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 225 Broadway )  
 San Diego, California 92101 )  
 Attn: Arthur G. Peinado, Esq. )

CALIFORNIA WORLD TITLE COMPANY.  
*Arthur G. Peinado*

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MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR THE VILLAGES OF RANCHO DEL ORO

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MASTER DECLARATION OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR THE VILLAGES OF RANCHO DEL ORO

THIS MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made and executed as of the 28 day of Aug; 1986, by RANCHO DEL ORO DEVELOPMENTS, a California general partnership ("Developer," as more specifically defined in Article 1), RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, a California general partnership ("Rancho"), and VILLAGE HOME BUILDING PARTNERSHIP NO. 1, a California limited partnership ("Home Building"), with reference to the following recitals:

R E C I T A L S

A. Rancho and Home Building are the owners of the real property ("the Property") located in the City of Oceanside, County of San Diego, California, more particularly described in Exhibit A.

B. The Property is part of a larger parcel of real property owned in part by Rancho, in part by Developer, in part by Home Building and in part by others (but regarding which Developer has certain rights and options to purchase), all of which real property is depicted on the map attached as Exhibit B and is subject to the Rancho Del Oro PRD Master Plan, approved by the City of Oceanside on October 15, 1985, as the same may thereafter from time to time be amended.

C. Developer, Rancho and Home Building intend to establish a residential community ("the Master Project," as defined in Article 1) of one or more Village Projects and to develop the Property as the initial increment of the Master Project, which will generally have the character of a planned development as defined in California Civil Code Section 1351(x).

D. Developer may unilaterally add all or any part of the real property described in Exhibit C to the Master Project by annexation pursuant to this Master Declaration, and such additional property so annexed will thereupon be developed as part of the Master Project, and shall be subject to the provisions of this Master Declaration. Such annexed real property may also be part of a Village Project.

E. Developer, Rancho and Home Building intend to sell, lease or otherwise convey portions of the Property and any additional property which may be annexed into the Master Project pursuant to the provisions of this Master Declaration, and Developer, Rancho and Home Building desire and intend to hereby

subject the Property and any additional property which may be annexed into the Master Project to mutual, beneficial restrictions under a general plan or scheme of improvement for the benefit of the Property and, following annexation, said additional property and of the future owners thereof.

NOW, THEREFORE, Declarant, Rancho and Home Building hereby declare that all of the Property, and any additional property which may be annexed into the Master Project pursuant to this Master Declaration, shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the following restrictions, covenants, conditions, reservations, easements and equitable servitudes, all of which are for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Property and such other property which may be annexed into the Master Project, in furtherance of a general plan for the protection, maintenance, subdivision, improvement, sale and lease of the Property, such other property which may be annexed into the Master Project and every portion thereof. All of the restrictions, covenants, conditions, reservations, easements and equitable servitudes set forth herein shall run with the land and shall be binding upon and inure to the benefit of all persons having or acquiring any right, title or interest in the Property, such other property which may be annexed into the Master Project, or any portion thereof.

## ARTICLE 1

### Definitions

Unless otherwise expressly provided, the following terms, when used in this Master Declaration, shall have the meanings hereinafter specified.

1.1 "Annexation" shall mean the process by which additional real property may be made subject to this Master Declaration and included in the Master Project.

1.2 "Annexation Property" shall mean the real property described in Exhibit C attached hereto, all or any portion of which real property may from time to time be made subject to this Master Declaration by Developer pursuant to the provisions of the Article of this Master Declaration entitled "Annexation."

1.3 "Apartment Area" shall mean any portion of the Master Project which is developed or being developed with improvements suitable for multi-family apartment or rental use.

1.4 "Builder" shall mean any person, persons, entity or entities which acquires all or a portion of the Master Project

for development and improvement of the same with residential dwellings or other improvements. Without limitation, Developer, Rancho and Home Building may each be a Builder.

1.5 "Condominium" shall mean a condominium as defined in California Civil Code section 783, or any similar California statute hereafter enacted, and shall include a condominium owned in fee simple, a long-term leasehold condominium or a condominium comprising a combination of fee simple and long-term leasehold characteristics. For the purposes of this paragraph, a "long term" leasehold shall mean a leasehold interest in a Lot or Condominium which has an original term of not less than ten years. For the purposes of this Master Declaration, the term "Condominium" shall also include a single-family residential dwelling or other area space which is appurtenant to one or more ownership interests in a community apartment or stock cooperative project as defined in California Civil Code section 1351 or any similar California statute hereafter enacted.

1.6 "Condominium Project" shall mean a condominium project as defined in California Civil Code section 1351, or any similar California statute hereafter enacted. For purposes of this Master Declaration, the term "Condominium Project" shall include a community apartment and stock cooperative project as defined in California Civil Code section 1351, or any similar California statute hereafter enacted.

1.7 "Developer" shall mean (i) Rancho Del Oro Developments, a California general partnership, and (ii) any successor in interest of Rancho Del Oro Developments to which all or any of the rights of Developer under the Master Articles, Master Bylaws and this Master Declaration have been transferred pursuant to a written assignment which has been filed for record in San Diego County, California. Any such assignment may include only specific rights of Developer under this Master Declaration, the Master Articles or the Master Bylaws and may be subject to such conditions and limitations as Rancho Del Oro Developments may impose at its sole and absolute discretion. Notwithstanding the Article of this Master Declaration entitled "Amendment," no amendment, revocation or rescission of this paragraph or Paragraph 1.4 may be had without the (i) written consent of Developer and (ii) recording of such consent in the Office of the Recorder of San Diego County, California.

1.8 "DRE" shall mean the California Department of Real Estate, or such other governmental agency of the State of California, which administers the sale of subdivided land pursuant to California Business and Professions Code section 11000 et seq., or any similar California statute hereinafter enacted.

1.9 "Elicible Guarantor" shall mean any governmental guarantor of any Mortgage which has requested, in a writing stating such guarantor's name and address and the address of the Unit encumbered by the guaranteed Mortgage, that the Master Association provide notice to such guarantor of those matters to which it is entitled by reason of this Master Declaration or the Master Bylaws.

1.10 "Elicible Insurer" shall mean any insurer of any Mortgage which has requested, in a writing stating such insurer's name and address and the address of the Unit encumbered by the insured Mortgage, that the Master Association provide notice to such insurer of those matters to which it is entitled by reason of this Master Declaration or the Master Bylaws.

1.11 "Elicible Mortgagee" shall mean any Mortgagee which has requested, in a writing stating the Mortgagee's name and address and the address of the Unit encumbered by the Mortgage held by the Mortgagee, that the Master Association provide notice to such Mortgagee of those matters to which it is entitled by reason of this Master Declaration or the Master Bylaws.

1.12 "Family" or "family" shall mean (i) a group of natural persons related to each other by blood or legally related to each other by marriage or adoption, or (ii) a group of natural persons not all so related who maintain a common household in a residential dwelling within a Unit.

1.13 "FHA" shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development.

1.14 "Improvement" shall mean all structures and appurtenances of every type and kind, including, but not limited to, buildings, outbuildings, walkways, hiking and jogging trails, tennis courts, sprinkler pipes, garages, swimming pools, Jacuzzis, spas, recreation facilities, carports, roads, driveways, parking areas, fences, screening walls, retaining walls, stairs, decks, landscaping, hedges, windbreaks, plantings, planted trees and shrubs, poles and signs.

1.15 "Lot" shall mean any lot or parcel of land shown upon a recorded final subdivision map or recorded final partel map of any portion of the Master Project, excepting any Master Common Area, common area of any Village Project and Condominiums in a Condominium Project.

1.16 "Master Articles" shall mean the Articles of Incorporation of the Master Association, as the same may from time to time be amended.

1.17 "Master Association" shall mean The Villages of Rancho Del Oro Association, Inc., a California nonprofit mutual benefit corporation, or any successor entity charged with the duties, obligations and powers of said Master Association.

1.18 "Master Board" shall mean the Board of Directors of the Master Association.

1.19 "Master Bylaws" shall mean the Bylaws of the Master Association, as the same may from time to time be amended.

1.20 "Master Common Area" shall mean all real property and improvements thereon (including Master Recreational Facilities) in which the Master Association owns an interest for the common use and benefit of the Master Members and Owners, including their lessees, guests or invitees, all as provided in this Master Declaration. The Master Common Area may include an interest held by the Master Association under a lease, license or easement, as well as an estate in fee. The Master Common Area shall initially include the real property described in Exhibit D attached hereto. Portions of the Master Common Area may be subject to easements or other interests of a governmental or quasi-governmental body.

1.21 "Master Declaration" shall mean and refer to this Master Declaration of Covenants, Conditions and Restrictions for The Villages of Rancho Del Oro, as the same may from time to time be amended.

1.22 "Master Member" shall mean and refer to any entity or person holding membership in the Master Association, as specifically provided in the Article of this Master Declaration entitled "The Master Association."

1.23 "Master Project" shall mean all of the real property which is subject to this Master Declaration, including additional real property which may become subject to this Master Declaration following annexation thereof pursuant to this Master Declaration.

1.24 "Master Recreational Facilities" shall mean those recreational facilities located within the Master Common Area which have been established for the common use by all Owners in the Master Project, including their lessees, guests or invitees, all as provided in this Master Declaration. The Master Recreational Facilities may include, without limitation, hiking and jogging trails, playground equipment for children and other recreational facilities.

1.25 "Master Rules" shall mean the rules and regulations adopted by the Master Board pursuant to this Master Declaration for the governance of the Master Project.

1.26 "Mortgage" shall mean any real property mortgage or deed of trust encumbering a Unit.

1.27 "Mortgagee" shall mean ~~the mortgagee~~ under any real property mortgage or beneficiary under any deed of trust, which mortgage or deed of trust encumbers a Unit.

1.28 "Owner" shall mean the person(s) who hold(s) record fee simple title to, or a long-term ground leasehold estate of record in, any Unit, including Developer, Rancho, Home Building and each Builder for so long as such person holds title to, or a long-term ground leasehold estate in, a Unit, but excluding third persons who hold title as security for the performance of an obligation other than the seller under an executory contract of sale. For purposes of this paragraph, "long-term ground leasehold interest" shall mean a leasehold interest having a term of ten or more years.

1.29 "Planned Development Project" shall mean a project of one or more Lots developed within the Master Project, with each such Lot to be improved with a single-family dwelling(s) (that may be detached, a "townhouse," or part of an "attached cluster," as defined in the FRD Master Plan), which increment may be developed in phases and may or may not be defined as a planned development in California Civil Code section 1351, or any similar California statute hereafter enacted.

1.30 "FRD Master Plan" shall mean the Rancho Del Oro FRD Master Plan [D-5-64], approved by The City on October 15, 1985, as the same may thereafter from time to time be amended.

1.31 "Sub-Association" shall mean any California nonprofit corporation or unincorporated association, or its successor in interest, organized and established or authorized pursuant to a Sub-Declaration and of which the membership is composed of the owners of Lots or Condominiums within a Planned Development Project, Condominium Project or other portion of a Village Project.

1.32 "Sub-Declaration" shall mean any declaration of covenants, conditions and restrictions, or similar document which is filed for record solely with respect to a Planned Development Project, Condominium Project or other portion of a Village Project.

1.33 "The City" shall mean the City of Oceanside, California.

1.34 "Unit" shall mean (i) any Condominium which is part of a Condominium Project in the Master Project, (ii) any Lot within the Master Project on which only one single-family residential



dwelling has been or will be constructed, (iii) each multi-family residential dwelling unit located within an Apartment Area in the Master Project, (iv) each single-family dwelling located on a Lot in a Planned Development Project, (v) with respect to any Lot within the Master Project on which structures for a use permitted under the PRD Master Plan [excluding the uses described in clauses (i), (ii), (iii) and (iv)] have been or will be constructed, each 7,260 square feet of gross land area or fractional portion thereof contained within such Lot, unless expressly provided otherwise in any Declaration of Annexation and Restrictions encompassing such a Lot, or (vi) with respect to any portion of the Master Project which has not been divided into Units [as described above in clauses (i), (ii), (iii), (iv) or (v)], each residential dwelling unit approved for, and allocated to, such portion on the Residential Density Management Table maintained by the City pursuant to the Specific Plan for Rancho Del Oro, Specific Plan S-1-84, adopted October 15, 1985, by the City Council of the City of Oceanside as Resolution No. 85-238, as the same may from time to time be amended. Units determined initially under clause (vi) of the preceding sentence may subsequently become Units determined under clause (i), (ii), (iii), (iv) or (v) of said sentence. As examples of the application of the aforesaid clause (v): (i) any such Lot containing only 6,000 square feet of gross land area shall be deemed to constitute one "Unit" and (ii) any such Lot containing 8,000 square feet of gross land area shall be deemed to constitute two "Units." "Gross land area" as used in this paragraph will mean the gross land area of a Lot, excluding any (i) open-space areas affecting such Lot which are owned by the Master Association, a Village Association or a Sub-Association or by the Owners of such Lot in undivided interests, or which are subject to an easement for the benefit of the Owners of such Lot, and (ii) other areas affecting a Lot which have been dedicated to the City or any other governmental agencies.

1.35 "VA" shall mean the Veteran's Administration, which is a governmental agency of the federal government of the United States.

1.36 "Village Articles" shall mean the Articles of Incorporation of a Village Association as filed or to be filed in the Office of the Secretary of State of the State of California, as the same may from time to time be amended.

1.37 "Village Association" shall mean a California nonprofit mutual benefit corporation, created to govern a Village Project pursuant to Villages Articles, Village Bylaws and a Village Declaration.

1.38 "Village Bylaws" shall mean the Bylaws of a Village Association, as the same may from time to time be amended.

1.39 "Village Declaration" shall mean a Declaration of Covenants, Conditions and Restrictions for a Village Project, as the same may from time to time be amended, which has been filed for record in San Diego County, California, by Developer, acting alone or together with one or more Builders. A Village Declaration shall include the declarations providing for annexation of increments, if any, to the Village Project affected thereby.

1.40 "Village Maintenance Agreement" shall mean a recorded written agreement, pursuant to which certain improvements located in maintenance areas within a Village Project will be maintained by the Master Association, all as more specifically described in Paragraph 2.9 of this Master Declaration.

1.41 "Village Project" shall mean a residential project consisting of real property, improved or unimproved, which has been made and is subject to a Village Declaration and this Master Declaration. A Village Project may be established by Developer, acting alone or together with one or more Builders, in increments compatible with construction and marketing requirements.

## ARTICLE 2

### The Master Association

2.1 Purpose. The Master Association is, effective upon the recordation hereof, the "management body" to provide for the management, control, maintenance, architectural control and preservation of the Master Project, all as more specifically set forth in this Master Declaration, the Master Articles, the Master Bylaws and the Master Rules from time to time adopted by the Master Board.

2.2 Membership. Each Village Association established within the Master Project shall be a member of the Master Association. A Village Association shall become a member of the Master Association when any portion of the real property located within a Village Project governed by such Village Association first becomes subject to assessments levied pursuant to this Master Declaration. For any real property annexed into the Master Project for which a Village Association has not yet been formed, the membership in the Master Project for such property shall be in Developer.

2.3 Master Project Rights and Duties. A member of any Village Association shall be entitled to use the Master Common Area and Master Recreational Facilities. Such rights of use shall terminate upon the termination of membership of such Owner as a member of a Village Association or upon the termination of such Owner's ownership of real property within the Master Project. Upon conveyance, sale or assignment of record of an Owner's interest in a Unit in the Master Project, the grantee of such Unit shall automatically succeed to such rights of the selling Owner. No Owner in the Master Project may avoid any obligations imposed on Owners of real property in the Master Project by this Master Declaration by nonuse of Master Common Area or Master Recreational Facilities, nonuse or abandonment of its Unit in the Master Project, or other act of abandonment or renunciation.

2.4 Master Member Voting Rights. On matters which this Master Declaration requires the vote of Master Members, the following procedures shall apply:

2.4.1 Votes Per Village Association. Each Village Association (as a Master Member) shall have, with respect to the Units then a part of the Village Project governed by such Village Association, (i) one vote for each Unit which has been sold and conveyed to a purchaser other than Developer, Rancho, Home Building or a Builder and (ii) three votes for each such Unit which is still owned by Developer, Rancho, Home Building or a Builder. A Village Association shall be a Class A Master Member with respect to the voting rights attributable to Units owned by an Owner other than Developer, Rancho, Home Building or a Builder and a Class B Master Member with respect to the voting rights attributable to Units owned by Developer, Rancho, Home Building or Builder. A Village Association's Class B voting status (with respect to Units owned by Developer, Rancho, Home Building or a Builder) will cease and convert to Class A voting status on the later of the following dates: (i) that certain date which is ten years after the date of recording of this Master Declaration or (ii) that certain date which is two 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, however, that notwithstanding the foregoing, such Class B voting status (if then still existing) will forever cease and convert to Class A voting status on that certain date which is 12 years after the date of recording of this Master Declaration.

2.4.2 Votes of Developer. For any Units (including Units approved therefor or allocated thereto by The City) on real property owned by Developer, Rancho, Home Building or Builders which has been annexed into the Master Project but for which a Village Association has not been formed, Developer (as a Master Member) shall have three votes for each such Unit on said real property so annexed to the Master Project and shall be a Class B Master Member. Provided, however, that the votes attributable to such Units shall, except as noted below, become one vote per Unit on the earlier to occur of the following: (i) the establishment of a Village Association for such Units, in which event the votes per Unit will be determined pursuant to Paragraph 2.4.1, (ii) the annexation of such Units into an existing Village Project governed by a Village Association, in which event the votes per Unit will be determined pursuant to Paragraph 2.4.1, or (iii) the later of (a) that certain date which is ten years after the date of recording of this Master Declaration or (b) that certain date which is two 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. Notwithstanding the foregoing, Developer's Class B membership status will forever cease and convert to Class A membership status 12 years from the date of the original issuance of the first final subdivision public report for a Village Project in the Master Project.

