

question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

(b) Meeting of the Members. 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 ByLaws dealing with meetings of the Members, but in any event, such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members constituting five percent (5%) of the total voting power of the Master Association.

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

ARTICLE XVIII

GENERAL PROVISIONS

Section 1. General Rights of Enforcement.

(a) Enforcement of Protective Covenants. The Declarant, each Merchant Builder, the Master Association, each Sub-Association (if any), and/or any Owner of a Lot or Condominium in the Community shall have the right to enforce, by proceedings at law or in equity, all of the Protective

Covenants now or hereafter imposed by this Master Declaration and the provisions of the other Master Association Documents, 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 Protective Covenants and/or provisions, to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

(b) Nuisance. The result of every act or omission whereby any of the Protective Covenants contained in this Master Declaration or the provisions of the Master Association Documents 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 Declarant, any Merchant Builder, any Owner, the Master Association, any Sub-Association and their respective successors in interest.

(c) Cumulative Remedies. The remedies herein provided for breach of the Protective Covenants contained in this Master Declaration or the provisions of the Master Association Documents shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) Waiver. The failure of Declarant, any Merchant Builder, the Master Association, any Sub-Association and/or any Owner to enforce any of the Protective Covenants contained in this Master Declaration or the provisions of the Master Association Documents shall not constitute a waiver of the right to enforce the same thereafter.

(e) Discipline: Non-Payment of Assessments. The Board, for and on behalf of the Master Association, may, after Notice and Hearing, assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend the voting rights attributable to the Owner's Lot or Condominium

and right to use any common recreational amenities located on the Master Association Property for the period during which any Assessment against said Owner's Lot or Condominium remains unpaid.

(f) Discipline: Violation of Master Association Documents. The Board, for and on behalf of the Master Association, may, after Notice and Hearing, assess monetary penalties against an Owner as a Compliance Assessment, temporarily suspend the voting rights attributable to the Owner's Lot or Condominium, and/or temporarily suspend the Owner's right to use any common recreational amenities located on the Master Association Property for a period not to exceed thirty (30) days for any infraction of the Master Association's Documents by such Owner or by any person to whom such Owner has delegated his rights to use the Master Association Property as provided herein.

(g) Additional Rights of Public Agencies. In addition to the rights of enforcement set forth herein, each of the Public Agencies shall have the right, through their agents and employees, to enter upon any part of the Community for the purpose of monitoring compliance with and enforcing compliance with their respective laws, ordinances, regulations and permits, and are hereby granted an easement over the Community for such purposes.

Section 2. Enforcement by the City. The City shall have the right, but not the obligation, to enforce those provisions of this Master Declaration which were imposed by the City as a condition of approval for the development of any portion of the Community, including, but not limited to, the Best Management Practices. If, in its sole discretion, the City shall deem it necessary to take legal action to enforce such provisions against the Master Association, a Sub-Association, or any Owner or other resident, the City shall be entitled to recover the full cost of said action, including reasonable attorneys' fees, and to impose a

lien against the property of the party against whom such enforcement action was taken until said costs are paid in full.

Section 3. Enforcement by the Public Agencies. To the extent a Public Agency has the right at law or under any permit or approval issued in connection with the development of the Community, a Public Agency shall have the right, but not the obligation, to enforce compliance by the Master Association, any Sub-Association and the Owners and other residents within the Community with the various conditions of approval or other requirements which such Public Agency imposed in connection with the development of the Community.

