	36
	10. Delivery of Statement.....	36
	11. Reserves.....	36
	12. Offsets and Waiver Prohibited.....	36
	13. Exempt Property.....	37
ARTICLE VII	EFFECT OF NON-PAYMENT OF ASSESSMENTS: REMEDIES OF THE COMMUNITY ASSOCIATION.....	37
	1. Effect of Non-Payment of Assessments: Remedies of the Community Association....	37
	2. Notice of Delinquent Assessments.....	37
	3. Foreclosure Sale.....	38
	4. Curing of Default.....	38
	5. Cumulative Remedies.....	38
	6. Mortgagee Protection.....	38

ARTICLE VIII	USE RESTRICTIONS.....	39
	1. Private Single Family Dwelling.....	39
	2. Common Area Use.....	39
	3. Conduct Affecting Insurance.....	39
	4. Liability for Damage to the Common Area.....	39
	5. Signs.....	40
	6. Maintenance of Animals Within the Project.....	40
	7. Quiet Enjoyment.....	40
	8. Structural Changes.....	41
	9. Improvements.....	41
	10. Windows.....	41
	11. Commercial Activity.....	41
	12. Parking.....	41
	13. Regulation of Parking.....	42
	14. Vehicle Usage in Common Area.....	42
	15. Open Parking.....	42
	16. Compliance With Management Documents.....	42
	17. Declarant's Improvements.....	42
	18. Solar Heating Systems.....	43
	19. Antennas.....	43
	20. Leasing.....	43
	21. Drilling.....	43
	22. Trash.....	43
	23. Drainage.....	44
	24. Water Softeners.....	44
	25. Further Subdivision.....	45
	26. Sub-Association Use Restrictions.....	45
ARTICLE IX	ARCHITECTURAL CONTROL - APPROVAL.....	45
	1. Exemptions From Architectural Control.....	45
	2. Architectural Control.....	45
	3. Architectural Control Committee.....	46
	4. Meetings of the Architectural Control Committee.....	47
	5. Architectural Approval - Review of Plans and Specifications.....	47
	6. Decisions of the Architectural Control Committee.....	48
	7. No Waiver of Future Approvals.....	48
	8. Compensation of Members.....	49
	9. Variances.....	49
	10. Inspection of Work.....	49
	11. Non-Liability of Architectural Control Committee Members.....	50
	12. Appeal.....	50
ARTICLE X	REPAIR AND MAINTENANCE.....	50
	1. Repair and Maintenance by the Community Association.....	50
	2. Relationship With Sub-Associations.....	51
	3. Repair and Maintenance by Owners.....	52
	4. Damage and Destruction Affecting a Residence - Duty to Rebuild.....	52
ARTICLE XI	DAMAGE OR DESTRUCTION TO THE COMMON AREA AND COMMUNITY ASSOCIATION MAINTENANCE AREAS.....	53
	1. Restoration of Damaged Common Area and Community Association Maintenance Areas.....	53
	2. Election by Owners Not to Restore Damaged Common Area and Community Association Maintenance Areas.....	54

	3.	Retention of Excess Insurance Proceeds in General Fund.....	54
	4.	Notice to Owners and Mortgagees.....	54
	5.	Requirements of FHLMC, FNMA and VA/FHA.....	54
	6.	Damages by Owners.....	55
	7.	Notification by Community Association of Defects.....	55
ARTICLE XII		CONDEMNATION.....	55
	1.	Distribution of Awards - Common Area or Community Association Maintenance Areas.....	55
	2.	Board of Directors as Attorney-in-Fact.....	55
ARTICLE XIII		COVENANT AGAINST PARTITION.....	56
	1.	Covenant Against Partition.....	56
ARTICLE XIV		INSURANCE.....	56
	1.	Required Insurance Coverage.....	56
	2.	Optional Insurance Coverage.....	57
	3.	Notice of Cancellation of Insurance.....	57
	4.	Annual Review of Coverage.....	58
	5.	Waiver by Owners.....	58
	6.	Premiums, Proceeds and Settlement.....	58
	7.	Rights and Duties of Owners to Insure.....	58
	8.	Trustee for Policies.....	59
	9.	Compliance With Requirements of FHLMC, FNMA and VA/FHA.....	59
ARTICLE XV		MORTGAGEE PROTECTION.....	60
	1.	Mortgagee Protection Provisions.....	60
	2.	Violation of Mortgagee Protection Provisions.....	63
ARTICLE XVI		ANNEXATION OF ADDITIONAL PROPERTY.....	64
	1.	Annexation Pursuant to Approval.....	64
	2.	Annexation Pursuant to General Plan.....	64
	3.	Notice of Annexation.....	64
	4.	Effective Date of Annexation.....	65
	5.	Right of De-Annexation.....	65
ARTICLE XVII		ENFORCEMENT OF BONDED OBLIGATIONS.....	66
	1.	Enforcement of Bonded Obligations.....	66
ARTICLE XVIII		APARTMENT AREA OWNERSHIP.....	67
	1.	Delegation of Vote.....	67
	2.	Applicability of Master Declaration.....	67
	3.	Payment of Assessments.....	67
	4.	Delegation of Use.....	67
	5.	Conversion of Apartments.....	67
ARTICLE XIX		GENERAL PROVISIONS.....	68
	1.	Enforcement.....	68
	2.	Severability.....	69
	3.	Term.....	69
	4.	Construction.....	69
	5.	Singular Includes Plural.....	69
	6.	Amendments.....	70
	7.	Encroachments.....	72
	8.	Notices.....	72
	9.	Attorneys' Fees.....	72
	10.	Property Exemption.....	72

11. Conflicts Between Community Association
Management Documents and Sub-
Association Management Documents.....72
12. Additional Covenants in Favor
of the VA/FHA.....73

EXHIBITS

EXHIBIT "A"	Property
EXHIBIT "B"	Annexation Property
EXHIBIT "C"	CSA Maintained Areas
EXHIBIT "D"	Common Area
EXHIBIT "E"	Community Association Maintenance Areas

3236

AMENDMENT AND RESTATEMENT OF
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
RANCHO HIGHLANDS

THIS AMENDMENT AND RESTATEMENT OF MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS is made this 5th day of January, 1987, by KAISER DEVELOPMENT COMPANY, a California corporation ("Declarant"), and RANCHO HIGHLANDS ASSOCIATES, a general partnership ("First Merchant Builder").

W I T N E S S E T H:

A. Declarant, as the fee owner and master land developer of Rancho Highlands, previously executed and caused to be recorded that certain "Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Rancho Highlands" on June 27, 1986, as Instrument No. 148900, in Book 215, Pages 105, et seq., of Official Records of Riverside County, California ("Master Declaration"), covering certain Property as described in Exhibit "A" to this Master Declaration.

B. Subsequent to the recordation of the Master Declaration, First Merchant Builder acquired title from Declarant to that certain real property described in Exhibit "A" to this Master Declaration ("Property"). Declarant has retained title to all that certain real property described in Exhibit "B" to this Master Declaration ("Annexation Property"). The Property and the Annexation Property, and all Improvements located thereon, shall hereinafter be collectively referred to as the "Project."

C. Declarant and First Merchant Builder desire and intend to amend and restate the Master Declaration to bring the Master Declaration into full compliance with the requirements of the California Department of Real Estate and the Veterans Administration. For the convenience of Declarant, Merchant Builders and all Owners in Rancho Highlands, Declarant and First Merchant Builder desire to restate, in its entirety, this Master Declaration as more fully set forth hereinbelow.

D. Pursuant to Section 6(a) of Article XIX of this Master Declaration, this Master Declaration may be amended by Declarant prior to the close of escrow for the sale of a Lot or Condominium in the Project to a member of the public. As of the date of recordation of this instrument, no escrow has yet closed for the sale of a Lot or Condominium in the Project.

E. Declarant desires to develop Rancho Highlands as a master planned development, in accordance with Section 1351(k) of the California Civil Code, consisting of attached and detached single-family homes, condominiums and apartments, together with park areas, parkway and secondary bicycle and equestrian trail systems, open space areas and other improvements, as more fully described below.

F. Declarant intends that the development of the Project shall be consistent with the "Rancho Highlands Specific Plan No. 180," as it may be revised, amended or extended, from time to time, which was adopted by the Board of Supervisors for the County of Riverside on June 5, 1984. In addition, the development of the Project shall be consistent with the overall plan of development submitted to and approved by the Veterans Administration ("VA") and the Federal Housing Administration ("FHA").

G. Declarant deems it desirable to impose a general plan for the development, maintenance, improvement, protection, use, occupancy and enjoyment of the Project, and to establish, adopt and impose covenants, conditions and restrictions upon the Project for the purpose of enforcing, protecting and preserving the value, desirability and attractiveness of the Project.

H. Declarant deems it desirable for the efficient enforcement, protection and preservation of the value, desirability and attractiveness of the Project to create a corporation, to which shall be delegated and assigned the powers of: (1) owning, maintaining, managing and operating the Common Area (as herein after defined); (2) administering and enforcing said covenants, conditions and restrictions; and (3) collecting and disbursing the Assessments hereinafter created.

I. RANCHO HIGHLANDS COMMUNITY ASSOCIATION, a California nonprofit, mutual benefit corporation ("Community Association"), has been or will be incorporated under the laws of the State of California for the purpose of exercising the aforesaid powers.

J. Declarant and First Merchant Builder intend to convey the Project, and any and all portions thereof, subject to the covenants, conditions and restrictions set forth hereinbelow.

NOW, THEREFORE, Declarant and First Merchant Builder desire to amend and restate this Master Declaration as follows:

ARTICLE I
DEFINITIONS

Section 1. "Additional Declaration" shall mean and refer to any declaration of covenants, conditions and restrictions recorded by Declarant or any Merchant Builder, with Declarant's approval, which shall affect any Condominium Project or Planned Development, or other portion of the Project. The provisions of any such Additional Declaration shall not conflict with the terms and provisions set forth in this Master Declaration. In the event of such conflict, the terms and provisions of this Master Declaration shall control. The Additional Declaration may impose further covenants, conditions, restrictions, easements, reservations, liens and charges as Declarant or Merchant Builders, with Declarant's approval, shall deem advisable, taking into account the particular nature and requirements of the property. No Additional Declaration shall be recorded without the prior written consent of Declarant.

Section 2. "Annexation Property" shall mean and refer to all of that certain real property located in the unincorporated area of the County of Riverside, State of California, commonly known as "Rancho California," and more particularly described on Exhibit "B" to this Master Declaration, and to all Improvements constructed thereon, all or any part of which may be annexed to the Property as set forth in that Article herein entitled "Annexation of Additional Property."

Section 3. "Apartment Area" shall mean and refer to the real property which may be so classified in a Notice of Annexation (as provided herein), and which is developed with Improvements suitable for multi-family apartment use.

Section 4. "Architectural Control Committee" shall mean and refer to the architectural committee created pursuant to the Article herein entitled "Architectural Control - Approval."

Section 5. "Architectural Standards" shall mean and refer to the standards adopted, from time to time, pursuant to the Article herein entitled "Architectural Control - Approval."

Section 6. "Articles" shall mean and refer to the Articles of Incorporation of Rancho Highlands 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 7. "Assessments" shall be used as a generic term which shall mean and refer to the following:

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

(b) "Compliance Assessment" shall mean and refer to the charge against an Owner representing the costs incurred by the Community Association in the repair of any damage to the Common Area for which such Owner was responsible, the costs incurred by the Community Association in bringing such Owner and his Lot or Condominium into compliance with this Master Declaration, or any amount due the Community Association based upon disciplinary proceedings against an Owner in accordance with this Master Declaration; and

(c) "Special Assessment" shall mean and refer to the charge against an Owner and his respective Lot or Condominium representing a portion of the cost of reconstructing any damaged or destroyed portion or portions of the Common Area, of constructing or installing any capital improvements to the Common Area, or of taking any extraordinary action for the benefit of the Common Area or the membership of the Community Association pursuant to the provisions of this Master Declaration.

Section 8. "Board" shall mean and refer to the Board of Directors of the Community Association, elected in accordance with the By-Laws of the Community Association and this Master Declaration.

Section 9. "By-Laws" shall mean and refer to the By-Laws of the Community Association which have been, or will be, adopted by the Board, as such By-Laws may be amended, from time to time.

Section 10. "CSA" shall mean and refer to County Service Area 143, as adopted and established by the County of Riverside, California.

Section 11. "CSA Maintained Areas" shall mean and refer to that certain real property within the Project, and including without limitation, all vegetation, plantings, landscaping and irrigation equipment, to be maintained by the CSA. CSA Maintained Areas proposed to be included within the first Phase of the Project are more particularly shown and described on Exhibit "C" hereto. Additional CSA Maintained Areas may be designated in any Notices of Annexation recorded pursuant to the Article herein entitled "Annexation of Additional Property." The CSA shall have nonexclusive easements for access on, over and across all Lots, Common Area and Association Maintenance Areas necessary for the CSA to fulfill its maintenance responsibilities. The Exhibit is for illustrative purposes only. The "as built" condition of all CSA Maintained Areas shall be controlling.

Section 12. "Common Area" shall mean and refer to all the real and personal property, and Improvements which are owned at any time by the Community Association, or over which the Community Association has an easement for the use, care or maintenance.

nance thereof, for the common use, benefit and enjoyment of all Owners. The Common Area shall include, without limitation, any parks, "open spaces" (as such term is described in the Rancho Highlands Specific Plan No. 180), public rights-of-way, parkway areas, drainage swales, greenbelts, slopes, recreation areas, bike paths, equestrian trails, sidewalks or other designated hardscape Improvements, and such other Improvements as may be designated, from time to time, in one (1) or more Notices of Annexation. The Common Area in the Property is more fully described in Exhibit "D" to this Master Declaration. For purposes of this Master Declaration, the term "Common Area" shall not, unless expressly stated herein, include any portion of the Project for the primary benefit of or maintenance by Owners of Lots in a Planned Development or the Owners of Condominiums in a Condominium Project, and located within the jurisdiction of a Sub-Association.

Section 13. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Community Association for the following: (a) maintaining, managing, operating, improving, painting, repairing and replacing the Common Area, as more fully set forth herein; (b) funding reserve accounts for the periodic replacement and repair of Improvements to the Common Area; (c) managing and administering the Community Association, including, but not limited to, compensation paid by the Community Association to managers, accountants, attorneys and any Community Association employees; (d) providing utilities, landscaping and other services to the Common Area; (e) providing insurance, 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 levied against the Community Association, including real property taxes, if any; (h) reserves of the Community Association; and (i) paying for all other goods and services designated by, or in accordance with, other expenses incurred by the Community Association for the benefit of all Owners.

Section 14. "Community Association" shall mean and refer to Rancho Highlands Community Association, a California nonprofit, mutual benefit corporation, in which all Owners shall have a membership interest, as more particularly described hereinbelow, provided that membership shall be limited to Owners.

Section 15. "Community Association Maintenance Areas" shall mean and refer to certain real property located on Lots in the Project, and including, without limitation, all vegetation, plantings, landscaping and irrigation equipment located thereon, to be maintained by the Community Association. The Community Association Maintenance Areas in the first Phase of the Project are more particularly shown and described on Exhibit "E" hereto.

Additional Community Association Maintenance Areas may be designated in any Notices of Annexation recorded pursuant to the Article herein entitled "Annexation of Additional Property." The Community Association shall have nonexclusive easements for access on, over and across all Lots necessary for the Community Association to fulfill its maintenance responsibilities hereunder. The Exhibit is for illustrative purposes only. The "as built" condition for all Community Association Maintenance Areas shall be controlling.

Section 16. "Condominium" shall mean and refer to an estate in real property, as defined in Section 783 of the California Civil Code, consisting of an undivided fractional fee or leasehold interest as tenants in common of the common area, a separate interest in a Condominium Unit, and such exclusive and nonexclusive easements as may be conveyed to an Owner.

Section 17. "Condominium Project" shall mean and refer to one (1) or more Lots within the Project developed as Condominiums within the meaning of Sections 1350, et seq., of the California Civil Code, or any similar statute hereinafter enacted, and which is designated as such in an Additional Declaration.

Section 18. "County" shall mean and refer to the County of Riverside, California.

Section 19. "Declarant" shall mean and refer to Kaiser Development Company, a California corporation, and to any person or entity acquiring all of Declarant's interest in the Project (including all of Declarant's rights and obligations as created and established herein) pursuant to a written assignment from Declarant which is recorded in the Office of the County Recorder of Riverside County. For purposes of this Master Declaration, no Merchant Builder shall be deemed a "Declarant," as used in this Master Declaration.

Section 20. "DRE" shall mean and refer to the Department of Real Estate of the State of California, which administers the sale of subdivided lands pursuant to Sections 11000, et seq., of the California Business and Professions Code, or any similar California statute hereinafter enacted.

Section 21. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, Residences, buildings, recreational areas, tot lots, barbeque areas and related equipment, parks, parkway trails, swimming pools, spas, garages, carports, open parking areas, pavement, bicycle trails, equestrian trails, pedestrian trails, sidewalks, private streets, driveways, theme fences, Project perimeter walls, retaining walls, monument signs, patios, patio fencing, decks and deck railing, irrigation equipment and all related facilities, exterior air conditioning, soft water

fixtures, landscaping, drainage swales, landscaped street islands, exterior lighting, hedges, trees, poles and signs.

Section 22. "Lot" shall mean and refer to a plot of land as shown upon the recorded subdivision map affecting all or any portion of the Project, and to all Improvements, including the Residence, constructed thereon. Only those plots of land which are designed and intended for the construction of a Residence and ownership by an individual Owner shall be deemed "Lots." "Lot" shall further refer to a parcel of land developed as a rental apartment project containing one (1) or more apartment buildings. "Lot" shall not mean or refer to any Common Area or Condominium in the Project.

Section 23. "Master Declaration" shall mean and refer to this Amendment and Restatement of Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements recorded on the Project, and to all amendments to this Master Declaration recorded in the Official Records of Riverside County, California, which is recorded in compliance with Section 1353(a) of the California Civil Code.

Section 24. "Member" shall mean and refer to every person or entity who holds membership in the Community Association, as more particularly set forth in the Article herein entitled "The Community Association," including Declarant, so long as Declarant qualifies for membership pursuant to said Article.

Section 25. "Merchant Builder" shall mean and refer to any individual, partnership, joint venture, corporation or other entity, other than Declarant, to which Declarant conveys any portion of the Project or Annexation Property for the purpose of constructing Residences and related Improvements thereon for resale to the general public. Subject to the reservation of voting rights, as provided in the Article herein entitled "The Community Association," and the exemption from architectural control, as provided in the Article herein entitled "Architectural Control - Approval," a Merchant Builder shall be deemed to be an Owner of all Lots or Condominiums it owns and shall be subject to all of the rights and obligations of an Owner, as provided for in this Master Declaration, the Articles and the By-Laws; provided, however, that the term "Merchant Builder" shall not mean or refer to Declarant, its successors or assigns.

Section 26. "Mortgage" shall mean and include a duly recorded deed of trust, as well as a Mortgage encumbering a Lot or Condominium.

Section 27. "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.

Section 28. "Mortgagor" shall mean and refer to a person or entity who mortgages his or its property to another, i.e.,

the maker of a Mortgage, and shall include the trustor of a deed of trust.

Section 29. "Notice and Hearing" shall mean and refer to written notice and a hearing before the Board or the Architectural Control Committee of the Community Association, at which the affected Owner shall have an opportunity to be heard in the manner provided herein and in the By-Laws.

Section 30. "Notice of Annexation" shall mean and refer to those certain declarations of restrictions annexing one (1) or more Phases of the Annexation Property or Common Area to the Project, in accordance with the provisions of the Article herein entitled "Annexation of Additional Property," thereby subjecting such Phase(s) or Common Area to the terms and provisions of this Master Declaration, and bringing such Phase(s) or Common Area within the jurisdiction of the Community Association.

Section 31. "Owner" shall mean and refer to the record owner, or Owners if more than one (1), or the purchaser under a conditional sales contract of fee title to, or an undivided fractional fee or leasehold interest in, any Lot or Condominium in the Project. Declarant and any Merchant Builders are Owners, as more particularly set forth throughout this Master Declaration. The foregoing is not intended to include persons or entities who hold an interest in a Lot or Condominium merely as security for the performance of an obligation. The fee owner of a Lot on which apartment buildings are or may be constructed shall be deemed to be an "Owner," subject to the terms of this Master Declaration.

Section 32. "Phase" shall mean and refer to the Property or to one (1) or more Lots within the Annexation Property which are simultaneously annexed to the Project by the recordation of a Notice of Annexation in the Office of the County Recorder of Riverside County, and for which a Final Subdivision Public Report has been issued by the DRE.

Section 33. "Planned Development" shall mean and refer to one (1) or more Lots within the Project, other than a Condominium Project or a multi-family project in an Apartment Area, which may or may not be defined as a planned development in Section 1351(k) of the California Civil Code and Section 11003 of the California Business and Professions Code, or any similar California statute hereinafter enacted.

Section 34. "Project" shall mean and refer to the Property and to all Improvements, including the Residences, constructed thereon, and to all portions of the Annexation Property which are annexed to the Property in accordance with the provisions of this Master Declaration.

Section 35. "Property" shall mean and refer to all of that certain real property described in paragraph A of the recitals hereinabove.

Section 36. "Residence" shall mean and refer to the individual dwelling and the related Improvements which are constructed upon the same or a separate Lot, and which are designed and intended for use and occupancy by a single family, and shall include: (a) a Lot, together with the dwelling and other Improvements constructed or intended to be constructed thereon; (b) a Condominium; and (c) an apartment unit.

Section 37. "Rules and Regulations" shall mean and refer to the Rules and Regulations adopted by the Board pursuant to the By-Laws and this Master Declaration, as they may be amended, from time to time.

Section 38. "Sub-Association" shall mean any California nonprofit corporation or unincorporated association which is established to facilitate the operation of any Condominium Project or Planned Development, or other portion of the Project.

Section 39. "VA/FHA" shall mean and refer to the United States Veterans Administration and the Federal Housing Administration.

Section 40. Application of Definitions. The aforesaid definitions shall be applicable to this Master Declaration and to any supplements or amendments hereto, filed or recorded pursuant to the provisions of this Master Declaration, unless the context shall prohibit such application.

