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AMENDED AND RESTATED
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DECLARATION OF ANNEXAT
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SUPPLEME ARY DECLARATION OF CC&R's
FOR
RANCHO DEL ORO VILLAGE III

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 FOR
 AMENDED AND RESTATED
 DECLARATION OF ANNEXATION
 AND
 SUPPLEMENTARY DECLARATION OF CC&R's
 FOR
 RANCHO DEL ORO VILLAGE III

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portion thereof. The covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, liens and charges shall run with and burden the Properties and shall be binding upon all persons having or acquiring any right, title or interest in the Properties, or any part thereof; shall inure to the benefit of every portion of the Properties and any interest therein; and shall inure to the best fit of and be binding upon and may be enforced by Declarant, the "Master Association" (as defined in the Master Declaration), each "Owner" (as defined in the Master Declaration), and their respective heirs, executors, administrators, and successive owners and assigns.

NOW, THEREFORE, Declarant hereby amends and restates the Prior Declaration in its entirety, such that this Supplementary Declaration completely supersedes the Prior Declaration.

ARTICLE I

1. Definitions.

Unless otherwise expressly provided herein, the following words and phrases when used herein shall have the meanings hereinafter specified. All other capitalized terms used herein are defined to mean the same as such terms are defined in the Master Declaration.

1.1. Architectural Review Committee/ARC.

Architectural Review Committee or ARC shall mean the committee created pursuant to Article VI hereof for the purposes described in said Article.

1.2. Builder.

Builder shall mean the person, persons, entity or entities which meet the definition of a "Builder" contained in the Master Declaration, including without limitation Partnership III to the extent it meets said definition.

1.3. Delegate.

Delegate shall mean a natural Person selected pursuant to Article V hereof by the Owners within a Delegate District as the Master Member for that Delegate District, as further provided herein.

1.4. Delegate District.

Delegate District shall mean a geographical area in the Properties in which a single Delegate shall be elected by the Owners within such geographical area. Delegate Districts shall be established from time to time by Developer upon Recordation of an instrument creating such a Delegate District, all as further provided herein.

1.5. Master Member.

Master Member shall mean the primary Delegate elected by the Owners pursuant to Article V hereof (or, in the absence of the

primary Delegate, any alternate Delegate as provided in said Article V). The Delegate shall qualify as a Master Member and be eligible to exercise the voting rights thereof as provided in said Article V commencing when any of the Units within the Delegate District first becomes subject to assessments levied pursuant to the Master Declaration. Master Member as defined herein is hereby expressly declared to be a complementary addition to the provisions of the Master Declaration, to reflect the different character of the development plan for the Properties.

1.6. Person.

Person shall mean a natural individual, a corporation, a partnership or any other entity with the legal right to hold title to real property.

1.7. Phase of Development.

Phase of Development shall mean the Annexed Property, all the real property covered by a Notice of Addition Recorded pursuant to Article VIII hereof for which a final subdivision public report has been issued by the DRE (unless otherwise defined in such Notice of Addition), or both.

1.8. Properties.

Properties shall mean the Annexed Property more particularly described in the Preamble, Section A hereof, together with such portions of the Annexable Territory described in Exhibit "A" hereto which have been made subject to this Supplementary Declaration and to the Master Declaration pursuant to Article VIII hereof. The Properties are classified as a "Common Interest Development" under Section 1351(c) of the California Civil Code.

1.9. Record/Recorded/Recordation.

Record, Recorded or Recordation shall mean, with respect to any document, the filing or recording of such document in the office of the County Recorder of San Diego County.

1.10. Supplementary Declaration.

Supplementary Declaration shall mean this instrument as it may be amended from time to time. This Supplementary Declaration is also a "Village Declaration" and a "Declaration of Annexation and Restrictions" as defined in the Master Declaration.

1.11. Village Owner.

Village Owner shall mean the Person or Persons, including without limitation Developer and Partnership III, who holds or hold record fee simple title to, or a long-term ground leasehold estate of record in, any Unit within a Phase of Development. For purposes of this Section, "long-term ground leasehold interest" shall mean a leasehold interest having a term of ten

or more years. Village Owner shall also include each seller under an executory contract of sale, but shall exclude "Mortgagees" (as defined in the Master Declaration). Each Village Owner shall also be an "Owner" (as defined in the Master Declaration).

ARTICLE II

2. Annexation to Master Project.

2.1. Annexation.

All of the Annexed Property is hereby made subject to all of the terms, covenants, conditions and provisions set forth in the Master Declaration and specifically pursuant to the provisions of the Section entitled "Developer's Right of Annexation" of the Article entitled "Annexation" of the Master Declaration, to all intents and purposes as though said Annexed Property were a part of "the Property" (as defined in the Master Declaration). The Recordation of this Supplementary Declaration shall constitute and effectuate the annexation of the Annexed Property, which is hereby declared to be a "Village Project" (as defined in the Master Declaration). Said Recordation shall cause the Annexed Property to be subject to the Master Declaration and subject to the functions, powers and jurisdiction of the "Master Association" as provided in the Master Declaration, and thereafter said Annexed Property shall be part of the Property such that all of the Village Owners shall automatically be Owners under the Master Declaration.

2.2. Owners' Rights and Easements.

All the rights and easements granted to the Owners in the Master Declaration are hereby granted to the Village Owners, except as may be otherwise provided or limited in this Supplementary Declaration. Such rights and easements shall include, without limitation, the right of access to and enjoyment of all of the Master Common Area and the Master Recreational Facilities in the Master Project as granted and limited in the Master Declaration, which right is also hereby granted to all Owners with regard to the Master Common Area and the Master Recreational Facilities within the Annexed Property. Notwithstanding the foregoing, the Owner of any Lot adjacent to College Boulevard or Mesa Drive shall, by acceptance of a deed to said Lot and without need for any further acknowledgment or notice, relinquish any right to vehicular access from said Lot to College Boulevard or Mesa Drive, as applicable.

2.3. Developer's/Builder's Rights and Easements.

All rights and easements reserved in the Master Declaration by "Developer," "Rancho," "Home Building" or "Builders" (as such terms are defined in the Master Declaration) are hereby reserved in like manner by Developer with regard to and over the Annexed Property, together with the right and obligation of any one or more of the aforementioned entities to grant and transfer any or

all of such rights and easements to other Persons as provided in the Master Declaration, including without limitation the rights described in the Article entitled "Development Rights" of the Master Declaration. In addition, every Builder shall have an easement of access, ingress and egress for maintenance and repair and related purposes, over all of the Properties and the improvements thereon (including without limitation any of the Master Common Area and any Lot) as to which the City requires that one or more bonds or other instruments be posted in favor of the City to secure the maintenance of such property and improvements for a limited period of time. Each Builder may exercise said easement at such times and for such purposes as may be determined to be appropriate in the sole discretion of any one or more of them, pursuant to the terms of the aforementioned bonds or other instruments. However, nothing herein shall impose on any Builder an obligation to perform any such maintenance.

2.4. Master Association Membership.

In addition to the Members of the Master Association listed in the Article of the Master Declaration entitled "The Master Association," and in keeping with the different character of the development plan of the Properties, upon Recordation of this Supplementary Declaration effecting the annexation of the Annexed Property to the Master Project, and upon commencement of assessments with regard to any of the Annexed Property, the Delegate identified in and elected pursuant to Article V hereof shall become a Member of the Master Association. Thereafter, the Delegate shall exercise the rights and perform the duties of Master Membership as set out in the Master Declaration, subject to and as modified by the provisions of Section 5.5 hereof.