2.4.3 Voting Procedures. The votes of each Village Association (as a Master Member) shall be cast in writing at a meeting called for the purpose of such voting. The president of each Village Association shall cast the votes allocated to that particular Village Association. At meetings of the Master Members, in the absence of the president of any Village Association, the vice president of such Village Association or other duly authorized representative of such Village Association, shall be authorized to act at such meeting in the place of such absent president. The manner in which any particular Village Association casts its votes on a particular issue shall be determined by the Board of Directors of such Village Association; provided, however, that where Units in a Village Project are owned by Developer, Rancho, Home Building or a Builder, the president of the Village Association for such Village Project shall cast the votes attributable to such Units on such issue only in the manner specified by Developer. The votes attributed to Developer for any real property in the Master Project not governed by a Village Association shall be cast in writing by a duly authorized representative of Developer.

2.5 Entry by Master Association. The officers, agents, employees and independent contractors of the Master Association shall have a nonexclusive easement to enter any Unit for the purpose of performing or satisfying the duties and obligations of the Master Association hereunder (including, without limitation, the performance of maintenance functions with respect to walls, fences, storm drains and other improvements located within the Master Common Area but which abut or are adjacent to a Unit), provided that such entry shall occur (i) at a reasonable hour and (ii) after reasonable notice has been given to the Owner of such Unit. In the event that there is an emergency and the Owner of such Unit is not available at the time of such emergency, the officers, agents, employees and independent contractors of the Master Association may enter such Unit immediately and without notice for the sole purpose of taking such action as is necessary under the circumstances, and any damage caused by such entry will be repaired at the expense of the Master Association.

2.6 Disciplining of Members. In addition to all other rights, powers and duties possessed by and vested in the Master Board under this Master Declaration, the Master Articles and the Master Bylaws, the Master Board shall possess and be vested with the right and power to (i) impose reasonable monetary penalties, in such amounts as determined by the Master Board in its sole discretion, against an Owner and (ii) seek reimbursement for costs as follows:

2.6.1 As a disciplinary measure for any breach of any of the (i) limitations, restrictions, conditions, covenants, reservations, easements or equitable servitudes set forth in this

Master Declaration (other than a breach by failure to pay an assessment), (ii) provisions of the Master Articles or the Master Bylaws or (iii) Master Rules adopted by the Master Board pursuant to this Master Declaration.

2.6.2 As a means of reimbursing the Master Association for costs incurred by the Master Association (i) for the repair of damages to the Master Common Area and Master Recreational Facilities or any Improvements or personal property thereto or thereon allegedly caused by such Owner, its guests or any occupant of such Owner's Unit or (ii) in bringing such Owner or the occupant of such Owner's Unit and/or said Unit into compliance with this Master Declaration (other than the payment of assessments), the Master Articles, the Master Bylaws or the Master Rules.

2.6.3 The imposition of a monetary penalty pursuant to Paragraph 2.6 must be done in good faith and in a fair and reasonable manner. The Owner must be given 15 days' prior notice of the imposition of a monetary penalty. Said notice must set forth reasons for the imposition of the monetary penalty and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Owner shown on the Master Association's records. The Owner must be provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the imposition of each monetary penalty by a properly convened meeting of the Master Board. Any such breach which is not remedied in the calendar month in which the monetary penalty is imposed against an Owner by reason thereof shall, until fully remedied, be deemed to constitute a new breach in each succeeding calendar month for which the Master Board may in each such calendar month impose a new monetary penalty pursuant to this paragraph.

2.7 Master Board to Review Material Changes. Any Owner (excluding Developer, Rancher, Home Building or a Builder) proposing a Material Change (defined below) shall submit complete plans, specifications, plats and/or color schemes for such Material Change to the Master Board for its approval which must be obtained before such Material Change may be undertaken. A "Material Change" shall mean any structural, design, color or other change visible from the exterior of a Unit which affects 20 or more Units in a Condominium Project, Planned Development Project, Apartment Area or other development of Units. In reviewing any such plans, specifications, plats and schemes, the Master Board may take into account (i) the quality and type of workmanship and materials to be used and (ii) the harmony of external design with existing structures, and also structures that have been planned (but not yet constructed) and which are known to the Master Board, located in the Village Project in

which the affected Units are located. In the event the Master Board fails to approve or disapprove any such plans, specifications, plats or schemes within 30 days after all documents and information requested by the Master Board have been received by it, the Owner requesting said approval may submit a written notice to the Master Board advising the same of its failure to act. If the Master Board fails to approve or disapprove any such plans, specifications, plats or schemes within 15 days after the receipt of said notice from such Owner, said plans, specifications, plats or schemes shall be incontrovertibly deemed to be approved.

2.7.1 An Owner will obtain the approval of the Master Board with respect to such Owner's plans, specifications, plats and schemes pursuant to Paragraph 2.7 before submitting the same to The City for a building permit or other approval of any kind that may be required from The City.

2.7.2 Neither Developer, Rancho, Home Building or the Master Board, nor any member or representative thereof, shall be liable to the Master Association, or to an Owner, for any loss, damage or injury arising out of, or in any way connected with, the performance of the Master Board's duties hereunder, unless due to the willful misconduct or bad faith of the Master Board.

2.7.3 In the event of a violation of any of the provisions of Paragraph 2.7 by any Owner including, without limitation, failure of any Owner to comply with any written directive, approval or order from the Master Board, the Master Board may take any appropriate action at law or in equity, including the imposition of a monetary penalty against a noncomplying Owner pursuant to this Master Declaration.

2.7.4 Each reference to an "Owner" in Paragraph 2.7 (including Paragraphs 2.7.1 through 2.7.3) will include a Sub-Association with respect to any portion of the Master Project owned by such Sub-Association or concerning which such Sub-Association can exercise any of the rights of ownership that are restricted or limited by said Paragraph 2.7.

2.7.5 The Master Board may delegate any of its duties under Paragraph 2.7 (including Paragraphs 2.7.1 through 2.7.3) to any architectural committee appointed by the Master Board for such purpose.

2.8 Responsibilities Under Recorded Ranch Maintenance Agreement. The Master Association is hereby irrevocably appointed as the attorney-in-fact for every Owner to act on its behalf under that certain maintenance agreement entitled "Ranch Maintenance Agreement," executed by Developer, Rancho, Home Building and other owners of real property (which is to be filed

for record in the Office of the County Recorder of San Diego County, California), pursuant to which certain improvements located in maintenance areas described therein will be maintained, all as provided in the Ranch Maintenance Agreement. In exercising its rights under this paragraph on behalf of the Owners, the Master Association (i) shall act for and exercise the voting and other rights of the Owners under the Ranch Maintenance Agreement, (ii) may enforce any of the terms and provisions of the Ranch Maintenance Agreement or exercise any of the remedies of the Owners thereunder, (iii) shall collect, at the request of the administrator under the Ranch Maintenance Agreement, any fees and charges for which the Owners are responsible under the Ranch Maintenance Agreement (plus a reasonable administration charge), concurrently with the regular assessments to be levied under this Master Declaration, and (iv) may undertake any other actions with respect to the Ranch Maintenance Agreement that are consistent with its provisions and purposes and which will benefit the Master Project and the Owners. As used in this Paragraph 2.8, the term "Owners" shall have the meaning given to such term in this Master Declaration and not the meaning set forth in the Ranch Maintenance Agreement.

2.9 Responsibilities Under Recorded Village Maintenance Agreement(s). With respect to each Village Project established by Developer as provided in the Article of this Master Declaration entitled "Village Projects," Developer may file for record a Village Maintenance Agreement, pursuant to which certain improvements located in maintenance areas described therein will be maintained by the Master Association, all as provided in such Village Maintenance Agreement.

2.9.1 With respect to the first Village Project established by Developer which encompasses a portion of the land commonly known as "Village I," Developer has caused the Village Maintenance Agreement attached to this Master Declaration as Exhibit G to be recorded as a part of this Master Declaration. Each Village Maintenance Agreement for a Village Project will (i) be signed and acknowledged by Developer and the owners of all of the real property which may be included within such Village Project and (ii) be substantially in the same form as Exhibit G, except that it may vary from Exhibit G as to (a) the description of the real property, improvements, maintenance areas and maintenance obligations to be governed thereby, (b) the parties which will sign and acknowledge the same and (c) such other matters as are unique to the Village Project to which such Village Maintenance Agreement pertains.

2.9.2 Upon the recording of a Village Maintenance Agreement with respect to a Village Project that complies with the requirements of this Paragraph 2.9, such Village Maintenance Agreement will constitute a part of the Master Declaration as if



it was originally attached hereto. The Master Association and each of the Owners within the Village Project affected by a Village Maintenance Agreement will, upon the recording thereof, have all of the rights, powers and obligations that have been therein granted to or imposed on, respectively, each such entity or person. Each Annexation, pursuant to Article 15 of this Master Declaration, of land described in a Village Maintenance Agreement as annexation property will automatically effect the annexation of said land under, and subject said land to, such Village Maintenance Agreement.

2.9.3 In the event of a conflict between any provision of a Village Maintenance Agreement and any provision of this Master Declaration (exclusive of such Village Maintenance Agreement), the provision of this Master Declaration will govern and control; however each Village Maintenance Agreement shall, whenever reasonably possible, be construed in such a manner as to further the purposes and the objectives thereof in harmony with the balance of this Master Declaration of which such Village Maintenance Agreement is a part.

### ARTICLE 3

#### Village Projects

3.1 Village Declaration. Prior to the sale and conveyance of a Unit on any real property annexed under a Declaration of Annexation and Restrictions into the Master Project to a purchaser (other than Developer, Rancho, Home Building or a Builder), Developer will establish a Village Declaration with respect to all such real property or a portion thereof containing such Unit. A Village Declaration may provide for the addition, by means of annexation, of other real property into the Village Project governed by such Village Declaration, provided such real property has been or will be concurrently annexed into the Master Project. A Village Declaration may also specify the procedures for operation and management of the real property affected thereby and establish the uses permitted and prohibited regarding the Units and any common area affected thereby. The Owner of each Unit shall comply with the provisions of any Village Declaration affecting such Unit. A Village Association may be established to govern and manage the real property that is affected by a Village Declaration. Every member of the Master Board shall have the absolute right at any reasonable time to inspect all books, records and other documents of a Village Association, and to make at his or her expense extracts and copies of such documents.

3.2 Entry. The Master Association or its agents may enter any common area of a Village Project when necessary in connection with any maintenance, repair, landscaping or construction which

the Master Association is authorized to accomplish. There are hereby established easements over, under, upon and across the common area (if any) of each Village Project for the benefit of the Master Association.

3.3 Uses and Activities Within a Village Project. The Units in each Village Project shall be occupied and used only for residential or other purposes as are permitted under the PRD Master Plan. The Master Association shall have the right to enforce any provision of any Village Declaration, to the extent that the Master Association deems it necessary to protect the overall interests in the Master Project. The Master Association shall not, however, in any event, be considered as having a duty or obligation to enforce any particular provision of any particular Village Declaration.

#### ARTICLE 4

##### Master Rules; Master Common Area

4.1 Master Rules. The Master Board may adopt Master Rules as it deems proper for the operation of the Master Project, and the maintenance and control of the Master Common Area. A copy of the Master Rules, as the same may from time to time be adopted, amended or repealed, will be available for inspection by any Owner at the offices of the Master Association and may be mailed or otherwise delivered to each Owner. After such mailing or deliverance, the Master Rules shall have the force and effect as if they were set forth in this Master Declaration; provided, however, that the Master Rules will be enforceable only to the extent that they are consistent with this Master Declaration, the Master Articles and the Master Bylaws. Each rule and regulation comprising the Master Rules must be reasonable.

4.2 Master Common Area. The Master Association may acquire and become the owner of any Master Common Area. The Master Association will accept, as Master Common Area, the title to any estate in fee, easement, license or leasehold estate in real property conveyed to it by Developer, Rancho, Home Building or any Builder, provided such conveyance has been approved by the DRE. The Master Board may grant permits, licenses and easements over, upon, under and across such Master Common Area for utilities, roads, and other purposes which are reasonably necessary to the ongoing operation of the Master Project. Each Owner hereby grants each director of the Master Association an irrevocable power of attorney to execute deed(s) or other instrument(s) to grant said permits, licenses and easements. The Master Association may acquire and become the owner of personal property for the maintenance and improvement of the Master Project and to implement the performance of its other duties hereunder. The transfer of such personal property by the Master Association

pursuant to the Master Bylaws will transfer title thereto free and clear of any claim on the part of any Owner or Master Member.

4.3 Maintenance of Master Common Area. The Master Association will maintain the Master Common Area and all improvements thereon in good condition, reasonable wear and tear excepted. Such maintenance obligations will include, without limitation, the repair and/or replacement of improvements located on the Master Common Area when it becomes reasonably necessary to do so. Notwithstanding the foregoing, portions of the Master Common Area that are subject to easements or other interests of a governmental or quasi-governmental body, or of the owners or the administrator under the Ranch Maintenance Agreement described in Paragraph 2.8 above, may be maintained by such body pursuant to an assessment district formed for such purposes or otherwise, in which event the Master Association will be relieved of its maintenance obligations hereunder with respect to such portions. The Master Association may from time to time grant easements or licenses to any governmental or quasi-governmental body over, upon, across and under any portion(s) of the Master Common Area for the purposes of enabling such body to maintain such portions pursuant to an assessment district formed for such purposes or otherwise, in which event the Master Association will be relieved of its maintenance obligations hereunder with respect to such portions. The Master Association may also from time to time accept the termination of any such easements or licenses from such a governmental or quasi-governmental body, in which event the Master Association will assume fully all maintenance responsibilities hereunder with respect to the portions of the Master Common Area affected by the easements or licenses that have been terminated.

4.4 Special Limitations on Master Association. Except as set forth in this article, neither the Master Members nor the Master Association shall, by act or omission, without the prior written consent of at least 67 percent of all first Mortgagees (based upon one vote for each first Mortgage owned) be entitled to:

4.4.1 Abandon or terminate the planned development character of the Master Project;

4.4.2 Partition, subdivide, encumber, sell or transfer any Master Common Area or the improvements thereon; provided, however, a granting of easements for public utilities or for other purposes consistent with the intended use of the Master Common Area shall not be a transfer within the meaning of this clause;

4.4.3 Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner;

4.4.4 Waive or abandon any scheme of regulations or the enforcement thereof pertaining to the architectural design or the exterior appearance of the residential improvements within the Master Project, the exterior maintenance of said residential improvements or the maintenance and upkeep of any Master Common Area and the Improvements thereon;

4.4.5 Fail to maintain insurance coverage under any extended coverage hazard policy(ies) against loss by fire and other perils with respect to all insurable improvements which may be located on any Master Common Area and all insurable personal property owned by the Master Association in an amount not less than 100 percent of the insurable value (based on then current replacement costs) of said improvements and of said personal property as determined annually by an insurance carrier selected by the Master Board pursuant to this Master Declaration;

4.4.6 Use hazard insurance proceeds for losses to any Improvements located on any Master Common Area and/or said personal property owned by the Master Association for other than the repair, replacement or reconstruction of said Improvements and/or personal property;

4.4.7 Change the boundaries of any Unit;

4.4.8 Convert one or more Units into part of the Master Common Area or convert any portion of the Master Common Area into one or more Units;

4.4.9 Impose any restrictions on an Owner's right to sell or transfer its Unit;

4.4.10 Establish self-management for the Master Project when professional management has been required previously by a Mortgagee under a then-existing first Mortgage.

4.5 Requirement for The City's Consent. In addition to the written consent of first Mortgagees required pursuant to Paragraph 4.4, the written consent of The City will be required before the Owners or the Master Association can, by act or omission, approve or permit any of the matters described in Paragraphs 4.4.1, 4.4.2, 4.4.4, 4.4.6 and 4.4.8, to occur.

4.6 Encroachments. In the event any portion of the Master Common Area encroaches upon any Unit or any residential improvement on a Unit encroaches upon the Master Common Area or another Unit as a result of the construction, reconstruction,

repair, shifting, settlement or movement of any portion of the improvements or the drainage of rainwater from the roof of any residential improvement on a Unit, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists. Said valid easement shall apply only to encroachments. There shall be easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachments; provided, however, that in no event shall an easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful misconduct of any Owner. Each Owner agrees that easements for encroachments over adjoining Units or Master Common Area and for the maintenance of said encroachments shall exist for as long as said encroachment shall exist. A nonexclusive easement for ingress, egress and support throughout the Master Common Area is and shall be appurtenant to each Unit, and the Master Common Area is and shall be subject to such easement.

## ARTICLE 5

### Assessments

5.1 Authorization to Levy Assessments. The Master Board has and shall have the right and power to make, from time to time, reasonable assessments upon the Units to meet anticipated authorized expenditures of the Master Association and to change from time to time the amount, installments and/or frequency of payment of assessments. Such expenditures of the Master Association shall include the establishment of an adequate reserve fund for the maintenance, repair and replacement of all improvements located on the Master Common Area and all personal property owned by the Master Association. The Master Association shall collect any regular assessments levied pursuant to a Village Maintenance Agreement (described in Paragraph 2.9 above) either as part of or separate from any regular assessments levied under this Article 5, except that only the Owners of Units within the Village Project affected by such Village Maintenance Agreement will be obligated for payment of the regular assessments levied pursuant to such Village Maintenance Agreement.