ARTICLE II

GENERAL PLAN OF DEVELOPMENT

Section 1. Introduction. Rancho Highlands has been designed by Declarant as a master planned community, which, when completed, may consist of as many as nine hundred twenty (920) Residences on approximately one hundred forty (140) acres, including attached and detached single-family Residences, Condominiums and apartments, together with various Common Area Improvements and related amenities. As of the date of recordation of this Master Declaration, however, Declarant anticipates that the Project will consist of approximately five hundred (500) Residences upon completion. The Project will be developed in accordance with the Rancho Highlands Specific Plan No. 180, more particularly described in the Recitals hereto, and will be in accordance with the general plan of development submitted to and approved by the VA/FHA.

As presently scheduled, Rancho Highlands is to be developed in a series of Phases over a period of approximately ten (10) years. Declarant intends to convey certain portions of the Annexation Property within Rancho Highlands to Merchant Builders for the purpose of constructing Residences and related improvements on such Lots, and marketing the same to members of the general public. Declarant or any Merchant Builder, with Declarant's

approval, at their option, may form one (1) or more Sub-Associations for the purposes of administering and maintaining those portions of the Annexation Property; provided, however, that the terms and provisions set forth in such Additional Declarations shall not conflict with the terms and provisions set forth in this Master Declaration. The Additional Declarations may impose such further terms and provisions as Declarant or Merchant Builders may deem advisable, taking into account the particular nature of the type of housing product and specific requirements of each such Phase of the Project. In the event of any conflict between any Additional Declaration and this Master Declaration, this Master Declaration shall control. The Sub-Association shall have local jurisdiction over all Lots in a Planned Development or Condominiums in a Condominium Project.

As each Planned Development or Condominium Project is developed, and any other Annexation Property developed with Residences where no Sub-Association shall be formed, Declarant or any Merchant Builder shall be obligated to annex such areas to the Project. Declarant, or with Declarant's prior consent, any Merchant Builder shall record a Notice of Annexation of said Phase which shall serve to impose the covenants set forth in this Master Declaration upon said Phase, and subject said Phase to the jurisdiction of the Community Association. The voting rights in the Community Association, and the obligations of Owners, including Declarant or any Merchant Builder, for the payment of Assessments levied by the Community Association shall be adjusted as set forth in the Notice of Annexation.

Section 2. Rights and Obligations of Owners. Each Owner of a Lot or Condominium in the Project shall automatically become a Member of the Community Association and shall be obligated for the payment of Assessments to the Community Association. In addition, each Owner, his family members, tenants and invitees will be entitled to the use and enjoyment of the Common Area of the Project, including that Common Area which may be annexed to the Project pursuant to the provisions of this Master Declaration. The Community Association shall be responsible for the ownership, maintenance and operation of the Common Area of Rancho Highlands, as may be designated in this Master Declaration or in any Notices of Annexation recorded in accordance with the provisions of this Master Declaration. The common area designated in Additional Declarations recorded on Planned Developments or Condominium Projects in Rancho Highlands shall be maintained by its respective Sub-Association; provided that, in the event that such Sub-Association shall not undertake such maintenance, the Community Association shall have the power to perform such maintenance and levy the costs thereof as a Compliance Assessment

against the Lots or Condominiums of owners in the offending Sub-Association.

Section 3. Declarant's Control of Development. Declarant shall have the sole discretion and control over all aspects of designing, constructing and completing all of the Common Area, and related amenities, in conformance with the plans and specifications approved by the VA/FHA. Declarant and any Merchant Builder shall have reasonable rights to maintain sales offices, model complexes, signs and displays on any portion of the Project for a period of ten (10) years from the conveyance of the first Lot or Condominium in the Property to a bona fide purchaser, or until all Lots or Condominiums in the last Phase of the Project are sold (and escrows closed), whichever occurs first, in order to market the sale, lease or other conveyance of Lots or Condominiums in the Project.

Section 4. Non-Liability of Declarant. The purpose of this Article is merely to describe the proposed general plan of development for the Project, and to describe the legal relationship between the Community Association and the Sub-Associations, and to describe the legal relationship between the Property and subsequent Phases which may be annexed to the Property. Without limiting the generality of the foregoing, nothing in this Section or elsewhere in this Master Declaration shall limit the right of Declarant or any Merchant Builders to complete construction of the Project, to alter same or to construct such additional Improvements as Declarant or any Merchant Builder shall deem advisable prior to the completion and sale of all Lots or Condominiums in the Project. Declarant may assign any or all of its rights under this Master Declaration to any successor to all or any part of Declarant's interest in the Project by an express written assignment recorded in the Office of the County Recorder of Riverside County.

ARTICLE III
RESERVATION OF EASEMENTS AND
OTHER PROPERTY RIGHTS IN
THE COMMON AREA

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Common Area. Said right and easement shall be appurtenant to and shall pass with title to every Lot or Condominium, subject to the limitations set forth in Section 2 below.

Section 2. Limitations on Owners' Easement Rights. The rights and easements of 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) The right of the Community Association to reasonably limit the number of guests of Owners using the Common Area and facilities located thereon;

(b) The right of the Community Association to establish and enforce reasonable Rules and Regulations pertaining to the use of the Common Area and all facilities located thereon;

(c) The right of the Community Association to suspend the voting rights and rights and easements of use and enjoyment of the Common Area of any Member, and the persons deriving such rights and easements from any Member for any period during which any Assessment against such Member's Lot or Condominium remains unpaid and delinquent; and after Notice and Hearing, 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 this Master Declaration or Rules and Regulations, it being understood that any suspension for either nonpayment of any Assessments or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligations to pay Assessments as provided herein;

(d) The right of the Community Association, in accordance with its Articles, By-Laws and this Master Declaration, to borrow money for the purpose of improving the Common Area and related Improvements with the assent of sixty-seven percent (67%) of the voting power of the Community Association, and/or, subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," to mortgage, pledge, deed in trust or otherwise hypothecate any or all of its real or personal property, as security for money borrowed or debts incurred;

(e) Subject to the terms and provisions of the Article herein entitled "Mortgagee Protection," the right of

the Community Association to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless approved by sixty-seven percent (67%) of the voting power of the Community Association, and a certificate executed by the President and the Secretary of the Community Association evidencing such approval shall be recorded in the Office of the County Recorder for Riverside County; provided, however, that the dedication or transfer of easements for utilities or for other public purposes consistent with the intended use of the Common Area, and the transfer, in fee or by lease, of CSA Maintained Areas to the CSA, shall not require the prior approval of the Members of the Community Association;

(f) The right of Declarant and any Merchant Builders (and their sales agents, representatives and customers) to the nonexclusive use of the Common Area, and the facilities located thereon, without charge for sales, display access and exhibit purposes, which rights Declarant hereby reserves; provided, however, that such use shall cease upon the date on which neither Declarant nor any Merchant Builder owns a Lot or Condominium in the Project, or the time limitations set forth in Article II, Section 3, hereof shall have elapsed, whichever shall first occur. Such use shall not unreasonably interfere with the rights of enjoyment of other Owners as provided herein;

(g) The right of the Community Association to grant concessions for snack bars and other commercial activities relating to the use and enjoyment of the Common Area by the Owners; provided that any such contract shall have an original term not exceeding one (1) year;

(h) The right of the Community Association, acting by and through its Architectural Control Committee, to enact uniform and reasonable Architectural Standards, in accordance with the Article herein entitled "Architectural Control - Approval";

(i) The right of the Community Association to reasonably restrict access to the Common Area;

(j) The right of the Community Association to perform and exercise its duties and powers as set forth herein;

(k) Other rights of the Community Association, the Architectural Control Committee, the Board, the Owners and Declarant with respect to the Common Area as may be provided for in this Master Declaration; and

(1) Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of the Common Area imposed by Declarant or by the County or other governmental agency having jurisdiction to impose any such limitations, restrictions or conditions, including, but not limited to, the rights of the County or such other governmental agency having jurisdiction to use their vehicles or appropriate equipment over those portions of the Common Area designed for vehicular movement to perform municipal functions or emergency or essential public services.

Section 3. Delegation of Common Area Use Rights. Subject to the rights reserved to the Community Association in Article III, Section 2(a) above, any Owner who resides within the Project may delegate, in accordance with the By-Laws, his rights of use and enjoyment to the Common Area, and any recreational facilities thereon, to the members of his immediate family and any other persons residing within his Residence. In the event an Owner has rented or leased his Residence, his rights of use and enjoyment to the Common Area, and any recreational facilities thereon, shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner shall forfeit any rights of use and enjoyment to the Common Area, and any recreational facilities thereon, for the duration of such tenancy. In the event of a conditional sales contract, the seller under the contract shall be deemed to delegate his rights of use and enjoyment to the Common Area, and any recreational facilities thereon, to the purchaser under the contract.

Section 4. Waiver of Use. No Owner may exempt himself from personal liability for Assessments duly levied by the Community Association, not release his Lot, Condominium or other property owned by him from the liens and charges imposed by the Community Association by waiver of the use and enjoyment of the Common Area, and any facilities thereon, or by abandonment of his Lot, Condominium or any other property in the Project.

Section 5. Easements for Parking. Temporary guest or recreational area parking shall be permitted within the Common Area only within spaces and areas clearly marked for such purpose. The Community Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Common Area in accordance with Section 22658 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement on public streets, including the removal of any violating vehicle by those so empowered.

Section 6. Easements for Vehicular and Pedestrian Traffic. In addition to the general right and easements for access, use and enjoyment granted herein, there shall be, and Declarant hereby covenants, for itself and its successors and assigns, that each and every Owner shall have a nonexclusive easement appurtenant to his Lot or Condominium for vehicular and pedestrian traffic over all private streets, drives and walkways within the Common Area.

Section 7. Easements for Unintentional Encroachments. In the event an Improvement to a Lot or Condominium is constructed, reconstructed or altered, in accordance with the terms and provisions of this Master Declaration, encroaches upon an adjacent Lot or Condominium by not more than two feet (2') due to unwillful placement, settling or shifting of the Improvement, there shall be an easement appurtenant to such Lot or Condominium on and over such adjacent Lot or Condominium for purposes of the encroachment.

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

(a) Each respective utility company shall maintain all utility facilities and connections on the Project 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 Community Association to maintain those facilities and connections located upon the Common Area.

(b) Wherever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project, 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 full extent necessary therefor, to enter upon such other Lot or Condominium, or to have the utility companies enter upon such other Lot or Condominium, to repair, replace and generally maintain said connections, cables and/or lines.

(c) Whenever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project, 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.

(d) 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, upon written request of one (1) of such Owners addressed to the Community Association, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

(e) Easements over the Project for the installation and maintenance of electric and telephone lines, water, gas, drainage and sanitary sewer connections and facilities, and television antenna cables and facilities, all as shown on the recorded map of the Project and as may be hereafter required or needed to service the Project, are hereby reserved by Declarant, together with the right to grant and transfer the same.

Section 9. Easements for Maintenance of the Common Area. In the event it becomes necessary for the Community Association to enter upon any Lot or Condominium for purposes of (a) maintaining the Common Area; or (b) bringing an Owner and/or his Lot or Condominium into compliance with this Master Declaration, in accordance with the provisions set forth herein, the Community Association, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon such Owner's Lot or Condominium for the performance of such work. 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 such entry, the Community Association shall repair the same at its expense. Notwithstanding the foregoing, in the event of an emergency, such right of entry shall be immediate.

Section 10. Easements for Clustered Mailboxes. In order to comply with the various requirements of the County and the United States Postal Service, mailboxes may be installed on certain Lots within the Project. Easements are hereby created on and over the affected Lots in favor of all Owners and the United States Postal Service for delivery and deposit of mail.

Section 11. Easements Over Sidewalks. Declarant hereby covenants for itself, its successors and assigns, that each and every Owner, his tenants and invitees shall have nonexclusive reciprocal easements appurtenant on and over all sidewalks lo-

cated on Lots within the Project for pedestrian access, use and enjoyment.

Section 12. Easements for Drainage. There are hereby created and reserved over each Lot in the Project easements for drainage according to the patterns for drainage created by the approved grading plans for the Project, as well as according to the actual, natural and existing patterns for drainage. Each Owner covenants and agrees that he shall not obstruct or otherwise interfere with said drainage patterns of waters from adjacent Lots in the Project over his Lot, or in the alternative, that in the event it is necessary and essential to alter said drainage pattern for the protection and use of his Lot, he will make adequate provisions for proper drainage.

Section 13. Title to the Common Area. Declarant hereby covenants, for itself, its successors and assigns, that it will convey to the Community Association fee simple title to, or a nonexclusive easement in, the Common Area, free and clear of all liens and encumbrances, except the lien and encumbrance of the CSA, subject to the Covenants set forth in this Master Declaration or which are of record at the time of the conveyance. Declarant or any Merchant Builder, following Declarant's approval thereof, will similarly convey to the Community Association, from time to time, in fee simple or by easement, any Common Area located in the Annexation Property which is designated in this Master Declaration or in any Notice of Annexation for conveyance to the Community Association. In the event that Improvements proposed to be constructed on any portion of the Common Area so annexed to the Project have not been completed, as evidenced by a "Notice of Completion" recorded in the Official Records of Riverside County, then 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 hereafter enacted.

Section 14. Easements for Construction and Sales. Declarant hereby reserves for itself and Merchant Builders, for a period of ten (10) years from the recordation of this Master Declaration or until all Lots or Condominiums in the Project are sold (and escrows closed), whichever occurs first, nonexclusive easements for access, ingress and egress on and over the Project to carry on normal sales activity, including the operation of models complexes and sales offices, and the display of promotional signs and exhibits in connection with the sale or lease of Lots or Condominiums in the Project.

Section 15. Reservation of Construction Rights by Declarant and Merchant Builders. In order that the Project be completed and established as a master planned community, nothing in this Master Declaration shall limit the right of Declarant and

any Merchant Builders to: (a) complete construction of any Improvements in the Project; (b) redesign or otherwise modify the Improvements owned by Declarant and any Merchant Builders; (c) construct such additional Improvements on any portion of the Project owned by Declarant and any Merchant Builders; or (d) otherwise control all aspects of designing the Project or selling or leasing of Lots or Condominiums in the Project. Furthermore, nothing in this Master Declaration shall limit the right of Declarant and any Merchant Builders to establish additional licenses, easements and rights-of-way in favor of Declarant or any Merchant Builders, utility companies or others as may, from time to time, be reasonably necessary for the development of the Project. The foregoing rights established and reserved by Declarant and any Merchant Builders shall be subject only to the applicable regulations and requirements of the County, the VA/FHA and the DRE. The foregoing rights of Declarant and any Merchant Builders may be assigned to any successor to all or part of Declarant's and any Merchant Builder's interest in the Project by an express assignment recorded with the County Recorder of Riverside County. Such rights shall terminate at such time as neither Declarant nor any Merchant Builder owns a Lot or Condominium in the Project, or the time constraints set forth in Section 3, Article II, of this Master Declaration shall have expired.

Section 16. Reservation of Common Area Easements. Declarant hereby reserves the right to grant nonexclusive easements over the Common Area in favor of Owners of any Annexation Property which is annexed to the Project pursuant to this Master Declaration, and upon the recordation of a Notice of Annexation affecting the Annexation Property, the Owners described in this Master Declaration shall automatically obtain nonexclusive easements over all Common Area which is a part of said Annexation Property. The foregoing rights of Declarant and Merchant Builders shall be subject to the time limitations set forth in Article II, Section 3, of the Master Declaration.

ARTICLE IV

THE COMMUNITY ASSOCIATION

Section 1. Membership. Every person or entity who is an Owner, as defined in Article I above, shall be a Member of the Community Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot or Condominium in the Project merely as security for the performance of an obligation. All memberships in the Community Association shall be appurtenant to the Lot or Condominium owned by each Member, and memberships in the Community Association shall not be assignable, except to the person or entity to whom the title to the Lot or Condominium has been transferred. Membership in the Community Association shall be in addition to membership in any Sub-Association responsible for operating any Planned Development or Condominium Project in Rancho Highlands. Ownership of such Lot or Condominium shall be the sole qualification for membership in the Community Association. The memberships in the Community Association shall not be transferred, pledged or alienated in any way, except upon the transfer of title to said Lot or Condominium, and then only to the purchaser or Mortgagee of such Lot or Condominium. Any attempt to make a prohibited membership transfer shall be void and will not be reflected in the books of the Community Association. The Community Association may levy a reasonable transfer fee against new Owners and their Lots and Condominiums (which fee shall be a Compliance Assessment chargeable to such new Owner) to reimburse the Community Association for the administrative cost of transferring the memberships to the new Owners on the records of the Community Association.

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

Class A. Class A Members shall be all Owners, with the exception of Declarant and Merchant Builders. Each Class A Member shall be entitled to one (1) vote for each Lot or Condominium, and with respect to an Owner of a multi-family Lot developed as rental apartments within an Apartment Area, one (1) vote for every three (3) apartment units included within any such multi-family Lot. If the allocation of votes to an Owner within such multi-family Lot creates a fraction, then the Class A Member shall cast one (1) entire vote for such fraction. Declarant shall become a Class A Member with respect to Lots, Condominiums or apartments owned or voted by Declarant upon the conversion of Declarant's Class B membership, as provided below. The vote for such Lot, Condominium or apartment shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot or Condominium. The

Community Association shall not be required to recognize the vote or written assent of any such co-Owner, except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Community Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot or Condominium it owns, and for each Lot or Condominium for which a Merchant Builder holds an interest in said Lot or Condominium which would otherwise qualify the Merchant Builder as an Owner, as defined in Article I above. The Class B membership shall cease and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

(a) Two (2) years from the date of the original issuance of the most recent Final Subdivision Public Report by the DRE for the most recent Phase of the Project;

(b) Eight (8) years from the date of the first close of escrow for the sale of a Lot or Condominium in the first Phase of the Project; or

(c) December 31, 1994.

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

Section 3. Voting. Those Members appearing in the official records of the Community Association as record Owners of Lots or Condominiums shall be entitled to notice of any meeting of Members. If there is more than one (1) record Owner of any Lot or Condominium, any and all Members owning such Lot or Condominium may attend any meeting of the Members, but in no event shall more than one (1) vote be cast with respect to any such Lot or Condominium. In the event of any dispute as to the entitlement of any Member to vote or the results thereof, the Board shall act as arbitrators and a decision of the Board shall, if rendered in writing, be final and binding upon the Members; provided, however, that the Board shall have no jurisdiction to determine any

matters relating to the entitlement of Declarant to vote or the manner of the exercise of its vote.

Section 4. Vesting of Voting Rights. The voting rights attributable to any given Lot or Condominium in the Project, as provided for herein, shall not vest until the Assessments provided for hereinbelow have been levied by the Community Association against said Lot or Condominium.

Section 5. Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote at any meeting of the Members for any period during which such Owner is delinquent in the payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver of discharge of the Member's obligation to pay the Assessments provided for in this Master Declaration.

Section 6. Transfer. The Community Association membership held by any Owner of a Lot or Condominium shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Lot or Condominium. In the event of such sale, the Community Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot or Condominium, or to the Mortgagee (or third party purchaser) of such Lot or Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Community Association. The Community Association may levy a reasonable transfer fee against new Owners (which fee may be chargeable to such new Owners as a Compliance Assessment) to reimburse the Community Association for the administrative cost of transferring the memberships to the new Owners on the records of the Community Association.

Section 7. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (a) the conveyance by the Owner of his Lot or Condominium; (b) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of issuance of the proxy; or (c) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy.

ARTICLE V
POWERS AND DUTIES OF THE
COMMUNITY ASSOCIATION

Section 1. Management Body. The Community Association is hereby designated as the management body of the Project. The Members of the Community Association shall be the Owners in the Project, as provided herein, and the affairs of the Community Association shall be managed by a Board of Directors, as more particularly set forth in the By-Laws of the Community Association. The initial Board shall be appointed by the incorporator or its successor. Thereafter, the Board shall be elected as provided in said By-Laws.

Section 2. Powers. The Board, for and on behalf of the Community 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 Community Association. Subject to the provisions of the Articles, the By-Laws and this Master Declaration, the Board shall have all general powers authorized under the California Corporations Code for nonprofit, mutual benefit corporations, and shall have the following specific powers:

(a) Enforce the provisions of this Master Declaration, and all contracts or any agreements to which the Community Association is a party;

(b) Acquire title, manage, maintain, repair and replace all Common Area and Community Association Maintenance Areas, and Improvements located thereon, including all personal property, in a neat, clean, safe and attractive condition at all times, and to pay all utilities, gardening and other necessary services for the Common Area and Community Association Maintenance Areas, all as more specifically set forth in the Article herein entitled "Repair and Maintenance";

(c) Delegate and transfer to the CSA such maintenance obligations and necessary easements for access, ingress and egress as may be necessary to accomplish its obligations;

(d) Obtain, for the benefit of the Common Area and Community Association Maintenance Area, all commonly metered water, gas and electric services, and may provide for refuse collection and cable (or master antenna) television service;

(e) Grant easements or licenses where necessary for utilities and sewer facilities over, on and across the Common Area and Community Association Maintenance Areas to serve the Project;

(f) Grant nonexclusive easements over the Common Area and Community Association Maintenance Areas in favor of all Sub-Associations for the express purpose of permitting such Sub-Associations to perform their maintenance responsibilities pursuant to any Additional Declaration recorded by the Declarant or any Merchant Builder;

(g) Levy and collect Assessments on the Owners of all Lots or Condominiums in the Project in which Assessments have commenced, and enforce payment of such Assessments in accordance with the terms and provisions set forth in the Article herein entitled "Effect of Non-Payment of Assessments: Remedies of the Community Association";

(h) Pay all taxes and special assessments which would be a lien upon the entire Project or the Common Area and Community Association Maintenance Areas, and discharge any lien or encumbrance levied against the Project, the Common Area or the Community Association Maintenance Areas;

(i) Pay for reconstruction of any portion of the Common Area and Community Association Maintenance Areas damaged or destroyed;

(j) Employ and retain a professional 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 Community Association;

(k) Retain, if deemed appropriate by the Board, and pay for legal and accounting services necessary and proper for the efficient operation of the Community Association, enforcement of the Master Declaration, Rules and Regulations and Architectural Standards, or in performing any other duties or enforcing any other rights of the Community Association;

(l) Contract with Declarant, its successors or assigns, for the purpose of entry into any maintenance and/or subsidy agreement, made by and between Declarant and/or a Merchant Builder and the Community Association, for the purpose of reducing the financial obligations of Owners in the Project during the development of the Project;

(m) Enter into any Lot or Condominium when necessary in connection with maintenance or construction for which the Board is responsible; and

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

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

(a) Provide, water, sewer, gas, electricity, garbage and trash collection, and other necessary utility services for the Common Area and Community Association Maintenance Areas;

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

(c) Maintain and repair all portions of the Common Area and Community Association Maintenance Areas in a neat, clean, safe, attractive, sanitary and orderly condition at all times. In the event any maintenance or repairs to the Common Area and Community Association Maintenance Areas are required due to the willful or negligent acts or omissions of an Owner or Owners, the Community Association shall levy the cost of such maintenance and repair as a Compliance Assessment against the responsible Owner(s);

(d) In addition to all other provisions set forth herein respecting the maintenance of the Common Area and Community Association Maintenance Areas, maintain all street signs, monument signs, exterior surfaces of theme fences and walls, sidewalks and lighting facilities located within the Common Area and Community Association Maintenance Areas in a condition comparable to the condition initially approved by the County;

(e) Without limiting the generality of the foregoing, maintain and repair all Common Area and related Improvements, as set forth in the Article herein entitled "Repair and Maintenance," and as may be designated by Declarant or a Merchant Builder in any recorded Notice of Annexation;

(f) Pay all real and personal property taxes and assessments which the Community 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 Project prior to separate assessments by the Tax Assessor pursuant to the applicable provisions of the California Revenue and Taxation Code;

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

(h) Cause financial statements for the Community Association to be regularly prepared and copies distributed to each Member of the Community Association, regardless of the number of Members or the amount of assets of the Community Association:

(1) A pro forma operating statement (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 the following information:

(i) An itemized estimate of the Community Association's revenue and expenses, determined on an accrual basis;

(ii) The amount of the total cash reserves of the Community Association which are then currently available for the major repair or replacement of Improvements to the Common Area and Community Association Maintenance Areas, and for other contingencies;

(iii) An itemized estimate of the remaining useful life of the Improvements to the Common Area and Community Association Maintenance Areas, together with an explanation of the methods of funding being utilized by the Community Association to defray the costs of future repairs, replacements or additions to such Improvements; and

(iv) A general statement setting forth the procedures utilized by the Community Association to calculate and establish reserves to defray the costs of future repairs, replacements or additions to the Improvements to the Common Area and Community Association Maintenance Areas.