2.5. Assessments.

As provided in the Master Declaration, assessments shall commence as to the Annexed Property upon the first day of the first calendar month following the earlier to occur of: (a) the closing of escrow for the first sale of a Unit in the Annexed Property to an Owner other than Developer, Partnership III or a Builder pursuant to a transaction requiring issuance of a final subdivision public report by DRE; or (b) the first occupancy of a Unit in the Annexed Property under a lease or rental or occupancy agreement, whether oral or written, but excluding any lease or rental of a Unit for model home display or sales office purposes only; except that Developer may, in its sole discretion, provide for the earlier commencement of assessments with regard to the Annexed Property. Concurrently with the commencement of assessments in the Annexed Property, the anticipated expenses of the Master Association may be reallocated pursuant to that Section entitled "Assessments" of the Article entitled "Annexation" of the Master Declaration. The Annexed Property is hereby further made subject to the Article entitled "Assessments" of the Master Declaration, including without limitation the authority of the Master Board to levy and enforce assessments apportionable to all Owners and

assessments apportionable only to Village Owners; provided that all assessments shall be subject to the provisions of Sections 1366, 1366.1 and 1367 of the California Civil Code; and further provided, that as a complementary addition to and reasonable modification of the Master Declaration as authorized therein, any "Single Benefit Assessment" (as defined in the Master Declaration) established by the Master Board pursuant to that Section entitled "Special Assessments" of the Article entitled "Assessments" of the Master Declaration, may be imposed only by a vote of two-thirds (2/3) of all the Village Association Boards of Directors (if any) and Village ARC's within the Master Project within ninety (90) days of the vote of the Master Board authorizing that Single Benefit Assessment.

2.6. City Requirements.

Declarant hereby grants to the City a license to enter upon the Annexed Property for the purpose of constructing any improvements required under the infrastructure phasing program of the City. Neither this Supplementary Declaration nor any contract of sale, lease or other written document or any means or method shall be established or shall attempt to establish any requirement, restriction or limitation on Declarant or any Person which would operate, directly or indirectly, to prevent or preclude any other developer of the properties or any Person ~~from complying with all applicable~~ provisions of the "Development Agreement," the "Master Tentative Map," the "Implementing Tentative Map" or the "Implementing Development Plan," as such terms are defined in the City's Planning Commission Resolution No. 87-P114 adopted on November 9, 1987 ("Conditions of Approval").

2.7. Ranch Maintenance Agreement.

The Master Association is hereby irrevocably appointed as the attorney-in-fact for every Village Owner (with the exception of the Administrator of Veterans' Affairs, an officer of the United States of America) to act on their behalf under that certain Ranch Maintenance Agreement Recorded on March 27, 1987 as File Page 87-162820 of Official Records of San Diego County, with regard to the maintenance of certain Improvements which are covered by said Ranch Maintenance Agreement.

ARTICLE III

3. Maintenance.

3.1. Village Maintenance Areas.

(a) Transfer to Master Association. In addition to the maintenance obligations of the Master Association which exist with regard to the Master Common Area, effective upon the "Transfer Date" (as defined herein) the Master Association shall be obligated to maintain, repair and replace the Improvements located within the "Village Maintenance

Areas" depicted in Exhibit "B" hereto and more fully described in the separate "Street Maintenance Agreement" for the Properties to be executed by and between the Master Association and the City. By accepting a deed to any portion of the Properties, each Village Owner (with the exception of the Administrator of Veterans' Affairs, an officer of the United States of America) irrevocably appoints the Master Association as its attorney-in-fact to act on its behalf with regard to all matters involving the Village Maintenance Area Improvements and the Street Maintenance Agreement.

(b) Transfer Date. For purposes of this Section 3.1, "Transfer Date" shall mean the date on which all of the following conditions shall have occurred:

(i) Assessments have commenced as to one or more Units within the Annexed Property;

(ii) All of the Village Maintenance Area Improvements which are the obligation of the Builder to install have been completed in accordance with the plans and specifications approved by the City and all other City standards applicable to said Improvements;

(iii) The City has accepted in writing the Village Maintenance Area Improvements located within any public right-of-way, and has released all performance bonds and labor and materials bonds and any other security provided to the City to ensure the completion of said Improvements;

(iv) The Builder has notified the Master Association in writing of Builder's intent to transfer maintenance obligations as to the Village Maintenance Area Improvements to the Master Association effective on a date certain, which date shall be no less than ninety (90) days after the first to occur of the City's acceptance of said Improvements or the expiration of the applicable period for filing mechanic's liens;

(v) The Builder has transmitted to the Master Association a complete listing of all Village Maintenance Area Improvements, together with a complete copy of "as-built" plans and specifications for all such

Improvements and a copy of the City's acceptance and releases (as described above), which documents shall be transmitted no later than thirty (30) days before the Transfer Date; and

(vi) The Master Association has accepted the Village Maintenance Area Improvements, which acceptance shall not unreasonably be withheld.

(c) Costs of Maintenance. Before the Transfer Date, the Builder shall pay all costs of installing, maintaining, repairing and replacing such Improvements. On and after the Transfer Date, the costs of maintaining, repairing and replacing such Improvements, including any such costs incurred by the City, shall be assessed to all Village Owners on a periodic basis by the Master Association pursuant to the Master Declaration, this Supplementary Declaration and any subsequent Notice of Addition as defined in Section 8.4 hereof.

(d) Ownership. The Builder which installs the Village Maintenance Area Improvements shall retain ownership of such Improvements until the Transfer Date, at which time ownership of such Improvements within public rights-of-way shall be transferred to the City (or, should the City not accept said ownership, to the Master Association), and ownership of the other such Improvements shall be transferred to the Master Association.

3.2. Drains.

Pursuant to City requirements, maintenance of any storm drains which serve the Annexed Property but which are not accepted by the City into the City's storm drainage system shall be maintained, repaired and replaced as necessary by the Master Association, and the associated costs shall be assessed equally among all the Village Owners by the Master Association. Any private drains located on a Lot shall be maintained, repaired and replaced by and at the sole cost and expense of the respective Village Owner whose Lot is served by the drain.

3.3. Sound Walls.

Any walls which are erected within or adjacent to the Properties or the Annexable Territory for purposes of sound control as required by the City, including without limitation the sound wall commencing at the intersection of College Boulevard and Avenida Empresa and proceeding in a southeasterly direction a distance of nine hundred seventy feet, plus or minus, shall upon completion of construction pursuant to City requirements and upon annexation of the underlying real property into the Master Project immediately become part of the Master Common Area and

shall thereafter be maintained, repaired and replaced as necessary by the Master Association, the costs of which shall be assessed equally among all Owners by the Master Association.

3.4. Tot Lot Equipment.

Partnership III or a Builder shall be responsible to install, maintain, repair and replace play equipment for children ("Play Equipment") as required by the City with regard to each Tot Lot depicted in the Recorded final subdivision map of any portion of the Properties, until such time as the respective Tot Lot is conveyed in fee to the Master Association and the Master Association accepts the Play Equipment as installed in accordance with plans and specifications, whereupon the Tot Lot and Play Equipment shall be part of the Master Common Area and the Master Association shall maintain, repair and replace the Play Equipment pursuant to City requirements. All costs incurred by the Master Association in this regard shall be assessed equally among all the Owners.

3.5. Reconstruction of Damaged Units.

If all or any portion of any Unit within the Annexed Property is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of such Unit to rebuild, repair or reconstruct the Unit in a manner which will restore it substantially to its appearance and condition immediately prior to the casualty or as otherwise approved by the ARC. The Owner of any damaged Unit and the ARC shall be obligated to proceed with all due diligence hereunder, and such Owner shall cause reconstruction to commence within three (3) months after the damage occurs and to be completed within nine (9) months after damage occurs, unless prevented by causes beyond his reasonable control. A transferee of title to the damaged Unit shall commence and complete reconstruction in the respective periods which would have remained for the performance of such obligations if the Owner of the Unit at the time of the damage still held title to the Unit. However, in no event shall such transferee of title be required to commence or complete such reconstruction in less than thirty (30) days from the date such transferee acquired title to the Unit.

ARTICLE IV

4. Use Restrictions.

All real property within the Properties shall be held, used and enjoyed subject to the limitation, and restrictions below and in the Master Declaration, and subject to Declarant's exemptions in Article VII hereof and the development rights in Article XIII of the Master Declaration.

4.1. Single Family Residence.

Each Unit shall be used as a residence for a single Family and for no other purpose.

4.2. Business or Commercial Activity

No part of the Properties 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, manufacturing, mercantile, storage, vending or other such nonresidential purposes; except Declarant, a Builder or their successors and assigns, may use any portion of the Properties for a model home site, and display and sales office in connection with the sale of Units in the Properties by any of them. The provisions of this Section 4.2 shall not preclude professional and administrative occupations without external evidence thereof, for so long as such occupations are conducted in conformance with all applicable governmental ordinances and are merely incidental to the use of the Unit as a residential home.