Section 4. Owner's Indemnification Obligation After the Close of Escrow. Each Owner of a Lot or Condominium in the Community shall indemnify, defend with counsel approved by Declarant and hold harmless Declarant, its parent company and their subsidiaries, divisions and related entities, the Master Association, each Merchant Builder, and all of their respective employees, officers, directors, shareholders, agents, representatives and professional consultants and all of their respective successors and assigns (collectively the "Indemnitees") from and against any and all damages, injuries, accidents and other casualties, claims, losses, liabilities, costs and expenses (including actual attorneys' fees) of any kind or character, whether incurred, directly or indirectly, by such Owner, any member of such Owner's family, or such Owner's employees, agents, independent contractors or invitees (collectively the "Owner's Representatives"), by any of the Indemnitees, or by any third party, arising from or in any way related to any work, act, activity or other event on such Owner's Lot or Condominium, or by such Owner or any of such Owner's Representatives, which (i) is in breach or violation of any present or future federal, state or local laws (whether under common law, statute, rule, regulation or otherwise), permits, orders or any other requirements of governmental authorities relating to the environment or the

protection of the environment (collectively the "Environmental Laws"), (ii) results or is likely to result in the violation or breach of any such Environmental Law on or affecting any portion of the Community or Annexable Property owned by Declarant or any portion of the Master Association Property owned by the Master Association (e.g., discharge of any hazardous material into any drainage device), (iii) results or is likely to result in material harm to the fish, wildlife, native plants or native habitat within or near the vicinity of the Community, or (iv) is in breach or violation of any provision of the Master Association Documents relating to the environment, hazardous materials, Environmental Documents or Best Management Practices. Payment shall not be a condition precedent to the enforcement of the provisions of this Section.

Section 5. Severability. Invalidation of any one of the Protective Covenants by judgment or court order shall in no way affect any other Protective Covenant herein, which shall remain in full force and effect.

Section 6. Non-Impairment of Mortgagees. No breach of the Protective Covenants set forth in this Master Declaration, or any of the provisions of any of the other Master Association Documents shall affect or impair the lien or charge of any bona fide Mortgage made in good faith and for value on any portion of the Community (including, but not limited to, any Lot or Condominium).

Section 7. Term. The Protective Covenants set forth in this Master Declaration shall run with the Community, and shall be binding upon and inure to the benefit of Declarant, each Merchant Builder, the Master Association, each Sub-Association and all Owners of any land subject to this Master Declaration, their respective legal representatives, heirs, successors, assigns and grantees, for a term of sixty (60) years from the date this Master Declaration is recorded, after which time said Protective 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 8 below, has been signed and recorded within one (1) year prior to the termination of the initial sixty (60) year term or within one (1) year prior to the termination of any successive ten (10) year period.

Section 8. 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 Community. 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 9. 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 10. Amendments.

(a) Amendments by Declarant.

(1) Prior to the First Close of Escrow. Prior to the first Close of Escrow for the sale of a Lot in the Property which comprises this first Phase of the Community, Declarant may unilaterally revoke, amend and/or restate this Master Declaration by recording an appropriate instrument executed by Declarant in the Official Records of Orange County, California.

(2) After the First Close of Escrow. After the first Close of Escrow for the sale of a Lot in the Property, Declarant may unilaterally amend this Master Declaration by recording an appropriate instrument executed solely by Declarant, in the Official Records of Orange County, California so long as such amendment is solely for any of the following purposes: (i) to conform this Master Declaration to applicable law; (ii) to

conform this Master Declaration to any requirements of the DRE, FNMA, GNMA, FHLMC, or to any conditions of approval for the Community imposed by any Public Agency; (iii) to correct typographical errors; or (iv) to correct any error in any Exhibit or to cause an Exhibit to conform to as-built conditions.

(b) Amendments by the Board. After the first Close of Escrow for the sale of a Lot in the Property, the Board may amend this Master Declaration by recording an appropriate instrument signed by two (2) officers of the Master Association if such amendment is solely for any of the following purposes: (i) to conform this Master Declaration to applicable law; (ii) to correct typographical errors; or (iii) to correct any error in an Exhibit or to cause an Exhibit to conform to as-built conditions.

(c) Amendments by the Master Association.