(2) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing for the first sale of a Lot or Condominium, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of Assessments received, and receivable, identified by the number of the Lot or Condominium and the name of the person or entity assessed;

(3) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(i) A balance sheet as of the last day of the Community Association's fiscal year;

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

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

(iv) Any information required to be reported pursuant to Section 8322 of the California Corporations Code.

This annual report 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 Community Association exceeds Seventy-Five Thousand Dollars (\$75,000.00). However, if for any reason the report is not prepared by a licensee of the California Board of Accountancy, it shall be accompanied by the certificate of an authorized officer of the Community Association that the statements were prepared without audit from the books and records of the Community Association;

(4) A statement of the Community Association's policies and practices in enforcing its remedies against Members for nonpayment of Assessments, as set forth in the Article herein entitled "Effect of Non-Payment of Assessments: Remedies of the Community Association," which shall be distributed within sixty (60) days prior to the beginning of the fiscal year; and

(5) The Board shall review, on a quarterly basis, unless otherwise stated, the following:

(i) A current reconciliation of the Community Association's operating accounts;

(ii) A current reconciliation of amounts collected as reserves;

(iii) The current year's actual amounts collected as reserves and expenses compared to the current year's budget;

(iv) An income and expense statement for the Community Association's operating and reserve accounts; and

(v) On an annual basis only, the latest statements of account prepared by the financial institutions where the Community Association has its operating and reserve accounts.

(i) Assume and pay out of the Assessments provided for hereinbelow all costs and expenses incurred by the Community Association in connection with the performance and

execution of all of the aforesaid powers and duties, and any other powers and duties the Community Association may assume;

(j) Formulate, adopt and enforce such Rules and Regulations as it may deem proper for the operation of the Common Area. Notice of adoption of any such Rules and Regulations and of any change, amendment or repeal thereof, shall be given in writing to each Member, shall be posted in a prominent place within the Common Area and shall be placed on file in the principal office of the Community Association. In the event of any conflict between such Rules and Regulations and this Master Declaration, this Master Declaration shall prevail;

(k) Enforce all applicable provisions of this Master Declaration, the Articles, By-Laws and such Rules and Regulations of the Community Association and of all other documents pertaining to the ownership, use, management and control of the Project;

(l) Give notices in writing to the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA), and other lenders and investors participating in the financing of the sale of Lots or Condominiums in the Project, as required herein; and

(m) Within ten (10) days of the mailing or delivery of a written request from an Owner, provide said Owner with a copy of this Master Declaration, the Rules and Regulations, and the By-Laws and Articles for the Community Association, together with a true statement in writing as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges therein as provided by this Master Declaration or other management documents of the Board as of the date of such request. 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 Condominiums, 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 this Master Declaration, the Articles, the By-Laws, the Rules and Regulations governing the Lot or Condominium and all of the books, records and financing statements of the Community Association.

Section 4. Establishment of County Service Area; Annexation of Common Area to the CSA. As of the recordation of this Master Declaration, Declarant is involved with the County in negotiations for the formation and establishment of a "County Service Area" (or similar special district), whereby certain portions of the Common Area might be annexed to and incorporated within such Area. In the event that the County Service Area is so formed, and upon written notice to the Community Association of such formation, the Community Association is hereby empowered with the obligation to convey, in fee or by lease, to the County Service Area all those portions of the Common Area as shall be designated by Declarant and the authorized representatives of the County Service Area, without the vote or written assent of the voting power of the Community Association. The Board shall thereafter have the power and duty to adjust the Regular Assessments accordingly to reflect the diminished operating costs and expenses on account of the annexation. The Board shall have the further power and duty to notify all Owners in the Project of the annexation of the Common Area to the County Service Area.

Section 5. Repair of Willful Damage to the Common Area. Notwithstanding the Community Association's duty to maintain the Common Area, in the event that the maintenance, repair or replacement of any element of the Common Area becomes necessary due to the willful or negligent acts or omissions of any Owner, his family, guests or invitees, after prior Notice and Hearing, the Board shall assess the cost of such maintenance, repair and/or replacement as a Compliance Assessment against the Lot or Condominium owned by such Owner.

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

Section 7. Delegation of Duties. In the event that the Community Association shall delegate any or all of its duties, powers or functions to any person, corporation or firm to act as manager, neither the Community Association nor the members of its 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 any Lot or Condominium 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 Community Association shall repair the same at its expense.

Section 9. Right of Entry for Repairs. The Board, or any person authorized by the Board, shall have the right to enter, upon reasonable notice, 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 Common Area, or an adjoining Lot or Condominium. 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 Community 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 a majority of the voting power of the Community Association, and a majority of the votes residing in Members, other than the Declarant:

(a) Entering into a contract with a third person, wherein the third person will furnish goods or services for the Common Area or the Community 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 or satellite services and equipment of not to exceed five (5) years duration, provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect interest of ten percent (10%) or more;

(4) A management agreement, the terms of which have been approved by the VA/FHA; and

(5) A maintenance agreement or lease within the CSA for maintenance purposes of portions of the Common Area or Community Association Maintenance Areas.

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

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

(d) Paying compensation to Directors or to officers of the Community Association for services performed in the conduct of the Community Association's business; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Community Association; or

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

Section 11. Licenses, Easements and Rights of Way. The Board, for and on behalf of the Community 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 public utility purposes over those portions of the Common Area upon which no building or other structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Area, 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 Community Association may construct new Improvements or additions to the Common Area 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 Community Association for that fiscal year, the written consent or vote of a majority of the Owners (other than the Declarant) in the Project 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 Project for the cost of such work.

Section 13. Community Association Rules and Regulations. The Board shall also 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

Community Association, including, without limitation, the use of the Common Area, signs, parking restrictions and enforcement, trash collection, minimum standards for maintenance of Lots consistent with such standards as may be set forth in this Master Declaration or adopted by the Architectural Control Committee, and any other matter which is within the jurisdiction of the Community Association; provided, however, that the Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Master Declaration, the Articles or By-Laws. A copy of the Rules and Regulations as they may, from time to time, be adopted, amended or repealed, or a notice setting forth the adoption, amendment or repeal of specific portions of the Rules and Regulations, shall be delivered to each Owner. The Rules and Regulations shall have the same force and effect as if they were set forth in and were part of this Master Declaration, and shall be binding on the Owners and their successors in interest, whether or not actually received thereby. The Rules and Regulations, as adopted, amended or repealed, shall be available at the principal office of the Community Association to each Owner upon request. In the event of any conflict between any such Rules and Regulations and any other provisions of this Master Declaration, or the Articles or By-Laws, the provisions of the Rules and Regulations shall be deemed to be superseded.

ARTICLE VI

ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessment. The Declarant, for each Lot Condominium owned within the Project, hereby covenants, and each Owner of any Lot or Condominium, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Community Association: (a) Regular Assessments; (b) Special Assessments for capital improvements and such other purposes set forth herein; (c) Compliance Assessments, including, but not limited to, costs incurred by the Community Association in the repair of damage to the Common Area for which such Owner was responsible, and costs incurred by the Community Association in bringing such Owner and his Lot or Condominium into compliance with this Master Declaration; and (d) such other assessments as the Community Association may periodically establish. The Regular and Special Assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot or Condominium against which each such Assessment is made. Each Regular Assessment and each Special Assessment, together with interest, costs and reasonable attorneys' fees for the collection thereof, in accordance with Section

1366(c) of the California Civil Code, as the same may be amended, from time to time, shall also be the personal obligation of the Owner of such property at the time when the Assessment fell due. Each Compliance Assessment levied against an Owner, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be the personal obligation of the Owner of the property at the time of the Assessment. At no time shall the non-payment of a Compliance Assessment become a lien on an Owner's Lot or Condominium. The personal obligation for delinquent Assessments shall not pass to an Owner's successors in title, unless expressly assumed by them.

Section 2. Purpose of Regular Assessments: Levy and Collection. The Regular Assessments levied by the Community Association shall be used exclusively to promote the health, safety and welfare of the residents in the Project, and to maintain and improve the Common Area. The Community Association, by and through its Board, shall levy and collect Assessments from the Owner of each Lot or Condominium in the Project in an amount sufficient to cover all of the Common Expenses incurred by the Community Association in connection with the performance and execution of the powers and duties set forth in this Master Declaration, the By-Laws and Articles. Regular Assessments may be collected on a monthly installment basis.

Section 3. Regular Assessments - Basis. Regular Assessments payable to the Community Association shall be assessed equally against all Owners of Lots or Condominiums, with the exception of an Owner of a Lot in the Apartment Area, who shall be charged on the basis of one (1) Assessment for every three (3) apartment units included in the Lot. Regular Assessments shall mean the charge levied against each Owner of Lots or Condominiums in the Project representing such Owner's proportionate share of the estimated Common Expenses of the Community Association for any fiscal year.

(a) Range of Assessments. Regular Assessments shall be levied against the Owners of Lots and Condominiums in the first Phase of the Project in an amount set forth in the Community Association budget on file with the DRE. In connection with its preparation and submittal of budgets to the DRE, Declarant has established a "Range of Assessments," which, subject to the provisions set forth herein for adjustment, shall be applicable for all Phases of the Project annexed pursuant to Article XVI of this Master Declaration. The Range of Assessments has been established by calculating an initial "Minimum Authorized Regular Assessment," which represents the lowest Regular Assessment that may be established by the Board during the development of the Project for a given fiscal year of the Community

Association, and a "Maximum Authorized Regular Assessment," which represents the highest Regular Assessment that may be established by the Board for a given fiscal year of the Community Association. Creation of the Range of Assessments contemplates that upon the annexation of future Phases to the Project, the Board shall levy Regular Assessments which fall within the approved Range of Assessments which is noted in all Final Subdivision Public Reports issued by the DRE for such Phases. Neither the Declarant nor the DRE will undertake a review of the Community Association Budget for each Phase proposed to be annexed to the Project, unless the Regular Assessment proposed to be levied by the Board shall fall outside the approved Range of Assessments.

(b) Fluctuation of Regular Assessments. As additional Phases become subject to Assessment, and additional Common Area or Association Maintenance Areas are annexed to the Project, the Regular Assessments may be adjusted, upwards or downwards, subject to the limitations set forth in paragraph (c) below. To facilitate the orderly levy and collection of Regular Assessments, the Board may establish a "mean" monthly installment of the Regular Assessment at a level sufficient to defray the Common Expenses of the Community Association during the development of the Project.

(c) Limitations on Increases of Regular Assessments. The Board shall not levy, for any fiscal year of the Community Association, a Regular Assessment which exceeds the Maximum Authorized Regular Assessment for any given fiscal year. Until the first day of the fiscal year immediately following the initial fiscal year in which Regular Assessments commence, the Maximum Authorized Regular Assessment shall be as set forth in the Final Subdivision Public Report for the initial Phase of the Project. From and after the first day of the fiscal year immediately following the fiscal year in which Regular Assessments commenced, the Board shall have the power to increase the Maximum Authorized Regular Assessment ten percent (10%) above the Maximum Authorized Regular Assessment established by the Board for the immediately preceding fiscal year without the prior vote or written assent of the Members. Any increase in the Maximum Authorized Regular Assessment for a fiscal year which exceeds ten percent (10%) shall require the voting power of the Community Association residing in Members, other than Declarant. So long as Declarant or any Merchant Builders are offering Lots or Condominiums for sale, and pursuant to a Final Subdivision Public Report, the Regular Assessments may not be decreased below the Minimum Authorized Regular

Assessment, or increased above the Maximum Authorized Regular Assessment without the express written consent of Declarant. Nothing herein shall limit the Community Association, upon ratification by a majority of the Board, from entering into an agreement with Declarant, its successors and assigns, or any Merchant Builder to reduce or abate Assessments, upon such terms and conditions as may be agreed to by the parties.

Section 4. Special Assessments. In any fiscal year the Board may not, without the vote or written assent of Owners in attendance at a duly called meeting of the Community Association, levy Special Assessments to defray the costs of any action or undertaking on behalf of the Community Association which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Community Association for that fiscal year. Every Special Assessment shall be levied upon the same basis as that prescribed for the levying of Regular Assessments. The five percent (5%) limitation shall not apply to: (a) maintenance or repair of the Common Area, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining or repairing structures or Improvements, and funding reserves, or (b) expenses incurred in conjunction with an emergency situation; provided, however, any increase above fifteen percent (15%) for the categories noted in (a) and (b) herein must be approved by: (1) a majority of the voting power of the Community Association, and (2) so long as there is a Class B membership, a majority of the voting power of the Members, other than Declarant.

Section 5. Special Benefits Assessments. Special Benefits Assessments shall mean and refer to a charge levied by the Community Association to cover the expenses incurred by the Community Association in the operation, maintenance, repairs and reserves in a portion of the Project designated in a Notice of Annexation as a "Special Benefits Area," which expenses are allocable only to Owners with such an Area. These expenses chargeable to Owners in a Special Benefits Area may include, without limitation, the following:

(a) Maintenance, management, operation, repair and replacement of particular Improvements within the Special Benefits Area;

(b) Utilities, guarded gate facilities or other security devices or services for the benefit of Owners within the Special Benefits Area;

(c) Reasonable reserves, as deemed appropriate by the Board, for repair and replacement of any Improvements

maintained by the Community Association within the Special Benefits Area; and

(d) Unpaid Special Benefits Assessments.

The Community Association shall distribute to Owners within any Special Benefits Area a pro forma operating statement and budget for the upcoming fiscal year which shall estimate the expenses attributable to the Special Benefits Area, and shall set forth the amount and payment schedule of the Special Benefits Assessments.

Section 6. Notice and Quorum For Any Action Authorized Under Sections 3 and 4. Any action authorized under Sections 3 and 4 should be taken at a special meeting of Members of the Community Association called for that purpose, written notice of which shall be sent to all Members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. The notice shall specify the place, day and hour of the meeting. Said special meeting shall be conducted in accordance with the provisions of the By-Laws of the Community Association concerning special meetings of the Members of the Community Association. At such meeting, the presence of Members entitled to cast fifty-one percent (51%) of all votes of each class of membership shall constitute a quorum.

Section 7. Date of Commencement of Regular Assessments: Due Dates. The Regular Assessments provided for herein shall commence as to all Lots or Condominiums within each Phase of the Project on the first day of the month following: (a) the first conveyance of any Lot or Condominium to a bona fide purchaser; or (b) the conveyance of the Common Area and Community Association Maintenance Areas in such Phase to the Community Association, whichever shall first occur. Regular Assessments shall commence as to all real property designated as an "Apartment Area" on the first day of the first month following the month in which a Certificate of Occupancy is issued for any Improvement within the Apartment Area, but in no event later than the first day of the eighteenth (18th) month following the close of escrow for the sale of the Apartment Area by Declarant to any Merchant Builder. The first Regular Assessments shall be adjusted according to the number of months remaining in the fiscal year as set forth in the By-Laws. The Board shall fix the amount of the Regular Assessment against each Lot or Condominium at least thirty (30) days in advance of each Regular Assessment period. Written notice of the Regular Assessment shall be sent to every Owner subject thereto at least thirty (30) days in advance of each Assessment period. The due dates shall be established by the Board.

Section 8. Certification of Payment. The Community Association shall, upon demand and for a reasonable charge, fur-

nish a certificate signed by an officer or agent of the Community Association setting forth whether the Assessments on a specified Lot or Condominium have been paid. If a certificate states that Assessments have been paid, such certificate shall be conclusive evidence of such payment.

Section 9. Delivery by Owner. Each Owner of a Lot or Condominium shall, as soon as practicable prior to the transfer of title to the Lot or Condominium, or the execution of a real property sales contract, as defined in California Civil Code, Section 2985, give to the prospective purchaser a copy of this Master Declaration, and copies of the By-Laws and Articles of the Community Association, and a true statement, in writing, from the Community Association Board as to the amount of any delinquent Assessments and information relating to penalties, attorneys' fees and other charges authorized by this Master Declaration on the Lot or Condominium as of the date the statement is issued.

Section 10. Delivery of Statement. Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide the Owner of a Lot or Condominium with a copy of this Master Declaration and copies of the By-Laws and Articles of the Community Association, together with a true statement, in writing, as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges authorized by this Master Declaration on the Lot or Condominium as of the date of the request. The Board may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

Section 11. Reserves. The Regular Assessments shall include reasonable amounts, as determined by the Board, collected as reserves for the future periodic maintenance, repair and replacement of all or a portion of the Common Area, or any such other purpose determined by the Board. All amounts collected as reserves shall be deposited by the Board in a separate bank account for the purposes for which they were collected, and are to be segregated from and not commingled with any other funds of the Community Association.

Section 12. Offsets and Waiver Prohibited. No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Common Area or abandonment of his Lot or Condominium, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Community Association.

Section 13. Exempt Property. The following property subject to this Master Declaration shall be exempt from the Assessments herein:

(a) All property dedicated to and accepted by any public authority;

(b) All property owned by a charitable or non-profit organization exempt from taxation by the laws of the State of California. However, no land or Improvements devoted to dwelling use shall be exempt from said Assessment;

(c) All Common Area and Community Association Maintenance Areas;

(d) All common areas owned or controlled by a Sub-Association; and

(e) All property conveyed, leased or otherwise transferred to the CSA.

ARTICLE VII

EFFECT OF NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE COMMUNITY ASSOCIATION

Section 1. Effect of Non-Payment of Assessments:
Remedies of the Community Association. Any installment of a Regular, Special or Compliance Assessment not paid within fifteen (15) days after the due date shall be deemed delinquent, shall be subject to reasonable costs of collection, including reasonable attorneys' fees, and a reasonable late charge not exceeding ten percent (10%) of the delinquent Assessment or Ten Dollars (\$10.00), whichever is greater, or as may, from time to time, be established by the Board in accordance with California law, and interest on all sums imposed under this Section at an annual percentage rate not to exceed twelve percent (12%), commencing thirty (30) days after the Assessment was due. The Board, for and on behalf of the Community Association, may commence legal action against the Owner personally obligated to pay the same, or, in the case of a Regular or Special Assessment, may foreclose the lien against his Lot or Condominium. Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California. In furtherance thereof, each Owner hereby vests in the Community Association, its successors or assigns, the right and power to bring all actions at law or to pursue lien foreclosure against any Owner for purposes of collecting such delinquent Assessments.

Section 2. Notice of Delinquent Assessments. No action shall be brought to foreclose a lien for delinquent Assessments, or to proceed under the power of sale herein, unless at least thirty (30) days has expired following the date a Notice of Delinquent Assessments is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said Lot or Condominium, and a copy thereof is recorded by the Commu-

ity Association in the Office of the County Recorder of Riverside County. Said Notice of Delinquent Assessments must recite a good and sufficient legal description of any such Lot or Condominium, the name and street address of the record Owner, the amount claimed (which may, at the Community Association's option, include reasonable late charges as may, from time to time, be established by the Board in accordance with California law, reasonable attorneys' fees and expenses of collection incurred in connection with the debt secured by said lien and interest on said sums at twelve percent [12%] per annum), and the name and address of the principal office of the Community Association, and, in the event of a nonjudicial foreclosure as provided in Section 3 below, the name and address of the trustee authorized by the Community Association to enforce the lien by sale. The Notice shall be signed and acknowledged by the President, or Vice President, and the Secretary, or Assistant Secretary, of the Community Association. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale. Any foreclosure sale provided for above is to be conducted by the Board, its attorney or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b and 2924c of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Community Association, through duly authorized agents, shall have the power to bid on the Lot or Condominium at a foreclosure sale, and to acquire, hold, lease, mortgage and convey the same. Any Owner, by acceptance of a deed for his Lot or Condominium, hereby expressly waives any objection to the enforcement and foreclosure of the lien in this manner.

Section 4. Curing of Default. Upon the timely curing of any default for which a Notice of Delinquent Assessments or lien was filed by the Community Association, the officers thereof are hereby authorized to file or record, as the case may be, an appropriate release of such Notice upon payment of the defaulting Owner of a fee to be determined by the Community Association, but not to exceed Twenty-Five Dollars (\$25.00) to cover the costs of preparing and filing or recording such release.

Section 5. Cumulative Remedies. The Community Association's remedies for nonpayment of Assessments, including, but not limited to, an action to recover a money judgment, Assessment lien and right of foreclosure and sale, are cumulative and in addition to and not in substitution of any other rights and remedies which the Community Association and its assigns may have hereunder or at law.