4.3. Nuisances.

No noxious or offensive activities (including but not limited to the repair of motor vehicles) shall be carried on upon the Properties. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Unit and its contents, shall be placed or used on the Properties or on any public street abutting the Properties. Noisy or smoky vehicles, large power equipment and large power tools (excluding lawn mowers and other equipment utilized in connection with ordinary landscape maintenance), off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Properties, and all objects which create or emit loud noises or noxious odors shall not be located, used or placed on any portion of the Properties, or on any public street abutting the Properties, or exposed to the view of other Owners without the prior written approval of the ARC. The ARC shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept on the Properties, or on any public street abutting the Properties, which may increase the rate of insurance in the Properties, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners, nor commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Unit. Each Owner shall be accountable to the Master Association and other Owners for the conduct and behavior of children and other family members or persons residing in or visiting his Unit; and any damage to the Master Common Area, personal property of the Master Association or property of another Owner, caused by such children or other family members, shall be repaired at the sole expense of the Owner of the Unit where such children or other family members or persons are residing or visiting.

4.4. Signs.

No sign, poster, display, billboard or other advertising device of any kind shall be displayed to the public view on any portion

of the Properties, or on any public street abutting the Properties, without the prior written consent of the ARC, except (a) one (1) sign for each Unit, not larger than eighteen (18) inches by thirty (30) inches, advertising the Unit for sale or rent, (b) traffic and other signs installed by Declarant or a Builder as part of the original construction of the Properties, or (c) signs, regardless of size, used by Declarant, its successors or assigns, to advertise the Properties during the construction and sales period or installed by Declarant to denote visitor parking areas within the Properties. All signs or billboards and the conditions promulgated for the regulation thereof shall conform to the requirements of all applicable governmental ordinances.

4.5. Parking and Vehicular Restrictions.

The parking areas of the Properties shall be used for parking authorized vehicles only and shall not be used for storage, living, recreational or business purposes. No Person shall park, store or keep any vehicle on any portion of the Properties, except wholly within the parking areas designated therefor. No Person shall park, store or keep anywhere on the Properties or on any public street abutting the Properties, any inoperable vehicle or any large commercial-type vehicle (other than a pickup truck or van used for daily transportation of residents of or visitors to the Properties) including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck, any recreational vehicle, camper unit, house car or motor home, any bus, trailer, trailer coach, camp trailer, boat, aircraft, mobile home, or any other similar vehicle or any vehicular equipment, mobile or otherwise, deemed to be a nuisance by the ARC, except wholly within the Owner's garage and only with the garage door closed. The above excludes camper trucks and similar vehicles up to and including three-quarter (3/4) ton when used for everyday-type transportation and subject to approval by the ARC. No Person shall conduct repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of the Properties or on any public street abutting the Properties. However, such repair and restoration shall be permitted within an Owner's garage when the garage door is closed, provided that such activity may be prohibited entirely if the ARC determines in its reasonable discretion, that such activity constitutes a nuisance. No parking shall be permitted which may obstruct free traffic flow, constitute a nuisance, or otherwise create a safety hazard. Parking shall be prohibited on both sides of all streets which are less than thirty-two (32) feet wide curb-to-curb, and on one side of all streets which are between thirty-two (32) feet and thirty-six (36) feet wide curb-to-curb. Vehicles owned, operated or within the control of any Owner or of a resident of such Owner's Unit shall be parked in the garage of such Owner to the extent of the space available therein, provided that each Owner shall maintain his garage in a manner which ensures that

it is capable of accommodating at least one full-sized automobile. Notwithstanding the foregoing, these restrictions shall not be interpreted in such a manner so as to permit any activity which would be contrary to any ordinance of the City.

4.6 Animal Restrictions.

No insects, reptiles, poultry or animals of any kind shall be raised, bred or kept on the Properties, except that usual and ordinary domestic dogs, cats, fish, birds and other household pets (excluding, without limitation, equine, bovine, sheep, swine, goats and other such animals) may be kept on Lots, provided that they are not kept, bred or maintained for commercial purposes, in unreasonable quantities, or in violation of the rules and regulations adopted by the ARC or the Master Association. As used in this Supplementary Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per household; provided, however, that the ARC may determine that a reasonable number in any instance may be more or less. The ARC shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the ARC, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure or on a leash being held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their families, guests, tenants and invitees, or any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by such Owner or by members of his family, his tenants or his guests; and it shall be the duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Master Common Area or public streets abutting the Properties.

4.7. Trash.

No rubbish, trash or garbage or other waste material shall be kept or permitted upon any Unit, the Master Common Area or any public street abutting or visible from the Properties, 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 Properties, 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 neighboring Units only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). There shall be no exterior fires whatsoever except barbecue fires contained within receptacles designed therefor and fire pits in enclosed areas and designed in such a manner that they do not create a fire hazard. No clothing or household fabrics shall be hung, dried or aired on or over any Unit in such a way as to be visible from any other Unit, and no lumber, grass, shrub or tree clippings or plant waste, etc.,

dulk material, scrap, refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Properties except within an enclosed structure or if appropriately screened from view. No plants or seeds infected with noxious insects or plant diseases shall be brought upon, grown or maintained upon the Properties.

4.8. Temporary Buildings.

No outbuilding, basement, tent, shack, shed or other temporary building or Improvement of any kind shall be placed upon any portion of the Properties either temporarily or permanently. No garage, trailer, camper, motor home, recreation vehicle or other vehicle shall be used as a residence in the Properties, either temporarily or permanently.

4.9. Outside Installations.

No radio station or shortwave operators of any kind shall operate from any Unit unless approved by the ARC. No exterior radio antenna, "C.B." antenna, television antenna, receiving station, satellite dish or other antenna of any type shall be erected or maintained in the Properties. However, a master antenna or antennae or cable television antenna or antennae may, but need not, be provided by Declarant or the Master Association for the use of all Owners, and Declarant or the Master Association may grant easements for such purposes. No projections of any type shall be placed or permitted to remain above the roof of any building within the Properties, except one or more chimneys and vent stacks originally installed, if at all, by Declarant or a Builder. No basketball backboard or other fixed sports apparatus shall be constructed or maintained in the Properties without the prior approval of the ARC. No fence or wall shall be erected, altered or maintained in the Properties, except with the prior approval of the ARC. No patio cover, room addition, wiring, air conditioning fixture, water softeners, or other devices shall be installed on the exterior of a Unit or be allowed to protrude through the walls or roof of the Unit (with the exception of those items installed during the original construction of the Unit), unless the prior written approval of the ARC is obtained.

4.10. Drilling.

No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind shall be permitted upon or in any of the Properties, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface or within five hundred feet (500') below the surface of the Properties. No derrick or other structure designed for use in boring for water, oil, geothermal heat or natural gas shall be erected, maintained or permitted within the Properties.

4.11. Further Subdivision.

No Owner shall further partition or subdivide his Unit, including without limitation any division of his Unit into time-share estates or time-share uses; provided, however, that this provision shall not be construed to limit the right of an Owner (1) to rent or lease his entire Unit by means of a written lease or rental agreement subject to the restrictions of this Supplementary Declaration and the Master Declaration, so long as the Unit is not leased for transient or hotel purposes; (2) to sell his Unit; or (3) to transfer or sell any Unit to more than one person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. The terms of any such lease or rental agreement shall be made expressly subject to the Master Declaration and this Supplementary Declaration. Any failure by the lessee of such Unit to comply with the terms of the Master Declaration, this Supplementary Declaration, or the rules and regulations of the Master Association or the ARC shall constitute a default under the lease or rental agreement.

4.12. Drainage.

There shall be no interference with or alteration of the established drainage pattern over any Unit within the Properties, unless an adequate alternative provision is made for proper drainage. For the purposes hereof, "established drainage pattern" is defined as the drainage which exists at the time that such Unit is conveyed to a purchaser from Declarant or a Builder pursuant to a transaction requiring the issuance of a final subdivision public report by DRE, and shall include drainage from the Units onto the Master Common Area.

4.13. Water Supply Systems.

No individual water supply, sewage disposal system, or water softener system shall be permitted on any Lot in the Properties unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any water district serving the Properties, the Health Department for San Diego County, the ARC, the Master Association and all other applicable governmental authorities.