5.1.1 No increase or decrease in the amount of such reasonable assessments for anticipated authorized expenditures of the Master Association in any one fiscal year of the Master Association which exceeds 10 percent of the regular assessment for the immediately preceding fiscal year may be made without the vote or written ballot of (i) the Master Members entitled to exercise a majority of the total voting power in each of the two voting classes as provided in the Article of this Master Declaration entitled "The Master Association" or (ii) upon

cessation of one of the two voting classes, the Master Members entitled to exercise a majority of the total voting power in the remaining voting class, provided that such vote or written ballot shall include a majority of the votes that can be cast by Master Members other than Developer. The foregoing limitation does not apply to assessment increases (i) for the maintenance or repair of the Master Common Area, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining or repairing structures or improvements, and funding reserves or (ii) to address emergency situations; provided, however, if an increase for any of the foregoing purposes will exceed 15 percent of the regular assessment for the immediately preceding fiscal year, then no such increase may be made without the vote or written ballot of the Master Members approving such increase, all in the same manner as provided above with respect to an increase in excess of 10 percent that is not exempted from such limitation by this sentence. Each Owner shall be assessed separately for a share of such anticipated authorized expenditures, which share shall be levied against each Owner according to the ratio of the number of Units owned by the Owner assessed to the total number of Units subject to assessment. The foregoing manner in which each Owner's share of regular assessments levied under this Article 5 is to be determined will not be applicable to that part thereof comprised of any regular assessments levied pursuant to a Village Maintenance Agreement as the obligations for the payment of such part will not be an obligation of all Owners in the Master Project, but only of the Owners of Units within the Village Project affected by such Village Maintenance Agreement.

5.1.2 Separate written notices of the making of such assessment (including in such notice the amount thereof and the frequency of payment) shall be deposited into the United States mail, postage prepaid, directed to the attention of each Owner, bearing the address of the Unit owned by such Owner (or such other address to which such Owner shall have directed the Master Association to deliver such notice), at least 60 days prior to the beginning of a fiscal year.

5.2 Special Assessments. The Master Board may also levy and collect special assessment(s) for capital improvements or other purposes in the same manner as regular assessments are levied and collected as described in Paragraph 5.1. The amount of any such special assessment, together with any late payment penalty and interest incurred pursuant to this article, costs and reasonable attorneys' fees in the event enforcement is commenced, shall be and become a lien upon any Unit in the same manner as regular assessments become a lien.

5.2.1 Except as expressly provided herein, no special assessment exceeding, in the aggregate, 5 percent of the budgeted

gross expenses of the Master Association for the then current fiscal year of the Master Association may be levied without the vote or written ballot of (i) the Master Members entitled to exercise a majority of the total voting power in each of the two voting classes as provided in the Article of this Master Declaration entitled "The Master Association" or (ii) upon cessation of one of the two voting classes, the Master Members entitled to exercise a majority of the total voting power in the remaining voting class, provided that such vote or written ballot shall include a majority of the votes that can be cast by Master Members other than Developer. The foregoing limitation does not apply to special assessment increases (i) for the maintenance or repair of the Master Common Area, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining or repairing structures or improvements, and funding reserves or (ii) to address emergency situations; provided, however, if an increase for any of the foregoing purposes will exceed 15 percent of the budgeted gross expenses of the Master Association for the then current fiscal year of the Master Association, then no such increase may be made without the vote or written ballot of the Master Members approving such increase, all in the same manner as provided above with respect to an increase in excess of 5 percent that is not exempted from such limitation by this sentence.

5.2.2 The provisions of Paragraph 5.2.1 shall not apply to special assessment(s) for repair, or the like, described in the Article of this Master Declaration entitled "Destruction; Insurance," to special assessment(s) for enforcement of any obligation of Developer, Rancho, Home Building or a Builder as described in the Article of this Master Declaration entitled "Developer's/Builder's Security for its Obligations," to the special assessment(s) described in Paragraph 5.2.3 below, to special assessment(s) levied to address emergency situations, or to special assessment(s) which may be levied pursuant to a Village Maintenance Agreement (described in Paragraph 2.9 above) and which have been exempted thereby from the provisions of said Paragraph 5.2.1.

5.2.3 The Master Board may establish a special assessment (herein referred to as "Single Benefit Assessment") for reconstruction, capital improvement, extraordinary maintenance, or any other cost or expense not otherwise provided for in this Master Declaration which will benefit less than all of the Master Members. Such a Single Benefit Assessment may be imposed only by a vote of two-thirds of the Boards of Directors of all Village Associations within 90 days of the vote of the Master Board authorizing said Single Benefit Assessment. Each Single Benefit Assessment will be segregated from other funds of the Master Association and will be applied solely to the Village Project(s) which derive(s) the benefit therefrom. In the event

that the Master Association obtains income directly related to an item which has been assessed as a Single Benefit Assessment, such income shall be allocated so as to reduce or offset such Single Benefit Assessments. Whenever the Master Association performs any service or accomplishes any item of repair or maintenance which it is the duty of a Village Association to accomplish, but which has not been accomplished by such Village Association, or whenever the Master Association determines to preempt the performance of a Village Association with respect to a given act of maintenance or repair, the Master Association shall specifically charge the cost thereof to the Village Project for which such work was done and may include such additional cost as a Single Benefit Assessment for the Owners within such Village Project in the same manner as regular assessments are allocated in the Village Declaration affecting such Village Project or, if no regular assessments have been allocated among Owners in such Village Declaration, then equally among said Owners. The due dates for payment of any Single Benefit Assessment will be established by the Master Board.

5.3 Late Charges and Other Costs. If the Master Association does not receive an Owner's payment of the entire amount of a regular or special assessment imposed upon the Owner's Unit pursuant to this article within 15 days after the due date thereof, a late payment penalty by way of liquidated damages shall be immediately due from such Owner. Each of the Owners recognizes and acknowledges that the late payment of an assessment will cause the Master Association to incur additional costs and expenses in connection with its management, control, maintenance, architectural control and preservation of the Master Project and that it is extremely difficult and impractical to ascertain the extent of such damages. Accordingly, each Owner shall pay to the Master Association a late payment penalty in an amount equal to 10 percent of the delinquent assessment or \$10, whichever is greater.

5.3.1 No late payment penalty may be imposed more than once for delinquency of the same payment; however, the imposition of a late payment penalty on any delinquent payment shall not eliminate nor supersede late payment penalties imposed on prior delinquent payments. Acceptance of any late payment penalty by the Master Association shall neither constitute a waiver of such Owner's default with respect to the late payment, nor prevent the Master Association from exercising any of its other rights and remedies hereunder or at law.

5.3.2 In addition to the late payment penalty described above, each Owner shall pay to the Master Association (i) the amount of reasonable attorneys' fees, court costs and other costs incurred by the Master Association in connection with the creation and/or foreclosure of a lien for delinquent regular



or special assessments and (ii) interest on any delinquent regular or special assessments, reasonable costs incurred in collecting a delinquent assessment (and/or foreclosing an assessment lien), including reasonable attorneys' fees, at an annual percentage rate of 10 percent computed from 30 days after the delinquent assessment became due.

5.4 Commencement and Payment of Assessments. Regular assessments shall commence as to all Units in the Property upon the first day of the first calendar month following the earlier to occur of (i) the closing of the first sale of a Unit in the Property to an Owner other than Developer, Rancho, Home Building or a Builder or (ii) the first occupancy of a Unit in the 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. As to any portion of the Annexation Property which is thereafter annexed into the Master Project pursuant to a Declaration of Annexation and Restrictions, the regular assessments shall commence as to all of the Units in such portion upon the first day of the first calendar month following the earlier to occur of (i) the closing of the first sale of a Unit in such portion to an Owner other than Developer, Rancho, Home Building or a Builder or (ii) the first occupancy of a Unit in such portion 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; provided, however, that the regular assessments against any such portion may commence sooner as specifically set forth in the Article of this Master Declaration entitled "Annexation."

5.4.1 Until such time as the Master Board shall change the same pursuant to Paragraph 5.1, such assessments shall be due and payable monthly on the first day of each calendar month of each fiscal year.

5.4.2 Developer, Rancho, Home Building and each Builder, as an Owner, shall be absolutely liable for the monthly installment of any assessment, and any special assessment, constituting a lien on any Unit owned by such person and accruing prior to the conveyance thereof by such person.

5.5 Foreclosure of Assessment Lien on Unit. Any assessment made in accordance with this Master Declaration shall be a debt of the Owner of a Unit from the time the assessment is due. At any time after any assessments levied by the Master Board affecting any Unit have become delinquent, the Master Board may file for recording in the Office of the County Recorder of San Diego County a notice of delinquency as to such Unit, which notice shall state (i) all amounts which have become delinquent with respect to such Unit and the costs (including attorneys'

fees), late payment penalties and interest which have accrued thereon, (ii) the amount of any assessments relating to such Unit which is due and payable although not delinquent, (iii) a description of the Unit with respect to which the delinquent assessments are owed, (iv) the name of the record or reputed record Owner of such Unit, (v) the name and address of the Master Association and (vi) such other information as may then be required by law. Such notice shall be signed by the President or Vice President and Secretary or Assistant Secretary of the Master Association.

5.5.1 Immediately upon recording of any notice of delinquency pursuant to Paragraph 5.5 above, the amounts delinquent, as set forth in such notice, together with the costs (including attorneys' fees), interest and late payment penalties accruing thereon, shall be and become a lien upon the Unit described therein, which lien shall also secure all other payments and/or assessments which shall become due and payable with respect to said Unit following such recording, and all costs (including attorneys' fees), interest and late payment penalties accruing thereon. Said lien shall continue until the same has been released by the Master Board as herein provided. When a notice of assessment has been recorded, such assessment shall constitute a lien on each respective Unit prior and superior to all other liens, except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any first Mortgage of record and given for value.

5.5.2 In the event the delinquent assessments and all other assessments which have become due and payable with respect to a Unit, together with all costs (including attorneys' fees), interest and late payment penalties which have accrued on such amounts, are fully paid or otherwise satisfied prior to the completion of any sale held to foreclose the lien provided for in this article, the Master Board shall record a further notice, similarly signed, stating the satisfaction and releasing of such lien.

5.5.3 Each assessment lien may be foreclosed as, and in the same manner as, the foreclosure of a mortgage or deed of trust upon real property under the laws of the State of California, or may be enforced by sale pursuant to Sections 2924, 2924(b), 2924(c) and 1367 of the California Civil Code, and to that end a power of sale is hereby conferred upon the Master Board. The Master Board, acting on behalf of the Owners, shall have the power to bid for the Unit at a foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid assessments, rent, attorneys' fees and late payment penalties shall be maintainable without foreclosing or waiving the lien securing the same.

5.6 Subordination to Lien of First Mortgage. The lien of the assessments provided for herein shall be subordinate to the lien of any first Mortgage given for value, all as herein set forth. Sale or transfer of any Unit shall not affect the assessment lien. However, the sale or transfer of any Unit pursuant to judicial or nonjudicial foreclosure of a first Mortgage (but excluding a transfer or conveyance in lieu of foreclosure) shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Unit from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record, or other purchaser of a Unit, obtains title to the same as a result of foreclosure of the first Mortgage (but excluding a transfer or conveyance in lieu of foreclosure), such acquirer of title, its successors and assigns, shall not be liable for the share of the common expenses or assessments by the Master Board chargeable to such Unit which became due prior to the acquisition of title to such Unit by such acquirer. Such unpaid share of common expenses or assessments, however, shall be reallocated among the Owners of all of the Units, including such acquirer, its successors and assigns. For the purposes of Paragraph 5.5.1 and this Paragraph 5.6 only, the term "first Mortgage" will include any assessment lien recorded pursuant to the Ranch Maintenance Agreement (described in Paragraph 2.8 above) and the term "Mortgagee of a first Mortgage" will include the administrator under the Ranch Maintenance Agreement.

5.7 Certificate Regarding Status of Payment. The Master Board shall furnish, or cause an appropriate officer of the Master Association to furnish, upon demand by any person, a certificate signed by an officer of the Master Association setting forth whether the assessments on a specified Unit have been paid. A properly executed certificate of the Master Association as to the status of assessments on a Unit is binding upon the Master Association as of the date of its issuance.

5.8 No Exemption from Assessment. No Owner may exempt itself from personal liability for assessment levied by the Master Board, nor release the Unit owned by it from the liens and charges hereof by waiver of the use or enjoyment of any of its rights hereunder or by abandonment of its Unit.

5.9 No Offsets. No offsets against any assessments will be permitted for any reasons, including, without limitation, a claim that the Master Association is not properly exercising its duties.

5.10 Subsidy Agreement. Developer may enter into a written subsidy agreement with the Master Association under which Developer may subsidize a portion of the operating common expenses of the Master Association for a reasonable period of

time. Any such agreement will be subject to the approval of the DRE and of the VA.

5.11 Collection of Master Assessments by Village Associations. At the option of the Master Board, the Master Board may delegate the collection and administration of the proportionate amount of the assessments allocable to any particular Village Project to the Village Association for that Village Project. Any such collection and administration so delegated shall be undertaken at the cost of said Village Association. The Village Association shall deposit such regular or special assessments so collected in a separate trust fund for the benefit of the Master Association. Such regular or special assessments collected by a Village Association shall be paid to the Master Association on a minimum of on a monthly basis. The Village Association shall furnish the Master Association on a minimum of a monthly basis with a report of the current status of the assessment payments of each Owner in the Village Project governed by such Village Association.

5.12 Collection of Village Project Assessments by Master Association. The Master Association is empowered to, but shall not have the duty to, collect, enforce, and otherwise administer the assessments (if any) of any and all Village Associations such that assessments of the Master Association and of any Village Associations may be collected contemporaneously. The Master Board shall disburse funds collected on behalf of any such Village Association as promptly as possible. The Master Board may not charge for any such collection other than any actual additional costs for such collection that are charged to the Master Association. In the event a Village Association fails to levy or collect assessments or fails to duly operate and maintain the Village Project governed by such Village Association to the standards established for the Master Project, the Master Association may elect to preempt the rights of the Village Association and may fix, levy, collect, and enforce said assessments and arrange for such operation and maintenance. Such preemption regarding assessments of a Village Association and maintenance shall require a vote of two-thirds of the Master Board, which vote must be ratified by a vote of two-thirds of the Boards of Directors of all Village Associations within 90 days of the vote of the Master Board authorizing such preemption. Any assessments collected under such preemption by the Master Association shall be used solely for the purposes stated in the Village Declaration under which the assessments were collected. The Master Board may retain the funds collected and directly disburse such funds to assure that the Village Project is being properly operated and maintained. A Village Association may not levy or collect any assessments during the period in which the Master Association has preempted its rights to so levy or collect assessments. The preemption shall expire at the end of the

fiscal year of the Village Project in which the preemption occurred. The Master Association may include in any such preempted Village Project's assessment a reasonable amount for reimbursement of direct costs of administration and collection of such preempted assessment.

## ARTICLE 6

### Destruction; Insurance

6.1 Hazard Insurance. The Master Board shall keep insured against loss by perils under a multi-peril policy(ies) of hazard insurance (i) all buildings, if any, and other insurable improvements located on any Master Common Area and (ii) all fixtures, building service equipment, common personal property and supplies owned by the Master Association, under one master extended coverage hazard policy(ies) for the benefit of all Owners. The amount of coverage of such insurance shall be not less than 100 percent of the insurable value (based on then current replacement cost) of said buildings and improvements and fair market value of personal property as determined annually by an insurance carrier selected by the Master Board. The name of the insured under each policy of such insurance shall be substantially "The Village of Rancho Del Oro Association, Inc., a California nonprofit corporation, for use and benefit of individual owners," followed, if desired by either the Master Association or the insurance carrier(s), by the designation of the Owners. Authority to adjust losses covered by the Master Association's policy(ies) shall be vested in the Master Board, and the Master Board is hereby irrevocably appointed as the attorney-in-fact for every Owner and Master Member for this purpose. Insurance proceeds shall be payable directly to the Master Association for the use and benefit of the Owners and the Mortgagees, as their interests may appear. The premiums for such policy shall be paid as a common expense by the Master Association.

6.1.1 Copies of all such insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Master Association and open for inspection by Owners at any reasonable time(s). All such insurance policies shall (i) provide that they shall not be reducible or cancellable by the insurer, without first giving ten days' prior notice in writing to the Master Association and all first Mortgagees, (ii) contain a waiver of subrogation by the insurer(s) against the Master Association, Master Board, Master Members and Owners, (iii) contain or have attached thereto a standard loss payable clause or endorsement (customarily used by private institutional lenders in the county in which the Master Project is located) in favor of the Master Association as trustee for each Owner and each Mortgagee, (iv) contain or have attached

thereto a standard mortgage clause or endorsement naming as "mortgagee" either the Federal National Mortgage Association or the servicers for the Mortgages held by the Federal National Mortgage Association and (v) contain or have attached thereto such other endorsement(s) as such first Mortgagees may require to fully protect their interests, to the extent obtainable, including, in the case of the hazard insurance policy, (a) an Agreed Amount and Inflation Guard Endorsement, and (b) any construction code endorsements (such as the Demolition Cost Endorsement, Contingent Liability From Operation of Building Laws Endorsement and the Increased Cost of Construction Endorsement) if there is a construction code provision that requires changes to undamaged portions of the buildings even when only part of any Master Common Area is destroyed by an insured hazard.