Section 6. Mortgagee Protection. Notwithstanding all other provisions hereof, no lien created hereunder, nor any breach of the terms and provisions of this Master Declaration,

nor the enforcement of any term or provision hereof, shall defeat or render invalid the rights of any Mortgagee under any recorded first Mortgage or deed of trust upon a Lot or Condominium made in good faith and for value; provided that after such Mortgagee or other person or entity obtains title to such Lot or Condominium by judicial or nonjudicial foreclosure, such Lot or Condominium shall remain subject to this Master Declaration and the payment of Assessments which fall due subsequent to the date of taking title.

ARTICLE VIII

USE RESTRICTIONS

The Lots or Condominiums, or Common Area, shall be occupied and used only as follows:

Section 1. Private Single Family Dwelling. With the exception of a Lot improved with apartments, each Lot or Condominium shall be used as a private dwelling for a single family and for no other purpose, except such temporary uses as shall be permitted by Declarant while the Project is being developed and Lots or Condominiums are being sold by Declarant and any Merchant Builders; provided, however, that Declarant reserves, for itself and on behalf of any Merchant Builders, the right, until all Lots or Condominiums in the Project are sold (and escrows closed), to carry on normal sales activity on the Project, including the operation of models and sales offices, provided neither Declarant nor any Merchant Builder shall unreasonably interfere with any other Owner's use of the Common Area.

Section 2. Common Area Use. Use of the Common Area shall be subject to the provisions of this Master Declaration and the Rules and Regulations, and to any additional limitations imposed by the Community Association.

Section 3. Conduct Affecting Insurance. Nothing shall be done or kept in any Lot or Condominium, or in the Common Area, which will increase the rate of insurance on the Common Area without the approval of the Community Association. No Owner shall permit anything to be done or kept in his Lot or Condominium, or in the Common Area, which will result in the cancellation of insurance on the Common Area or which would be in violation of any law. If, by reason of the occupancy or use of said premises by the Owner, the rate of insurance on the Common Area shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 4. Liability for Damage to the Common Area. Each Owner shall be liable to the Community Association, pursuant to the laws of the State of California, for any and all costs and expenses which may be incurred by the Community Association to repair any damage to the Common Area which may be sustained by reason of the negligence or willful misconduct of said Owner or

of his family, tenants, lessees or contract purchasers, or their respective guests or invitees, whether minor or adult. After approval by a majority of the Board, any such costs and expenses shall be levied by the Board as a Compliance Assessment against such Owner's Lot or Condominium.

Section 5. Signs. Subject to the provisions of California Civil Code, Sections 712 and 713, no sign, poster, display or other advertising device of any kind shall be displayed to the public view on or from any Lot or Condominium, or the Common Area without the approval of the Community Association or the Architectural Control Committee, except such signs as may be used by Declarant and Merchant Builders for a period of time not to exceed ten (10) years from recordation hereof in connection with the development of the Project and sale of Lots or Condominiums, and except one (1) "for sale," "for lease" or "for exchange" sign of reasonable size (but not exceeding six [6] square feet) on any Lot or Condominium. All signs permitted under this Section shall conform with the County's sign ordinance, if any, and with all applicable governmental regulations.

Section 6. Maintenance of Animals Within the Project. No animals of any kind shall be raised, bred or kept in any Lot or Condominium, or in the Common Area, except that common household pets, including dogs, cats, birds or fish, may be kept in a Lot or Condominium; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose or in unreasonable numbers, as may be determined by the Board, from time to time. Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal on the Common Area. All animals maintained in a Lot or Condominium must be kept either within an enclosure, yard or patio, or on a leash being held by a person capable of controlling the animal. The Community Association, upon the approval of a majority of the Board, shall have the right to prohibit maintenance of any animal within the Project which, in the opinion of the Board, constitutes a private nuisance to any other person. Every person bringing a pet upon or keeping a pet in the Project shall be liable pursuant to the laws of the State of California to each and all persons for any injury or damage to persons or property caused by such pet.

Section 7. Quiet Enjoyment. No Owner shall permit or suffer anything to be done or kept upon such Owner's Lot or Condominium which will obstruct or interfere with the rights of quiet enjoyment of the other occupants, or annoy them by unreasonable noises or otherwise, nor will any Owner commit or permit any nuisance on the premises or commit or suffer any immoral or illegal act to be committed thereon. Each Owner shall comply with all of the requirements of the Board of Health and of all other governmental authorities with respect to said premises, and shall

remove all rubbish, trash and garbage from his Lot or Condominium. All clotheslines, refuse containers, woodpiles, storage boxes, tools and equipment shall be prohibited from any Lot or Condominium unless obscured from view by a fence or appropriate screen approved by the Architectural Control Committee provided for hereinbelow.

Section 8. Structural Changes. There shall be no structural alteration, construction or removal of any Residence, fence or other structure whatsoever in the Project without the prior written approval of the Board or its designated Architectural Control Committee, as required herein, except such works of construction by Declarant and any Merchant Builder during the development of the Project.

Section 9. Improvements. There shall be no construction, alteration or removal of any Improvement in the Project (other than those repairs or rebuilding permitted under the Article entitled "Damage or Destruction to the Common Area") without the approval of the Architectural Control Committee, as set forth hereinbelow. No Improvement shall be constructed upon any portion of the Common Area, other than such Improvements as shall be constructed: (a) by the Declarant (or a person or entity to whom Declarant assigns its rights as developer), (b) any Merchant Builder (provided that such Merchant Builder shall have first obtained the prior written approval of Declarant), or (c) by the Community Association as provided herein.

Section 10. Windows. No window in any Residence shall be covered in whole or in part, inside or outside, with aluminum foil, newspaper, paint, tint or any other material reasonably deemed inappropriate for such use by the Community Association.

Section 11. Commercial Activity. No Lot or Condominium in the Project shall ever be used, or caused to be used, or allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, mercantile, manufacturing, storage or other nonresidential purposes, except for the rights of Declarant and any Merchant Builders to use any portion of the Project for model home sites, sales offices and displays, and other promotional events, in accordance with the terms and provisions of this Master Declaration. The provisions of this Section shall not preclude professional and administrative occupations so long as there is no evidence of such occupations visible to or affecting the Common Area, and for so long as such occupations are in conformance with all applicable governmental ordinances. Any such use of a Lot or Condominium must be merely incidental to the use of the Lot or Condominium as a Residence.

Section 12. Parking. Except in such areas as designated by Declarant and the Board, no person shall park, store or keep any vehicle except wholly within his garage. No person shall park, store or keep any large commercial type vehicle, any recre-

ational vehicle (including, but not limited to, any camper, motorhome, trailer, boat trailer, mobile home or other similar vehicle, boat or aircraft), any inoperable, unlicensed or disabled vehicle, or any vehicle other than a private passenger vehicle on any portion of the Common Area or public right-of-way. No person shall conduct major repairs or major restorations of any motor vehicle of any kind whatsoever in his garage or upon the Common Area, except for emergency repairs thereto and then only to the extent necessary to enable movement thereof to a proper repair facility. Each person shall maintain his garage such that it is readily available for parking. All garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage. In any event, all vehicles shall be parked in compliance with applicable County ordinances.

Section 13. Regulation of Parking. The Community Association, through its officers, committees and agents, is hereby empowered to establish "parking" and "no parking" areas within the Common Area, in accordance with Section 22658 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement, including the removal of any violating vehicle by those so empowered.

Section 14. Vehicle Usage in Common Area. Except where expressly authorized and regulated by the Community Association, no vehicles of any kind shall be operated, maintained, repaired or otherwise used on, over or across the Common Area.

Section 15. Open Parking. Subject to the provisions of this Master Declaration and the Rules and Regulations of the Community Association, all open parking spaces within the Common Area shall be permanently maintained and available on a first-come, first-served basis to all guests and invitees of Owners.

Section 16. Compliance With Management Documents. All Owners shall be Members of the Community Association and shall comply with the terms and conditions as set forth in this Master Declaration, and in the Articles and the By-Laws, and any Rule or Regulation of the Community Association. No Owner shall transfer any membership or interest in the Community Association, except upon the transfer of the Lot or Condominium to which it is appurtenant.

Section 17. Declarant's Improvements. Nothing in this Article or elsewhere in this Master Declaration shall limit the right of Declarant to complete construction of any Improvements to the Common Area and/or to any Lot or Condominium owned by Declarant and any Merchant Builders, or to alter the foregoing or to construct such additional Improvements to the Common Area as Declarant deems advisable prior to completion and sale of the entire Project. The rights of Declarant under this Master Declaration may be assigned by Declarant to any successor to all or

any part of Declarant's interest in the Project, as developer, by an express assignment incorporated in a recorded deed transferring such interest to such successor.

Section 18. Solar Heating Systems. Solar heating systems may be installed on Lots or Condominiums in the Project, provided that such systems comply with applicable zoning regulations, the Uniform Building Code, and associated statutes and ordinances as may be adopted by the County, and have been approved by the Architectural Control Committee, based on reasonable architectural review standards adopted by the Architectural Control Committee, consistent with Section 714 of the California Civil Code.

Section 19. Antennas. No Owner shall install, or cause to be installed, any television, radio or "Citizens Band" (C.B.) antenna, ham radio, satellite dish or other similar electronic receiving or broadcasting device on any portion of the exterior of any Lot or Condominium in the Project, upon the Common Area or Community Association Maintenance Areas without the prior written approval of the Architectural Control Committee, which shall have the right to approve or disapprove the size, shape, materials, construction and location of such antennas.

Section 20. Leasing. No Owner shall be permitted to rent or lease his Lot or Condominium for transient or hotel purposes or for a period of less than thirty (30) days. No Owner may rent or lease less than the entire Lot or Condominium. All rental and lease agreements shall be in writing and shall provide that the terms of such agreement shall be subject in all respects to the provisions of this Master Declaration, By-Laws and Articles, and that any failure by the tenant or lessee to comply with the terms of such documents shall constitute a default under such agreement. Other than the foregoing, there are no restrictions on the right of an Owner to rent or lease his Lot or Condominium.

Section 21. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot or Condominium, or the Common Area, nor shall oil wells, tanks, tunnels or mineral excavations be permitted upon or in any Lot or Condominium, or the Common Area. No derrick or other structure designed for use in boring for oil, water or natural gas shall be erected, maintained or permitted upon any Lot or Condominium.

Section 22. Trash. No rubbish, trash, garbage or other waste material shall be kept or permitted upon any portion of the Project, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighbor-

ing Lots or Condominiums only when set out for a reasonable period of time (not to exceed twenty-four [24] hours before and after scheduled trash collection hours). If trash bins are located in the trash areas in the Common Area, all Owners shall utilize such trash bins for the disposal of their trash. There shall be no outdoor fires whatsoever, except barbeques contained in appropriate receptacles therefor.

Section 23. Drainage. There shall be no interference with the established drainage pattern over any Lot or Condominium within the Project as to affect any other Lot, Condominium or the Common Area, unless adequate alternative provision is made for proper drainage and is approved in writing by the Architectural Control Committee. For purposes hereof, "established" drainage is defined as the drainage which exists at the time such Lot or Condominium is conveyed to a purchaser from Declarant or any Merchant Builder, or later grading changes that are shown on plans approved by the Architectural Control Committee.

Section 24. Water Softeners. No water softener system of any kind shall be permitted on any Lot or within any Condominium, unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of the Rancho California Water District, the County and the Architectural Control Committee. No amendment or modification to this Section may be effected without the express written consent of the Rancho California Water District.

Section 25. No Easements for View Purposes; Disclaimer. The Article herein entitled "Architectural Control - Approval," sets forth procedures for the approval of Improvements which may be constructed upon Lots or Condominiums in the Project which are consistent with the Architectural Standards adopted, from time to time, pursuant to said Article. The Architectural Standards may have some effect on preserving views from and insuring the passage of light and air to individual Lots. However, by promulgation and enforcement of the Architectural Standards, or otherwise, neither Declarant, the Board nor the Architectural Control Committee, or the members, employees or consultants of any of the foregoing, have made any representation whatsoever concerning the view, if any, that a particular Lot, Condominium or other Improvement thereon will enjoy. [There are no express or implied easements whatsoever appurtenant to any Lot or Condominium for view purposes, or for the passage of light and air across any other Lot, Condominium or any property not within the Project, regardless of whether such Lot or Condominium is owned by Declarant. Each Owner, by accepting a deed to a Lot or Condominium, hereby expressly acknowledges and agrees that further construction within the Project may impair the view from such Owner's Lot or Condominium, and each Owner hereby expressly consents to any such impairment.]

Section 26. Further Subdivision. No Lot, Condominium or Common Area in any Phase may be further subdivided (including division into timeshare estates or timeshare uses) without the prior written approval of the Declarant and the Board; provided, however, that nothing in this Section shall be deemed to prevent an Owner from, or require the approval of the Board for: (a) selling a Lot in a Planned Development or selling a Condominium in any Condominium Project, or (b) transferring or selling any Lot or Condominium to more than one (1) person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property, or (c) the leasing or renting by any Owner of all of his Lot or Condominium by means of a written lease or rental agreement subject to this Master Declaration, or (d) converting all of any portion of such Owner's Apartment Area into a Planned Development or Condominium Project, as more specifically described in Section 5 of the Article herein entitled "Apartment Area Ownership."

Section 27. Sub-Association Use Restrictions. Nothing herein shall prevent Sub-Associations from adopting use restrictions for their Condominium Projects or Planned Developments which are more restrictive than those use restrictions set forth herein; however, such restrictions shall in no way modify the provisions of this Article.

ARTICLE IX

ARCHITECTURAL CONTROL - APPROVAL

Section 1. Exemptions From Architectural Control. Except as otherwise provided herein, and with the exception of custom lots, which shall be constructed in accordance with reasonable review and approval by Declarant, all Improvements to Lots shall be subject to architectural approval by the Community Association in accordance with the provisions of this Master Declaration. Notwithstanding the foregoing, neither Declarant nor any Merchant Builder shall be required to comply with any of the provisions of this Article as they may relate to the original construction and development of the Project by Declarant or any Merchant Builder in accordance with the plans approved by the County and VA/FHA; provided, however, if Declarant or any Merchant Builder shall desire to construct any Improvements to the exterior of a Residence after such Residence has been completed and approved by the County and VA/FHA, Declarant and any Merchant Builder shall obtain approval for such Improvements from the County and VA/FHA; and, provided further, if Declarant or any Merchant Builder shall retain a Residence for personal use, any Improvements to the exterior of such Residence shall be subject to architectural approval pursuant to this Article.

Section 2. Architectural Control. Except for the purposes of proper maintenance and repair, and except as otherwise

permitted hereunder, no person shall install any Improvement, including, without limitation, solar heating panels, lighting, shades, screens, awnings, patio covers, decorations, fences, screen doors, aerals, antennas, radio or television broadcasting or receiving devices, air conditioning units, or change or otherwise alter the exterior of any Residence or appurtenant Improvement. For the purposes of this Section, the term "exterior" shall mean any outside wall, outside surface, roof, outside door, patio, balcony, deck, garage, carport or other outside structure of said Residence which is visible to others in the Project and/or to the public.

Section 3. Architectural Control Committee. The Architectural Control Committee is hereby authorized with the rights and powers set forth in this Article. Said Committee shall consist of not less than three (3) members nor more than five (5) members, and each initial member shall serve until the first election of the Board. In the event of the failure or inability of any member of the Architectural Control Committee to act, the remaining members shall designate a successor who shall serve for the remainder of the term of the member he replaces. The Declarant shall appoint all of the original members of the Architectural Control Committee, and replacements thereto. Further, Declarant reserves the power to appoint a majority of the members of the Architectural Control Committee until such time as Declarant or any Merchant Builder shall have annexed to the Community Association the last Phase to be developed in the Project, or until the seventh anniversary of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. After one (1) year from the date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, the Board shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of the Lots or Condominiums in the Project have been sold, or until the tenth (10th) anniversary date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. All members appointed to the Architectural Control Committee by the Board shall be from the membership of the Community Association. Members appointed to the Architectural Control Committee by the Declarant, however, need not be members of the Community Association. No member of the Architectural Control Committee shall be liable to any person for his decisions or failure to act in making decisions as a member of the Architectural Control Committee. Declarant may, in its discretion and at any time, assign to the Community Association by written assignment its powers of removal and appointment with respect to the

Architectural Control Committee, subject to such terms and conditions regarding the exercise thereof as Declarant may impose.

Section 4. Meetings of the Architectural Control Committee. The Architectural Control Committee shall meet, from time to time, as necessary to perform its duties hereunder. The Architectural Control Committee may, by a majority vote of the members thereof, delegate any of its rights and responsibilities hereunder to one (1) or more duly licensed architects, who shall have full authority to act on behalf of the Architectural Control Committee on all matters so delegated.

Section 5. Architectural Approval - Review of Plans and Specifications. The Architectural Control Committee shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans are in conformance with and are harmonious to the exterior design and existing materials of the buildings in the Project. The Architectural Control Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Master Declaration, and perform such other duties as, from time to time, shall be assigned to it by the Board, including the inspection of construction and progress to ensure its conformance with the plans approved by the Architectural Control Committee. No construction, alteration, grading, addition, excavation, modification, decoration, redecoration or reconstruction of an Improvement shall be commenced or maintained by any Owner until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Architectural Control Committee and approved in writing by the Architectural Control Committee. The initial address for submission of such plans and specifications, until changed by the Architectural Control Committee, shall be:

Rancho Highlands Community Association
Architectural Control Committee
c/o Kaiser Development Company
27405 Ynez Road/Temecula
Rancho California, California 92390

The Architectural Control Committee shall approve the plans and specifications submitted for its approval only if it deems that:

- (a) the construction, alterations or additions contemplated thereby and the locations indicated will not be detrimental to the appearance of the surrounding area of the Project as a whole;
- (b) the appearance of any structure affected thereby will be in harmony with surrounding structures;
- (c) the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area, or the enjoyment thereof by the Owners;

and (d) the upkeep and maintenance thereof will not become a burden on the Community Association. The Architectural Control Committee may condition its approval of proposals or plans and specifications for any Improvement: (a) on such changes therein as it deems appropriate, (b) upon the agreement by the person submitting the same to grant appropriate easements to the Community Association or any Sub-Association for the maintenance of the Improvement, or (c) upon the agreement of the person submitting the same to reimburse the Community Association for the cost of such maintenance, or all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving the submission.

The Architectural Control Committee may also issue rules or guidelines setting forth procedures for submission of plans for approval, requiring a payment of a fee to the Community Association to accompany each submission of plans and specifications, or additional factors which it will take into consideration in reviewing submissions.

The Architectural Control Committee may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, floor plans, site plans, drainage plans, elevation drawings, landscape plans and description or samples of exterior material and colors. The Architectural Control Committee may further require that all plans and specifications first be approved by the Board of Directors of any Sub-Association having jurisdiction over the Lot or Condominium which is the subject of the submission.

Section 6. Decisions of the Architectural Control Committee. Until receipt by the Architectural Control Committee of any required plans and specifications, and such other information as may be required in Section 5 above, the Architectural Control Committee may postpone review of any plans submitted for approval. Decisions of the Architectural Control Committee and the reasons therefor should be transmitted by the Architectural Control Committee to the applicant, at the address set forth in the application for approval, within forty-five (45) days after receipt by the Architectural Control Committee of all plans, specifications and materials required. Any application submitted pursuant to the provisions of Section 5 above shall be deemed approved, unless written disapproval or a request for additional information or materials by the Architectural Control Committee shall have been transmitted to the applicant within forty-five (45) days after the receipt by the Architectural Control Committee of all required materials.

Section 7. No Waiver of Future Approvals. The approval of the Architectural Control Committee to any submissions for any work done, or proposed to be done, or in connection with any other matter requiring the approval or consent of the Architect-

tural Control Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent of any similar proposals, plans and specifications, drawings or other matters subsequently or additionally submitted for approval.

Section 8. Compensation of Members. The members of the Architectural Control Committee shall receive no compensation for services rendered, other than reimbursement by the Community Association for expenses incurred in the performance of such members' duties hereunder.

Section 9. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require, the Architectural Control Committee, by the vote or written assent of a majority of the members thereof, may allow reasonable variances as to any of the Covenants contained in this Master Declaration or provisions of the Architectural Standards promulgated by the Architectural Control Committee, on such terms and conditions as it shall require; provided, however, that all such variances shall be in keeping with the Rancho Highlands Specific Plan No. 180 and the general plan of development for the Project. The granting of such a variance shall not operate to waive any of the terms and provisions of this Master Declaration for any purpose, except as to the particular Lot or Condominium and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the Owner's use of his Lot or Condominium, including, but not limited to, zoning ordinances, lot setback lines or requirements imposed by the County or other governmental authority.

Section 10. Inspection of Work. Upon consent of the Owner, which consent shall not be unreasonably withheld, any member or authorized representative of the Architectural Control Committee may, at any reasonable hour and upon reasonable notice, enter and inspect any Lot or Condominium which has been the subject matter of an approval of a submission for an Improvement to his Lot or Condominium. Such entry shall be made with as little inconvenience to the Owner as reasonably possible, and any damage caused thereby shall be repaired by the Community Association. If the Architectural Control Committee finds that such work was not done in substantial compliance with the approved plans and specifications, it shall notify the Owner in writing of such noncompliance, specifying the particulars of noncompliance and shall require the Owner to remedy the same within thirty (30) days from the date of notification of such noncompliance. If a noncompliance exists, the Board, after Notice and Hearing, may levy a Compliance Assessment against such Owner for the costs of removing or remedying such noncompliance.

Section 11. Non-Liability of Architectural Control Committee Members. Neither Declarant, the Community Association, the Board or the Architectural Control Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Project affected by this Master Declaration by reason of mistake in judgment, negligence or non-feasance, unless due to willful misconduct or bad faith of the Architectural Control Committee. The Architectural Control Committee's approval or disapproval of a submission shall be based solely on the considerations set forth in this Article and in the Architectural Standards as may be promulgated by the Architectural Control Committee, and the Architectural Control Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes.

Section 12. Appeal. In the event plans and specifications submitted to the Architectural Control Committee are disapproved, the party making such submission may appeal in writing to the Board. The written request must be received by the Board not more than thirty (30) days following the final decision of the Architectural Control Committee. The Board shall submit such request to the Architectural Control Committee for review, and the written recommendations of the Architectural Control Committee will be submitted to the Board. Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure by the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the party making such submission.