4.14. View Obstructions.

Each Village Owner, by accepting title to a Unit, hereby acknowledges that (a) there are no protected views within the Properties, and no Unit is assured the existence or unobstructed continuation of any particular view, and (b) any construction, landscaping or other installation of Improvements by Declarant, a Builder or other Owners may impair the view from any Unit, and the Village Owners hereby consent to such view impairment.

4.15. Solar Energy Systems.

Each Village Owner may install a solar energy system which serves his Unit so long as (1) the design and location of the

solar energy system meets the requirements of applicable zoning district ordinances and the Uniform Building Code and associated ordinances, and (2) said design and location receives the prior written approval of the ARC pursuant to this Supplementary Declaration.

ARTICLE V

5. Delegate Selection and Voting.

5.1. Delegate District.

Unless Developer Records a written instrument creating one or more additional delegate districts within the Properties, the Annexed Property and all of the Annexable Territory upon annexation hereto pursuant to Article VIII hereof shall constitute one Delegate District for purposes of electing a Delegate to Membership in the Master Association. The Delegate District created herein shall be known as the "RDO Village III Delegate District," to distinguish it from other delegate districts which may exist within the planned community which is subject to the Master Declaration.

5.2. Delegate.

The term "Delegate" as used herein shall mean the natural Person authorized at any point in time to cast the votes allocated to the Delegate District pursuant to Section 5.5 hereof, whether such Person is the alternate Delegate or the primary Delegate. Said Person's status as Delegate shall be coextensive with said Person's status as a Member of the Master Association, as such Master Association Membership is described in the Master Declaration; and with said Person's status as Chair of the ARC, as described in Section 6.1 hereof. The Delegate must at all times be either (a) an authorized agent or employee of Developer or a Builder, or (b) a Village Owner. The primary Delegate shall be elected to serve a term of two (2) years by vote of the Village Owners at a meeting conducted pursuant to Section 5.3 hereof; provided that no Person may serve as the primary Delegate for more than one such full term consecutively. The alternate Delegate shall be selected by the members of the "ARC" established pursuant to Article VI hereof, from among the members of the ARC. The office of primary Delegate shall be deemed vacant upon the death, resignation, removal or judicial adjudication of mental incompetence of the Person filling such office, or upon such Person's failure to satisfy all of the qualifications of a Delegate specified in this Section, or in case the Village Owners in the Delegate District fail to fill such office. Upon the occurrence of any such vacancy, the balance of the term of office of the primary Delegate shall first be filled by the alternate Delegate, and if there is no alternate Delegate, by a vote of a majority of the ARC. The office of alternate Delegate shall be deemed vacant should any of the conditions referenced with regard to the office of

primary Delegate occur with regard to the office of alternate Delegate, or should the alternate Delegate become the primary Delegate as provided above; whereupon the office of alternate Delegate shall again be filled by a vote of a majority of the ARC. A Delegate, whether primary or alternate, may be removed with or without cause by the vote in person or by proxy at any duly constituted meeting of at least a majority of a quorum of the Village Owners; provided, that in no event shall any Delegate be removed unless the votes cast in favor of such removal equal at least (a) the number of votes which elected such Delegate to his current term, or (b) a majority of the total voting power of the Village Owners.

5.3. Meetings of Village Owners.

(a) Time and Purpose. The Village Owners shall meet each year during which the term of office of the Delegate expires. The first meeting of the Village Owners shall be held no later than forty-five (45) days after the close of escrow for the sale of a majority of the Units in the Annexed Property pursuant to transactions requiring issuance of a final subdivision public report by DRE, and in no event shall the first meeting be held later than six (6) months after commencement of assessments on the units in the Annexed Property. At the first meeting of the Village Owners and at each subsequent biennial meeting, a primary Delegate shall be elected by a majority of a quorum of the Village Owners for a term of two (2) years or until a successor is elected, whichever is later, subject to removal with or without cause and to the occurrence of any other vacancy as provided in Section 5.2 hereof.

(b) Notice. Meetings of the Village Owners shall be held at a location within the Delegate District or at such other convenient location on or near the Properties as may be designated in the notice of the meeting. Written notice of meetings shall state the place, date and time of the meeting and those matters which, at the time the notice is given, are to be presented for action by the Village Owners. Notice of any meeting at which a Delegate is to be selected shall include the names of all those who are nominees at the time the notice is given. The Secretary of the Master Board shall cause notice of meetings within the Delegate District to be sent no later than ten (10) days prior to the meeting to each Village Owner appearing as such in the official records of the Master Association on the date which is forty-five (45) days prior to the scheduled meeting date. A special meeting of the Village Owners may be

called at any reasonable time and place by written request by any holder of Class B voting rights, by the Delegate or by Village Owners having not less than five percent (5%) of the total voting power within the Delegate District. To be effective, such written request shall be delivered to the Secretary of the Master Board, who shall then cause notice to be given to the Village Owners entitled to vote that a meeting will be held at a time and place fixed by the Master Board not less than ten (10) days, nor more than thirty (30) days after receipt of the written request. Notice of special meetings shall specify the general nature of the business to be undertaken and that no other business may be transacted.

(c) Quorum. The presence at any meeting, in person or by proxy as defined herein, of the Village Owners entitled to cast at least twenty-five percent (25%) of the total votes within the Delegate District shall constitute a quorum. If any meeting cannot be held because a quorum is not present, the Village Owners present in person or by proxy may, except as otherwise provided by law and without additional notice to the Village Owners, adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the quorum requirement shall be the presence in person or by written proxy of the Village Owners entitled to cast at least five percent (5%) of the total votes within the Delegate District. The Village Owners present at any meeting shall select a Presiding Officer to preside over the meeting and a Secretary to transcribe minutes of the meeting. Unless otherwise expressly provided, any action authorized hereunder may be taken at any meeting of the Village Owners at which a quorum is present, only upon the affirmative vote of the Village Owners having a majority of the voting power present at such meeting either in person or by written proxy.

(d) Proxies. Every Village Owner entitled to vote at a meeting as described herein may attend such meeting and may vote either in person or by a representative authorized to act on behalf of such Village Owner pursuant to a written proxy. Every such proxy shall be irrevocable and shall automatically cease after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any Person to the Village Owners shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be

mandatory that a candidate for election as a Delegate be named in the proxy or written ballot. The proxy or written ballot shall provide that, when the Village Owner specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy.

(e) Voting. Each Village Owner entitled to notice of a meeting as provided in Section 5.3(b) hereof shall be entitled to cast the votes attributable to such Village Owner pursuant to the provisions of Section 5.4 hereof at the meeting for which such notice is given. If there is more than one (1) Record Owner of any Unit, any and all of the Village Owners owning such Unit may attend any meeting of the Village Owners, but the vote attributable to the Unit so owned shall not be increased by reason thereof. The Persons owning the majority interest in a Unit may from time to time designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Unit shall be exercised, if at all, as a whole. ~~No vote shall be cast for any Unit if the co-owners~~ No vote shall be cast for any Unit if the co-owners present in person or by proxy cannot agree to said vote or other action. Unless the Secretary of the Master Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the voting co-owner is acting with the consent of all other co-owners.

(f) Vote Appurtenant to Unit. The right of a Village Owner to vote as provided in this Article V may not be severed or separated from the ownership of the Unit to which the vote is appurtenant, except that any Village Owner may give an irrevocable proxy in the manner described above or may assign its right to vote to a contract purchaser, a lessee or tenant actually occupying his Unit or the Mortgagee of the Unit concerned, which assignment shall be limited to the term of the lease or the mortgage, as applicable. Any sale, transfer or conveyance of a Unit to a new Owner or Owners shall operate automatically to transfer the appurtenant vote to the new Owner or Owners, subject to any assignment of the right to vote to a contract purchaser, lessee or Mortgagee as provided herein.

(g) Suspension of Voting Rights. The Master Association shall have the authority to suspend the voting rights of any Village Owner, including the right to vote at any meeting called pursuant to the provisions of this Article V, for any period during which the payment of any assessment assessed against

such Village Owner and the Unit owned by such Village Owner remains delinquent. Any suspension for nonpayment of any assessment shall not constitute a waiver or discharge of the Village Owner's obligation to pay the assessments provided for herein and in the Master Declaration.