(1) Material Amendments. Subject to the provisions of subsection (a)(2) above, after the first Close of Escrow for the sale of a Lot in the Property, any "material" amendment of the Master Declaration (i.e., an amendment which pertains to any of the topics enumerated in the Article herein entitled "Mortgagee Protection," but which is not required to conform this Master Declaration to any requirements of FNMA, GNMA or FHLMC) may only be adopted in accordance with the voting procedures for material amendments set forth in the Article herein entitled "Mortgagee Protection."

(2) Non-Material Amendments. Subject to the provisions of subsections (a)(2) and (b) above, after the first Close of Escrow for the sale of a Lot in the Property, any non-material amendment (i.e., an amendment which does not pertain to any of the topics enumerated in the Article herein entitled "Mortgagee Protection") shall be adopted if, at a meeting of the Members at which a

quorum was established (or by action of the Members without a meeting), such amendment is approved by at least sixty-seven percent (67%) of the Members (other than Declarant and the Merchant Builders), and is also approved by Declarant. At such time when the Class B Membership shall cease and be converted to Class A Membership all non-material amendments shall be adopted if, at a meeting of the Members at which a quorum was established (or by action of the Members without a meeting), such amendment is approved by at least sixty-seven percent (67%) of the total voting power of the Master Association and by at least of sixty-seven percent (67%) of the Members other than Declarant and the Merchant Builders.

In all cases, 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 Master Association may petition the Superior Court of Orange County, California for an order reducing the necessary percentage required under this Section to amend the Master Association Documents. 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.

Any amendment adopted by the Master Association as provided herein shall be effective when executed by the President and Secretary of the Master Association, who shall certify that the amendment has been approved by the membership, as provided herein, by the first Mortgagees in the percentages set forth hereinabove, when applicable, by a Public Agency, when applicable, and by the City, when applicable, and recorded in the Office of the County Recorder for Orange 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.

Notwithstanding the provisions of this subsection (c), so long as Declarant and/or any Merchant Builder owns any portion of the Community and/or the Annexable Property, the provisions of this Master Declaration regarding the rights and/or easements in favor of Declarant and/or the Merchant Builders may not be amended without the prior written consent of Declarant.

(d) Approval of Mortgagees. In addition to the rights of the Eligible Mortgage Holders to approve a material amendment as enumerated in the Article herein entitled "Mortgagee Protection," in the event the Master Association is considering termination of the legal status of the Community for reasons other than the substantial destruction or condemnation of the Community, then sixty-seven percent (67%) of all first Mortgagees must agree to said termination. If an Eligible Mortgage Holder or any first Mortgagee receives a written request, delivered by certified or registered mail, with return receipt requested, to approve any amendment to this Master Declaration as provided herein, and such Eligible Mortgage Holder or first Mortgagee does not deliver a negative response in writing to the Board within thirty five (35) days of the mailing of such request, such Eligible Mortgage Holder or first Mortgagee shall be deemed to have approved such proposed amendment and shall be bound thereby.

(e) Approval by the City. No amendment to this Master Declaration which would revoke or amend any provisions required by the City shall be effective without the prior written consent of the City.

(f) Approval by a Public Agency. No amendment to this Master Declaration that would revoke or amend any condition of approval or other requirement imposed by a Public Agency in connection with the development of the Community

shall be effective without the prior written consent of such Public Agency.

Section 11. 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 Master 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 Master Association. If such notice is not sent by registered or certified 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 Master Association.

Section 12. Attorneys' Fees. If any Owner breaches any provision of the Master Association Documents (including, but not limited to, fails to pay any Assessment levied by the Master Association against such Owner or his Lot or Condominium), and the Master Association has engaged the services of an attorney in connection therewith, the Owner shall pay upon demand all costs and fees incurred by the Master Association, including reasonable attorneys' fees, regardless of whether legal proceedings are instituted. In the event the Master Association commences an action against such defaulting Owner, the prevailing party shall be entitled to recover the cost of the suit, in addition to the aforesaid costs and fees.