ARTICLE X

REPAIR AND MAINTENANCE

Section 1. Repair and Maintenance by the Community Association. Without limiting the generality of the Article herein entitled "Powers and Duties of the Community Association," the Community Association shall have the duty to maintain, in a neat, clean, safe, sanitary, attractive and orderly condition at all times, the following upon the Common Area and Community Association Maintenance Areas, as designated in this Master Declaration or in any subsequent Notices of Annexation, which may be recorded, from time to time:

(a) Maintain, repair, restore, replace and make necessary improvements to all Common Area and Community Association Maintenance Areas, and Improvements located thereon, which shall include, without limitation, all of the following:

(1) The parkway and secondary trail system, including, without limitation, all pedestrian, equestrian and bicycle trails, adjacent landscaping and lighting facilities;

(2) All drainage swales, greenbelts, storm drains and other drainage facilities, landscape berms and easements located within the Common Area and Community Association Maintenance Areas;

(3) All major and minor park and recreation areas within the Project, including, without limitation, all recreational facilities and related improvements, picnic/barbeque areas and play areas located therein;

(4) All entry area monumentation and landscaping treatments along Ynez Road, Santiago Road and Rancho California Road, and any and all other secondary entries to the Project;

(5) Exterior surfaces (defined to mean the side fronting any public right-of-way, the Common Area or Community Association Maintenance Areas) of those theme fences and walls designated in Exhibit "E" to this Master Declaration, or in any recorded Notice of Annexation; and

(6) All such other areas, facilities, equipment, services or aesthetic components of whatever nature as may, from time to time, be set forth in any recorded Notice of Annexation.

Section 2. Relationship With Sub-Associations. For purposes of this Master Declaration, a Sub-Association shall be deemed responsible for the maintenance or other obligations, if any, of Lots or Condominiums if an Additional Declaration, recorded by Declarant or a Merchant Builder, designates such area within the Project to be maintained by such Sub-Association. The members of a Sub-Association shall not amend any such Additional Declaration to terminate or modify the maintenance responsibilities of such Sub-Association without the prior written approval of the Board of the Community Association. In the event that any Owner or Sub-Association shall permit any Improvement, which is the responsibility of such Owner or Sub-Association to maintain, to fall into disrepair so as to create a dangerous, unsafe, unsightly or unattractive condition, the Board, after consulting with the Architectural Control Committee, and after affording the Owner of such property, or the Board of Directors of such Sub-Association, Notice and Hearing, the Community Association shall have the right, but not the obligation, to correct such condition, and to enter upon such Owner's Lot or such common area for the purpose of doing so, and such Owner or Sub-Association, as

the case may be, shall promptly reimburse the Community Association for the cost thereof. Such cost may be levied by the Community Association as a Compliance Assessment enforceable in the manner as set forth in this Master Declaration.

Section 3. Repair and Maintenance by Owners. Except as the Community Association shall be obligated to repair and maintain, as has been provided in this Master Declaration, and except as a Sub-Association shall be obligated to maintain the Lots or Condominiums within its jurisdiction, every Owner shall:

(a) Maintain the exterior of his Residence, including, without limitation, all walls, fences, roofs, patios, patio covers, decks, deck covers, balconies, windows, screens, locks and doors of his Residence, and all other Improvements located on such Owner's Lot in a neat, clean, safe and attractive condition at all times, and make all repairs as they may be required; and

(b) Install, within one hundred fifty (150) days after conveyance of title to a Lot to an Owner (other than a Merchant Builder), the landscaping of his Lot in a neat and attractive condition, including all necessary landscaping and gardening, to properly maintain and periodically replace, when necessary, the trees, plants, grass and other vegetation originally placed on such Lot by Declarant or any Merchant Builder, if any. The foregoing shall not include that landscaping to be maintained by the Community Association, or a Sub-Association pursuant to an Additional Declaration. The Board may adopt Architectural Standards proposed by the Architectural Control Committee to regulate landscaping permitted within the Project. In the event that any Owner shall fail to install and maintain landscaping in conformance with the Architectural Standards, or shall allow his landscaping to deteriorate to a dangerous, unsafe, unsightly or unattractive condition, the Board, after Notice and Hearing, may enter such Owner's property for the purpose of remedying the condition, and such Owner shall promptly reimburse the Community Association for the cost thereof. Such cost may be levied by the Board as a Compliance Assessment.

Section 4. Damage and Destruction Affecting a Residence - Duty to Rebuild. Subject to the terms of any Additional Declaration affecting Residences, in the event any Residence is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of such Residence to repair or reconstruct said Residence in a manner which will restore it to its condition and appearance immediately prior in time to such damage or destruction, or as otherwise approved by the Architectural Control Committee. The affected Owner shall be obligated to proceed, with

all due diligence hereunder, and shall be responsible for commencing reconstruction within three (3) months after the damage occurs, and completing such reconstruction as soon as reasonably possible thereafter.

ARTICLE XI

DAMAGE OR DESTRUCTION TO

THE COMMON AREA AND COMMUNITY

ASSOCIATION MAINTENANCE AREAS

Section 1. Restoration of Damaged Common Area and Community Association Maintenance Areas. Except as otherwise provided in Section 2 hereinbelow, damage to or destruction of all or any portion of the Common Area or Community Association Maintenance Areas shall be handled in the following manner:

(a) In the event of damage to or destruction of the Common Area or Community Association Maintenance Areas, and the insurance proceeds are sufficient to effect total restoration, the Community Association shall, as promptly as is practical, cause the Common Area or Community Association Maintenance Areas to be repaired and reconstructed in a good workmanlike manner to its condition prior to such damage or destruction.

(b) If the insurance proceeds available are at least ninety percent (90%) of the estimated cost of total repair and reconstruction of the Common Area or Community Association Maintenance Areas, the Community Association shall, as promptly as practical, cause such Common Area or Community Association Maintenance Areas to be repaired and reconstructed in a good workmanlike manner to their condition prior to the damage or destruction, and the difference between the insurance proceeds and the actual cost shall be levied by the Community Association as a Special Assessment against each of the Lots or Condominiums on an equal basis.

(c) If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of total repair and reconstruction to the Common Area or Community Association Maintenance Areas, the Owners shall, by the written consent or vote of a majority of the Owners, determine whether: (1) to restore the Common Area or Community Association Maintenance Areas as promptly as practical to their condition prior to the damage or destruction, and to raise the necessary funds over and above the insurance proceeds available by levying Special Assessments against each of the Lots or Condominiums on an equal basis; or (2) to restore the Common Area or Community Association Maintenance Areas in a way which utilizes all available proceeds and an additional amount not in excess of ten percent (10%) of the

estimated cost of total reconstruction and repair to the Common Area or Community Association Maintenance Areas, and which is assessable as provided above to all Lots or Condominiums, but which is less expensive than restoring the Common Area or Community Association Maintenance Areas to their condition prior to the damage or destruction.

Section 2. Election by Owners Not to Restore Damaged Common Area and Community Association Maintenance Areas.

(a) Notwithstanding the provisions set forth in Section 1 hereinabove, in the event the sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one (1) vote for each first Mortgage owned) have given their prior written approval, the Owners may elect not to rebuild or restore the Common Area or Community Association Maintenance Areas, and to disburse the available insurance proceeds to the general fund of the Community Association.

(b) In the event the Owners shall have so voted not to rebuild the Common Area or Community Association Maintenance Areas, the Common Area or Community Association Maintenance Areas shall be cleared and landscaped, and the cost thereof shall be paid for out of the available insurance proceeds prior to their distribution to the general fund of the Community Association.

(c) In the event the Owners shall have so voted not to rebuild the Common Area or Community Association Maintenance Areas, unless the County shall agree to the contrary, it shall be the obligation of the Community Association and each of the Owners to restore the open spaces, at least to the extent said open spaces were accepted initially by the County in lieu of payment of fees due pursuant to law.

Section 3. Retention of Excess Insurance Proceeds in General Fund. In the event any excess insurance proceeds remain after restoring the destroyed Common Area or Community Association Maintenance Areas, pursuant to this Article, the Board shall retain such sums in the general fund of the Community Association.

Section 4. Notice to Owners and Mortgagees. The Board, as soon as reasonably possible following any damage or destruction of Improvements in the Common Area or Community Association Maintenance Areas, shall notify all Owners and holders, insurers and guarantors of first Mortgages on Lots or Condominiums.

Section 5. Requirements of FHLMC, FNMA and VA/FHA. Notwithstanding the provisions of this Article, the Board shall

comply with all requirements of the Article herein entitled "Mortgage Protection."

Section 6. Damages by Owners. To the extent permitted by law, each Owner shall be liable to the Community Association for any damage to the Common Area or Community Association Maintenance Areas not fully reimbursed to the Community Association by insurance if the damage is sustained due to the negligence, willful misconduct, improper installation or maintenance of an Improvement by an Owner, his tenants, guests or invitees. The Board shall have the right, after Notice and Hearing, as provided in the By-Laws, to levy a Special Assessment for any damages so caused by an Owner, including, without limitation, the costs of any increased insurance premiums which are attributable to the damages caused by such Owner.

Section 7. Notification by Community Association of Defects. The Board agrees that in the event of any alleged defect in any improved Common Area or Community Association Maintenance Areas for which the Community Association alleges that Declarant may be responsible, the Board will provide Declarant with written notice of such defect and will grant Declarant a reasonable opportunity to repair, replace or otherwise cure such defect. The Community Association agrees that Declarant, or its authorized agents, and not the Community Association, shall determine the material and methods to be used in effecting such repair, replacement or cure. In accordance with the condition described in the preceding sentence, the Community Association agrees to provide Declarant, or its authorized agents, a reasonable opportunity to repair or replace any defective material or workmanship upon the Community Association's discovery of the same.

ARTICLE XII

CONDEMNATION

Section 1. Distribution of Awards - Common Area or Community Association Maintenance Areas. A condemnation award affecting all or any portion of the Common Area or Community Association Maintenance Areas shall be remitted to the general fund of the Community Association.

Section 2. Board of Directors as Attorney-in-Fact. All Owners, with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America, hereby appoint the Board as their special attorney-in-fact to handle the negotiations, settlements and agreements pertaining to any condemnation affecting only the Common Area or Community Association Maintenance Areas.

ARTICLE XIII

COVENANT AGAINST PARTITION

Section 1. Covenant Against Partition. By acceptance of his deed, each Owner shall be deemed to covenant for himself, and for his heirs, representatives, successors and assigns, that he will not institute legal proceedings to effect judicial partition of his interest in the Project, unless the Project: (a) has been in existence in excess of fifty (50) years, (b) is obsolete and uneconomical, and (c) the Owners of fifty percent (50%) of the total of all Lots or Condominiums in the Project join in such action for partition.

ARTICLE XIV

INSURANCE

Section 1. Required Insurance Coverage. The Community Association, acting by and through the Board, shall obtain for the Community Association and shall maintain and pay the premiums for the following insurance coverages:

(a) Casualty and Fire Insurance. A policy or policies of casualty and fire insurance with extended coverage endorsement in an amount equal to one hundred percent (100%) of the current replacement cost (without deduction for depreciation or co-insurance) of the Common Area and Community Association Maintenance Areas, together with all Improvements located thereon. Said policies shall be maintained for the benefit of the Community Association, as the insured, for the use and benefit of the Owners. The coverage does not need to include land, foundations, excavations, or other items normally excluded from such coverage. Such policy or policies must contain, if required and if obtainable: (1) an Agreed Amount and Inflation Guard Endorsement; and (2) Construction Code Endorsements (such as Demolition Cost Endorsement, a Contingent Liability From Operation of Building Laws Endorsement and an Increased Cost of Construction Endorsement) if there is a construction code provision which would become operative and require changes to undamaged portions of the buildings within the Common Area.

(b) Public Liability Insurance. A policy or policies of comprehensive public liability insurance (with cross-liability endorsement, if obtainable) insuring the Community Association, the Board, the Owners and the Declarant, and the agents and employees of each of the foregoing, against any liability to the public or to any Owner, his family, invitees and/or tenants, arising from or incident to the ownership, occupation, use, maintenance and/or repair of the Common Area. The limits of liability under this Section shall be set by the Board and shall be revised at least an-

nually by the Board, and increased or decreased at the discretion of the Board; provided, however, that said limits shall not be less than one Million Dollars (\$1,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence; and, provided further, that if the Federal Home Loan Mortgage Company (FHLMC) and/or the Federal National Mortgage Association (FNMA) participate in the financing of Lots or Condominiums in the Project, said limits shall not be less than the minimum limits required under the then current FHLMC and/or FNMA regulations.

(c) Fidelity Bonds. Officers' and Directors' errors and omissions insurance, and fidelity bonds naming all persons signing checks or otherwise possessing fiscal responsibilities on behalf of the Community Association, including, but not limited to, officers, the Board, trustees and employees of the Community Association, and officers, employees and agents of any management company employed by the Community Association who handle or are responsible for the administration of Community Association funds, if obtainable. Such coverage shall be in an amount deemed reasonably appropriate by the Community Association, but shall not be less than the estimated maximum funds, including reserves, in the custody of the Community Association, or twenty-five percent (25%) of the estimated annual operating expenses of the Project, including reserves, whichever is greater.

(d) Worker's Compensation. A policy or policies for all employees of the Community Association in such amounts as may be required by law.

Section 2. Optional Insurance Coverage. The Community Association, acting at its option and by and through the Board, may purchase such other insurance as it may deem necessary or appropriate, including, but not limited to, earthquake insurance, flood insurance and plate glass insurance.

Section 3. Notice of Cancellation of Insurance. All policies of insurance maintained by the Community Association pursuant to this Article shall contain a provision that coverage under said policies may not be cancelled, terminated, allowed to expire by their own terms, or be substantially modified by any party without at least thirty (30) days' prior written notice to the Board, to each Owner, and to such first Mortgagees who have filed written requests with the Community Association for such notice. A list of the Owners and such first Mortgagees shall be made available by the Community Association to the insurance carrier upon request.

Section 4. Annual Review of Coverage. The Board shall annually determine whether the amounts and types of insurance coverage that it has obtained pursuant to this Article shall provide adequate coverage for the Project, based upon the then current construction costs, insurance practices in the area in which the Project is located, and all other factors which may indicate that either additional insurance coverage or increased coverage under the existing policies is necessary or desirable to protect the interests of the Community Association, the Owners and their respective Mortgagees. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain same.

Section 5. Waiver by Owners. As to all policies of insurance maintained by the Community Association which will not be voided or impaired thereby, each Owner hereby waives and releases all claims against the Community Association, the Board, the Declarant, and the agents and employees of each of the foregoing, and all other Owners with respect to any loss covered by such insurance, whether or not caused by the negligence of, or breach of, any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss.

Section 6. Premiums, Proceeds and Settlement. Insurance premiums for all blanket insurance coverage and any other insurance coverage which the Board has determined is necessary to protect the interests of the Community Association, the Owners and their respective Mortgagees, shall be a Common Expense to be included in the Regular Assessments levied by the Community Association. All insurance proceeds paid to the Community Association shall be disbursed as follows: (a) in the event of any damage or destruction to the Common Area, such proceeds shall be disbursed in accordance with the provisions of the Article herein entitled "Damage or Destruction to the Common Area"; and (b) in the event of any other loss, the proceeds shall be disbursed as the Board shall deem appropriate subject to the limitations set forth in the Article herein entitled "Mortgagee Protection." The Community Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) Directors of the Community Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Community Association and its Members.

Section 7. Rights and Duties of Owners to Insure. Each Owner may obtain insurance on his personal property and all other Improvements located on his Lot or Condominium. Nothing herein shall preclude any Owner from carrying any public liability insurance as he may deem desirable to cover his individual liability for damage to person or property occurring inside his

individual Lot or Condominium, or elsewhere upon the Project. If obtainable, such liability insurance coverage carried by an Owner shall contain a waiver of subrogation of claims against the Declarant, the Community Association, the Board, their agents and employees and all other Owners. Such other policies shall not adversely affect or diminish any liability under insurance obtained by the Community Association. If any loss intended to be covered by insurance carried by the Community Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Community Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 8. Trustee for Policies. The Community Association is hereby appointed and shall be deemed trustee for the interests of all insureds under the policies of insurance maintained by the Community Association. All insurance proceeds under such policies shall be paid to the Board, as trustees, and the Board shall have full power to receive such funds on behalf of the Community Association, the Owners and their respective Mortgagees, and to deal therewith as provided for in this Master Declaration.

Section 9. Compliance With Requirements of FHLMC, FNMA and VA/FHA. Notwithstanding the provisions of this Article, the Community Association shall obtain and maintain in effect such policies of insurance meeting all requirements of FHLMC, FNMA and VA/FHA established by those entities for planned developments for so long as any of such agencies continue to be a Mortgagee, Owner, insurer or guarantor of a Mortgage in the Project, except to the extent such coverage is not available or has been waived, in writing, by such agencies.

ARTICLE XV

MORTGAGEE PROTECTION

Section 1. Mortgagee Protection Provisions. Notwithstanding any other provisions in this Master Declaration to the contrary, in order to induce the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), and other lenders and investors, to participate in the financing of the sale of Lots or Condominiums in the Project, the following provisions contained within this Article are added hereto, and, to the extent these added provisions conflict with any other provisions in this Master Declaration, these added provisions shall control. The Master Declaration, the Articles and the By-Laws for the Community Association are hereinafter collectively referred to in this Article as the "constituent documents."

(a) The right of an Owner to sell, transfer or otherwise convey his Lot or Condominium shall not be subject to any right of first refusal or any similar restriction in favor of the Community Association.

(b) The lien of the Assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter recorded upon any Lot or Condominium. The sale or transfer of any Lot or Condominium shall not affect the Assessment lien; however, the sale or transfer of any Lot or Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage, or pursuant to any remedies provided for in the Mortgage, shall extinguish the lien of such Assessments as to payments which became due prior thereto. No sale or transfer shall relieve such Lot or Condominium from liability for Assessments due thereafter. Any first Mortgagee who obtains title to a Lot or Condominium pursuant to the remedies provided in the Mortgage, or foreclosure of the Mortgage, or any purchaser at a foreclosure sale of a first Mortgage, will not be liable for unpaid Assessments or charges which accrue prior to the acquisition of title to such Lot or Condominium by the Mortgagee (except for claims for a share of such Assessments or charges resulting from a reallocation of such Assessments or charges to all Lots or Condominium, including the mortgaged Lot or Condominium).

(c) Except as provided by statute in case of condemnation or substantial loss to the Lots or Condominiums, and/or the Common Area, unless sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written

approval, neither the Community Association nor the Owners shall be entitled to:

(1) Change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner's Lot or Condominium;

(2) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer all or any portion of the Common Area. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Area shall not be deemed a transfer within the meaning of this clause;

(3) Use hazard insurance proceeds for losses to the Common Area for other than repair, replacement or reconstruction;

(4) Effect any decision of the Community Association to terminate professional management and assume self-management of the Project, where such professional management was previously a requirement by a holder, insurer or guarantor of any first Mortgage;

(5) By act or omission, change, waive or abandon any provisions of this Master Declaration, or enforcement thereof, pertaining to architectural design of the Residences situated on a Lot or Condominium, or the maintenance and operation of the Common Area within the Project, including, without limitation, sidewalks, fences, driveways and landscaping within the Project;

(6) Fail to maintain fire and extended coverage on the insurable Common Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value thereof; and

(7) Abandon or terminate the Community Association, except for abandonment, partition or termination as may be provided by law.

(d) All taxes, Assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Lots and Condominiums, and not to the Project as a whole.

(e) No provision of the constituent documents shall be interpreted to give any Owner or any other party priority over any rights of the first Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of all or any portion of the Common Area or such Owner's Lot or Condominium. All applicable fire and casualty insurance policies contain loss payable clauses acceptable to each Mortgagee,

naming the Mortgagees, as their interests appear, as additional insureds.

(f) The Assessments provided for in the constituent documents shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Common Area that must be replaced on a periodic basis, and shall be payable in regular installments rather than by Special Assessments.

(g) Each holder, insurer or guarantor of a first Mortgage who has filed with the Community Association a written request for notice shall be entitled to timely written notice of: (1) any condemnation or eminent domain proceeding, and any loss or taking resulting from such proceeding which affects the Project, or any portion thereof; (2) any substantial damage or destruction to the Project, or any portion thereof, when such loss exceeds Ten Thousand Dollars (\$10,000.00); (3) any default in the performance by an individual Owner of any obligation under the constituent documents, including, without limitation, the nonpayment of Assessments, which is not cured within sixty (60) days after the Community Association learns of such default, which notice shall state the length of time which such Owner has been delinquent; (4) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Community Association; (5) any abandonment or termination of the Project; and (6) any proposed action that requires the consent of a specified percentage of eligible Mortgagees.

(h) Any agreement for professional management of the Project, or any contract providing for services of the Declarant may not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods. Any such agreement must provide for termination by either party without cause and without payment of a termination fee on thirty (30) days' written notice.

(i) First Mortgagees of Lots and Condominiums may, jointly or singly, pay taxes or other charges which are in default and which may have become a lien on the Common Area, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Common Area, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Community Association. Upon demand by any first Mortgagee, the Board shall execute, on behalf of the Community Association, an agreement establishing the right of all first Mortgagees to such reimbursement.

(j) A first Mortgagee of a Lot or Condominium in the Project will, upon request, be entitled to: (1) examine the books and records of the Community Association during normal business hours; (2) receive an annual audited financial statement of the Community Association, and other financial data as may be distributed to the Owners, within ninety (90) days following the end of any fiscal year of the Community Association, if such statement has been prepared for the Community Association; and (3) receive written notice of all meetings of the Community Association and be permitted to designate a representative to attend all such meetings.

(k) Each Owner shall notify the Community Association in writing within ten (10) days after the close of escrow for the purchase of his Lot or Condominium of the name and address of his first Mortgagee, and thereafter, each Owner shall promptly notify the Community Association of any changes of name or address for his first Mortgagee.

(l) If any Lot or Condominium (or portion thereof) or the Common Area (or portion thereof) is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institutional holder of any first Mortgage on such Lot or Condominium will be entitled to timely written notice of any such proceeding or proposed acquisition.

(m) In the event any portion of the Common Area encroaches upon any Lot or Condominium, or any Lot or Condominium encroaches upon the Common Area as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

Section 2. Violation of Mortgagee Protection Provisions. No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, the Community Association or any Owner in the Project may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation and/or to recover damages; provided, however, that any such violation shall not defeat or render invalid the lien of any Mortgage or deed of trust made in good faith and for value. Said covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee sale or otherwise.

ARTICLE XVI

ANNEXATION OF ADDITIONAL PROPERTY

Additional property may be annexed to and become subject to this Master Declaration as set forth in this Article.