5.4. Voting Classes.

There shall be two classes of vote allocated to the Village Owners within the Delegate District, as follows:

(a) Class A Vote. Each Village Owner, with the exception of Developer, Partnership III and each Builder for so long as a Class B Vote exists, shall be entitled to cast one (1) vote for each Unit owned by such Village Owner which is subject to assessments pursuant to the provisions of the Master Declaration and this Supplementary Declaration ("Class A Vote").

(b) Class B Vote. Each of the Developer, Partnership III and any Builder which is also a Village Owner shall be entitled to cast three (3) votes for each Unit owned by said Developer, Partnership III or Builder, respectively, and subject to assessments pursuant to the Master Declaration and this Supplementary Declaration ("Class B Vote"). The Class B Votes shall cease and be converted to Class A Votes on the earlier of the following dates: (i) that certain date which is four (4) years after the issuance of the original subdivision public report for the Annexed Property; or (ii) that certain date which is two (2) years after the issuance of the original subdivision public report for the most recent Phase of Development.

5.5. Voting by Delegate as Master Member.

(a) Classes of Master Membership. The Delegate as a Master Member shall have, with respect to the Units then a part of any Phase of Development governed by this Supplementary Declaration as to which assessments have commenced as provided in Section 2.6 hereof ("Subject Units"), (i) one (1) vote for each Subject Unit which has been conveyed to a purchaser other than Developer, Partnership III or a Builder pursuant to a transaction requiring the issuance of a final subdivision public report by the DRE, and (ii) three (3) votes for each Subject Unit owned by Developer, Partnership III or a Builder. The Delegate shall be a Class A Master Member with respect to the voting rights attributable to Subject Units owned by a Village Owner other than Developer, Partnership III or

a Builder, and a Class B Master Member with respect to the voting rights attributable to Subject Units owned by Developer, Partnership III or a Builder. The Delegate's Class B Master Membership and the voting rights attributable thereto shall cease and convert to Class A Master Membership and voting rights on the later of the following dates: (i) September 4, 1996, or (ii) that certain date which is two (2) years after the original issuance by the DRE of the most recent final subdivision public report for a phase of development of the Master Project; provided, that notwithstanding the foregoing, the Class B Master Membership and the voting rights attributable thereto (if then still existing) will forever cease and convert to Class A Master Membership with the voting rights attributable thereto on September 4, 1998.

(b) Votes of Delegate. As a reasonable modification and complementary addition to the Master Declaration as authorized therein, and notwithstanding any contrary provision of the Master Declaration, including without limitation that Section entitled "Votes of Developer" in the Article entitled "The Master Association" (which Section provides, in pertinent part, that the Developer shall be a Class B Master Member having three (3) votes per Unit with regard to each Unit which is both (i) owned by Developer or other parties named in said Section, and (ii) annexed into the Master Project but for which a "Village Association" (as defined in the Master Declaration) has not been formed), the Class B Master Membership voting rights attributable to any Subject Unit shall be exercised solely by the Delegate as provided herein, despite the lack of formation of a Village Association within the Properties.

(c) Voting Procedures. The votes of the Delegate as a Master Member shall be cast in writing at a meeting called for the purpose of such voting. The manner in which the Delegate casts its votes on a particular issue shall be determined by the ARC; provided, that where Subject Units are owned by Developer, Partnership III or a Builder, the Delegate shall cast the votes attributable to those Subject Units on such issue only in the manner specified by Developer.

ARTICLE VI

6. Architectural Control.

6.1. Members of Committee.

The Architectural Review Committee ("ARC") shall consist of five (5) members. One (1) of these shall at all times be the natural

Person then serving as the primary Delegate pursuant to Article V hereof, only for so long as that Person holds the office of primary Delegate; said Person shall be the Chair of the ARC for the same period. The other four (4) initial members of the ARC shall be representatives of Developer. Subject to the following provisions, Developer shall have the right and power at all times to appoint and remove three (3) of the members of the ARC or to fill any vacancy of such majority until the "turnover date," which shall be either (1) the date on which close of escrow has occurred for the sale of ninety percent (90%) of all the Units in the Properties and the Annexable Territory pursuant to transactions requiring the issuance of a final subdivision public report by DRE, or (11) the date five (5) years following the date of original issuance of the final subdivision public report by DRE for the Annexed Property, whichever occurs earlier. Commencing one (1) year from the date of the original issuance of the final subdivision public report for the Annexed Property, the Village Owners holding Class A Votes as provided in Section 5.4 hereof shall have the power to elect one (1) member to the ARC, until the turnover date. Thereafter, the Village Owners holding Class A Votes as provided in Section 5.4 hereof shall have the power to elect and remove all of the members of the ARC, subject to the provisions of Article V hereof regarding election of the primary Delegate. Persons elected to the ARC by the Village Owners holding Class A votes shall be Village Owners, but Persons appointed to the ARC by Developer need not be Village Owners.

6.2. ARC Responsibilities.

In addition to the responsibilities of the ARC referenced in Section 2.5 and Article V hereof, the ARC shall have the following rights and duties, subject to the provisions of Article VII hereof:

(a) Review of Plans and Specifications.

The ARC shall consider and act upon any and all plans and specifications submitted for its approval under this Supplementary Declaration and perform such other duties as from time to time shall be assigned to it by the Village Owners or the Master Association, including the inspection of construction in progress to assure its conformance with plans approved by the ARC. No construction, alteration, removal, relocation, repainting, demolition, addition, installation, modification, decoration, redecoration or reconstruction of an Improvement, including landscaping, in any Phase of Development shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the ARC and approved in writing by the ARC; provided, however,

that any Improvement may be repainted without ARC approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article VI shall apply to the construction, installation, alteration and modification of solar energy equipment subject to the provisions of California Civil Code Section 714. The Village Owner submitting such plans and specifications ("Applicant") shall obtain a written receipt therefor from an authorized agent of the ARC. Until changed by the Master Association, the address for submission of such plans and specifications shall be the principal office of the Master Association. The ARC shall approve plans and specifications submitted for its approval only if it deems that the installation, construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the installation or construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Master Common Area or the enjoyment thereof by the Owners, and that the upkeep and maintenance thereof will not become a burden on the Master Association. The ARC shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article.

(b) Conditional Approvals. The ARC may condition its approval of proposals or plans and specifications for any Improvement (1) upon the Applicant's furnishing the Master Association with security acceptable to the Master Association against any mechanic's lien or other encumbrance which may be Recorded against the Properties as a result of such work, (2) on such changes therein as it deems appropriate, (3) upon the Applicant's agreement to grant appropriate easements to the Master Association for the maintenance of the Improvement, (4) upon the Applicant's agreement to install (at its sole cost) water, gas, or electrical meters to measure any increased consumption, (5) upon the Applicant's agreement to reimburse the Master Association for the cost of such maintenance, or (6) upon the Applicant's agreement to complete the proposed work within a stated period of time, or all of the above. The ARC may also require submission of additional plans and

specifications or other information prior to approving or disapproving material submitted.

(c) Guidelines and Fees. The ARC may issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee payable to the Master Association to accompany each application for approval, or stating additional factors which it will take into consideration in reviewing submissions. The ARC may provide that the amount of such fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The ARC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, landscape plans, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior material and colors.

(d) Limited Time for Review. Decisions of the ARC and the reasons therefor shall be transmitted by the ARC to the Applicant at the address set forth in the application for approval, within forty-five (45) days after receipt by the ARC of all materials required by the ARC. Any application submitted pursuant to this Section 6.2 shall be deemed approved by the ARC, unless written disapproval or a request for additional information or materials by the ARC shall have been transmitted to the Applicant within forty-five (45) days after the date of receipt by the ARC of such application or additional information. The Applicant shall also meet any review or permit requirements of the Master Association and the City prior to making any alterations or Improvements permitted hereunder.

6.3. Meetings of the ARC.

The ARC shall meet from time to time as necessary to perform its duties hereunder. The ARC may from time to time, by resolution unanimously adopted in writing, designate an ARC representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the ARC, except the granting of variances pursuant to Section 6.8 hereof. In the absence of such designation, the vote or written consent of a majority of the ARC shall constitute an act of the ARC.