Section 13. Conflicts in Master Association Documents. In the event of any conflict between and/or among the provisions of any of the Master Association Documents, this Master Declaration shall be deemed to supersede the provisions of any conflicting Master Associate Documents, including, without limitation, the Articles, the ByLaws, the Design Guidelines; provided however, in the event of a conflict between the provisions of this Master

Declaration and the provisions of the Custom Lot Declaration as to any Custom Lot or other property encumbered by the Custom Lot Declaration, the provisions of the Custom Lot Declaration shall control. Additionally, in the event of any conflict between or among the provisions of the Master Association Documents and the provisions of any Sub-Association Documents, the Master Association Documents shall control.

Section 14. Exhibits. All Exhibits attached hereto (or to a Notice of Annexation recorded for a subsequent Phase of the Community) are hereby incorporated herein (or therein, as the case may be) by this reference. All dimensions set forth on an Exhibit are approximations only and all depictions are intended for illustrative purposes only. In the event of a conflict between an Exhibit and the actual as-built condition, the as-built condition shall control.

Section 15. Additional Provisions. Notwithstanding the provisions set forth in this Master Declaration, various laws (including, but not limited to, the Davis-Stirling Common Interest Development Act, Section 1350 et seq. of the California Civil Code, and the Federal Fair Housing Act, Title 42 United States Code Section 3601 et seq., as such laws may be amended from time to time), may supplement or override the provisions of this Master Declaration. This Master Declaration shall be interpreted and construed to be consistent with such applicable laws, as same may be amended from time to time, and accordingly, neither Declarant nor any Merchant Builder makes any representations or warranties regarding the enforceability of the provisions of this Master Declaration.

(Signatures follow on the next page)

Section 1. Annexation Pursuant to Approval. Any person or entity who owns any real property (other than the Annexable Property) and who desires to annex said property to the scheme of this Master Declaration and to subject it to the jurisdiction of the Master Association may record a Notice of Annexation, as described in Section 3 of this Article, provided such person or entity shall first obtain the approval in writing of: (a) the Declarant so long as Declarant or any Merchant Builder owns any portion of the Annexable Property; and (b) the Master Association, pursuant to the vote or written assent of at least sixty-seven percent (67%) of the total voting power of the Master Association.

Section 2. Annexation Pursuant to General Plan. Declarant, or any Merchant Builder with Declarant's consent, shall have the right to annex all or any portion of the Annexable Property described in Exhibit "B" to this Master Declaration and to add such Annexable Property to the scheme of this Master Declaration so that it will be subjected to the jurisdiction of the Master Association without the assent of the Master Association, provided and on condition that:

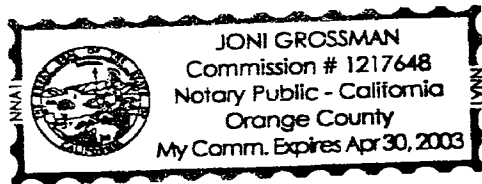
(a) The development of the Annexable Property shall be in substantial conformance with the overall general plan of development for the Community originally submitted to and approved by the Public Agencies; and

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

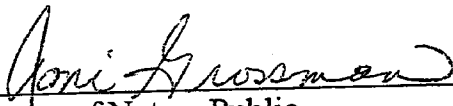
Section 3. Notice of Annexation. The annexation of all or any portion of the Annexable Property as authorized under this Article shall be made by recording a Notice of Annexation, or similar instrument, covering such Annexable Property. The Notice of Annexation shall include at least the following:

STATE OF CALIFORNIA)
)
COUNTY OF ORANGE)

On March 6, 2001, before me, Joni Grossman, Notary Public, personally appeared Thomas E. Heggi and Daniel C. Hedigan personally known to me to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entity upon behalf of which the persons acted, executed the instrument.



WITNESS my hand and official seal.



Signature of Notary Public