Section 1. Annexation Pursuant to Approval. Upon obtaining the approval in writing of the Community Association, pursuant to the vote or written assent of sixty-seven percent (67%) of the total voting power of the Community Association Members, the owner of any property who desires to annex said property to the scheme of this Master Declaration and to subject it to the jurisdiction of the Community Association may file or record a Notice of Annexation, as described in Section 3 of this Article.

Section 2. Annexation Pursuant to General Plan. All or any part of the real property described as Annexation Property in the Article herein entitled "Definitions," and described in Exhibit "B" to this Master Declaration, may be annexed to the Property and added to the scheme of this Master Declaration and be subjected to the jurisdiction of the Community Association without the assent of the Community Association or its Members, provided and on condition that:

(a) Any annexation pursuant to this Section shall be made prior to three (3) years from the date of the original issuance by the DRE of the most recently issued Final Subdivision Public Report for a Phase of the Project;

(b) The development of the Annexation Property shall be in substantial conformance with the overall general plan of development for the Project originally submitted to and approved by the County, the DRE and VA/FHA;

(c) VA/FHA shall be advised of any such annexation, shall be provided with all relevant documentation relating to such annexation and shall determine that such annexation is in accordance with the development plan submitted to and approved by VA/FHA, and shall so advise Declarant or any Merchant Builder; and

(d) A Notice of Annexation, as described in Section 3 of this Article, shall be recorded covering the Annexation Property.

Section 3. Notice of Annexation. The annexation of additional property authorized under this Article shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional property, and the Notice of Annexation shall expressly provide that the scheme of this Master Declaration shall extend to such additional property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Master Declaration which are necessary to reflect the different character, if

any, of the Annexation Property, and which are not inconsistent with the general scheme of this Master Declaration. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the Covenants set forth in this Master Declaration. All Notices of Annexation shall be approved as to form by Declarant, in writing, prior to recordation thereof.

Section 4. Effective Date of Annexation. Notwithstanding anything to the contrary herein, any annexation pursuant to the provisions of this Article shall be effective upon recordation of the Notice of Annexation in the Official Records of Riverside County, California, making the Annexation Property subject to this Master Declaration and subject to the jurisdiction of the Community Association.

Section 5. Right of De-Annexation. Declarant hereby reserves the right to de-annex any property which may be annexed to the Property pursuant to this Master Declaration, and to delete said property from the scheme of this Master Declaration and from the jurisdiction of the Community Association, provided and on condition that the de-annexation shall be made prior to the closing of the sale of the first Lot or Condominium in the Phase to be de-annexed, and a draft of the Revocation of Notice of Annexation has been submitted to and approved by the VA/FHA. A Merchant Builder may not de-annex all or any portion of a Phase unless Declarant shall have consented, in writing, to such de-annexation by executing the Revocation of Notice of Annexation.

ARTICLE XVII

ENFORCEMENT OF BONDED OBLIGATIONS

Section 1. Enforcement of Bonded Obligations. In the event that the improvements to the Common Area have not been completed prior to the issuance of a Final Subdivision Public Report by the DRE, and the Community Association is obligee under a bond or other arrangement (hereinafter referred to as the "Bond") to secure a performance of the commitment of Declarant to complete such improvements, the following provisions shall apply:

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

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

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

ARTICLE XVIII

APARTMENT AREA OWNERSHIP

Section 1. Delegation of Vote. The Owner of any multi-family Lot(s) in an Apartment Area, in its sole discretion, may, from time to time, delegate its votes in the Community Association to the Owner's authorized representatives, provided that the Owner of the apartments shall notify the Board of such delegation. Any fractional votes created by such a delegation may be rounded off by the Owner of the apartments, so long as the total vote delegated does not exceed the amount such Owner is entitled, pursuant to the Article herein entitled "The Community Association."

Section 2. Applicability of Master Declaration. An Apartment Area Owner shall be considered an "Owner," as defined in this Master Declaration, and the real property upon which said apartments are located shall be considered a "Lot" with respect to the provisions of this Master Declaration.

Section 3. Payment of Assessments. Each Owner of apartments in the Project shall pay all Assessments in accordance with the Article herein entitled "Assessments."

Section 4. Delegation of Use. An Apartment Area Owner may delegate its right of enjoyment in and to the Common Area to tenants of its apartment units, and such tenants may further delegate such rights of enjoyment to the members of the tenants' families and the tenants' bona fide guests (subject to the Rules and Regulations pertaining to guests as are applied to other Members).

Section 5. Conversion of Apartments. An Apartment Area Owner, in its sole discretion, may elect to convert its portion of the Apartment Area to a Condominium Project or Planned Development, pursuant to all applicable local, County and State ordinances and laws. The conversion of the Apartment Area may be accomplished in one (1) or more Phases. Effective upon the conveyance of the first Lot, as shown on a recorded Parcel Map or Tract Map, or the first Condominium, as shown on a recorded Condominium Plan, the Owners of Lots or Condominiums in the Apartment Area shall all be "Owners," as defined in this Master Declaration, and shall be charged on the basis of one (1) Assessment for every Lot or Condominium within such Phase, and shall have the same voting rights as other Class A Members of the Community Association, and shall be subject to all other terms and provisions of this Master Declaration in the same manner as other Owners."

ARTICLE XIX

GENERAL PROVISIONSSection 1. Enforcement.

(a) The Community Association or the Owner of any Lot or Condominium in the Project, including the Declarant, shall have the right to enforce, by proceedings at law or in equity, all of the covenants now or hereafter imposed by this Master Declaration and the By-Laws, respectively (and the Rules and Regulations duly adopted by the Community Association), including, without limitation, the right to prosecute a proceeding at law or in equity against the person or persons who have violated or are attempting to violate any of said covenants, to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

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

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

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

(e) A breach of the covenants contained in this Master Declaration or of the provisions of the By-Laws shall not affect or impair the lien or charge of any bona fide Mortgage or deed of trust made in good faith and for value on any Lot or Condominium; provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether or not such Owner's title was acquired by foreclosure, a trustee's sale or otherwise.

(f) The Board, for and on behalf of the Community Association, may assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend said Owner's voting rights and right to use the recreational facilities, if any, for the period during which any Assessment against said Owner's Lot or Condominium remains unpaid; provided, however, the requirements for Notice and Hearing set

forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(g) The Board, for and on behalf of the Community Association, may, after Notice and Hearing, temporarily suspend an Owner's voting rights and right to use the recreational facilities for a period not to exceed thirty (30) days for any infraction of the Community Association's published Rules and Regulations; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

(h) In addition to the above general rights of enforcement, the County shall have the right, through its agents and employees, to enter upon any part of the Project for the purpose of enforcing the California Vehicle Code and its local ordinances, and is hereby granted an easement over the Project for that purpose.

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

Section 3. Term. The covenants set forth in this Master Declaration shall run with and bind the Project, and shall inure to the benefit of the Community Association and be enforceable by the Board or the Owner of any land subject to this Master Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Master Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument meeting the requirements for amendment to this Master Declaration, as set forth in Section 6 below, has been signed and recorded within one (1) year prior to the termination of the initial fifty (50) year term or within one (1) year prior to the termination of any successive ten (10) year period.

Section 4. Construction. The provisions of this Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and maintenance of the Project. The Article and Section headings have been inserted for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 5. Singular Includes Plural. Whenever the context of this Master Declaration may so require, the singular shall include the plural, and the masculine shall include the feminine and neuter.

Section 6. Amendments.

(a) Amendments by Declarant. Prior to the sale of a Lot or Condominium to a member of the public, in accordance with a Final Subdivision Public Report issued by the DRE, this Master Declaration may be amended, restated or terminated by an instrument executed by Declarant and any affected Merchant Builders.

(b) Amendments by Community Association. This Master Declaration may be amended only by an affirmative vote of Owners representing not less than sixty-seven percent (67%) of the Class A voting power and the Class B voting power of the Community Association. At such time when the Class B membership shall cease and be converted to Class A membership, any and all amendments to this Master Declaration shall be enacted by requiring the vote or written assent of Owners representing both: (a) sixty-seven percent (67%) of the total voting power of the Community Association, and (b) sixty-seven percent (67%) of the votes of Members, other than the Declarant; provided, however, that the percentage of the voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision. Any Owner or the Community Association may petition the Superior Court of Riverside County for an order reducing the necessary percentage required under this Section to amend this Master Declaration. The procedure for effecting this petition is set forth in Section 1356 of the California Civil Code, as the same may be amended, from time to time.

(c) Approval of Mortgagees. In addition to the rights of first Mortgagees, as set forth in the Article herein entitled "Mortgagee Protection," in the event that FNMA participates in the financing of Lots or Condominiums in the Project, the written consent of not less than sixty-seven percent (67%) of the first Mortgagees shall be required for any amendment which affects or purports to affect any of the following:

(1) The legal status of the Project as a planned development;

(2) Voting rights;

(3) Assessments, including the levy and collection thereof, enforcement provisions for nonpayment and subordination of liens for nonpayment;

(4) Responsibility for Common Area maintenance;

(5) Reserves for maintenance, repair and replacement of Common Area;

(6) Insurance or fidelity bonds;

- (7) Common Area use rights;
- (8) Boundaries of any Lot or Condominium;
- (9) Ownership interest in Common Area;
- (10) Encroachment by Improvements into Common Area, or by Common Area into individual Lots or Condominiums;
- (11) Leasing of Lots or Condominiums;
- (12) Restrictions on alienation, including, but not limited to, rights of first refusal;
- (13) Mortgagee protection provisions as set forth in that Article hereinabove entitled "Mortgagee Protection," and such other provisions in this Master Declaration for which the consent of Mortgagees shall be required or which are expressly for the benefit of Mortgagees, insurers or guarantors of Mortgages; and
- (14) Annexation or de-annexation of additional property to or from the Project.

Notwithstanding the foregoing, in the event any first Mortgagee receives a written request from the Board to approve any amendment to this Master Declaration, and such first Mortgagee does not deliver a negative response in writing to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved such proposed amendment.

(d) Approval by County. Notwithstanding any other provisions of this Article, no amendment to this Master Declaration which materially affects the rights of the County, as set forth herein and in the Rancho Highlands Specific Plan No. 180, and no termination of this Master Declaration shall be effective without the prior written consent of the County, which shall be given written notice of such material amendment or termination. If no notice of disapproval is received by the Community Association within thirty (30) days following the receipt of such notice, such amendment or termination shall be deemed to be approved.

(e) Recordation of Amendments. An amendment made in accordance with the provisions set forth hereinabove shall be effective when executed by the President and Secretary of the Community Association, who shall certify that the amendment has been approved by the membership and, where appropriate, by the first Mortgages, in the percentages set forth hereinabove, and recorded in the Office of the County Recorder for Riverside County. Upon such recordation, the amendment shall be effective and binding upon all Owners and all Mortgagees, regardless of whether such Owner or such Mortgagee consented to such amendment.

Section 7. Encroachments. None of the rights and obligations of the Owners created herein or by the deed shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful conduct of said Owner.

Section 8. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by registered or certified mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Community Association for the purpose of service of such notice, or to the Lot or Condominium of such person if no address has been given to the Community Association. If such notice is not sent by regular mail, it shall be deemed to have been delivered when received. Such address may be changed, from time to time, by notice in writing to the Community Association.

Section 9. Attorneys' Fees. If any Owner defaults in making a payment of Assessments or in the performance or observance of any provision of this Master Declaration, and the Community Association has obtained the services of an attorney in connection therewith, the Owner covenants and agrees to pay to the Community Association any costs or fees incurred, including reasonable attorneys' fees, regardless of whether legal proceedings are instituted. In case a suit is instituted, the prevailing party shall recover the cost of the suit, in addition to the aforesaid costs and fees.

Section 10. Property Exemption. All public property within the Project shall be exempt from the provisions of this Master Declaration.

Section 11. Conflicts Between Community Association Management Documents and Sub-Association Management Documents. In the event of any conflict between the management documents governing the Community Association and the management documents governing any Sub-Association, the Community Association management documents shall be deemed to supersede and prevail such other documents to the extent of any conflict. For purposes of this Section, the term "management documents" shall mean and refer to the respective Association's: (a) Articles of Incorporation, (b) By-Laws, (c) Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements, and any recorded amendments thereto, (d) Rules and Regulations, and (e) Architectural Standards of the Community Association.

Section 12. Additional Covenants in Favor of the VA/FHA. So long as there is Class B membership in the Community Association, the following actions shall require the prior approval of the VA: annexation of Annexation Property, mergers and consolidations, any Special Assessments for capital Improvements to the Common Area and any amendment to this Master Declaration.

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

"DECLARANT"

KAISER DEVELOPMENT COMPANY,
a California corporation



BY: _____

Its: Duly Authorized Agent

BY: _____

Its: _____

CONSENT AND AGREEMENT OF
FIRST MERCHANT BUILDER

The undersigned First Merchant Builder under the foregoing Amendment and Restatement of Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Rancho Highlands, does hereby consent to and join in the execution of such instrument, and agrees that all of the real property covered by this instrument shall hereafter be conveyed subject to the covenants, conditions, restrictions, reservations, liens and charges as set forth in the foregoing Amendment and Restatement of Declaration of Covenants, Conditions

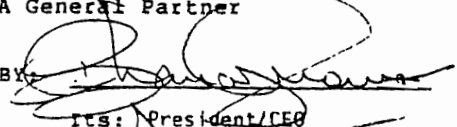
3236

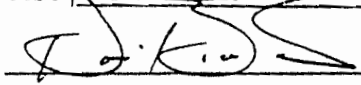
and Restrictions, and Reservation of Easements for Rancho Highlands.

"FIRST MERCHANT BUILDER"

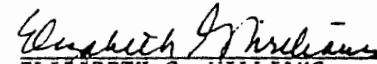
RANCHO HIGHLANDS ASSOCIATES,
a general partnership

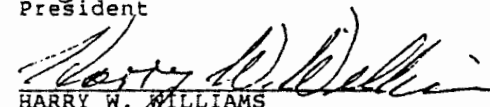
BY: BEL-AIR SAVINGS AND LOAN
ASSOCIATION,
a California corporation
A General Partner

BY: 
Its: President/CEO

BY: 
Its: Sr. V.P./Major Loans

BY: E.G. WILLIAMS DEVELOPMENT
CORPORATION,
a California corporation
A General Partner

BY: 
ELIZABETH G. WILLIAMS
President

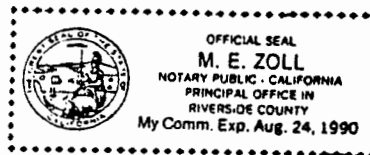
BY: 
HARRY W. WILLIAMS
Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

On January 5, 1987, before me, the undersigned, a
Notary Public in and for said State, personally appeared
Jeffrey L. Minkler, personally known to me
or proved to me on the basis of satisfactory evidence to be
the person who executed the within instrument as the agent of
the corporation that executed the within instrument, and
acknowledged to me that such corporation executed the within
instrument pursuant to its by-laws or a resolution of its
board of directors.

WITNESS my hand and official seal.

M. E. Zoll
Signature



(SEAL)

STATE OF CALIFORNIA

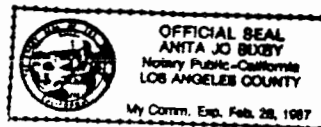
COUNTY OF Los Angeles

) ss.

On January 7, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared R. L. Lamm and Wes Brock, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President / CEO and S. H. P. / Mayor Lamm on behalf of BEL-AIR SAVINGS AND LOAN ASSOCIATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors, said corporation being known to me to be a general partner of RANCHO HIGHLANDS ASSOCIATES, the general partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such general partnership executed the same.

WITNESS my hand and official seal.

Anita Jo Bixby
Signature of Notary Public
ANITA JO BIXBY



(SEAL)

STATE OF CALIFORNIA

COUNTY OF Riverside

) ss.

On January 6, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared ELIZABETH G. WILLIAMS HARRY W. WILLIAMS, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President and Vice President, on behalf of E.G. WILLIAMS DEVELOPMENT CORPORATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors, said corporation being known to me to be a general partner of RANCHO HIGHLANDS ASSOCIATES, the general partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such general partnership executed the same.

WITNESS my hand and official seal.

Alice Salvors
Signature of Notary Public



(SEAL)

3236

EXHIBIT "A"

PROPERTY

Lots 1 through 26, inclusive, of Tract 20643 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 50 through 53 of Maps, in the Office of the County Recorder of said County.

Lots 1 through 74, inclusive of Tract 20644 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 46-49 of Maps, in the Office of the County Recorder of said County.

RANCHO HIGHLANDS CC&RS
EXHIBIT B
ANNEXATION PROPERTY

PARCEL 1:

Those portions of Lot 6 of Block 3, Lots 1, 2, 3 and 4 of Block 18, Lots 1, 2, 3, 14 and 15 of Block 19 and Lots 1, 2 and 17 of Block 22 of Pauba Land and Water Company, in the County of Riverside, State of California, as per map recorded in Book 11, Page 507 of Maps, in the Office of the County Recorder of San Diego County, California, lying North of Tract 3552, as shown on a map recorded in Book 56, Page 63 of Maps, in the Office of the County Recorder of said Riverside County and lying Easterly of the Town of Temecula, as shown on a map recorded in Book 15, Page 726 of Maps, in the Office of the County Recorder of San Diego County, California, and also Easterly of that certain Parcel No. 1, as described in the deed to the State of California, recorded December 4, 1967 as Instrument No. 105961 of Official Records; and lying Southerly of Lot "E" shown as Long Valley Road (110.00 feet wide) on a map of Tract 3334, recorded in Book 54, Page 25 of Maps, in the Office of the County Recorder of said Riverside County; and lying Westerly of Lots "G", "N" of said Tract 3334 and Lot "A" of said Tract 3552, shown as Ynez Road (88.00 feet wide) and Mac Leod (88.00 feet wide).

EXCEPT that portion lying within Tract 3935, as shown on a map recorded in Book 61, Page 79 of Maps, in the Office of the County Recorder of said Riverside County.

ALSO EXCEPT that portion as described in the deed to Richard D. Ramsey, et al, recorded December 16, 1969, as Instrument No. 128427 of Official Records.

ALSO EXCEPT that portion conveyed to the State of California by deed recorded July 12, 1973 as Instrument No. 90987 of Official Records.

ALSO EXCEPT that portion lying within Parcel map 19534, as per map recorded in Book 119, Page 79 of Parcel Maps in the Office of the County Recorder of said County.

ALSO EXCEPT those portions of Lots 1, 2, 3, 14 and 15 of Block 19 and Lots 1 and 17 of Block 22 of Pauba Land and Water Co., in the County of Riverside, State of California, as per Map recorded in Book 11, Page 507 of Maps, Records of San Diego County described as a whole as follows:

BEGINNING at the centerline intersection of Ynez Road and Santiago Road as said roads are shown on the Map of Tract No. 3552 filed in Book 56, Pages 63 to 66 of Maps, Records of Riverside County; THENCE South 80°31'26" West along said centerline of Santiago Road 199.80 feet to the Westerly line of said Tract No. 3552; THENCE continuing South 80°31'26" West along the centerline of Santiago Road as described in Deed to Riverside County Recorded November 8, 1967 as Instrument No. 98485 a distance of 148.99 feet to the beginning of a tangent curve therein, concave Northwesterly, having a radius of 1000.00 feet; THENCE Southwesterly along said curve through a central angle of 8° 21'04" a distance of 145.75 feet; THENCE tangent to said curve and continuing along said centerline of Santiago Road per said Instrument No. 98485 South 88° 52'30" West 441.54 feet to the beginning of a tangent curve therein, concave Northwesterly, having a radius of 400.00 feet; THENCE Southwesterly along said curve through a central angle of 32°32'51" a distance of 227.23 feet to the Southeasterly line of that portion of Santiago Road as described in Deed to State of California Recorded July 12, 1973 as Instrument No. 90987; THENCE North 33°34'29" East along said Southeastly line 1.08 feet to the centerline of said last described portion of Santiago Road; THENCE North 56°25'31" West along said centerline 306.41 feet to the centerline of "C" Street as shown by Parcel Map 19534 Filed in Book 119, Pages 32 and 33 of Parcel Maps, Records of Riverside County; THENCE North 33°34'29" East along said centerline 78.00 feet to the beginning of a tangent curve therein; concave Northwesterly, having a radius of 400.00 feet; THENCE Northeasterly along said centerline through a central angle of 30°14'22" a distance of

211.11 feet to the beginning of a tangent reverse curve in said centerline, concave Southeasterly, having a radius of 500.00 feet; THENCE Northeasterly along said curve through a central angle of 25°55'56" a distance of 226.30 feet; THENCE tangent to said curve North 29°16'03" East along the easterly line of Parcel 1 of said Parcel Map 19534 a distance of 37.50 feet to the Northeasterly line of said Parcel 1; THENCE North 41°58'10" West along said Northeasterly line 34.09 feet to a point in the Northerly line of said "C" Street, said northerly line being a curve, concave southerly, having a radius of 50.00 feet, a radial line through said point bears North 15°03'16" East; THENCE Southeasterly along said curve through a central angle of 65°57'08" a distance of 57.55 feet to its intersection with the Southeasterly prolongation of the Northeasterly line of Parcel 1 of said Parcel Map No. 19534; THENCE South 41°58'10" East along said southeasterly prolongation 11.45 feet to the southwesterly prolongation of the southeasterly line of Temecula Cemetery as shown by Map Filed in Book 8 Page 30 of Maps, Records of Riverside County; THENCE North 47°35'32" East along said prolongation and said southeasterly line 598.49 feet to the most easterly corner of said Temecula Cemetery; THENCE North 41°58'30" West along the northeasterly line of said Temecula Cemetery 298.44 feet; THENCE leaving said northeasterly line North 31°12'19" East 142.00 feet; THENCE North 45°12'16" West 77.68 feet; THENCE North 22°16'11" East 199.63 feet to a point on a curve concave southwesterly, having a radius of 633.00 feet, a radial line through said point bears North 22°16'11" East; THENCE southeasterly along said curve through a central angle of 144°31" a distance of 19.24 feet; THENCE North 73°07'23" East 19.79 feet; THENCE North 28°00'00" East 52.90 feet to the beginning of a tangent curve, concave westerly having a radius of 470.00 feet; THENCE northerly along said curve through a central angle of 20°00'00" a distance of 164.06 feet; THENCE radial to said curve North 82°00'00" West 150.00 feet; THENCE North 370.00 feet; THENCE North 45°00'00" East 192.00 feet; THENCE North 82°48'21" East 192.00 feet; THENCE North 76°17'40" East 106.00 feet; THENCE North 50°56'16" East 101.02 feet to a point in the centerline of Ynez Road as said road is shown on the Map of Tract No. 3833 Filed in Book 61, Pages 42 to 52 of Maps, Records of Riverside County and on said Map of Tract No. 3552, said centerline being a curve, concave southwesterly, having a radius of 1200.00 feet, a radial line through said point bears North 50°56'16" East; THENCE southerly along said curve through a central angle of 36°48'40" a distance of 770.97 feet; THENCE tangent to said curve and continuing along said centerline of Ynez Road South 7°44'56" West 455.72 feet to the beginning of a tangent curve therein, concave easterly, having a radius of 1200.00 feet; THENCE southerly along said curve through a central angle of 26°38'36" a distance of 558.02 feet; THENCE tangent to said curve and continuing along said centerline of Ynez Road per said Tract No. 3552 South 18°53'40" East 741.46 feet to the POINT OF BEGINNING.