6.4. No Waiver of Future Approvals.

Approval by the ARC of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the ARC,

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

6.5. Compensation of Members.

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

6.6. Inspection of Work.

Inspection of work and correction of defects therein shall proceed as follows:

(a) Inspections. The ARC or its duly authorized representative may at any time inspect any work for which approval of plans is required under this Article VI. However, the ARC's right of inspection of Improvements for which plans have been submitted and approved shall terminate sixty (60) days after the work of Improvement has been completed and the respective Village Owner has given written notice to the ARC of its completion. The ARC's rights of inspection shall not terminate pursuant to this paragraph if plans for the work of Improvement have not previously been submitted to and approved by the ARC. If, as a result of such inspection, the ARC finds that the Improvement was done without obtaining approval of the plans therefor or was not done in substantial compliance with the plans approved by the ARC, it shall notify the Village Owner in writing of failure to comply with this Article VI within sixty (60) days from the inspection, specifying the particulars of noncompliance. The ARC shall have the authority to require the Village Owner to take such action as may be necessary to remedy the noncompliance.

(b) Remedies. If upon the expiration of sixty (60) days from the date of such notification, the Village Owner has failed to remedy the noncompliance, the ARC shall notify the Master Board in writing of such failure. The Master Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Village Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Master Board ruling is given to the Village Owner. If the Village Owner does not comply with the Master Board ruling within that period, the Master Board, at its option, may Record a

Notice of Noncompliance and commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the noncompliance. In addition, the Master Board may peacefully remedy the noncompliance, and the Village Owner shall reimburse the Master Association, upon demand, for all expenses (including reasonable attorneys' fees) incurred in connection therewith. If such expenses are not promptly repaid by the Village Owner to the Master Association, the Master Board shall levy a special assessment against the Village Owner for reimbursement as provided in this Supplementary Declaration. The right of the Master Association to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Master Association may have at law, in equity or in this Supplementary Declaration or in the Master Declaration.

(c) Limited Time to Inspect. If for any reason the ARC fails to notify the Village Owner of any noncompliance with previously submitted and approved plans within sixty (60) days after receipt of written notice of completion from the Village Owner, the Improvement shall be deemed to be in accordance with the approved plans.

6.7. Scope of Review.

The ARC shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Properties generally. The ARC shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The ARC's approval or disapproval shall be based solely on the considerations set forth in this Article VI, and the ARC shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The ARC need not consider the impact of views from other Units or Lots as a factor in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement. There are no protected views within the Properties and no Unit or Lot is assured the existence or unobstructed continuation of any particular view. Each Village Owner shall be responsible for obtaining all necessary permits and for complying with all City requirements with respect to the implementation of such plans.

6.8. Variance.

The ARC may authorize variances from compliance with any of the architectural provisions of this Supplementary Declaration except for the provisions of Section 6.9 hereof, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetics or environmental considerations may require. Such variances must be evidenced in writing, must be signed by a majority of the ARC, and shall become effective upon Recordation. After Developer has lost the right to appoint a majority of the members of the ARC, the Master Board must approve any variance recommended by the ARC before any such variance shall become effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Supplementary Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Supplementary Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Village Owner's obligation to comply with all governmental laws and regulations affecting the use of his Unit.

6.9. Material Changes.

In addition to the other provisions of this Article VI, any Village Owner (other than Developer, Partnership III or a Builder) proposing any structural, design, color or other change visible from the exterior of a Unit which affects twenty (20) or more Units ("Material Change") shall submit complete plans, specifications, plots and color schemes, as applicable, for the Material Change to the Master Board for approval, which approval must be obtained in writing before the Material Change may be undertaken.

ARTICLE VII

7. Declarant Exemption.

No Village Owner nor the Master Association shall do anything to interfere with, and nothing in this Supplementary Declaration shall be understood or construed to:

- (a) Prevent Developer, Partnership III, any Builder, their successors or assigns, or their contractors or subcontractors, from doing on any Unit owned by them whatever they determine to be necessary or advisable in connection with the completion of such work, including without limitation the alteration of construction plans and designs as they deem advisable in the course of development; or

(b) Prevent Developer, Partnership III, any Builder, their successors or assigns, or their representatives, from erecting, constructing and maintaining on any portion of the Properties owned or controlled by any of them, such structures as may be reasonably necessary for the conduct of their business of completing such work and establishing the Properties as a residential community and disposing of the same by sale, resale, lease or otherwise; or

(c) Prevent Developer, Partnership III, any Builder, their successors or assigns, or their contractors or subcontractors, from conducting on any Unit, or any portion thereof, owned or controlled by their business of developing, subdividing, grading and constructing Units and other Improvements in the Properties as a residential community and from disposing of Units thereon by sale, lease or otherwise; or

(d) Prevent Developer, Partnership III, any Builder, their successors or assigns or their contractors or subcontractors, from maintaining such sign or signs on any portion of the Properties owned or controlled by any of them as may be necessary in connection with the sale lease or other marketing of Units in the Properties; or

(e) Prevent Developer, Partnership III, any Builder or their successors or assigns, at any time prior to acquisition of title to a Unit by a purchaser from any of them, to establish on that Unit additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Properties.

Notwithstanding any other provision herein, Developer, Partnership III and any Builder need not seek or obtain ARC approval of any Improvement constructed or placed on the Properties by any of them. Developer, Partnership III and any Builder, in the exercise of their respective rights under this Article, shall not unreasonably interfere with the use of the Master Common Area by any other Owner. The rights and reservations of Developer, Partnership III and any Builder set forth in this Article shall terminate on the seventh (7th) anniversary of the first close of escrow for the sale of a Unit in the Properties pursuant to a transaction requiring the issuance of a final subdivision public report by LRE.

ARTICLE VIII

8. Subsequent Annexations.

Additional real property may be added to the Annexed Property and such additional real property may become subject to this Supplementary Declaration by any of the methods set forth hereinafter

8.1. Additions by Developer.

Developer or its successors or assigns shall have the right from time to time to add the Annexable Territory, or any portion or portions thereof (including any Master Common Area located therein), to the Properties and to bring such added territory within the general plan and scheme of this Supplementary Declaration without the approval of Partnership III, any Builder, the Village Owners, the Master Association, its Board of Directors, or Members; provided that any such annexation to the Properties shall concurrently effect the annexation of the same portion or portions of the Annexable Territory to the Master Project and to the general plan and scheme of the Master Declaration; and further provided that such a right of Developer and its successors and assigns shall terminate on the earlier to occur of (i) the third (3rd) anniversary of the original issuance of the final subdivision public report by DRE for the most recent Phase of Development or (ii) the seventh (7th) anniversary of the date of Recordation of this Supplementary Declaration. As each Phase of Development is developed, Developer may, with respect thereto, record an Additional Declaration which may supplement this Supplementary Declaration with such additional covenants, conditions, restrictions, reservations and easements as Developer may deem appropriate for that Phase of Development. Prior to any annexation under this Section 8.1, detailed plans for the development of the additional property must be submitted to the VA and the VA must determine that such plans are in accordance with the development plan and so advise Developer.

8.2. Other Additions.

In addition to the provisions for annexation specified in Section 8.1 above, additional real property may be annexed to the Properties and to the Master Project and brought within the general plan and scheme of this Supplementary Declaration and the Master Declaration upon the approval by vote or written consent of Village Owners entitled to exercise no less than sixty-seven percent (67%) of the voting power of each Class of vote described in Section 5.4 hereof; or, if only one Class of vote then exists, upon the approval by vote or written consent of sixty-seven percent (67%) of the voting power of all the Village Owners and sixty-seven percent (67%) of the voting power of all the Village Owners not including Developer, Partnership III or any Builder. In addition, no such annexation shall be effective unless it is approved in advance by the City and by vote or written consent of the Master Board.

8.3. Rights of Owners Within Added Territory.

Subject to the provisions of Section 8.4, upon the Recording of a Notice of Addition of Territory containing the provisions as set forth in this Section, all provisions contained in this Supplementary Declaration and the Master Declaration shall apply to the real property described in such Notice of Addition of Territory (the "added territory") in the same manner as if it were originally covered by this Supplementary Declaration and the Master Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Supplementary Declaration and the Master Declaration with respect to the added territory shall be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Units within the added territory, as well as within the property originally subject to this Supplementary Declaration and the Master Declaration, shall be the same as if the added territory were originally covered by both. From and after the first day of the first month following the first close of escrow for the sale of a Unit in the added territory pursuant to a transaction requiring the issuance of a final subdivision public report by DRE, the Owners of Units located in the added territory shall share in the payment of assessments to the Master Association to meet the expenses of the Master Project. Voting rights attributable to the Units in the added territory shall not vest until assessments have commenced as to such Units.