6.1.2 Said multi-peril policy(ies) of hazard insurance shall be issued by an insurance carrier which (i) has a financial rating by Best's Insurance Reports of Class B/VI or Class V (provided it has a general policy holder's rating of at least A) or better and (ii) is authorized to transact business within the State of California.

6.2 Replacement in the Event of Loss. In the event of any loss, damage or destruction so insured against, the Master Board shall cause the same to be replaced, repaired or rebuilt. If the cost of such replacement, repair or rebuilding exceeds the hazard insurance proceeds received therefor, the Master Board shall levy and collect a special assessment in an equal amount from each Owner in the Master Project. In any event, all such hazard insurance proceeds received for such loss, damage or destruction shall be used for such replacement, repair or rebuilding. In the event of any loss, damage or destruction to improvements on any Master Common Area or personal property owned by the Master Association not insured against under the policy(ies) of insurance required of the Master Association hereunder, the Master Board shall undertake to cause the same to be replaced, repaired or rebuilt. The cost of such replacement, repair or rebuilding shall be assessed equally to all of the Owners in the Master Project.

6.3 Fidelity Coverage. The Master Board shall also procure and keep in force a blanket fidelity bond in an amount equal to the greater of (i) an amount equal to 150 percent of the Master Association's annual assessments plus reserves or (ii) the maximum amount of funds that will be in the custody of the Master Association or its management agent at any time while the bond is in force. Such bond shall name the Master Association as obligee and protect against misuse and misappropriation of any property of the Master Association by members of the Master Board, officers and employees of the Master Association, or any management agent and its employees whether or not such persons

are compensated for their services. Premiums on such bond shall be paid as a common expense by the Master Association. Said bond shall include a provision that calls for 30 days' written notice to the Master Association before the bond can be cancelled or substantially modified for any reason. The same notice must be also given to each servicer that services any Mortgage in the Master Project owned by the Federal National Mortgage Association.

6.4 Liability Insurance. The Master Board shall procure and keep in force during the term hereof insurance (containing a "severability of interest" clause or endorsement) in the name of the Master Association, the Master Members and the Owners against any liability to the public (including the Owners) resulting from any occurrence in or about the Master Common Area with coverage in the amount of at least \$1,000,000 per occurrence, for personal injury and/or property damage. Such insurance shall also provide coverage (i) for any legal liability that results from lawsuits related to employment contracts in which the Master Association is a party and (ii) against such other risks as may be required by a first Mortgagee under the then current guidelines of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation. Premiums on such policy shall be paid as a common expense by the Master Association. The policy(ies) of such insurance shall contain a waiver of subrogation by the insurer(s) against (i) the Master Association, (ii) each of the directors serving from time to time on the Master Board, (iii) the Master Members and (iv) the Owners.

6.5 Feasibility of Maintaining Insurance. The obligation of the Master Board to maintain the insurance specifically described in this article will be subject to the continued availability of insurance. If such insurance is no longer available or cannot be obtained at economically feasible rates, the Master Board may instead procure and keep in force other types of insurance providing coverage which is similar to that required by this article or which, in the opinion of the Master Board, will reasonably protect the same interests of the Master Association and of the Owners that this article is intended to protect; provided, however, that the rights of the Master Board under this paragraph will be subject to the requirements of Paragraph 4.4 with respect to obtaining the prior written consent of first Mortgagees.

6.6 Insurance Maintained by Master Association for a Village Association. The Master Association may cause any Village Association(s) to be named as an additional insured under any policy(ies) of insurance required or permitted by this article to be maintained by the Master Association. In addition, the Master Association may, as an authorized expenditure, procure and maintain any separate policy(ies) of such insurance under

which one or more Village Associations (and not the Master Association) are named as an insured. For example, the Master Association may procure and maintain separate directors' and officers' liability insurance coverage for each Village Association. The Master Association will not, however, procure and maintain any insurance coverage for a Village Association unless such Village Association has requested in writing that such insurance coverage be procured and maintained by the Master Association.

6.7 Other Insurance. The Master Board may also procure and keep in force such other policy or policies of insurance which the Master Board deems necessary and proper for the operation of Master Project and the protection of the interests of the Owners and of the Master Association.

## ARTICLE 7

### Condemnation

7.1 This Article to Control. In the event of any conflict between the provisions of this article and those of any other article of this Master Declaration, the provisions of this article shall govern and control.

7.2 Definitions. In this article, the following words and phrases shall have, respectively, the following meanings:

7.2.1 "Appropriation" means any taking of or damage to any part of the Master Common Area (or any interest therein) by reason of any exercise of the power of eminent domain (whether by condemnation proceedings, inverse condemnation or otherwise) or by reason of any transfer of a part of the Master Common Area (or any interest therein) made in avoidance of such an exercise.

7.2.2 "Condemnor" means any governmental entity or person possessing the right and power of eminent domain which exercises said right and power, or threatens so to do, with respect to a part of the Master Common Area (or any interest therein).

7.2.3 "Award" means compensation, including, but not limited to, monetary and other consideration, paid by a Condemnor for an Appropriation.

7.3 Powers of the Master Board. The Master Board is hereby irrevocably appointed as the attorney-in-fact for every Owner and Master Member to (i) negotiate with any Condemnor for settlement of an Award for any Appropriation, (ii) defend any action brought for an Appropriation, and to engage and compensate counsel and expert witnesses therefor or to aid the Master Board in the



exercise of any of its powers under this article, (iii) conduct, arrange or supervise an independent appraisal to determine the value of the Master Common Area affected by any Appropriation, (iv) receive in the name of the Master Association an Award and to retain the same, pending its disbursement, in a noninterest-bearing bank account in the name of the Master Association and (v) disburse or retain the same, pursuant to the following paragraphs of this article. Notwithstanding any provision herein to the contrary, Mortgagees shall automatically be entitled to join in Appropriation proceedings. No settlement of an Award negotiated by the Master Association on behalf of the Owners and Master Members shall be binding upon said Mortgagees without their prior written consent.

7.4 Disbursement of Any Award. If an Award affecting all or a portion of the Master Common Area is not apportioned among the Owners by court judgment or by agreement between the Condemnor and the Master Board as the agent of the Owners and Master Members, and after the value of the Master Common Area affected by any Appropriation has been determined by independent appraisal, as soon as may be practicable after the receipt by the Master Association of any Award, the Master Board will disburse the same pursuant to the following:

7.4.1 First, to contractors, subcontractors, materialmen and others for the costs of the repair or restoration of damage or destruction to the Master Common Area caused by an Appropriation, or to the Master Association in reimbursement for such costs; the balance of the award is hereinafter referred to as "Award Balance."

7.4.2 Second, the Award Balance to the Master Association. In the event that the entire Master Common Area is appropriated, the Award Balance shall be distributed to the Owners so that each Owner receives one equal share of such Award Balance for each Unit in the Master Project owned by such Owner. In the event that the Master Common Area is appropriated only in part, the Award Balance shall be retained by the Master Association or disbursed to the Owners in whole or in part as determined by the Master Board.

7.5 Priority of Mortgagee Rights. In the event there shall be any express or implied conflict between any provision of this article and any provision of a note or first Mortgage held by a Mortgagee, the provisions of said note or first Mortgage shall govern and prevail.

## ARTICLE 8

## Accounting; Right of Inspection

8.1 Books and Records. The Master Board shall maintain books of account of all its receipts and expenditures and shall cause such books to be examined annually as of the close of each fiscal year and a report to be made thereon to the Master Association. The Master Board shall deliver a copy of such report to each Master Member and the Owner of each Unit within 120 days after the end of such year. Each Owner (or its duly appointed representative) and each Master Member, first Mortgagee, Eligible Insurer and Eligible Guarantor shall be entitled at reasonable times to inspect the books and records of the Master Association, to have such books and records examined at said Owner's, Master Member's, first Mortgagee's, Eligible Insurer's or Eligible Guarantor's expense by an attorney or accountant representing such Owner, Master Member, first Mortgagee, Eligible Insurer or Eligible Guarantor, and to make excerpts or copies of such books and records or portions thereof, and each such Owner (or its duly appointed representative) and Master Member, at its own expense, shall have the right, upon submission of a written request to the Master Board, to have such books and records independently audited by an accountant. In addition, upon submission of a written request to the Master Board, any first Mortgagee, Eligible Insurer or Eligible Guarantor shall be provided by the Master Board with (i) a copy of the report referred to above for the preceding fiscal year or (ii) if the report for such fiscal year is not in the form of an audited financial statement, an audited financial statement for such year, to be prepared at the expense of the party requesting the same.

8.2 Originals of the Governing Instruments. The original or a copy of this Master Declaration, the Master Articles, the Master Bylaws and any Master Rules shall be available for inspection by Owners, Master Members, first Mortgagees, Eligible Insurers and Eligible Guarantors at the Master Association's principal place of business at all reasonable times during office hours.

## ARTICLE 9

## Scope; Enforcement

9.1 General Plan Character. The limitations, restrictions, conditions, covenants, reservations, easements and equitable servitudes set forth in this Master Declaration constitute a general scheme for (i) the maintenance, protection and enhancement of the value of the Master Project and all Units and (ii) the benefit of all Master Members and Owners. Said

limitations, restrictions, conditions, covenant, reservations, easements and equitable servitudes are imposed on each Unit, the Master Common Area and all other real property that is a part of the Master Project for the benefit of every Unit, the Master Common Area and all such other real property, as well as the present and future owners thereof. Said limitations, restrictions, conditions, covenants, reservations, easements and equitable servitudes are and shall be covenants running with the land or equitable servitudes, as the case may be.

9.2 Relationship of Master Declaration to The City's Approvals. No limitations, restrictions, conditions, requirements, covenants or other provisions of any kind contained in this Master Declaration, the Master Articles, the Master Bylaws, the Master Rules or any other written documents with respect to the Master Project to which The City is not a party shall, directly or indirectly, prevent or preclude Developer, Rancho, Home Building or any Builder, person, individual or entity from complying with all applicable provisions of any permits, approvals, ordinances or other imprimaturs of any kind affecting the Master Project which have been or may in the future be granted, adopted, enacted or otherwise approved by The City.

9.3 Termination of Master Declaration. Notwithstanding the provisions of the Articles hereof entitled "Master Rules; Master Common Area" and "Amendment" to the contrary, at any time 65 years after the date of recordation of this Master Declaration, this Master Declaration and each and every limitation, restriction, condition, covenant, reservation, easement and equitable servitude contained herein may be terminated and extinguished upon execution and filing for record in the Office of the County Recorder of San Diego County, California, of a written instrument which (i) declares that the provisions of this Master Declaration are thereby terminated and extinguished, (ii) is signed and acknowledged by 67 percent of the Owners in the Master Project and (iii) bears, or has attached thereto, the consent of 67 percent of all first Mortgagees (based upon one vote for each first Mortgage owned) as of the time of recordation of said written instrument.

9.4 Enforcing Persons. Breach of any of said limitations, restrictions, conditions, covenants, reservations, easements or equitable servitudes (or the continuation thereof) may be enjoined, abated or remedied by appropriate legal proceedings by (i) the Master Association, (ii) any Master Member, (iii) any Owner or its heirs, devisees, executors, administrators, successors and assigns, (iv) Developer, (v) The City, but only with respect to the provisions of Paragraphs 2.9, 4.2 through 4.5 and 16.2, the Article of this Declaration entitled "Property Rights in the Master Common Area" and this article, or (vi) any Mortgagee, any of whom is herein referred to as an "Enforcing

Person." Damages at law for any such breach, other than breach by failure to pay assessment(s), are hereby declared to be inadequate.

9.5 Remedies. The result of or condition caused by a violation of any of said limitations, restrictions, conditions, covenants, reservations, easements or equitable servitudes other than the payment of assessment(s), is and shall be a nuisance, and every remedy in law or equity now or hereafter available against a public or private nuisance may be exercised by any Enforcing Person.

9.6 Failure to Enforce Not a Waiver. The failure of any Enforcing Person to enforce any of said limitations, restrictions, conditions, covenants, reservations, easements or equitable servitudes shall not constitute a waiver of the right to enforce the same thereafter. No liability shall be imposed on or incurred by any Enforcing Person as a result of such failure.

9.7 Attorneys' Fees. The prevailing party in any action at law or in equity instituted by an Enforcing Person(s) to enforce or interpret the limitations, restrictions, conditions, covenants, reservations, easements or equitable servitudes contained herein shall be entitled to all costs incurred in connection therewith, including, but not limited to, court costs and reasonable attorneys' fees.

## ARTICLE 10

### Property Rights in the Master Common Area

10.1 Owner's Easements of Use. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Master Common Area which shall be appurtenant to and shall pass with the title to every Unit, subject to the following:

10.1.1 The right of the Master Association to charge reasonable admission and other fees for the use of any Master Recreational Facilities (except the streets, sidewalks and other means of ingress and egress).

10.1.2 The right of the Master Association to suspend the right to the Use of Master Recreational Facilities (except the streets, sidewalks and other means of ingress and egress) by an Owner, their occupants and guests for any period during which any assessment that has been levied pursuant to this Master Declaration against its Unit remains unpaid, or for a period not to exceed 30 days for any infraction of the Master Rules, the Master Bylaws or this Master Declaration.

10.1.3 The right of the Master Association to limit the number of occupants and guests of Owners using Master Recreational Facilities.

10.1.4 The right of the Master Association to enact and enforce rules and regulations affecting use of the Master Common Area in furtherance of this Master Declaration.

10.1.5 The right of the Master Association to limit and restrict the use of the Master Common Area and portions thereof, during specific times or on specific dates and to prohibit all use and access to portions of the Master Common Area as deemed necessary by the Master Board for health, safety, welfare, privacy or security purposes.

10.1.6 The right of any governmental or quasi-governmental body to limit and restrict the use of any portion of the Master Common Area which is subject to an easement or other interest of such body.

10.2 Permitted Uses of Master Common Area. The Master Common Area shall be used by the Owners, their occupants and guests for the common interest and benefit of the Master Project as provided in this Master Declaration.

10.3 Alteration or Improvement of Master Common Area. Other than work performed or authorized by Developer in connection with development of the Master Common Area, no work which in any way alters any Master Common Area from its natural or existing state after the date such Master Common Area was conveyed by Developer, Rancho, Home Building or a Builder to the Master Association shall be made or done except by the Master Association or its agents. The Master Association shall reconstruct, replace, or refinish any improvement or portion thereof situated within the Master Common Area. Such work shall be in accordance with the original design, finish or standard of construction of such improvement when such Master Common Area was conveyed by Developer, Rancho, Home Building or a Builder to the Master Association and which was approved by The City, or in a different manner if approved by The City. Additionally, the Master Association shall maintain and landscape the Master Common Area and the Master Association may place and maintain upon the Master Common Area such signs as the Master Board may deem necessary for the identification of the property and roads, the regulation of traffic (including parking), the regulation and use of the Master Common Area and the health, welfare and safety of the Owners, their occupants and guests.

10.4 Limitations on Use of Master Common Area. The following restrictions on use of the Master Common Area shall apply:

10.4.1 Nothing shall be done or kept in the Master Project which will increase the rate of insurance on the Master Common Area without the prior written consent of the Master Association. No Owner shall permit anything to be done or kept in its Unit, in the common area of any Village Project or in the Master Common Area which will result in the cancellation of insurance on the Master Common Area or which would be in violation of any law. No waste will be committed in the Master Common Area.

10.4.2 There shall be no obstruction of the Master Common Area except as permitted herein or as provided by the Master Board. Nothing shall be placed or stored in the Master Common Area except as allowed by the express permission of the Master Board.

10.4.3 No noxious or unreasonably offensive activities shall be carried on, nor shall anything be done or placed on the Master Common Area which are or become a nuisance, or cause unreasonable embarrassment, disturbance or annoyance to Owners in the enjoyment of their property or in the enjoyment of the Master Common Area.

10.4.4 No portion of the Master Common Area shall be used or maintained as a dumping ground for rubbish. No oil or other refuse shall be allowed to enter storm drains.

10.4.5 There shall be no exterior fires on Master Common Area, except barbecue fires contained within receptacles which may be provided by the Master Association or as otherwise permitted by the Master Board.

10.4.6 No sign of any kind shall be placed or displayed on the Master Common Area, without the prior consent of the Master Board, except:

(a) Such signs as may be required by legal proceedings or the prohibition of which is precluded by law.

(b) During the time of construction of any improvements by Developer, Rancho, Home Building or a Builder, identification signs regarding financing and construction.

(c) Such signs as may be required for traffic control and regulation of open areas within the Master Project.

(d) Such identification signs as may be deemed appropriate by the Master Board to designate facilities within the Master Project.

(e) Developer may locate on the Master Common Area any and all signs as Developer deems necessary or desirable in its sole discretion to facilitate the marketing of Units in the Master Project. Developer may permit Rancho, Home Building and Builders to place such signs on the Master Common Area for such marketing purposes as Developer deems appropriate. Developer's rights to so establish signs shall be subject to the approval of the Master Board, beginning on that certain date which is 20 years after the date on which this Master Declaration has been recorded.

10.4.7 No trailer, tent, shack or other outbuildings shall be kept upon the Master Common Area or in any street within the Master Project, except in connection with work or construction diligently pursued. No housetrainers, campers, recreational vehicles, boats, or trailers shall be kept upon the Master Common Area or in any street, Units or common area of any Village Project within the Master Project, except in locations expressly designated by the Master Board.

10.4.8 No vehicle of any type, motorized or otherwise, shall be operated on the Master Common Area except as authorized by the Master Association. No automobile or other motor vehicles shall be parked in the Master Common Area except in designated parking areas. No vehicles shall be kept or stored on the Master Common Area or in any street within the Master Project for purposes of accomplishing repairs thereto or the reconstruction thereof, except as permitted by resolution of the Master Board.