PARCEL 2:

Lots 11 through 21 inclusive, in Block 7 of the Town of Temecula, in the County of Riverside, State of California, as per map recorded in Book 15, Page 726 of Maps, in the Office of the County Recorder of San Diego County, California, together with those portions of the alley and the Northwest half of First Street in said Block 7 which would pass by Operation of Law with the conveyance of said lots.

EXPECT those portions within the land described in the deeds to the State of California, recorded June 23, 1948, December 4, 1967 and July 12, 1973 as Instrument Nos. 3269, 105961 and 90987 respectively of Official Records.

PARCEL 3:

That portion of Block 8 and that portion of Lot 10, Block 7, and that portion of First Street, per map of the Town of Temecula, recorded in Book 15 of Maps, Page 726, in said San Diego County Recorder's Office, included within the following described lines:

Beginning at the Southeasterly corner of said Block 8;

Thence on the Southerly line of said Block 8, South $74^{\circ}17'16''$ West, 274.20 feet to a line parallel with and distant of 130.00 feet Easterly, measured at right angles from the centerline of improvement of State Road 8-RIV-15 (formerly 8-RIV-395) as shown on right of way map of said road on file in State Highway Map Book 5, Page 56, in said Riverside County Recorder's Office;

Thence on said parallel line, North $16^{\circ}19'00''$ West, 273.35 feet to the beginning of a tangent curve, concave Westerly and having a radius of 3,737.00 feet;

Thence Northerly on said curve 336.33 feet to the intersection thereof with the Northeasterly line of said Lot 10;

Thence Southeasterly on said Northeasterly line, 63.65 feet to the most Easterly corner of said Lot 10;

Thence Southeasterly and at right angles to the centerline of First Street, shown on said map of the Town of Temecula as 60.00 feet wide, 30.00 feet to said centerline;

Thence Northeasterly on said centerline to the Northwesterly prolongation of the Northeasterly line of said Block 8;

Thence Southeasterly and Southerly on said prolongation, said Northeasterly line, and the Easterly line of said Block 8 to the point of beginning.

PARCEL 4:

The Southwest half of Lots "G" and "N" (Ynez Road) of Tract 3334, in the County of Riverside, State of California, as per map recorded in Book 54, Page 25 of Maps, in the Office of the County Recorder of said County, together with that portion of the Westerly half of Lot "A" (Ynez Road) of Tract 3552 as per map recorded in Book 56, Page 63 of Maps, in the Office of the County Recorder of said County lying North of the Easterly prolongation of the centerline of Lot "B" (Santiago Road) of said Tract 3552.

PARCEL 5:

Lots 1 through 37, inclusive, of Tract 20642, in the County of Riverside, State of California, as per map recorded in Book 159, Pages 54 through 57 of Maps, in the Office of the County Recorder of said County.

RANCHO HIGHLANDS
EXHIBIT C
CSA MAINTAINED AREAS

LEGAL DESCRIPTION

PARCEL 1:

That portion of Lot 24, Tract No. 20643, in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 50 to 53 of Maps, Records of said County described as follows:

BEGINNING at a point on the Westerly line of said Lot 24, said Westerly line being a curve, concave Easterly, having a radius of 1365.00 feet, distant Northerly along said curve 58.27 feet from the Southwesterly corner of said Lot 24, a radial line through said point bears North 82°23'41" West; THENCE South 82°23'41" East 2.00 feet to the beginning of a non-tangent curve concave Easterly, having a radius of 1363.00 feet, a radial line through the beginning of said curve bears North 82°23'41" West; THENCE Northerly along said curve through a central angle of 0°05'03" a distance of 2.00 feet to the beginning of a tangent compound curve, concave Southeasterly, having a radius of 18.00 feet, a radial line through the beginning of said curve bears North 82°18'38" West; THENCE Northeasterly along said curve through a central angle of 96°48'57" a distance of 30.42 feet to the beginning of a tangent reverse curve, concave Northerly, having a radius of 645.00 feet, a radial line through the beginning of said reverse curve bears South 14°30'19" West; Thence Easterly along said curve through a central angle of 0°47'58" a distance of 9.00 feet; THENCE radial to said last mentioned curve North 13°42'21" East 2.00 feet to the Northerly line of said Lot 24; Thence Westerly along said Northerly line along a curve concave Northerly having a radius of 643.00 feet a distance of 26.03 feet to the Northwestern line of said lot 24; THENCE South 54°58'09" West along said Northwestern line 7.29 feet to the Westerly line of said lot, said Westerly line being a curve, concave Easterly, having a radius of 1365.00 feet; THENCE Southerly along said Westerly line through a central angle of 90°48'16" a distance of 19.17 feet to the POINT OF BEGINNING.

PARCEL 2:

Lot 26 of Tract No. 20643 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 50 to 53 of Maps, Office of County Recorder of said County.

PARCEL 3:

THAT portion of Lots 18 and 19, Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps Records of said County described as follows:

BEGINNING at a point in the Northerly line of said Lot 19, distant thereon North 71°06'20" East 45.22 feet from the Northwest corner of said lot; THENCE South 18°53'40" East 2.00 feet to the beginning of curve Southwesterly, having a radius of 23.00 feet, a radial line through the beginning of said curve bears North 18°53'40" West; THENCE Southeasterly along said curve through a central angle of 93°15'08" a distance of 37.43 feet; THENCE tangent to said curve South 15°38'32" East 73.81 feet; THENCE South 63°53'40" East 15.56 feet to the Easterly line of said lot 18; THENCE North 18°53'40" West along the Easterly line of said Lots 18 and 19 103.39 feet to an angle point in the Easterly line of said Lot 19; THENCE North 61°30'31" West along the Northeasterly line of said Lot 10.34 feet to the Northerly line of said lot; THENCE South 71°06'20" West along said Northerly line 22.78 feet to the POINT OF BEGINNING.

PARCEL 4:

THAT portion of Lots 38 through 48 in Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County described as follows:

BEGINNING at a point in the Easterly line of said Lot 48, distant thereon South 1°07'30" East 67.00 feet from the Northerly terminus of that portion of said Easterly line shown as having a bearing and distance of North 1°07'30" West 83.00 feet; THENCE South 88°52'30" West 7.50 feet to the beginning of a non-tangent curve, concave Northwesterly, having a radius of 23.00 feet, a radial line through said beginning bears North 88°33'40" West; THENCE Southwesterly along said curve through a central angle of 90°17'55" a distance of 23.12 feet; THENCE tangent to said curve North 88°15'45" West 38.58 feet to the Westerly line of said Lot 48; THENCE South 43°52'30" West 5.66 feet; THENCE North 88°18'34" West 61.07 feet to the Westerly line of Lot 47; THENCE South 43°52'30" West 5.66 feet; THENCE South 89°48'51" West 61.01 feet to the Westerly line of Lot 46; THENCE South 43°52'30" West 2.83 feet; THENCE South 89°47'04" West 63.01 feet to the Westerly line of Lot 45; THENCE South 88°52'30" West 69.54 feet to the beginning of a tangent curve, concave Northerly, having a radius of 340.00 feet; THENCE Westerly along said curve through a central angle of 34°41'59" a distance of 205.91 feet; THENCE tangent to said curve North 56°25'31" West 246.86 feet; THENCE North 39°54'37" West 15.16 feet to a point in the Southwesterly line of Lot 38, said point being on a curve, concave Northeasterly, having a radius of 50.00 feet, a radial line through said point bears South 69°44'44" West; THENCE Southeasterly along said curve through a central angle of 16°52'54" a distance of 14.73 feet to the Northerly line of Lot 73 of said Tract 20644; THENCE South 56°25'31" East along said Northerly line 250.94 feet to the beginning of a tangent curve therein, concave Northeasterly, having a radius of 356.00 feet; THENCE Southeasterly along said curve through a central angle of 34°41'59" a distance of 209.55 feet; THENCE, continuing along said Northerly line of Lot 73, North 88°52'30" East 320.41 feet to the Southeasterly line of said Lot 48; THENCE North 46°15'39" East along said Southeasterly line 19.20 feet to the Easterly line of said Lot 48; THENCE North 1°07'30" West along said Easterly line 16.00 feet to the POINT OF BEGINNING.

PARCEL 5:

THAT Portion of Lots 1, 10, 11, 12 and 13 of Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County described as follows:

BEGINNING at a point on the Easterly line of said Lot 13, distant thereon South 18°53'40" East 83.01 feet for the Northeasterly corner of said lot; THENCE South 71°06'20" West 2.00 feet to the beginning of a non-tangent curve, concave Northwesterly, having a radius of 28.00 feet, a radial line through the beginning of said curve bears North 71°06'20" East; THENCE Southwesterly along said curve through a central angle of 99°25'06" a distance of 48.59 feet; THENCE tangent to said curve South 80°21'26" West 44.18 feet; THENCE South 9°28'34" East 10.00 feet; Thence South 80°31'26" West 68.00 feet; THENCE South 81°54'33" West 201.17 feet to the Easterly line of said Lot 1; THENCE South 57°10'27" West 10.58 feet to a point on a curve, concave Northerly, having a radius of 941.00 feet, a radial line through said point bears South 4°28'33" East; THENCE Westerly along said curve through a central angle of 3°21'03" a distance of 55.03 feet; THENCE tangent to said curve South 88°52'30" West 23.00 feet to the beginning of a tangent curve, concave Northeasterly, having a radius of 20.00 feet; THENCE Northwesterly along said curve through a central angle of 90°00'00" a distance of 31.42 feet; THENCE radial to said curve South 88°52'30" West 4.00 feet to the Westerly line of said Lot 1; THENCE South 1°07'30" East along said Westerly line 12.00 feet to the Southwesterly line of said Lot; Thence South 48°30'39" East along Southwesterly line 19.20 feet to the Northerly

line of Lot 74 of said Tract No. 20644; THENCE North 88°52'30" East along said Northerly line 32.87 feet to the beginning of a tangent curve therein, concave Northerly, having a radius of 946.00 feet; THENCE Easterly along said curve through a central angle of 8°21'04" a distance of 137.88 feet; THENCE tangent to said curve North 80°31'26" East along said Northerly line 252.02 feet to an angle point therein; THENCE North 30°48'53" East along said Northerly line, being also the Southeasterly line of said Lots 12 and 13, a distance of 34.91 feet to the Easterly line of said Lot 13; THENCE North 18°53'40" West along said Easterly line 24.52 feet to the POINT OF BEGINNING.

PARCEL 6:

Lot 73 of Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County.

PARCEL 7:

Lot 74 of Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County.

EXHIBIT "D"
COMMON AREAPARCEL 1

Lots 25 and 26 of Tract 20643 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 50 to 53 of Maps, in the Office of the County Recorder of said County.

PARCEL 2

Lot 73 and 74 of Tract No. 20644 in the County of Riverside, State of California, as shown by Map filed in Book 159, Pages 46 to 49 of Maps, in the Office of County Recorder of said County.

RANCHO HIGHLANDS
EXHIBIT E
COMMUNITY ASSOCIATION MAINTENANCE AREAS

PARCEL 1:

THAT portion of Lot 24, Tract No. 20643, in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 50 to 53 of Maps, Office of the County Records of said County described as follows:

BEGINNING at a point on the Westerly line of said Lot 24, said Westerly line being a curve, concave Easterly, having a radius of 1365.00 feet, distant Northerly along said curve 58.27 feet from the Southwesterly corner of said Lot 24, a radial line through said point bears North 82°23'41" West; THENCE South 82°23'41" East 2.00 feet to the beginning of a non-tangent curve concave Easterly, having a radius of 1363.00 feet; a radial line through the beginning of said curve bears North 82°23'41" West; THENCE Northerly along said curve through a central angle of 0°05'03" a distance of 2.00 feet to the beginning of a tangent compound curve, concave Southeasterly, having a radius of 18.00 feet, a radial line through the beginning of said curve bears North 82°18'38" West; THENCE Northeasterly along said curve through a central angle of 96°48'57" a distance of 30.42 feet to the beginning of a tangent reverse curve, concave Northerly, having a radius of 645.00 feet, a radial line through the beginning of said reverse curve bears South 14°30'19" West; THENCE Easterly along said curve through a central angle of 0°47'58" a distance of 9.00 feet; THENCE radial to said last mentioned curve North 13°42'21" East 2.00 feet to the Northerly line of said Lot 24; THENCE Westerly along said Northerly line along a curve concave Northerly having a radius of 643.00 feet a distance of 26.03 feet to the Northwesternly line of said Lot 24; THENCE South 54°58'09" West along said Northwesternly line 7.29 feet to the Westerly line of said lot, said Westerly line being a curve, concave Easterly, having a radius of 1365.00 feet; THENCE Southerly along said Westerly line through a central angle of 90°48'16" a distance of 19.17 feet to the POINT OF BEGINNING.

PARCEL 2:

THAT portion of Lot 1 of Tract No. 20643 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 50 to 53 of Maps, Office of the County Recorder of said County described as follows:

BEGINNING at the Northeasterly corner of said Lot 1; THENCE North 64°28'09" West along the Northerly line of said lot 21.00 feet; THENCE South 23°31'51" West 2.00 feet to the beginning of a non-tangent curve, concave Southwesterly, having a radius of 18.00 feet, a radial line through the beginning of said curve bears North 23°31'51" East; THENCE Southeasterly along said curve through a central angle of 70°39'13" a distance of 22.20 feet; THENCE tangent to said curve South 6°11'04" West 78.74 feet; THENCE South 37°54'22" East 9.90 feet to the Easterly line of said Lot 1; THENCE Northerly along said Easterly line, being a curve, concave Easterly, having a radius of 1425.00 feet, through a central angle of 3°55'56" a distance of 97.80 feet to the POINT OF BEGINNING.

PARCEL 3:

THAT portion of Lots 8,9,10 and 11 of Tract No. 20643 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 50 to 53 of Maps, Office of the County Recorder of said County described as follows:

BEGINNING at the Easterly terminus of that portion of the Northerly line of said Lot 11 shown as having a bearing and distance of North 86°35'09" West 2.00 feet; THENCE South 0°13'59" West 89.04 feet; THENCE South 88°21'07" West 164.41 feet; THENCE North 57°54'22" West 77.06 feet; THENCE North 47°10'20" West 85.27 feet to the most Westerly corner of said Lot 8; THENCE South

41°58'30" East, along the Southwesterly line of Lot 8 a distance of 87.00 feet to the Southwesterly line of said Lot 9; THENCE South 56°37'08" East along said Southwesterly line 85.35 feet to the Southerly line of said Lots 10 and 11; THENCE South 89°27'28" East along said Southerly line 175.64 feet to the Easterly line of said lot 11; THENCE Northerly along said Easterly line, being a curve, concave Easterly having a radius of 1425.00 feet, through a central angle of 3°48'44" a distance of 94.81 feet to the Northeasterly line of said Lot 11; THENCE North 42°26'33" West along said Northeasterly line 18.11 feet to the POINT OF BEGINNING.

PARCEL 4:

THAT portion of Lots 18 and 19, Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps Records of said County described as follows:

BEGINNING at a point in the Northerly line of said Lot 19, distant thereon North 71°06'20" East 45.22 feet from the Northwest corner of said lot; THENCE South 18°53'40" East 2.00 feet to the beginning of curve concave Southwesterly, having a radius of 23.00 feet, a radial line through the beginning of said curve bears North 18°53'40" West; THENCE Southeasterly along said curve through a central angle of 93°15'08" a distance of 37.43 feet; THENCE tangent to said curve South 15°38'32" East 73.81 feet; THENCE South 63°53'40" East 15.56 feet to the Easterly line of said Lots 18; THENCE North 18°53'40" West along the Easterly line of said lots 18 and 19 103.39 feet to an angle point in the Easterly line of said Lot 19; THENCE North 61°30'31" West along the Northeasterly line of said Lot 10.34 feet to the Northerly line of said lot; THENCE South 71°06'20" West along said Northerly line 22.78 feet to the POINT OF BEGINNING.

PARCEL 5:

THAT portion of Lots 1,10,11,12 and 13 of Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County described as follows:

BEGINNING at a point on the Easterly line of said Lot 13, distant thereon South 18°53'40" East 83.01 feet from the Northeasterly corner of said lot; THENCE South 71°06'20" West 2.00 feet to the beginning of a non-tangent curve, concave Northwesterly, having a radius of 28.00 feet, a radial line through the beginning of said curve bears North 71°06'20" East; THENCE Southwesterly along said curve through a central angle of 99°25'06" a distance of 48.59 feet; THENCE tangent to said curve South 80°21'26" West 44.18 feet; THENCE South 9°28'34" East 10.00 feet; THENCE South 80°31'26" West 68.00 feet; THENCE South 81°54'33" West 201.17 feet to the Easterly line of said Lot 1; THENCE South 57°10'27" West 10.58 feet to a point on a curve, concave Northerly, having a radius of 941.00 feet, a radial line through said point bears South 4°28'33" East; THENCE Westerly along said curve through a central angle of 3°21'03" a distance of 55.03 feet; THENCE tangent to said curve South 88°52'30" West 23.00 feet to the beginning of a tangent curve, concave Northeasterly, having a radius of 20.00 feet; THENCE Northwesterly along said curve through a central angle of 90°00'00" a distance of 31.42 feet; THENCE radial to said curve South 88°52'30" West 4.00 feet to the Westerly line of said Lot 1; THENCE South 1°07'30" East along said Westerly line 12.00 feet to the Southwesterly line of said Lot; THENCE South 48°30'39" East along said Southwesterly line 19.20 feet to the Northerly line of Lot 74 of said Tract No. 20644; THENCE North 88°52'30" East along said Northerly line 32.87 feet to the beginning of a tangent curve therein, concave Northerly, having a radius of 946.00 feet; THENCE Easterly along said curve through a central angle of 8°21'04" a distance of 137.88 feet; THENCE tangent to said curve North 80°31'26" East along said Northerly line 252.02 feet to an angle point therein; THENCE North 30°48'53" East along said Northerly line, being along the Southeasterly line of said Lots 12 and 13, a distance of 34.91 feet to the Easterly line of said lot Lot 13; THENCE North 18°53'40" West along said Easterly line 24.52 feet to the POINT OF BEGINNING.

PARCEL 6:

THAT portion of Lots 38 through 48 in Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County described as follows:

BEGINNING at a point in the Easterly line of said Lot 48, distant thereon South 1°07'30" East 67.00 feet from the Northerly terminus of that portion of said Easterly line shown as having a bearing and distance of North 1°07'30" West 83.00 feet; THENCE South 88°52'30" West 7.50 feet to the beginning of a non-tangent curve, concave Northwesterly, having a radius of 23.00 feet, a radial line through said beginning bears North 88°33'40" West; THENCE Southwesterly along said curve through a central angle of 90°17'55" a distance of 23.12 feet; THENCE tangent to said curve North 88°15'45" West 38.58 feet to the Westerly line of said Lot 48; THENCE South 43°52'30" West 5.66 feet; THENCE North 88°18'34" West 61.07 feet to the Westerly line of Lot 47; THENCE South 43°52'30" West 5.66 feet; THENCE South 89°48'51" West 61.01 feet to the Westerly line of Lot 46; THENCE South 43°52'30" West 2.83 feet; THENCE South 89°47'04" West 63.01 feet to the Westerly line of Lot 45; THENCE South 88°52'30" West 69.54 feet to the beginning of a tangent curve, concave Northerly, having a radius of 340.00 feet; THENCE Westerly along said curve through a central angle of 34°41'59" a distance of 205.91 feet; THENCE tangent to said curve North 56°25'31" West 246.86 feet; THENCE North 39°54'37" West 15.16 feet to a point in the Southwesterly line of Lot 38, said point being on a curve, concave Northeasterly, having a radius of 50.00 feet, a radial line through said point bears South 69°44'44" West; THENCE Southeasterly along said curve through a central angle of 16°52'54" a distance of 14.73 feet to the Northerly line of Lot 73 of said Tract 20644; THENCE South 56°25'31" East along said Northerly line 250.94 feet to the beginning of a tangent curve therein, concave Northeasterly, having a radius of 356.00 feet; THENCE Southeasterly along said curve through a central angle of 34°41'59" a distance of 209.55 feet; THENCE, continuing along said Northerly line of Lot 73, North 88°52'30" East 320.41 feet to the Southeasterly line of said Lot 48; THENCE North 46°15'39" East along said Southeasterly line 19.20 feet to the Easterly line of said Lot 48; THENCE North 1°07'30" West along said Easterly line 16.00 feet to the POINT OF BEGINNING.

PARCEL 7:

THE Easterly 15.00 feet of Lot 41 and the Westerly 15.00 feet of Lot 42 of Tract No. 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County.

PARCEL 8:

THAT portion of Lot 48 of Tract 20644 in the County of Riverside, State of California as shown by Map filed in Book 159, Pages 46 to 49 of Maps, Records of said County described as follows:

BEGINNING at the Northerly terminus of that portion of the Easterly line of said Lot 48 shown as having a bearing and distance of North 1°07'30" West 83.00 feet, THENCE South 1°07'30" East along said Easterly line 67.00 feet; THENCE South 88°52'30" West 7.50 feet; THENCE North 1°26'20" East 67.07 feet; THENCE North 88°52'30" East 4.50 feet to the POINT OF BEGINNING.

5891

Recording Requested By and
When Recorded Mail To:
Kaiser Development Company
27405 Ynez Road/ Temecula
Rancho California, California 92390

5891

RECEIVED FOR RECORDING
AT 2:00 O'CLOCK P.M.

JAN - 9 1987

Recorded in Official Records
of Riverside County, California

William F. Connelley
Recorder
Fees \$

RECEIVED

JAN 21 1987

Equil.