8.4. Notice of Addition of Territory.

The additions authorized under Sections 8.1 and 8.2 shall be made by Recording a Notice of Addition of Territory, or other similar instrument (which notice or instrument may contain the Additional Declaration, if any, affecting each such Phase of Development), with respect to the added territory ("Notice of Addition") which shall extend the general plan and scheme of this Supplementary Declaration to such added territory. The Notice of Addition for any addition under Section 8.1 shall be signed by Developer. The Notice of Addition for any addition under Section 8.2 shall be signed by at least two (2) officers of the Master Association to certify that the requisite approvals under Section 8.2 were obtained. The Recordation of said Notice of Addition shall constitute and effectuate the annexation of the added territory described therein, and thereupon said added territory shall become and constitute a part of the Properties, become subject to this Supplementary Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Master Association. Such Notice of Addition may contain an Additional Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Supplementary

Declaration as may be necessary to reflect the different character, if any, of the added territory, or as Developer may deem appropriate in the development of the added territory, and as are not inconsistent with the general plan and scheme of this Supplementary Declaration. In no event, however, shall such Notice of Addition or Additional Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Supplementary Declaration as the same shall pertain to the Annexed Property.

8.5. Deannexation.

Developer may delete all or a portion of a Phase of Development from coverage of this Declaration and the jurisdiction of the Master Association, so long as Developer, Partnership III, one or more Builders, or any combination of these own all of such Phase of Development, and provided that (1) a Notice of Deletion of Territory is Recorded in the same manner as the applicable Notice of Addition was Recorded, (2) Developer has not exercised any Master Association vote with respect to any portion of such Phase of Development, (3) assessments have not yet commenced with respect to any portion of such Phase of Development, (4) close of escrow has not occurred for the sale of any Unit in such Phase of Development pursuant to a transaction requiring issuance of a final subdivision public report by DRE, (5) the Master Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development, (6) Developer complies with all the requirements of the Master Declaration with regard to deannexation, and (7) a Notice of Deletion is submitted to the VA and the VA has determined that the deannexation is acceptable and in accordance with the revised development plan and so advised Developer.

ARTICLE IX

9. Termination and Amendment.

9.1. Termination or Amendment by Village Owners.

Notice of the subject matter of a proposed amendment to, or termination of, this Supplementary Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Village Owners at which a proposed amendment or termination is to be considered. The resolution shall be adopted by the vote, in person or by proxy or written consent, of Village Owners representing not less than sixty-seven percent (67%) of each of the Class A Vote and the Class B Vote, or (if the Class B Vote has terminated) (i) sixty-seven percent (67%) of the voting power of all the Village Owners, and (ii) sixty-seven percent (67%) of the voting power of the Village Owners other than Developer and any Builder; provided that the specified percentage of the voting power of the Village Owners necessary to amend a specified provision or section of this

Supplementary Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that provision or section. So long as there exists a Class B Vote, the prior approval of VA and FHA shall be required for any amendment to this Supplementary Declaration. A draft of the proposed amendment shall be submitted to VA and FHA for approval prior to its approval by the Village Owners. No amendment by the Village Owners shall be effective within ten (10) years after the date of Recordation of this Supplementary Declaration without the prior written consent of Developer and the Recordation of that written consent; nor shall any such amendment be effective at any time without Recordation of a written instrument executed by two (2) officers of the Master Association certifying that the votes required for approval have been obtained, and setting forth the particular amendment approved. In addition, any amendment to this Supplementary Declaration which would also require an amendment to the Master Declaration must comply with the requirements for amendment contained in the Master Declaration.

9.2. Termination or Amendment by Developer.

Notwithstanding the provisions of Section 9.1, at any time prior to the sale of a Unit within the Annexed Property to a purchaser pursuant to a transaction requiring issuance of a final subdivision public report by DRE, this Supplementary Declaration may be amended by Recording a written instrument which sets forth the amendment and is signed and acknowledged by Developer and a majority of all Builders then owning one or more Units within the Annexed Property and the Annexable Territory.

9.3. City Consent.

Any amendment purporting to modify provisions of this Supplementary Declaration related to maintenance of the Master Common Area, the rights of all Owners to use all of the Master Common Area, the procedure for annexing additional Phases of Development pursuant to Article VIII hereof, or purporting to limit the ability of any Person to comply with all requirements imposed by the City on the Properties, must be approved in advance by the City Attorney. In addition, the City shall have the right, but not the obligation, to enforce any of the provisions referenced in this Section 9.3, as well as to collect reasonable attorneys' fees expended in the process of such enforcement.

9.4. Mortgagee Consent.

In addition to the notice and consent required pursuant to Sections 9.1 and 9.3 hereof, no amendment to this Supplementary Declaration which is of a material nature shall be effective unless the Mortgagees of fifty-one percent (51%) of the first mortgages on all the Units in the Properties approve the amendment. Each such Mortgagee which receives proper written notice of a proposed amendment or termination of this

Supplementary Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the Mortgagee fails to submit a response to the notice within thirty (30) days after the Mortgagee receives the notice. None of the provisions of this Supplementary Declaration shall limit the rights of Mortgagees granted by the Master Declaration.

ARTICLE X

10. Miscellaneous Provisions.

10.1. General Provisions from Master Declaration.

The provisions contained in that certain Article entitled "General Provisions" of the Master Declaration are hereby incorporated herein and made applicable to the Properties by this reference.

10.2. Interpretation.

The provisions of this Supplementary Declaration and of the Master Declaration shall, to the degree possible, be interpreted consistently. Where inconsistent, the more restrictive or more inclusive provision shall apply. However, notwithstanding any other provision herein, and pursuant to the Article entitled "Annexation" of the Master Declaration, this Supplementary Declaration contains complementary additions to and reasonable modifications of the Master Declaration as are appropriate to reflect the different character of the development plan for the Properties, which additions and modifications (collectively "Reasonable Modifications") shall prevail with regard to the Properties affected thereby without regard to any contrary provisions of the Master Declaration, whether or not the Reasonable Modifications are labeled as such herein or specifically make reference to the authorizing language of the Master Declaration.

10.3. No Public Right or Dedication.

Nothing contained in this Supplementary Declaration shall be deemed to be a gift or dedication of all or any part of the Properties to the public or for any public use.

This Supplementary Declaration is dated for identification purposes _____, 1989.

"Developer":

RANCHO DEL ORO DEVELOPMENTS,
a California general partnership

By: COLLINS-RANCHO DEL ORO COMPANY,
a California corporation,
General Partner

By: [Signature]

Its: Director

By: [Signature]

Its: VP

"Partnership III":

VILLAGE HOMEBUILDING PARTNERSHIP NO.
III, a California limited partnership

By: J. F. SHEA CO., INC., dba
"Shea Homes," a Nevada
corporation, General Partner

By: [Signature]

Thomas F. Noon
Its: Vice President

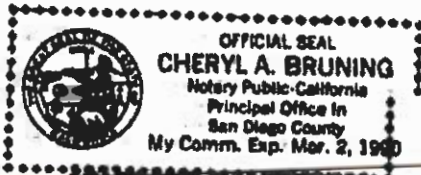
By: [Signature]

Barbara Rossoll
Its: Assistant Secretary

STATE OF CALIFORNIA)
COUNTY OF San Diego) ss.

On May 23, 1989, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert D. Hill & L. Strober, Ellen, personally known to me or proved to me on the basis of satisfactory evidence to be the person[s] who executed the within instrument as president [and] ~~or~~ ^{VB} secretary or on behalf of COLLINS-RANCHO DEL ORO COMPANY, a corporation, and acknowledged to me that the corporation executed it on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership therein named, and that the partnership executed it.

WITNESS my hand and official seal.



Cheryl A. Bruning
Notary Public in and for said State

STATE OF CALIFORNIA)
COUNTY OF San Diego) ss.