10.4.9 No pet or other animal shall be permitted on the Master Common Area except as allowed by the Master Rules. The Owner of any pet or animal shall be responsible for the immediate removal and clean-up of such animal's waste in the Master Common Area. The Owner of any pet or animal shall at no times allow such animal to run unrestrained on the Master Common Area or the streets, sidewalks or pathway areas of the Master Project and the Owner of such pets shall at all times maintain full and complete control over such animal. The Master Board shall have the right after notice and hearing to remove any animals from the Master Common Area which it finds constitute a continuing unreasonable nuisance to any Owners.

10.4.10 Any Owner may delegate, in accordance with the Master Bylaws, its right of enjoyment of the Master Common Area to the members of its family or its tenants in possession of its Unit.

10.4.11 In no event shall an Owner sell or otherwise sever or separate the rights and interests it may have in the Master Common Area from its ownership interest in a Unit.

10.5 Easements over Master Common Area. The Master Common Area shall be subject to the following easement rights and encroachment rights:

10.5.1 Each Owner of a Unit served by utility connections, lines or facilities, including those for water, electric, gas, sanitary sewer, telephone, drainage, and cable television services, shall have the right and is hereby granted an easement across and through the Master Common Area for entry to the full extent necessary by the appropriate utility companies where such connections, lines, or facilities may be located for the repair, replacement, and maintenance thereof pursuant to the direction of the Master Association. Whenever utility connections, lines, or facilities installed within the Master Project serve more than one Unit, the Owner of each Unit served thereby shall be entitled to full use and enjoyment of the portions thereof which service its Unit.

10.5.2 Developer, for itself and its successors in interest, hereby reserves nonexclusive easements over, under, upon and across the Master Common Area for installation of such utility connections, lines, or facilities as shown on recorded subdivision maps for any real property in the Master Project or other recorded instruments, together with the right to (i) grant and transfer the same to the Master Association, any Village Associations, utility companies, The City, Builders, or other appropriate entities and (ii) use such utility connections, lines, or facilities for the benefit of the real property described in Exhibit C. Additionally, Developer, for itself and its successors in interest, hereby reserves a nonexclusive easement over, under, upon and across the Master Common Area for drainage and encroachment purposes and for ingress and egress, all for Developer's reasonable use in completing improvements, developing the Master Project and performing necessary repair work within the Master Project. There is hereby reserved to Developer and granted to Rancho, Home Building and Builders in the Master Project, easements over the Master Common Area and the facilities located thereon for construction and sales activities, all as more particularly described in the Article of this Master Declaration, entitled "Development Rights." The foregoing reservations of easements will become effective concurrently with the conveyance(s) to the Master Association of the Master Common Area without necessity of Developer setting forth such reservations in the deed(s) with respect to said conveyance(s). Said reserved easements (excepting all utility easements in which utility connections, lines or facilities have been installed) shall expire and be of no further force and effect 20 years after the date on which this Master Declaration has been recorded. Notwithstanding the Article entitled "Amendment," no amendment, revocation or rescission of said reservations of easements may be had without the (i) written consent of Developer and (ii)



recording of such consent in the Office of the Recorder of San Diego County, California.

## ARTICLE 11

### Rights of Mortgagees; Eligible Mortgagees, Eligible Insurers and Eligible Guarantors

11.1 Right of an Owner to Mortgage. Any Owner may voluntarily or involuntarily encumber its Unit(s) with or by a Mortgage or other instrument of hypothecation.

11.2 Effect of a Breach of this Master Declaration. A breach of any of the foregoing limitations, restrictions, conditions, covenants, reservations, easements or equitable servitudes (except as provided in this article with respect to a breach by failure to pay any assessment), shall not defeat or render invalid the lien of any first Mortgage made in good faith and for value as to a Unit or any undivided interest therein; provided, however, such limitations, restrictions, conditions, covenants, reservations, easements and equitable servitudes shall be binding upon and effective against any person whose title to said Unit is acquired by foreclosure, trustee's sale or otherwise.

11.3 Subordination of Assessment Liens to First Mortgage. Subject to the provisions of this Article, each and every assessment lien described in the Article of this Master Declaration entitled "Assessments" is and shall be subordinate, inferior and subject to the lien and charge of any first Mortgage of record made in good faith and given for value, including a first mortgage(s) or deed(s) of trust encumbering all or any part of the Master Project which mortgage(s) or deed(s) of trust may have been subordinated to this Master Declaration.

11.3.1 Any person who acquires title to any Unit by purchasing the same at a foreclosure or trustee's sale of a first Mortgage (but excluding any transfer or conveyance in lieu of foreclosure), shall take title to such Unit free of any (i) claims by or on behalf of the Master Association for unpaid assessments, charges and/or fines (if any) levied by the Master Association which accrue prior to the time such purchaser takes title to such Unit and (ii) assessment lien and/or other lien of the Master Association then encumbering any such Unit. Such unpaid assessments shall be reallocated among the Owners, including said purchaser.

11.3.2 In the event any Mortgagee (i) shall acquire title to any Unit by judicial foreclosure, exercise of power of sale contained in any Mortgage or deed in lieu of foreclosure and (ii) shall thereafter sell and convey such Unit, any Mortgage

received by such lender as security for all or a portion of the purchase price of such Unit shall be incontrovertibly deemed "given for value." Notwithstanding any of the provisions of Paragraph 11.3 above, any lien created by or pursuant to this Master Declaration, which lien arises from failure to pay assessment(s) accruing during the period of such Mortgagee's holding of title to said Unit, shall be a lien superior to the lien of said Mortgage received to secure a portion of said purchase price.

11.3.3 For the purposes of this Paragraph 11.3 only, the term "first Mortgage" will include any assessment lien recorded pursuant to the Ranch Maintenance Agreement (described in Paragraph 2.8 above) and the term "Mortgagee of a first Mortgage" will include the administrator under the Ranch Maintenance Agreement.

11.4 Right to Notice of Breach By an Owner. In the event of any breach or default hereunder by any Owner, and in the further event such breach or default is not cured within 60 days after its occurrence, the Master Board shall immediately notify, in writing, any Eligible Mortgagee holding a first Mortgage on such Owner's Unit of said default; provided, however, failure to give such notice shall in no wise affect any right or remedy of any Enforcing Person under the Article entitled "Scope; Enforcement."

11.5 Right to Notices of Master Association Meetings. Each first Mortgagee shall advise the Master Association in writing of its address for the purpose of receiving any notice required or permitted hereunder. Any first Mortgagee may request in writing to be notified by the Master Association of any action which requires the prior approval of the first Mortgagees. Further, each first Mortgagee shall be entitled, upon request, to (i) receive notice of any and all meetings of the Master Association and (ii) designate a representative to attend such meetings on its behalf.

11.6 Right to Other Notices. Any Eligible Mortgagee, Eligible Insurer or Eligible Guarantor shall be entitled to timely written notice of (i) any condemnation or casualty loss that affects either a material portion of the Master Project or the Unit encumbered by its Mortgage, (ii) any 60-day delinquency in the payment of assessments or charges owed by the Owner of any Unit encumbered by its Mortgage, (iii) a lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Master Association, and (iv) any proposed action that requires the consent of a specified percentage of Mortgagees.

11.7 Special Agreement With First Mortgagees. The Master Association shall, upon the request of any first Mortgagee, enter into an agreement with such first Mortgagee which agreement shall include the substance of the following provisions and/or any other reasonable requirements of the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the VA or the FHA: (i) that the Master Association will pay when due all premiums on all insurance policies insuring any Master Common Area and taxes, assessments or other charges which may become a lien on any Master Common Area, (ii) that if the Master Association should fail to make a payment as described in clause (i) above, such first Mortgagee may by itself or in combination with other holders of Mortgages encumbering Units, but shall not be required to, pay such taxes, assessments or charges and any such insurance premiums, (iii) that should any policies of insurance insuring Master Common Area lapse because of the Master Association's failure to pay such premium, such first Mortgagee may by itself or in combination with any other holders of Mortgages encumbering Units, but shall not be required to, secure new policies of insurance as it may deem necessary and (iv) that the Master Association shall promptly reimburse such first Mortgagee for any and all payments made by it pursuant to clauses (ii) and (iii) above.

11.8 This Article to Control. In the event there shall be any express or implied conflict between any provision of this article and any other provision of this Master Declaration, the provisions of this article shall govern and prevail.

## ARTICLE 12

### Developer's/Builder's Security for its Obligations

12.1 Bond for Completion of Improvements. If the Master Association is obligee under a bond ("the Bond") obtained pursuant to California Business and Professions Code section 11018.5(a)(2)(A), to secure completion of improvements in and to any Master Common Area, the following provisions shall govern any action brought by the Master Association to enforce the obligations under the Bond:

12.1.1 The Master Board shall, within ten days after passage of the Grace Period (hereinafter defined), consider and vote on the question of action to be taken by the Master Association to enforce the obligations under the Bond with respect to any improvement in or to any Master Common Area for which a Notice of Completion has not been filed within 60 days ("the Grace Period") after the completion date specified for that improvement in the "Planned Construction Statement" appended to the Bond. If the Master Association has, in writing, extended the time for completion of any improvement in or to any Master

Common Area, the Master Board shall consider and vote on the question of action to be taken to enforce the obligations under the Bond if a Notice of Completion has not been filed for said improvement within 30 days after the expiration of said extended time period. Any such extension granted by the Master Association shall override any contrary decision of the Master Board.

12.1.2 If the Master Board fails to consider and vote on the question of action to be taken by the Master Association to enforce the obligations under the Bond or should the Master Board decide not to initiate action to enforce said obligations, a special meeting of Master Members shall be held to consider and vote on such action if Master Members having at least five percent of the voting power of the Master Association sign and submit to the Master Board a petition demanding such meeting. Such meeting shall be held not less than 35 days nor more than 45 days after receipt by the Master Board of said petition. At such special meeting, all Master Members (other than Developer) shall be entitled to vote.

12.1.3 If, at such special meeting, Master Members (other than Developer) having a majority of the voting power of the Master Association (exclusive of the voting power attributed to Developer) vote in favor of taking action to enforce the Bond, the Master Board shall immediately initiate and thereafter pursue appropriate action in the name of the Master Association to enforce the obligations under the Bond. If the Master Board refuses to pursue such action, then any Master Member(s) may initiate and pursue appropriate action in the name of the Master Association to enforce the obligations under the Bond. Funds for pursuing such action shall be obtained by means of a special assessment of the Owners pursuant to the Article of this Master Declaration entitled "Assessments;" such funds shall be kept in a separate account at a bank designated by the Master Association and used only for initiation and prosecution of said action.

12.1.4 If, at such special meeting, Master Members (other than Developer) having a majority of the voting power of the Master Association (exclusive of the voting power attributed to Developer) vote against taking action to enforce the Bond, then no such action may be taken by any director serving on the Master Board or Master Member on behalf of the Master Association for a period of 60 days after said special meeting. If no Notice of Completion is filed for said improvements in or to any Master Common Area within 60 days after the date of said special meeting, the provisions of the foregoing paragraphs shall govern the action to be taken by the Master Board and the Master Association with respect to enforcing the obligations under the Bond.

12.2 Bond or Deposits to Secure Payment of Assessments. If Developer, Rancho, Home Building or a Builder posts a surety bond or deposits funds (pursuant to § 2792.9, Article 12, Chapter 6, Title 10, Cal. Adm. Code) for the benefit of the Master Association, to assure the fulfillment by such party of its obligations to pay assessments, the exoneration or release of such bond or funds being subject to the conditions set forth in said Section 2792.9, and a dispute arises between such party and the Master Association with respect to the question of satisfaction of such conditions for exoneration or release, then, in such event, such dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. The fee payable to the American Arbitration Association to initiate such arbitration shall be remitted by such party; however, the costs of such arbitration shall ultimately be borne as determined by the Arbitrator(s) under the aforesaid Commercial Arbitration Rules.

#### ARTICLE 13

##### Development Rights

13.1 Development Rights. Developer, Rancho, Home Building and Builders shall be entitled to the development rights stated in this article provided that Developer, Rancho, Home Building and Builders shall not, in the exercise thereof, unreasonably interfere with the use of any Master Common Area by an Owner. As the development and marketing of the Units is essential to the establishment of the Master Project and the welfare of all Owners therein, nothing in this Master Declaration shall be understood or construed to:

13.1.1 Prevent Developer, Rancho, Home Building or a Builder from doing, within any portion of the Master Project owned by such person, whatever is reasonably necessary or appropriate in connection with the completion of any improvements thereon, including, without limitation, any residential dwelling improvements which such person in its sole discretion deems appropriate.

13.1.2 Prevent Developer, Rancho, Home Building or a Builder from erecting, constructing and maintaining on any portion of the Master Project owned by such person, such structures as may be reasonably necessary for the conduct of its business of completing said work of improvement, developing such portion as a residential community and disposing of the same in Units by sale, lease or otherwise.

13.1.3 Prevent Developer, Rancho, Home Building or a Builder from maintaining such signs within the Master Project, as may be necessary for the sale, lease or disposition of any portion of the Master Project, as Developer, Rancho, Home Building or such Builder may deem appropriate.

13.1.4 Prevent Developer, Rancho, Home Building or a Builder from filing a Sub-Declaration (and establishing a Sub-Association) as may be deemed appropriate with respect to any portion of the Annexation Property annexed into a Village Project and, pursuant to the Article of this Master Declaration entitled "Annexation," into the Master Project.

13.1.5 Prevent Developer, Rancho, Home Building or a Builder from subdividing or resubdividing any portion of the Master Project owned by such person.

13.1.6 Prevent Developer, Rancho, Home Building or a Builder from using any portion of the Master Project owned by such person for model homes or real estate sales or leasing offices.

13.1.7 Require Developer, Rancho, Home Building or a Builder to obtain the approval of the architectural committee of any Village Association, or of any architectural committee which may be created by the Master Board, with respect to any improvements constructed or placed by such person on any portion of the Master Project owned by such person.

13.2 Expiration of Rights Regarding Master Common Area. All rights of Developer, Rancho, Home Building and Builders set forth in this article, whether express or implied, to use any portion of the Master Common Area, except as an Owner, shall expire and be of no further force and effect on that certain date which is 20 years after the date on which this Master Declaration has been recorded.

13.3 Limitations on Amendment. Notwithstanding the Article of this Master Declaration entitled "Amendment," no amendment, revocation or rescission of this article may be had without the (i) written consent of Developer and (ii) recording of such consent in the Office of the Recorder of San Diego County, California.

#### ARTICLE 14

##### FHA and VA Requirements

14.1 Special Requirements. Anything herein to the contrary notwithstanding, as long as there remain two voting classes (as

provided in the Article of the Master Bylaws entitled "Voting Rights"), the following matters shall require the prior written approval of the VA and the FHA: - (i) annexation of additional properties, (ii) mergers and consolidations, (iii) special assessments and (iv) any amendment to this Master Declaration; provided, however, any provision contained herein which states that the approval of the FHA is required shall be applicable only if the FHA is insuring a loan secured by a Mortgage encumbering a Unit. With respect to any proposed deannexation of property from the Master Project, Developer shall notify the VA in writing, for informational purposes only, prior to effecting such deannexation.

14.2 Limitation on Power of Attorney. Notwithstanding anything contained in this Master Declaration to the contrary, the power of attorney granted to the Master Board or the Master Association pursuant to Paragraphs 2.8, 4.2 and 7.3 of this Master Declaration shall not apply to or be binding upon the Administrator of Veteran Affairs, an Officer of the United States of America.

## ARTICLE 15

### Annexation

15.1 Developer's Right of Annexation. Developer has, and shall have, the absolute right to impose this Master Declaration upon all or any portion of the Annexation Property by the annexation thereof in the manner herein set forth and, when such annexation is accomplished, this Master Declaration shall be of the same force and effect with respect to such annexed property as if such annexed property was originally described herein. Any such annexation shall be accomplished as follows:

15.1.1 To effect the annexation of all or any portion of the Annexation Property, Developer shall file for record in the Office of the County Recorder of San Diego County, California, on or before (i) four years after the date of the original issuance of the then most recent final subdivision public report issued by the California Department of Real Estate for a phase of development of the Master Project, or (ii) 12 years after the recordation of this Master Declaration, whichever occurs first, a Declaration of Annexation and Restrictions describing the property to be annexed and otherwise substantially in form as set forth in Exhibit E. Developer may effect one or more annexations pursuant to this article.

15.1.2 The annexation into the Master Project of the property described in such Declaration of Annexation and Restrictions shall be accomplished upon the recordation of any such Declaration of Annexation and Restrictions.

15.1.3 At any time following the recordation of a Declaration of Annexation and Restrictions, but prior to the first conveyance of a Unit in the property described in such Declaration of Annexation and Restrictions to a purchaser (other than a Builder), Developer shall have the right to record a Termination and Extinction of Declaration of Annexation and Restrictions describing all or any portion of such property and otherwise substantially in form as set forth in Exhibit F and, upon recordation thereof, (i) any Declaration of Annexation and Restrictions described therein shall cease to be of any force or effect with respect to the property described in such Termination and Extinction of Declaration of Annexation and Restrictions and (ii) any subsequent conveyance of a Unit in the property described in such Termination and Extinction of Declaration of Annexation and Restrictions shall be free and clear of this Master Declaration. If Developer has previously conveyed any portion of the property described in such Termination and Extinction of Declaration of Annexation and Restrictions to a Builder(s), the written acknowledged consent of each such Builder shall be attached to the Termination and Extinction of Declaration of Annexation and Restrictions.