FIRST AMENDMENT TO
AMENDMENT AND RESTATEMENT OF
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
RANCHO HIGHLANDS

THIS FIRST AMENDMENT TO AMENDMENT AND RESTATEMENT OF MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS is made this 8th day of January, 1987, by KAISER DEVELOPMENT COMPANY, a California corporation ("Declarant"), and RANCHO HIGHLANDS ASSOCIATES, a General Partnership ("First Merchant Builder").

W I T N E S S E T H :

A. Declarant and First Merchant Builder previously executed and caused to be recorded that certain "Amendment and Restatement of Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Rancho Highlands" on January 7, 1987, as Instrument No. 003236, in Book , Pages , et seq., of Official Records of Riverside County, California ("Master Declaration"), covering certain Property as described in Exhibit "A" (the "Property").

B. Declarant and First Merchant Builder desire and intend to amend the Master Declaration to clarify the Property described in the Master Declaration.

C. Pursuant to Section 6(a) of Article XIX of this Master Declaration, this Master Declaration may be amended by Declarant prior to the close of escrow for the sale of a Lot or Condominium in the Project to a member of the public. As of the date of recordation of this instrument, no escrow has yet closed for the sale of a Lot or Condominium in the Project.

5891

NOW, THEREFORE, Declarant and First Merchant Builder delete Exhibit A of the Master Declaration and in place thereof the exhibit attached hereto as Exhibit A shall be inserted.

IN WITNESS WHEREOF the parties have executed this instrument in counterparts on the day and year first above written.

"Declarant"

KAISER DEVELOPMENT COMPANY, a
California corporation

BY: [Signature]



"First Merchant Builder"

RANCHO HIGHLANDS ASSOCIATES, a
general partnership

BY: BEL-AIR SAVINGS AND LOAN ASSOCIATION,
a California corporation
A General Partner

By: _____

Its: _____

By: _____

Its: _____

BY: E. G. WILLIAMS DEVELOPMENT CORPORATION,
a California corporation
A General Partner

By: [Signature]

ELIZABETH G. WILLIAMS
President

By: [Signature]

HARRY W. WILLIAMS
Vice President

3002 (6/82) — (Corporation) First Amer
Insurance Company

5891

STATE OF CALIFORNIA
COUNTY OF RIVERSIDE

On January 9, 1987

before me, the undersigned, a Notary Public in and for
said State, personally appeared Jeffrey L. Minkler

_____ personally known to me (or proved to me on the
basis of satisfactory evidence) to be the person who executed the within instrument as _____

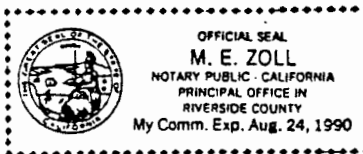
Vice President and _____ SECRETARY, on behalf of _____
Kaiser Development Company

the corporation therein named, and acknowledged to me that
such corporation executed the within instrument pursuant to its
by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature [Signature]

M. E. Zoll



(This area for official notarial seal)

5891

STATE OF CALIFORNIA

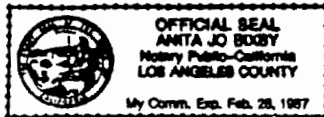
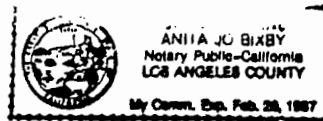
COUNTY OF

Los Angeles) ss.

On 1/9/87, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared R. L. Thomas and Don Buck, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President / CEO and Mr. U.P. / Mr. Wason on behalf of BEL-AIR SAVINGS AND LOAN ASSOCIATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors, said corporation being known to me to be a general partner of RANCHO HIGHLANDS ASSOCIATES, the general partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such general partnership executed the same.

WITNESS my hand and official seal.

Anita Jo Bixby
Signature of Notary Public
ANITA JO BIXBY



(SEAL)

STATE OF CALIFORNIA

COUNTY OF

) ss.

On _____, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared ELIZABETH G. WILLIAMS HARRY W. WILLIAMS, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President and Vice President, on behalf of E.G. WILLIAMS DEVELOPMENT CORPORATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors, said corporation being known to me to be a general partner of RANCHO HIGHLANDS ASSOCIATES, the general partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such general partnership executed the same.

WITNESS my hand and official seal.

Signature of Notary Public

(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared _____ and _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as _____ and _____, on behalf of BEL-AIR SAVINGS AND LOAN ASSOCIATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors, said corporation being known to me to be a general partner of RANCHO HIGHLANDS ASSOCIATES, the general partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such general partnership executed the same.

WITNESS my hand and official seal.

Signature of Notary Public

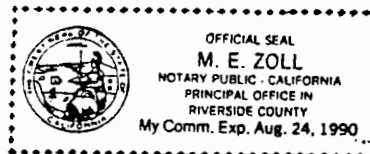
(SEAL)

STATE OF CALIFORNIA)
) ss.
COUNTY OF RIVERSIDE)

On January 9 _____, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared ELIZABETH G. WILLIAMS HARRY W. WILLIAMS, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President and Vice President, on behalf of E.G. WILLIAMS DEVELOPMENT CORPORATION, the corporation herein named, and acknowledged to me that said corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors, said corporation being known to me to be a general partner of RANCHO HIGHLANDS ASSOCIATES, the general partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such general partner and that such general partnership executed the same.

WITNESS my hand and official seal.

M. E. Zoll
Signature of Notary Public



(SEAL)

EXHIBIT "A"

PROPERTY

The property shall consist of Phase 1 and Phase 2 as follows:

Phase 1 of the Property consists of 66 residential lots and 3 common areas lots described as follows:

Residential lots:

Lots 1 through 24, inclusive, of Tract 20643 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 50 through 53 of Maps, in the Office of the County Recorder of said County.

Lots 7 through 38, inclusive, and 54 through 63, inclusive, of Tract 20644 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 46-49 of Maps, in the Office of the County Recorder of said County.

Common Area lots:

Lots 25 and 26 of Tract 20643 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 50 through 53 of Maps, in the Office of the County Recorder of said County.

Lot 74 of Tract 20644 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 46-49 of Maps, in the Office of the County Recorder of said County.

Phase 2 of the Property consists of residential Lots 1 through 6 inclusive, 39 through 53, inclusive, and 64 through 72, inclusive, of Tract 20644, together with common area Lot 73 of Tract 20644, as per Map recorded in Book 159, Pages 46 through of Maps, in the Office of the County Recorder of Riverside County.

215363

Recording Requested By:
Rancho Highlands Community
Association

When Recorded, Return To:
Mary M. Howell, Esq.
EPSTEN & GRINNELL
555 West Beech St., Ste. 200
San Diego, CA 92101

COPY of _____ Recorded
CR _____
Has this been _____
Original
JUN 8 1993
WILLIAM E. CONNELLY
County Recorder
RIVERSIDE COUNTY CALIFORNIA

For Recorder's Use

SECOND AMENDMENT TO
AMENDMENT AND RESTATEMENT OF
MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

*Rancho Highlands
Temecula, California*

THIS SECOND AMENDMENT is made on this 25th day of May
1993, by Rancho Highlands Community Association, a
nonprofit mutual benefit corporation, and its membership, hereinaf-
ter referred to as "Association," with reference to the following:

RECITALS

A. The Association is vested with the responsibility for the management and control of that certain real property in the County of Riverside, State of California, more particularly described in Exhibit "A," attached hereto and incorporated herein by reference and hereinafter referred to as "Property."

B. The membership of the Association is made up of individual Owners of the Property.

C. The Property is subject to the covenants and restrictions contained in the following:

1. Master Declaration of Covenants, Conditions and Restriction, and Reservation of Easements for Rancho Highlands recorded on June 27, 1986 as Instrument No. 148900 of

Official Records of the County Recorder of Riverside County;

2. Amendment and Restatement of Master Declaration of Covenants, Conditions and Restriction, and Reservation of Easements for Rancho Highlands recorded on January 7, 1987 as Instrument No. 003236 of Official Records of the County Recorder of Riverside County; and
3. First Amendment to Amendment and Restatement of Master Declaration of Covenants, Conditions and Restriction, and Reservation of Easements for Rancho Highlands recorded on January 9, 1987 as Instrument No. 005891 of Official Records of the County Recorder of Riverside County;

hereinafter referred to together as "Declaration," unless the context clearly indicates otherwise.

D. The Declaration, in Section 6(b) of Article XIX, provides that it may be amended with the approval of sixty-seven percent (67%) of the total voting power of the Association. The approval of at least the specified percentage of the voting power of the Association has been obtained.

DECLARATION

NOW THEREFORE, the Declaration is hereby amended as follows:

1. Section 12 of Article VIII is deleted and replaced in its entirety with the following Section 12:

"Section 12. Parking. Except in such areas as designated by Declarant or the Board, no person shall park, store or keep any vehicle on the Project except wholly within his or her garage. Notwithstanding the foregoing, one private passenger vehicle may be parked within the driveway leading to the garage provided that such use of the driveway complies with any applicable Temecula City ordinances and does not block any public right-of-way. No person shall park, store or keep any commercial type vehicle, any recreational vehicle (including, but not limited to, any camper, motorhome, trailer, boat trailer, mobile home or other similar vehicle, boat or aircraft), any inoperable, unlicensed or disabled vehicle, or any vehicle other than a private passenger vehicle on any portion of the Common Area, public right-of-way or driveway. No person shall conduct major repairs or major restorations of any motor vehicle of any kind whatsoever in his or her garage or upon the Common Area, except for emergency repairs thereto and then only to the extent necessary to enable movement thereof to a proper repair facility. Each person shall

maintain his garage such that it is readily available for parking. All garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage. In any event, all vehicles shall be parked in compliance with applicable City ordinances."

2. Except as expressly amended herein, the remaining portions of the Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, this document is executed on the day and year hereinabove written by the undersigned President and Secretary of the Association.

RANCHO HIGHLANDS COMMUNITY ASSOCIATION,
a California nonprofit mutual benefit corporation

By:

W. H. Cecil
President

By:

Walter B. Bunn
Secretary

(Attach Proper Notary Certificate(s) of Acknowledgement)

EXHIBIT "A" - LEGAL DESCRIPTION

The property subject to the Declaration consists of the following Initial Property and the Annexed Property. The provisions of this Superseding Amended Declaration shall be applicable to all the Initial Property, and to the Annexed Property provided said property has been duly annexed into the scheme of the Declaration:

A. INITIAL PROPERTY

Lots 1 through 26, inclusive, of Tract 20643 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 50 through 53 of Maps, in the Office of the County Recorder of said County.

Lots 1 through 74, inclusive of Tract 20644 in the County of Riverside, State of California, as per Map recorded in Book 159, Pages 46-49 of Maps, in the Office of the County Recorder of said County.

B. ANNEXED PROPERTY

Parcel 1:

Those portions of Lot 6 of Block 3, Lots 1, 2, 3 and 4 of Block 18, Lots 1, 2, 3, 14 and 15 of Block 19 and Lots 1, 2, and 17 of Block 22 of Pauba Land and Water Company, in the County of Riverside, State of California, as per Map recorded in Book 11, Page 507 of Maps, in the Office of the County Recorder of San Diego County, California, lying North of Tract 3552, as shown on a map recorded in Book 56, Page 63 of Maps, in the Office of the County Recorder of said Riverside County and lying Easterly of the Town of Temecula, as shown on a map recorded in Book 15, Page 726 of Maps, in the Office of the County Recorder of San Diego County, California, and also Easterly of that certain Parcel No. 1, as described in the deed to the State of California, recorded December 4, 1967 as Instrument No. 105961 of Official Records; and lying Southerly of Lot "E" shown as Long Valley Road (110.00 feet wide) on a map of the Tract 3334, recorded in Book 54, Page 25 of Maps, in the Office of the County Recorder of said Riverside County; and lying Westerly of Lots "G", "N" of said Tract 3334 and Lot "A" of said Tract 3552, shown as Ynez Road (88.00 feet wide) and Mac Leod (88.00 feet wide).

EXCEPT that portion lying within Tract 3935, as shown on a map recorded in Book 61, Page 79 of Maps, in the Office of the County Recorder of said Riverside County.

EXHIBIT "A" - LEGAL DESCRIPTION

(continued)

ALSO EXCEPT that portion as described in the deed to Richard D. Ramsey, et al, recorded December 16, 1969, as Instrument No. 128427 of Official Records.

ALSO EXCEPT that portion conveyed to the State of California be deed recorded July 12, 1973 as Instrument No. 90987 of Official Records.

ALSO EXCEPT that portion lying within Parcel Map 19534, as per Map recorded in Book 119, Page 79 of Parcel Maps in the Office of the County Recorder of said County.

ALSO EXCEPT those portions of Lots 1, 2, 3, 14 and 15 of Block 19 and Lots 1 and 17 of Block 22 of Pauba Land and Water Co., in the County of Riverside, State of California, as per Map recorded in Book 11, Page 507 of Maps, Records of San Diego County described as a whole as follows:

BEGINNING at the centerline intersection of Ynez Road and Santiago Road as said roads are shown on the Map of Tract No. 3552 filed in Book 56, Pages 63 to 66 of Maps, Records of Riverside County; THENCE South $80^{\circ} 31' 26''$ West along said centerline of Santiago Road 199.80 feet to the Westerly line of said Tract No. 3552; THENCE continuing South $80^{\circ} 31' 26''$ West along the centerline of Santiago Road as described in Deed to Riverside County Recorded November 8, 1967 as Instrument No. 98485 a distance of 148.99 feet to the beginning of a tangent curve therein, concave Northwesterly, having a radius of 1000.00 feet; THENCE Southwesterly along said curve through a central angle of $8^{\circ} 21' 04''$ a distance of 145.75 feet; THENCE tangent to said curve and continuing along said centerline of Santiago Road per said Instrument No. 98485 South $88^{\circ} 52' 30''$ West 441.54 feet to the beginning of a tangent curve therein, concave Northwesterly, having a radius of 400.00 feet; THENCE Southwesterly along said curve through a central angle of $32^{\circ} 32' 51''$ a distance of 227.23 feet to the Southeasterly line of that portion of Santiago Road as described in Deed to State of California Recorded July 12, 1973 as Instrument No. 90987; THENCE North $33^{\circ} 34' 29''$ East along said Southeasterly line 1.08 feet to the centerline of said last described portion of Santiago Road; THENCE North $56^{\circ} 25' 31''$ West along said centerline 306.41 feet to the centerline of "C" Street as shown by Parcel Map 19534 filed in Book 119, Pages 32 and 33 of Parcel Maps, Records of Riverside County; THENCE North $33^{\circ} 34' 29''$ East along said centerline 78.00 feet to the beginning of a tangent curve therein; concave Northwesterly, having a

EXHIBIT "A" - LEGAL DESCRIPTION

(continued)

radius of 400.00 feet; THENCE Northeasterly along said centerline through a central angle of 30° 14' 22" a distance of 211.11 feet to the beginning of a tangent reverse curve in said centerline, concave Southeasterly, having a radius of 500.00 feet; THENCE Northeasterly along said curve through a central angle of 25° 55' 56" a distance of 226.30 feet; THENCE tangent to said curve North 29° 16' 03" East along the Easterly line of Parcel 1 of said Parcel Map 19534 a distance of 37.50 feet to the Northeasterly line of said Parcel 1; THENCE North 41° 58' 10" West along said Northeasterly line 34.09 feet to a point in the Northerly line of said "C" Street, said Northerly line being a curve, concave Southerly, having a radius of 50.00 feet, a radial line through said point bears North 15° 03' 16" East; THENCE Southeasterly along said curve through a central angle of 65° 57' 08" a distance of 57.55 feet to its intersection with the Southeasterly prolongation of the Northeasterly line of Parcel 1 of said Parcel Map No. 19534; THENCE South 41° 58' 10" East along said Southeasterly prolongation 11.45 feet to the Southwesterly prolongation of the Southeast-erly line of Temecula Cemetery as shown by Map Filed in Book 8 Page 30 of Maps, Records of Riverside County; THENCE North 47° 35' 32" East along said prolongation and said Southeasterly line 598.49 feet to the most easterly corner of said Temecula Cemetery; THENCE North 41° 58' 30" West along the Northeasterly line of said Temecula Cemetery 298.44 feet; THENCE leaving said northeasterly line of North 31° 12' 19" East 142.00 feet; THENCE North 45° 12' 16" West 77.68 feet; THENCE North 22° 16' 11" East 199.63 feet to a point on a curve concave Southwest-erly, having a radius of 633.00 feet, a radial line through said point bears North 22° 16' 11" East; THENCE southeasterly along said curve through a central angle of 1° 44' 31" a distance of 19.24 feet; THENCE North 73° 07' 23" East 19.79 feet; THENCE North 28° 00' 00" East 52.90 feet to the beginning of a tangent curve, concave Westerly having a radius of 470.00 feet; THENCE Northerly along said curve through a central angle of 20° 00' 00" a distance of 164.06 feet; THENCE radial to said curve North 82° 00' 00" West 150.00 feet; THENCE North 370.00 feet; THENCE North 45° 00' 00" East 192.00 feet; THENCE North 82° 48' 21" East 192.00 feet; THENCE North 76° 17' 40" East 106.00 feet; THENCE North 50° 56' 16" East 101.02 feet to a point in the centerline of Ynez Road as said road is shown on the Map of Tract No. 3833 Filed in Book 61, Pages 42 to 52 of Maps, Records of Riverside County and on said Map of Tract No. 3552, said centerline being a curve, concave Southwesterly, having a radius of 1200.00 feet, a radial line through said point bears

EXHIBIT "A" - LEGAL DESCRIPTION

(continued)

North 50° 56' 16" East; THENCE Southerly along said curve through a central angle of 36° 48' 40" a distance of 770.97 feet; THENCE tangent to said curve and continuing along said centerline of Ynez Road South 7° 44' 56" West 455.72 feet to the beginning of a tangent curve therein, concave easterly, having a radius of 1200.00 feet; THENCE Southerly along said curve through a central angle of 26° 38' 36" a distance of 558.02 feet; THENCE tangent to said curve and continuing along said centerline of Ynez Road per said Tract No. 3552 South 18° 53' 40" East 741.46 feet to the POINT OF BEGINNING.

Parcel 2:

Lots 11 through 21, inclusive, in Block 7 of the Town of Temecula, in the County of Riverside, State of California, as per Map recorded in Book 15, Page 726 of Maps, in the Office of the County Recorder of San Diego County, California, together with those portions of the alley and the Northwest half of First Street in said Block 7 which would pass by Operation of Law with the conveyance of said lots.

EXCEPT those portions within the land described in the deeds to the State of California, recorded June 23, 1948; December 4, 1967 and July 12, 1973 as Instrument Nos. 3269, 105961 and 90987 respectively of Official Records.

Parcel 3:

That portion of Block 8 and that portion of Lot 10, Block 7, and that portion of First Street, per map of the Town of Temecula, recorded in Book 15 of Maps, Page 726, in said San Diego County Recorder's Office, included within the following described lines:

Beginning at the Southeasterly corner of said Block 8;

Thence on the Southerly line of said Block 8, South 74° 17' 16" West, 274.20 feet to a line parallel with and distant of 130.00 feet Easterly, measured at right angles from the centerline of improvement of State Road 8-RIV-15 (formerly 8-RIV-395) as shown on right of way map of said road on file in State Highway Map Book 5, Page 56, in said Riverside County Recorder's Office;

Thence on said parallel line, North 16° 19' 00" West, 273.35 feet to the beginning of a tangent curve, concave Westerly and having a radius of 3,737.00 feet;

EXHIBIT "A" - LEGAL DESCRIPTION

(continued)

Thence Northerly on said curve 336.33 feet to the intersection thereof with the Northeasterly line of said Lot 10;

Thence Southeasterly on said Northeasterly line, 63.65 feet to the most Easterly corner of said Lot 10;

Thence Southeasterly and at right angles to the centerline of First Street, shown on said map of the Town of Temecula as 60.00 feet wide, 30.00 feet to said centerline;

Thence Northeasterly on said centerline to the Northwest-erly prolongation of the Northeasterly line of said Block 8;

Thence Southeasterly and Southerly on said prolongation, said Northeasterly line, and the Easterly line of said Block 8 to the point of beginning.

Parcel 4:

The Southwest half of Lots "G" and "N" (Ynez Road) of Tract 3334, in the County of Riverside, State of California, as per map recorded in Book 54, Page 25 of Maps, in the Office of the County Recorder of said County, together with that portion of the Westerly half of Lot "A" (Ynez Road) of Tract 3552 as per map recorded in Book 56, Page 63 of Maps, in the Office of the County Recorder of said County lying North of the Easterly prolongation of the centerline of Lot "B" (Santiago Road) of said Tract 3552.

Parcel 5:

Lots 1 through 37, inclusive, of Tract 20642, in the County of Riverside, State of California, as per map recorded in Book 159, Pages 54 through 57 of Maps, in the Office of the County Recorder of said County.

5891

Recording Requested By and
When Recorded Mail To:
Kaiser Development Company
27405 Ynez Road/ Temecula
Rancho California, California 92390

5891

RECEIVED FOR RECORD
AT 2:00 O'CLOCK P.M.

JAN - 9 1987
Recorded in Official Records
of Riverside County, California
William S. Bondy
Recorder
Fees \$

RECEIVED

JAN 21 1987

Equil:

FIRST AMENDMENT TO
AMENDMENT AND RESTATEMENT OF
MASTER DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS FOR
RANCHO HIGHLANDS

THIS FIRST AMENDMENT TO AMENDMENT AND RESTATEMENT OF MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS is made this 8th day of January, 1987, by KAISER DEVELOPMENT COMPANY, a California corporation ("Declarant"), and RANCHO HIGHLANDS ASSOCIATES, a General Partnership ("First Merchant Builder").

W I T N E S S E T H :

A. Declarant and First Merchant Builder previously executed and caused to be recorded that certain "Amendment and Restatement of Master Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements for Rancho Highlands" on January 7, 1987, as Instrument No. 003236, in Book _____, Pages _____, et seq., of Official Records of Riverside County, California ("Master Declaration"), covering certain Property as described in Exhibit "A" (the "Property").

B. Declarant and First Merchant Builder desire and intend to amend the Master Declaration to clarify the Property described in the Master Declaration.

C. Pursuant to Section 6(a) of Article XIX of this Master Declaration, this Master Declaration may be amended by Declarant prior to the close of escrow for the sale of a Lot or Condominium in the Project to a member of the public. As of the date of recordation of this instrument, no escrow has yet closed for the sale of a Lot or Condominium in the Project.