On May 12, 1989, before me, the undersigned, a Notary Public in and for said State, personally appeared Thomas F. Noon & Barbara Rossoli, personally known to me or proved to me on the basis of satisfactory evidence to be the person[s] who executed the within instrument as president [and] [or] secretary or on behalf of J. F. SHEA CO., INC., dba "Shea Homes," a corporation, and acknowledged to me that the corporation executed it on behalf of VILLAGE HOMEBUILDING PARTNERSHIP NO. III, the partnership therein named, and that the limited partnership executed it.

WITNESS my hand and official seal.



Cynthia J. Gartrell
Notary Public in and for said State
Cynthia J. Gartrell

SUBORDINATION AGREEMENT

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust recorded on March 15, 1989, at File/Page No. 89-132749 of Official Records of San Diego County, California, and that certain Deed of Trust recorded on March 31, 1989, at File/Page No. 89-167245 of Official Records of San Diego County, California (collectively the "Deeds of Trust"), which Deeds of Trust are between Village Homebuilding Partnership No. III, a California limited partnership, as Trustor, Old Stone of California, Inc., a Rhode Island corporation, as Trustee, and Old Stone Bank, a federal savings bank, as Beneficiary, hereby expressly subordinates such Deeds of Trust and its beneficial interests thereunder to the foregoing Amended and Restated Declaration of Annexation and Supplementary Declaration of CCR's for Rancho Del Oro Village III ("Supplementary Declaration"), to any Notice of Addition of Territory recorded pursuant to the provisions of Article VIII of the Supplementary Declaration ("Notice"), and to all easements to be conveyed to the Master Association in accordance with the Supplementary Declaration or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deeds of Trust, the undersigned will acquire title subject to the provisions of the Supplementary Declaration and any applicable Notice, which shall remain in full force and effect.

Dated: May 18, 1989.

OLD STONE BANK, a federal savings bank

By: Old Stone of California Inc., a Rhode Island Corporation as attorney in fact

By: Richard J. Cole
Richard J. Cole
Its: Vice President

By: _____

Its: _____

1566

STATE OF CALIFORNIA)
) ss.
COUNTY OF _____)

On _____, 19____, 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 _____
respectively, or on behalf of OLD STONE BANK, the federal
savings bank therein named, and acknowledged to me that the
federal savings bank executed it.

WITNESS my hand and official seal.

Notary Public in and for said State

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On May 18, 1989, before me, the undersigned, a Notary Public in
and for said State, personally appeared Richard J. Cole
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
on behalf of Old Stone of California, Inc., a Rhode Island corporation whose
name is subscribed to this instrument as attorney in fact of Old Stone Bank, a
Federal Savings Bank, and acknowledged to me that he subscribed the name
of Old Stone of California, Inc., a Rhode Island corporation as attorney in
fact.

WITNESS my hand and official seal.

Karen L. Balmer



EXHIBIT "A"

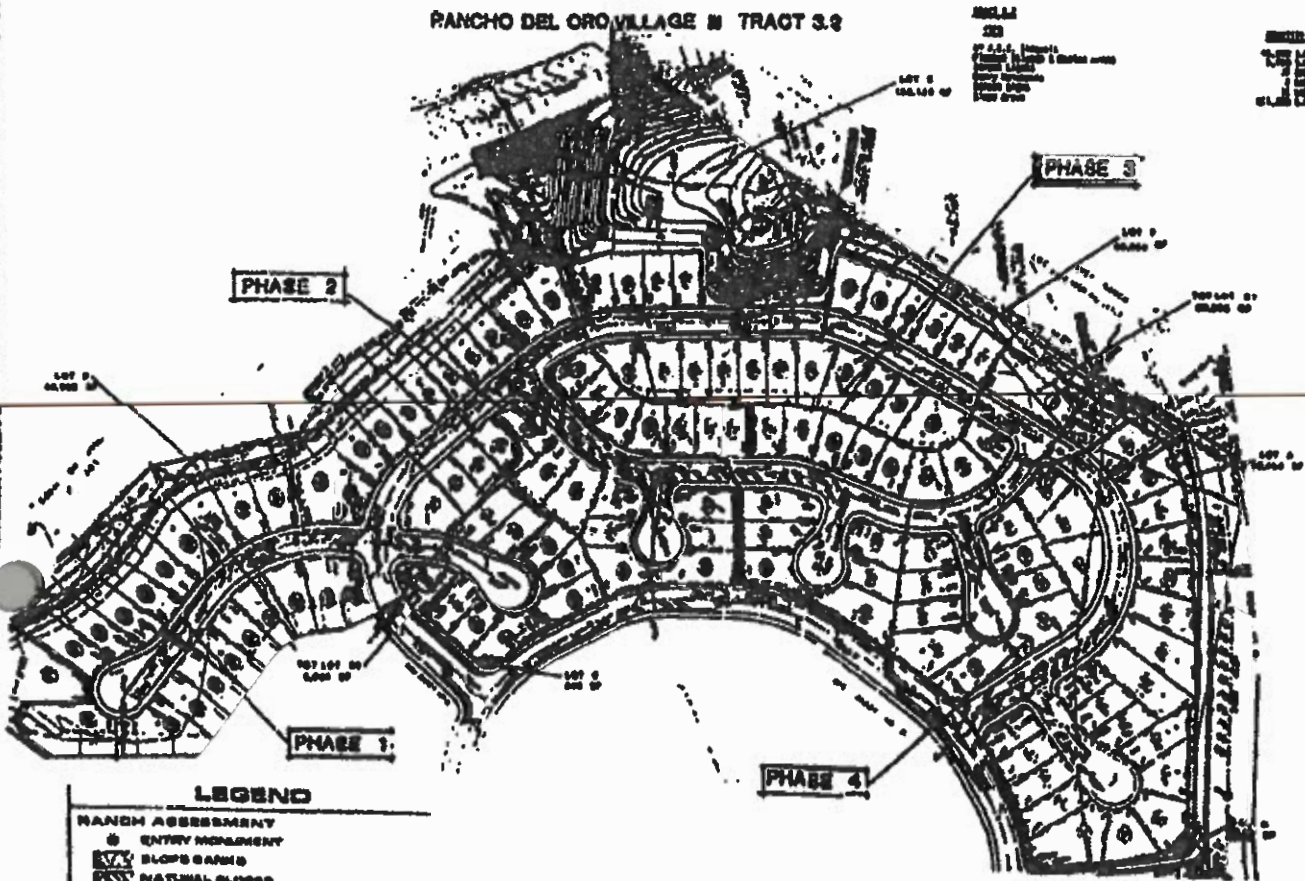
LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

Lots 3.1 through 3.6, inclusive, of Rancho Del Oro Master Subdivision Map East, in the City of Oceanside, County of San Diego, State of California, per Map No. 11409, filed in the Office of the County Recorder of San Diego County, December 27, 1985;

EXCEPTING THEREFROM, the Annexed Property as defined herein.

EXHIBIT "B"
VILLAGE MAINTENANCE AREAS

RANCHO DEL ORO VILLAGE IN TRACT 3.2



LEGEND

- RANCH ASSESSMENT**
- ENTRY MONUMENT
 - ▨ SLOPE BANKS
 - ▨ NATURAL SLOPES
 - ▨ RECREATIONAL OPEN SPACE
 - ▨ WOOD FENCES
 - ▨ MASONRY/STUCCO WALL
 - ▨ WROUGHT IRON FENCE
- VILLAGE ASSESSMENT (VILLAGE MAINTENANCE ASSESSMENT)**
- ▨ BRICK/PAVING
 - ▨ PATHWAYS, MEDIANS & SIDEWALKS
 - STREET LIGHTS
 - ▽ STREET SIGNS
 - ▨ MAILBOX CLUSTERS

TRACT 3.2

ITEM

- 4" P.C.C. Sidewalk
- Planted Islands & Median Areas
- Street Lights
- Entry Monuments
- Street Signs
- Slope Areas

QUANTITY

- 48,630 S.F.
- 9,700 S.F.
- 27 EACH
- 2 EACH
- 32 EACH
- 251,228 S.F.

VILLAGE DWELLING UNIT SUMMARY

TRACT DESIGNATIONS	NUMBER OF UNITS
B.1	141
B.2	128
B.3	
B.4	
B.5	
TOTAL	269

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 049/151 03-09-89