15.1.4 A Declaration of Annexation and Restrictions may also contain complementary additions to and/or reasonable modifications of the provisions of this Master Declaration as may be appropriate to reflect the different character, if any, of the developmental plan for the property to be annexed.

15.2 Limitations on Developer. Nothing contained herein shall be construed to permit, expressly or by implication, Developer to (i) annex or deannex any portion of the Annexation Property which does not constitute a legal lot or parcel or (ii) sell Units to the public (other than a Builder) in any phase of development of the Master Project without first having obtained a final subdivision public report thereon from the DRE.

15.3 Annexation By the Master Association. Except as expressly provided in this article with respect to Developer's absolute right to annex portions of the Annexation Property, the annexation of any property shall require the vote or written assent of not less than 67 percent of the total voting power residing in Master Members other than Developer. Upon such approval, the Owner of the property proposed to be annexed may file for record a Declaration of Annexation and Restrictions which will impose this Master Declaration upon such property.

15.4 Assessments. Upon annexation of all or any portion of the Annexation Property or any other property pursuant to this article, assessments against the Units in such annexed property shall commence as provided in the Article of this Master Declaration entitled "Assessments." Notwithstanding the foregoing,



Developer may, in its sole discretion, provide in any Declaration of Annexation and Restrictions for the earlier commencement of assessments against the property being annexed pursuant thereto than that provided for in said Article entitled "Assessments." At the time of such commencement of assessments, the anticipated authorized expenses of the Master Association shall be adjusted to reflect the increased costs to the Master Association of the management, operation and maintenance of the Master Project arising by reason of such annexation, and the assessment upon each Unit then subject to assessment shall be accordingly adjusted so as to apportion all of said costs equally among all of the Units then subject to assessment.

15.5 Indemnity of Owner of Any Annexed Property. During any period in which assessments have not commenced with respect to any annexed property, the then Owner of such annexed property shall hold harmless the Master Association (and other Owners) for any charges or costs incurred by the Master Association with respect to such annexed property for which assessments have not commenced.

15.6 Voting Rights. No vote(s) in the Master Association shall be attributable to ownership of any portion of the Annexation Property until such portion has been annexed into the Master Project and assessments against such portion have commenced. Upon commencement of the voting rights for any property that has been annexed pursuant to this article, Developer or the Village Association (if one has been formed) with respect to such annexed property shall be entitled to the number of votes attributable to such annexed property based on the total number of Units thereon or allocated thereto, as the case may be.

15.7 Limitations on Amendment. Notwithstanding the Article of the Master Declaration entitled "Amendment," no amendment, revocation or rescission of this article may be had so long as Developer has the right to annex any portion of the Annexation Property pursuant to this article without the (i) written consent of Developer and (ii) recording of such consent in the Office of the Recorder of San Diego County, California.

15.8 Rights of Owners. Unless otherwise specifically provided in this Master Declaration, each Owner shall have equal rights and obligations with respect to any Master Common Area, without regard to whether such Master Common Area is created before or after such Owner acquires its Unit.

## ARTICLE 16

Amendment

16.1 Amendment Requirements. This Master Declaration may be amended only by written instrument (i) signed and acknowledged by the President and Secretary of the Master Association which certifies that the amendment therein set forth has been approved (a) by the Master Members entitled to exercise 75 percent of the total voting power in each of the two voting classes as provided in the Article of this Master Declaration entitled "The Master Association" or (b) upon cessation of one of the two voting classes, by the Master Members entitled to exercise 75 percent of the total voting power including the vote(s) of Developer in the remaining voting class, provided that such votes include not less than a majority of the votes that can be cast by Master Members other than Developer and (ii) filed for record in the Office of the County Recorder of San Diego County, California. The President and Secretary of the Master Association are hereby granted an irrevocable power of attorney to act for and on behalf of each and every Master Member and Owner in certifying, executing and recording said instrument. Notwithstanding the foregoing, at any time prior to the sale and conveyance of a Unit to a purchaser (other than Developer, Rancho, Home Building or a Builder), this Master Declaration may be amended by written instrument signed and acknowledged by Developer and a majority of all Builders then owning land in the Master Project, which is filed for record in the Office of the County Recorder of San Diego County, California. Any written instrument amending this Master Declaration shall also bear, or have attached thereto, the written consent of 67 percent of all first Mortgagees as of the time of recording such amendment (based upon one vote for each first Mortgage owned) if such amendment would affect to any degree the rights, powers, privileges, interests or security of said first Mortgagees as set forth (i) in the Articles hereof entitled "Definitions," "The Master Association," "Master Rules; Master Common Area," "Assessments," "Destruction; Insurance," "Condemnation," "Accounting; Right of Inspection," "Scope; Enforcement," "Property Rights in the Master Common Area," "Rights of Mortgagees, Eligible Mortgagees, Eligible Insurers and Eligible Guarantors," "FHA and VA Requirements" and "Amendment" or (ii) in any other provision of this Master Declaration which, by its terms, is specifically for the benefit of first Mortgagees or specifically confers rights on first Mortgagees.

16.2 Amendments Requiring Consent of Developer and The City. Notwithstanding Paragraph 16.1, this Master Declaration may not be amended:

16.2.1 At any time within ten years after the date of recordation of this Master Declaration without (i) the prior

written consent of Developer and (ii) the recording of said written consent together with the written instrument amending this Master Declaration which satisfies the requirements set forth in Paragraph 16.1; the provisions of this paragraph will not be construed to limit in any way the requirement set forth in other paragraphs of this Master Declaration that the written consent of Developer be obtained with respect to the amendment of certain provisions of this Master Declaration.

16.2.2 At any time, with respect to Paragraphs 2.9 and 4.2 through 4.5 or the Articles hereof entitled "Scope; Enforcement," "Property Rights in the Master Common Area" and "Amendment," without (i) the prior written consent of The City and (ii) the recording of said written consent together with the written instrument amending this Master Declaration which satisfies the requirements set forth in Paragraph 16.1.

16.3 Recording of Amendment. Each such amendment to this Master Declaration shall become effective only upon being filed for record as hereinabove provided and shall, from and after its effective date, be as effective as this Master Declaration as to all (i) Master Common Area, (ii) the Units, (iii) the Master Project, (iv) the Master Members, and (v) the Owners (as of the effective date) and their successors in interest.

16.4 Nonmaterial Amendments. If any amendment is not considered as a material change (such as the correction of a technical error or the clarification of a statement) the amendment shall be deemed impliedly approved by any first Mortgagee who fails to submit a written response to any written proposal for an amendment within 30 days after the proposal is made.

## ARTICLE 17

### General Provisions

17.1 Notices. Notices required by this Master Declaration, or desired, to be given shall be conclusively deemed served (i) if personally served, at the time of such service, and (ii) if mailed, 72 hours after deposit thereof in the United States mail, postage prepaid, addressed to the person(s) to whom such notice is to be given at the last known address of such person(s).

17.2 Severability of Provisions. In the event any limitation, restriction, condition, covenant or provision contained in this Master Declaration is held to be invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Master Declaration shall, nevertheless, be and remain in full force and effect.

17.3 Supremacy of Master Declaration. No provision of the Master Articles or the Master Bylaws, and no action of the Master Association, in violation or contravention of any provision of this Master Declaration shall be valid, subsisting or of any effect whatsoever.

17.4 Singular Includes Plural. The use herein of the neuter gender includes the masculine and the feminine genders, and the use herein of the singular number includes the plural, whenever the context so requires.

17.5 Captions. Captions in this Master Declaration are inserted for convenience of reference only and do not define, describe or limit the scope or the intent of this Master Declaration or any of the terms hereof.

17.6 Exhibits. All exhibits, if any, referred to herein and attached hereto are a part hereof.

17.7 Construction. This Master Declaration and every provision hereof shall be construed to facilitate the operation of the Master Project.

IN WITNESS WHEREOF, this Master Declaration has been executed as of the day first above set forth.

RANCHO DEL ORO DEVELOPMENTS, a  
California general partnership

By COLLINS-RANCHO DEL ORO  
COMPANY, a California  
corporation


By [Signature]  
Title PRS


By Ronald C. [Signature]  
Title V.P.

RANCHO DEL ORO VILLAGES LAND  
DEVELOPMENT, a California  
general partnership

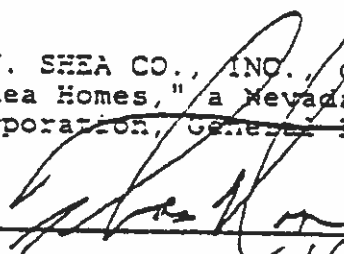
By RANCHO DEL ORO DEVELOPMENTS,  
a California general partner-  
ship, General Partner

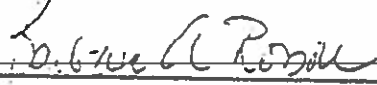
By COLLINS-RANCHO DEL ORO  
COMPANY, a California  
corporation, General  
Partner

By   
Title Pres

By   
Title V.P.

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

By   
Title VP

By   
Title Asst Secretary

VILLAGE HOME BUILDING PARTNER-  
SHIP NO. 1, a California  
limited partnership

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

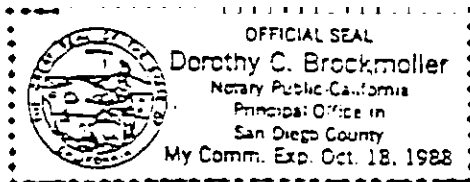
By *[Signature]*  
Title VP

By *[Signature]*  
Title *Assist. Secretary*

STATE OF CALIFORNIA )  
                                  ) SS  
COUNTY OF SAN DIEGO )

On *August 11*, 1986, before me, the undersigned, a  
Notary Public in and for said County and State, personally  
appeared *Lawrence B. Smith*, personally known to me (or  
proved to me on the basis of satisfactory evidence) to be the  
*President*, and *[Signature]*, personally known  
to me (or proved to me on the basis of satisfactory evidence) to  
be the *[Signature]* of COLLINS-RANCHO DEL ORO COMPANY, the  
corporation that executed this instrument on behalf of RANCHO DEL  
ORO DEVELOPMENTS, the partnership that executed this instrument,  
and acknowledged to me that the corporation executed this  
instrument pursuant to its bylaws or a resolution of its Board of  
Directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.



*[Signature]*  
Notary Public in and for said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On August 28, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared THOMAS M. [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the VICE PRESIDENT, and TARRARA A. [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the ASSISTANT SECRETARY OF J.F. SHEA CO., INC., the corporation that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.



*[Signature]*  
Notary Public in and for said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On August 27, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the [unclear], and [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the [unclear] of COLLINS-RANCHO DEL ORO COMPANY, the corporation that executed this instrument on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner of RANCHO DEL ORO DEVELOPMENTS, that such partnership executed this instrument as such partner of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, and that such partnership executed it.

WITNESS my hand and official seal.

*[Signature]*  
Notary Public in and for said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On AUGUST 28, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas Noon, personally known to me (or proved to me on the basis of satisfactory evidence) to be the VIC REGENT, and MARLENE KIMBALL, personally known to me (or proved to me on the basis of satisfactory evidence) to be the ASST. SECRETARY of J. F. SHEA CO., INC., the corporation that executed this instrument on behalf of VILLAGE HOME BUILDING PARTNERSHIP NO. 1, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.

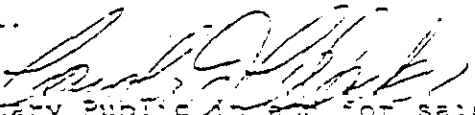
  
Notary Public in and for said  
County and State





EXHIBIT A

MASTER DECLARATION OF C.C. & R'S

"THE PROPERTY"

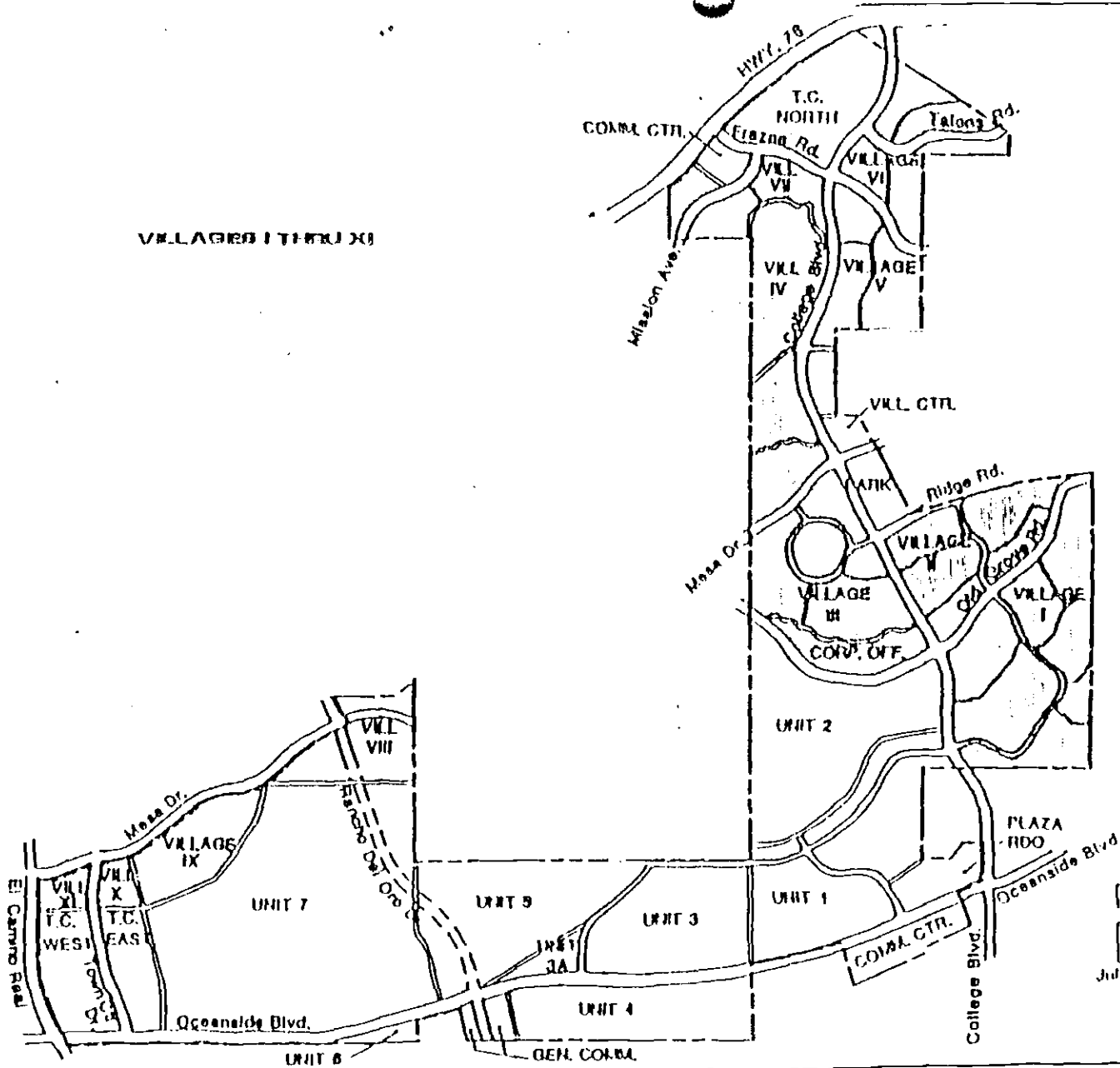
All of Lots 39 through 114, inclusive, of Map Number 11501, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on May 1, 1986.

# RANCHO DEL ORO



OCEANSIDE  
CALIFORNIA

MASTER DECLARATION  
OF COVENANTS,  
CONDITIONS AND  
RESTRICTIONS FOR THE  
VILLAGES OF  
RANCHO DEL ORO



July 10, 1980

EXHIBIT B - VILLAGES I THROUGH XI

EXHIBIT C

MASTER DECLARATION OF C.C. & R'S

"VILLAGES OF RANCHO DEL ORO"

All of Lots 1.1, 1.2, 1.3, 1.4, 1.5, 1.6, "K," 2.1, 2.2, 2.3, 2.4, 2.5, 3.1, 3.2, 3.3, 3.4, 3.5, 3.6, 4.1, 4.2, 5.1, 5.2, 5.3, 5.4, 6.1, 6.2, 6.3, 6.4, 6.5, 7.1, 7.2 and 7.5 of Map Number 11409, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on December 27, 1985, and all of Lots 8.1, 8.2, 8.3, 9.1, 10.1 and 11.1 of Map Number 11410, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on December 27, 1985,

EXCEPTING THEREFROM the following:

All of Lots 39 through 114, inclusive, of said Map Number 11501.






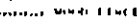







# RANCHO DEL ORO



OCEANSIDE  
CALIFORNIA  
VILLAGE I

## MASTER COMMON AREA

### LEGEND

-  PROPERTY, INITIAL INCURMENT SUBJECT TO MASTER DECLARATION
-  MASTER COMMON AREA, INITIAL INCURMENT SUBJECT TO MASTER DECLARATION
-  EGRESS POINT
-  ESCAPE HANDICAPPED SPACE RECREATION AREA
-  TOLL LOT
-  MOUND FENCE
-  MOUND WASHING/STOCKED WELL
-  MOUND TRAIL FENCE
-  MAINTENANCE AREA, INITIAL INCURMENT SUBJECT TO VILLAGE MAINTENANCE AGREEMENT
-  PARKING PAVING
-  DRIVEWAYS, SIDEWALKS & SIGNINGS
-  STREET LIGHT
-  STREET SIGNS



HILLSIDE  
RECREATION  
AREA

BLACKHAWK BLVD

HIL QUINTO

HIL QUINTO

VALLEJO BLVD

MASTER DECLARATION OF OCEAN  
VILLAGES OF RANCHO DEL ORO  
EXHIBIT D - INITIAL MASTER COMMON  
AREA

JULY 18, 1994

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

By:

Title:

By:

Title:

VILLAGE HOME BUILDING PARTNERSHIP NO. 1, a California limited partnership

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

By:

Title:

By:

Title:

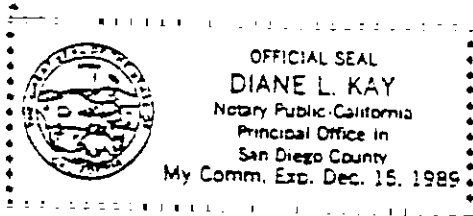
EBS:1789M  
101086

APPROVED AS TO FORM  
OCEANSIDE CITY ATTORNEY  
*Ames Greene*  
ASSISTANT CITY ATTORNEY

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On Oct 13 1976, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Small H. Baker and Robert D. Stone, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed this instrument as the Use Co. and Land Co., respectively, or on behalf of COLLINS-RANCHO DEL ORO COMPANY, the corporation that executed this instrument on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.

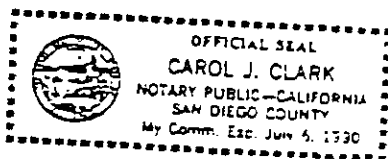


Diane L. Kay  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On October 12 1976, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas Moran and Francesca K. Moran, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed this instrument as the Use Co. and Land Co., respectively, on behalf of J.F. SHEA CO., INC., the corporation that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.



Carol J. Clark  
Notary Public in and for Said  
County and State

Recording Requested By: )  
Developer )  
When Recorded Mail To: )  
)  
)  
)  
)  
)  
)  
)  
)

Space Above For Recorder's Use

### DECLARATION OF ANNEXATION AND RESTRICTIONS

[Name of Developer] ("Developer"), makes this Declaration of Annexation and Restrictions ("this Declaration of Annexation") on the terms and conditions herein stated:

### RECITALS

Developer makes this Declaration of Annexation based on the following facts and intentions:

A. Pursuant to the provisions of the "Master Declaration of Covenants, Conditions and Restrictions for The Villages of Rancho Del Oro" filed in the Office of the County Recorder of San Diego County on , 1986, File/Page No. 86- , as amended ("the Master Declaration"), Developer has the right to annex the real property described in Exhibit 1 attached hereto ("the Annexable Property") to the Master Project as defined in the Master Declaration.

B. Developer desires to annex the Annexable Property into the Master Project. By such annexation, Developer intends that the covenants, conditions and restrictions of the Master Declaration shall apply to the Annexable Property in the same manner as if it were originally covered by the Master Declaration.

EXHIBIT 5

as a part of the Master Project. No amendment, addition, change or deletion in this Declaration of Annexation shall be deemed to affect the provisions of the Master Declaration as covenants running with the land or as equitable servitudes to be uniformly applicable to all portions of the Master Project, including those portions added thereto by annexation.

1. ANNEXATION OF ANNEXABLE PROPERTY: Therefore, Developer declares the following:

1.1 This Declaration of Annexation is issued in compliance with the Master Declaration.

1.2 Upon the recordation of this Declaration of Annexation in the Office of the Recorder of the County of San Diego, the annexation of the Annexable Property shall be and become accomplished and all of the incidents of the annexation of said property, as set forth in the Master Declaration, shall be in full force and effect.

2. APPLICATION OF MASTER DECLARATION: The terms and provisions of the covenants, conditions and restrictions of the Master Declaration shall apply to the Annexable Property as if it were originally covered by the Master Declaration as a part of the Master Project.

2.1 After this annexation and upon commencement of the assessments established in the Article of the Master Declaration entitled "Assessments" with respect to the Annexable Property, said assessments for the Master Project shall be reassessed with the Annexable Property being assessed for a proportionate share of the total expenses of the Master Association on the same basis as other property in the Master Project.



2.2 Assessments shall commence as to all of the Annexable Property as set forth in the Article of the Master Declaration entitled "Assessments."

3. INTERPRETATION: Words, terms and phrases used herein and in the Master Declaration shall have the meaning ascribed thereto in the Master Declaration.

Developer has executed this Declaration of Annexation at San Diego, California, on \_\_\_\_\_, 1986.

\_\_\_\_\_  
\_\_\_\_\_

[Acknowledgement]

Recording Requested by: )  
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 )  
 When Recorded Mail to: )  
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Space Above For Recorder's Use

TERMINATION AND EXTINCTION OF  
 DECLARATION OF ANNEXATION AND RESTRICTIONS

THIS TERMINATION AND EXTINCTION OF DECLARATION OF ANNEXATION AND RESTRICTIONS, made and executed by [Name of Developer] herein referred to as "Developer,"

WITNESSETH THAT:

WHEREAS, Developer (or Developer's predecessor in interest) has caused to be executed, acknowledged and recorded a Master Declaration of Covenants, Conditions and Restrictions for The Villages of Rancho Del Oro ("the Master Declaration"), recorded \_\_\_\_\_, 1986, File/Page No. 86-\_\_\_\_\_, Official Records of San Diego County, California, as amended.

WHEREAS, the Master Declaration provides, inter alia, for the annexation and incorporation into the Master Project described in the Master Declaration of certain property described

therein, including, but not limited to, the above described property.

WHEREAS, Developer has caused to be executed, acknowledged and recorded a Declaration of Annexation and Restrictions, recorded \_\_\_\_\_, 19\_\_, File/Page No. \_\_\_\_\_, Official Records of San Diego County, California, which describes all of the property described as:

[ LEGAL DESCRIPTION OF PROPERTY TO BE DEANNEXED ]

WHEREAS, \_\_\_\_\_ is the owner of the property described above.

WHEREAS, the Master Declaration provides that prior to the first conveyance of a Unit in the property described in said Declaration of Annexation and Restrictions, Developer has the right to record a Termination and Extinction of Declaration of Annexation and Restrictions substantially in form as set forth herein.

WHEREAS, neither Developer nor a Builder has conveyed a Unit in the property described in said Declaration of Annexation and Restrictions to a purchaser (other than a Builder).

WHEREAS, Developer desires to terminate and extinguish the effect of said Declaration of Annexation and Restrictions as set forth herein.

NOW, THEREFORE, by this Termination and Extinction of Declaration of Annexation and Restrictions, Developer hereby declares that, effective upon the recording of this instrument, the above described property, and each and every Unit therein or thereon, (i) shall not be annexed into the Master Project described in the Master Declaration and (ii) shall hereafter be held, leased, encumbered, sold and/or conveyed by the owner thereof, and each and every successor in interest of such owner, free and clear of all of the limitations, restrictions, conditions, covenants, reservations, easements and equitable servitudes set forth in the Master Declaration.

IN WITNESS WHEREOF, this Termination and Extinction of Declaration of Annexation and Restrictions has been executed at San Diego, California, as of the \_\_\_\_\_ day of \_\_\_\_\_, 1986.

\_\_\_\_\_  
\_\_\_\_\_

[Acknowledgments]

EXHIBIT G

RECORDING REQUESTED BY: )

RECORDING REQUESTED BY CONTINENTAL LAND TITLE )

WHEN RECORDED MAIL TO: )

Rancho Del Oro Development )  
c/o Jenkins & Perry )  
1100 Central Savings Tower )  
225 Broadway )  
San Diego, California 92101 )

SPACE ABOVE FOR RECORDER'S USE

VILLAGE MAINTENANCE AGREEMENT  
(Village I)

California Civil Code Section 1468

THIS VILLAGE MAINTENANCE AGREEMENT ("Agreement"), is executed as of 28 AUGUST, 1986, by RANCHO DEL ORO DEVELOPMENTS, a California general partnership ("Developer"), RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, a California general partnership ("Rancho"), and VILLAGE HOME BUILDING PARTNERSHIP NO. 1, a California limited partnership ("Home Building"), with reference to the following facts:

RECITALS

A. This Agreement is being executed pursuant to Paragraph 2.9 of the Master Declaration of Covenants, Conditions and Restrictions for The Villages of Rancho Del Oro ("Master Declaration"), executed concurrently herewith. This Agreement is attached to and constitutes a part of the Master Declaration.

B. Home Building and Rancho are the owners in fee of the land described on attached Exhibit "1" ("Property"), which is affected by the Master Declaration.

C. The Property is part of a larger parcel of real property ("Village I"), owned in part by Rancho and in part by Home Building, which is legally described on attached Exhibit "2". Village I includes six separate tracts ("Tracts"), as shown on the map attached as Exhibit "3", which are designated for residential development. The Property consists of a portion of Tract 1.1 of Village I.

D. Village I is part of a larger parcel of real property ("Rancho Del Oro Property") covered by a Specific Plan [S-1-84] ("Specific Plan") approved by the City of Oceanside ("City"). The residential portions of the Rancho Del Oro Property, including the Property, are subject to the Rancho Del Oro Planned Residential Development (PRD) Master Plan ("PRD Master Plan") approved by the City on October 15, 1985, as amended from time to time.

E. The Rancho Del Oro Property, including the Property, is subject to a Ranch Maintenance Agreement, executed by the fee owners of the Rancho Del Oro Property and recorded concurrently herewith, which provides for maintenance of certain major streets serving the Rancho Del Oro Property.

F. Pursuant to the Master Declaration, a homeowners' association ("Master Association") has been established to provide for management and maintenance of the Master Common Area, as described therein.

G. The Property comprises the initial increment of real property subject to this Agreement. All or any part of the property described on attached Exhibit "4" ("Annexation Property"), which consists of the remaining property within Village I, may be added to the Property by annexation pursuant to this Agreement and shall thereupon be subject to the provisions of this Agreement.

H. In connection with the development of Village I, certain improvements ("Improvements", as defined in Article 1) will from time to time be constructed or installed within (i) certain portions of the rights-of-way of certain public streets serving Village I ("Village Streets", as defined in Article 1), (ii) certain portions of the rights-of-way of certain public streets serving primarily an individual Tract ("Tract Streets", as defined in Article 1), and (iii) certain slope areas adjacent to Village Streets or Tract Streets over which an easement for landscaping purposes has been or will be dedicated to the City (collectively, "Maintenance Areas"). The location of the Maintenance Areas for Village I as of the date of this Agreement is shown on attached Exhibit "5." Such Improvements may be installed and constructed by Developer, Rancho or Home Building, or by builders or other developers ("Builders") who acquire ownership of portions of Village I.

I. The Improvements may include, without limitation, street lights, traffic signs and signals, fire hydrants, sidewalks, street signs, street furniture, monument signs, drainage facilities, landscaping and irrigation systems, underground utilities and improvements located within parkways, street medians and slopes and special paving located within certain public rights-of-way.

J. Pursuant to the Specific Plan and the conditions of City approvals of development of Village I, the fee owners of land subject to this Agreement ("Owners") are required to perform certain obligations related to maintenance of the Improvements (collectively, "Maintenance Obligations", as defined in Article 1), including without limitation the obligation (i) to maintain, repair and replace certain of the Improvements, (ii) to pay the cost (or a portion of the cost) of City maintenance of other Improvements, and (iii) to supply to the City replacements for certain Improvements which are not

City-standard improvements. The Maintenance Obligations shall be set forth in a written agreement executed by City and Rancho, as the same may be modified from time to time ("City Maintenance Agreement").

K. The City shall grant an easement to the Owners, acting through the Administrator, to enter onto the Maintenance Areas for purposes of performing the Maintenance Obligations.

L. All of the Improvements will benefit and enhance the value of each and every portion of the Property.

M. The Owners desire to provide in this Agreement for the (i) performance of the Maintenance Obligations in accordance with the City Maintenance Agreement, (ii) sharing of the cost of performing the Maintenance Obligations by means of assessments that will be levied against each of the Owners, and (iii) administration, supervision and management related to performance of such Maintenance Obligations, all in accordance with the provisions of this Agreement and the Master Declaration.

NOW, THEREFORE, pursuant to California Civil Code Section 1468 and the Master Declaration, and in consideration of the covenants herein contained, each of the Owners hereby agrees and covenants with each other as follows:

#### ARTICLE 1 DEFINITIONS

1.1 "Administrator" means the person appointed pursuant to Article 2 of this Agreement to act on behalf of the Owners and perform the duties and exercise the rights described therein.

1.2 "Annexation" shall mean the process by which additional real property may be made subject to this Agreement and included in the Property pursuant to the provisions of Article 9 of this Agreement.

1.3 "Annexation Property" shall mean the real property described on Exhibit "4" attached hereto, all or any portion of which may from time to time be made subject to this Agreement by Annexation.

1.4 "Builder" means an Owner, including Developer, Rancho and Home Building, which has constructed or installed Improvements in any of the Maintenance Areas, or has provided to the City security for the completion of such Improvements, pursuant to the conditions of City approval of any Final Map, Development Plan or other development permit or approval granted by the City, or a successor Owner responsible for satisfying such conditions.

1.5 "City" means the City of Oceanside, California, a municipal corporation.

1.6 "City Maintenance Agreement" means the agreement to be executed by the City and Rancho describing the Maintenance Obligations for the Improvements, as the same may be modified from time to time.

1.7 "Condominium" means a condominium as defined in California Civil Code Section 783, or any similar California statute hereunder enacted, and shall include a condominium owned in fee simple, a long-term leasehold condominium or a condominium comprising a combination of fee simple and long-term leasehold characteristics. For the purposes of this paragraph, a "long-term" leasehold shall mean a leasehold interest in a Lot or Condominium which has an original term of not less than ten years. For the purposes of this Agreement, the term "Condominium" shall also include a single-family residential dwelling or other area space which is appurtenant to one or more ownership interests in a community apartment or stock cooperative project as defined in California Civil Code Section 1351 or any similar California statute hereafter enacted.

1.8 "Condominium Project" means a condominium project as defined in California Civil Code Section 1351, or any similar California statute hereafter enacted. For purposes of this Agreement, the term "Condominium Project" shall include a community apartment and stock cooperative project as defined in California Civil Code Section 1351, or any similar California statute hereafter enacted.

1.9 "Developer" means (i) Rancho Del Oro Developments, a California general partnership, and (ii) any successor in interest of Rancho Del Oro Developments to which all or any of the rights of Developer hereunder have been transferred pursuant to a written assignment which has been recorded in the Official Records of San Diego County, California.

1.10 "Development CC&Rs" means the Declaration of Covenants, Conditions and Restrictions for Rancho Del Oro Planned Community recorded on December 27, 1985, as File No. 85-490781 of the Official Records of San Diego County, California, as thereafter amended from time to time.

1.11 "Development Plan" means a development plan for a specific site within the Property which has been approved by the City pursuant to Article 16 of the City's Zoning Ordinance, or any successor ordinance.

1.12 "Final Map" means a recorded final subdivision or parcel map affecting any portion of the Property, excluding the Master Subdivision Map.



1.13 "Home Building" means Village Home Building Partnership No. 1, a California limited partnership.

1.14 "Improvements" means improvements and facilities (i) which are constructed or installed within the Maintenance Areas (ii) in accordance with the Specific Plan, the PRD Master Plan, the Master Landscape Plan, drawings approved by the RDO Planning Board (street improvement, landscape and irrigation and/or underground utility drawings, whichever are applicable) and other applicable City requirements, and (iii) with respect to which one or more Owner(s) have Maintenance Obligations pursuant to the conditions of a Final Map, Development Plan or other development permit or approval granted by the City, which Maintenance Obligations may be transferred to all of the Owners in accordance with this Agreement. The Improvements may include, without limitation, street lights, traffic signs and signals, fire hydrants, sidewalks, street signs, street furniture, monument signs, drainage facilities, landscaping and irrigation systems, underground utilities and improvements, and special paving located within certain public rights-of-way.

1.15 "Lot" means any lot or parcel of land shown upon a recorded final subdivision map or recorded final parcel map of any portion of the Property, excepting (i) any Master Common Area and common area of any Village Project, as defined in the Master Declaration, and (ii) Condominiums in a Condominium Project.

1.16 "Maintenance Areas" means (i) certain portions of the rights-of-way of Village Streets, (ii) certain portions of the rights-of-way of Tract Streets, and (iii) slope areas adjacent to Village Streets or Tract Streets over which a landscaping easement has been or will be dedicated to the City. The location of the Maintenance Areas as of the date of this Agreement is shown on Exhibit "5;" provided, however, the rights-of-way and easement areas shown on Exhibit "5" may be modified subsequently, from time to time, as shown on a Final Map or other recorded instrument evidencing the dedication or offer of dedication of the same to the City.

1.17 "Maintenance Obligations" means the obligation of one or more Owner(s) with respect to maintenance of any Improvements pursuant to the conditions of approval of any Final Map, Development Plan or other development permit or approval granted by City, which obligations shall be further described in the City Maintenance Agreement and may be transferred to all of the Owners in accordance with this Agreement. The Maintenance Obligations may include, without limitation, the obligation (i) to maintain, repair and replace certain of the Improvements, (ii) to pay the cost (or a portion of the cost) of City maintenance of other Improvements, and (iii) to supply to the City replacements for certain Improvements which are not City-standard improvements.

1.18 "Master Association" means The Villages of Rancho Del Oro Association, Inc., a California nonprofit mutual benefit corporation, or any successor entity charged with the duties, obligations and powers of said Master Association, pursuant to the Master Declaration.

1.19 "Master Declaration" means the Master Declaration of Covenants, Conditions and Restrictions for the Villages of Rancho Del Oro recorded for the Property in the Official Records of San Diego County, California, concurrently herewith.

1.20 "Master Landscape Plan" means the Master Landscape Plan for Rancho Del Oro approved by the City pursuant to the Specific Plan, as modified from time to time.

1.21 "Mortgage" means any real property mortgage or deed of trust encumbering a Unit.

1.22 "Owner" means the person(s) who hold(s) record fee simple title to any portion of the Property, including Builders, for so long as such person holds such title, but excluding persons who hold title as security for the performance of an obligation. As of the date of recordation of this Agreement, Home Building is the only Owner.

1.23 "Planned Development Project" shall mean a project of one or more Lots developed within Village I and subject to this Agreement, with each such Lot to be improved with a single-family dwelling(s) that may be detached, a "townhouse," or part of an "attached cluster," as defined in the PRD Master Plan), which increment may be developed in phases and may or may not be defined as a planned development in California Civil Code Section 1351, or any similar California statute hereafter enacted.

1.24 "PRD Master Plan" means the Rancho Del Oro Planned Residential Development (PRD) Master Plan approved by the City on October 15, 1985, as amended from time to time, which covers the portions of the Rancho Del Oro Property designated for residential development.

1.25 "Property" means the real property described on attached Exhibit "1," consisting of a portion of Tract 1.1 of Village I.

1.26 "Rancho" means Rancho Del Oro Villages Land Development, a California general partnership, and one of the Owners.

1.27 "Rancho Del Oro Property" means the real property covered by the Specific Plan.

1.28 "RDO Planning Board" means the Rancho Del Oro Planning and Development Board established pursuant to the Development CC&Rs.

1.29 "Specific Plan" means the Rancho Del Oro Specific Plan [S-1-84] approved on October 15, 1985 by Resolution No. 85-238 adopted by the Oceanside City Council, as modified from time to time.

1.30 "Tract Streets" means those public streets primarily serving one of the Tracts within Village I and designated as "Residential Tract Collector (L)," "Residential Tract Street (M1)" and "Residential Tract Street (M2)" streets pursuant to the Street Standards and Circulation System for Rancho Del Oro included in the Specific Plan. The Tract Streets as of the date of this Agreement are identified on Exhibit "4;" provided, however, the Tract Streets may be modified subsequently, from time to time, as shown on any Final Map or other recorded instrument evidencing the dedication or offer of dedication of the same to City.

1.31 "Unit" shall mean (i) any Condominium which is part of a Condominium Project in Village I and subject to this Agreement, (ii) any Lot within Village I and subject to this Agreement on which only one single-family residential dwelling has been or will be constructed, (iii) each multi-family residential dwelling unit located within an Apartment Area (as defined in the Master Declaration) in Village I and subject to this Agreement, (iv) each single-family dwelling located on a Lot in a Planned Development Project, (v) with respect to any Lot within Village I and subject to this Agreement on which structures for a use permitted under the PRD Master Plan (excluding the uses described above in clauses (i), (ii), (iii) and (iv)) have been or will be constructed, each 7,260 square feet of gross land area or fractional portion thereof contained within such Lot, unless expressly provided otherwise in any Declaration of Annexation and Restrictions recorded pursuant to the Master Declaration and encompassing such Lot, or (vi) with respect to any portion of Village I that is subject to this Agreement and which has not been divided into Units [as described above in clauses (i), (ii), (iii), (iv) or (v)], each residential dwelling unit approved for, and allocated to, such portion on the Residential Density Management Table maintained by the City pursuant to the Specific Plan, as the same may from time to time be amended. Units determined initially under clause (vi) of the preceding sentence may subsequently become Units determined under clause (i), (ii), (iii), (iv) or (v) of said sentence. As examples of the application of the aforesaid clause (v): (i) any such Lot containing only 6,000 square feet of gross land area shall be deemed to constitute one "Unit" and (ii) any such Lot containing 8,000 square feet of gross land area shall be deemed to constitute two "Units." "Gross land area" as used in this Section will mean the gross land area of a Lot, excluding any (i) open-space areas affecting such Lot

which are owned by the Master Association, a Village Association or a Sub-Association or by the Owners of such lot in undivided interests, or which are subject to an easement for the benefit of the Owners of such lot, and (ii) other areas affecting a lot which have been dedicated to the City or any other governmental agencies.

1.32 "Village I" means the real property legally described on attached Exhibit "2" and graphically shown on attached Exhibit "3".

1.33 "Village Streets" means those public streets within Village I designated as "Residential Village Collector (R)" streets pursuant to the Street Standards and Circulation System for Rancho Del Oro included in the Specific Plan. The Village Streets as of the date of this Agreement are identified on Exhibit "4;" provided, however, the Village Streets may be modified subsequently, from time to time, as shown on any Final Map or other recorded instrument evidencing the dedication or offer of dedication of the same to City.

## ARTICLE 2 THE ADMINISTRATOR

2.1 Appointment. To give effect to the provisions contained in this Agreement, an administrator to be known as "the Administrator" shall be appointed as herein provided to perform all of the duties and exercise all of the rights that have been imposed upon or granted to the Administrator under this Agreement. The Master Association is hereby appointed as the Administrator.

2.2 Compensation. The Administrator shall not be entitled to receive any compensation for services performed under this Agreement.

2.3 Books, Accounts, Records. The Administrator will maintain adequate accounts, books and records of any business activities performed by the Administrator under this Agreement, as part of its record-keeping responsibilities under the Master Declaration.

2.4 Powers. The Administrator is hereby irrevocably appointed as the attorney-in-fact for every Owner to:

2.4.1 Maintain bank account(s) for funds coming under the control of the Administrator.

2.4.2 Levy assessments as permitted under this Agreement.

2.4.3 Contract for and maintain fire, casualty, liability, worker's compensation, medical, hospital and other

insurance insuring the Owners and itself, all as a reasonable and prudent businessman may deem appropriate or as may be required by this Agreement.

2.4.4 Contract, provide and pay for maintenance, repair, replacement, gardening and other services for which the Administrator has a duty or a right pursuant to this Agreement to undertake, including, without limitation, employment of legal and accounting services, and consultants, managers, experts, and others to assist it in performing its duties.

2.4.5 Contract for and purchase or lease tools, equipment, materials, supplies and other personal property and services consistent with its duties and rights under this Agreement.

2.4.6 Contract for and pay for reconstruction of any of the Improvements that may be damaged or destroyed from any cause whatsoever, where the Administrator has a duty or right pursuant to this Agreement to do so.

2.4.7 Post any bonds or other security required by the City to secure performance of the Maintenance Obligations.

2.4.8 Enter at all reasonable times any portion of the Property when reasonably necessary in connection with the performance or exercise of its duties and rights under this Agreement.

2.4.9 Prosecute or defend, in the name of the Owners, any action affecting or relating to the Maintenance Obligations or the duties and rights of the Administrator hereunder, including, without limitation, enforcement and collection of any assessments that have been levied against an Owner pursuant to this Agreement.

2.4.10 Take actions reasonably required to form an assessment district and delegate any appropriate Maintenance Obligations to such district as described in Section 4.2.

2.4.11 Undertake to perform such other acts as are consistent with this Agreement or will further the objectives of this Agreement.

2.5 Authority. Any contract entered into or instrument executed by the Administrator pursuant to this Agreement will be (i) valid and subsisting according to the tenor of such contract or instrument and (ii) a charge upon all cash, bank accounts and other personal property authorized under this Agreement and under the control of the Administrator. So long as the Administrator acts within the scope of its authority as the Administrator, it will not have any personal liability under any such contract or instrument.

ARTICLE 3  
THE IMPROVEMENTS

3.1 Responsibility Prior to Transfer and Assessment. As provided in Section 5.1, the Owner of a Unit shall not be subject to assessments under this Agreement until assessments have commenced for such Unit under the Master Declaration. No such Owner of a Unit subject to assessment nor the Administrator shall have any responsibility under this Agreement for the Maintenance Obligations with respect to any Improvements until the responsibility therefor has been transferred to the Owners in accordance with the provisions of this Article.

3.1.1 Village Streets. In accordance with the Development CC&Rs, each Owner of a Unit prior to sale to a residential homeowner, and each fee owner of a portion of Village I which has not been made subject to this Agreement, shall pay a prorata share of the costs incurred by Rancho in performing the Maintenance Obligations for those Improvements within Maintenance Areas within or adjacent to the rights-of-way of Village Streets, commencing with the filing of a Notice of Completion for such Improvements, until such Maintenance Obligations have been transferred to the Owners hereunder. The prorata share of each Owner and fee owner described in this Section shall be determined by the ratio of the Unit(s), including future Unit(s) that would exist following Annexation, owned by such Owner or fee owner compared to the total number of Units, including future Units, subject to such obligation.

3.1.2 Tract Streets and Other Improvements. With respect to all Improvements other than those within or adjacent to Village Streets which are to be maintained by Rancho as described in Section 3.1.1 above, the Builder which has constructed or installed such Improvements shall remain fully responsible for all Maintenance Obligations with respect thereto, for maintaining such insurance as may be reasonably appropriate, and for compliance with all applicable City requirements in connection therewith.

3.2 Transfer of Maintenance Obligations. Any Builder which has constructed or installed Improvements in any of the Maintenance Areas pursuant to the conditions of City approval of any Final Map, Development Plan or other development permit or approval granted by the City, in accordance with improvement plans and specifications approved by the City and in conformance with the Specific Plan, the PRD Master Plan, the Master Landscape Plan, and other applicable City requirements, shall transfer fully to all of the Owners under this Agreement the Maintenance Obligations with respect to such Improvements, subject to such conditions of approval, the City Maintenance Agreement, and the provisions of this Article. Prior to construction or installation of any Improvements, improvement

drawings (consisting of street improvement, landscape and irrigation and/or underground utility drawings, whichever are applicable) substantially in accordance with the Master Landscape Plan and other criteria described above shall have been prepared by the Builder and approved by the RDC Planning Board pursuant to the Development CC&Rs.

3.3 Improvements Eligible for Transfer. Maintenance Obligations may be transferred only for improvements within the rights-of-way of, or within slope areas adjacent to, those Tract Streets or Village Streets which provide access to portions of Village I which are subject to this Agreement.

3.4 Procedure for Transfer. Any transfer by a Builder after the date of recordation of this Agreement, as described in Section 3.2 above, will be effected as follows:

3.4.1 Notice of Proposed Transfer. The Builder will first deliver to the Administrator a written notice of the proposed transfer signed by the Builder, which will be in a form prescribed by the Administrator ("the Notice of Proposed Transfer"). The Notice of Proposed Transfer will (i) specifically describe in reasonable detail all of the improvements within Maintenance Areas for which such Builder proposes to transfer the Maintenance Obligations, (ii) have attached thereto a complete copy of "as built" plans and specifications for the improvements, (iii) contain a certification that all of the improvements described therein have been completed in a good, workmanlike and lien-free manner in accordance with the Specific Plan, the PRD Master Plan, the Master Landscape Plan, and all other applicable City requirements, and (iv) have attached thereto written evidence of the City's acceptance of improvements within the public rights-of-way and the City's release of all performance and labor and material bonds or other security provided to secure completion of the improvements described therein. The Administrator may require that each transfer consist of a reasonable increment of improvements.

3.4.2 Correction of Deficiencies. Within 30 days following the Administrator's receipt of the Notice of Proposed Transfer, the Administrator and the Builder will schedule a walk-through to inspect all of the improvements. In the course of such walk-through, the Administrator and the Builder will prepare a written list of all defects and deficiencies in the improvements that have been noticed by either the Administrator or the Builder. A copy of this list will be kept by the Administrator and by the Builder. Within 90 days following the walk-through, the Builder will cause all defects and deficiencies to be fully remedied and will schedule a second walk-through with the Administrator. Within 30 days following this second walk-through, and provided that all defects and deficiencies have been fully remedied, the Administrator will notify the Builder that it has approved all of the improvements.

if necessary, additional walk-throughs will be conducted by the Builder and the Administrator until the Administrator has satisfied itself that all defects and deficiencies have been remedied and has given written notice of its approval of the improvements to the Builder. The Administrator will not unreasonably withhold its approval of the improvements.

3.4.3 Notice of Transfer. Upon receipt from the Administrator of written notice of approval of the improvements, the Builder may at any time thereafter deliver a written notice of transfer of the Maintenance Obligations with respect thereto, in a form prescribed by the Administrator ("the Notice of Transfer"). The Notice of Transfer will set forth the same information and have the same attachments as were set forth in, and attached to, the Notice of Proposed Transfer, except to the extent that all such information has changed or become modified since the Notice of Proposed Transfer was given.

3.4.4 Effective Date of Transfer. The transfer will be deemed to have been effected on the 31st day following receipt by the Administrator of the Notice of Transfer ("the Effective Date"). Provided, however, in no event shall the transfer be effective until each of the following have occurred: (i) completion of the improvements; (ii) acceptance by the City of all improvements within public rights-of-way (to the extent the type of improvement is normally accepted by the City); (iii) release by the City of all performance and labor and material bonds or other security provided by the Builder or any other party to secure completion of the improvements; and (iv) expiration of 90 days after either City acceptance or expiration of the applicable period for filing mechanics' liens, whichever occurs first. Commencing on the Effective Date, the Administrator will become responsible for the Maintenance Obligations with respect to the improvements described in the Notice of Transfer to which such Effective Date pertains.

3.5 Builder's Warranty. Notwithstanding anything contained in this Agreement to the contrary, a Builder, which transfers the Maintenance Obligations with respect to any improvements pursuant to this Article, warrants that such improvements will be free from defects in material or workmanship for a period of time expiring on the date of expiration of any express warranties with respect to such improvements that have been given by such Builder to the City. Any defects in improvements that are covered by a Builder's warranty in favor of the Owners or the City will be promptly remedied by such Builder at its sole cost and expense. In addition, such Builder will indemnify and hold harmless the Administrator and all other Owners from any liability (including, without limitation, attorneys' fees and court costs) arising from any defects in improvements which are covered by the foregoing warranty.



3.6 Ownership of Improvements. Neither the Owners nor the Administrator will have any duty or obligation to accept ownership of any Improvements for which a Builder has transferred the Maintenance Obligations under this Agreement. It is intended that (i) ownership of Improvements within the public rights-of-way will be transferred to the City, and that (ii) ownership of Improvements within slope easement areas will be transferred to the Master Association. Ownership of improvements shall remain in the Builder constructing or installing the same until ownership is transferred to the City or to the Master Association.

#### ARTICLE 4 REPAIR, REPLACEMENT AND MAINTENANCE OF IMPROVEMENTS

4.1 Administrator's Obligations. Upon commencement of the Administrator's responsibility for the Maintenance Obligations with respect to any Improvements, the Administrator will at all times thereafter perform and comply with the terms and conditions of the City Maintenance Agreement with respect to such Improvements. It is anticipated that the City Maintenance Agreement will provide that the City will maintain, repair and replace those improvements which affect traffic and public safety (such as street lights, traffic signs and signals) and that the Owners will maintain other Improvements (such as landscaping and irrigation facilities) which do not affect traffic and public safety. It is anticipated that the Maintenance Obligations will include: (i) the Owners' obligation to pay certain costs incurred by the City in maintaining, repairing and replacing Improvements which are not City-standard improvements, (ii) the Owners' obligation to provide and supply to the City all items required for City repairs and replacements of such Improvements which are not City-standard items, and (iii) the Owners' obligations to perform actual maintenance, repairs and replacements for other Improvements in accordance with the maintenance standards and requirements set forth in the Master Landscape Plan and the City Maintenance Agreement. The Administrator is hereby instructed and authorized to perform and comply with such maintenance obligations, standards and requirements. In the event the City Maintenance Agreement becomes terminated for any reason, the Administrator will continue to repair, maintain and replace those improvements (such as landscaping and irrigation facilities) for which the Administrator was previously performing actual maintenance work, at the same level of care as was previously undertaken by the Administrator, or in accordance with such other reasonable standards and requirements as the Administrator then deems appropriate in light of circumstances then existing which a prudent and reasonable businessman would take into consideration in undertaking the repair, maintenance and replacement of such Improvements, to the extent the City continues in effect the Owners' right, acting through the Administrator, to enter onto the Maintenance Areas for this purpose. However, the

Administrator shall not be required to assume actual maintenance of Improvements which affect traffic and public safety for which the City previously performed the actual maintenance.

4.2 Assessment District. The Owners hereby consent to the initiation and formation of one or more assessment district(s) to perform all or a portion of the Maintenance Obligations, and agree to cooperate with Rancho, Builders and the City by executing all consents and other documents reasonably required to establish the same. In the event any assessment district is established with respect to all or any portion of Village 1 that is subject to this Agreement, the Administrator may transfer all or any appropriate portion of its Maintenance Obligations under this Agreement to such assessment district and, upon the acceptance and assumption by the assessment district of such responsibilities, the Administrator and the Owners will thereafter have no further obligation or liability with respect to the Maintenance Obligations which have been transferred. Provided, however, if any such assessment district is terminated or fails or declines to continue to perform any of the Maintenance Obligations transferred to the district, with respect to all or any portion of the Improvements, then the Administrator shall re-assume and thereafter perform such responsibilities, to the extent the City continues in effect the Owners' right, acting through the Administrator, to enter onto the Maintenance Areas for this purpose.

#### ARTICLE 5 ASSESSMENTS

5.1 Authorization to Levy Assessments. The Administrator has and shall have the right and power to make, from time to time, reasonable assessments upon those Units subject to assessment as described in Section 5.1.1, subject to the Master Declaration and for which assessments under the Master Declaration have commenced, to meet anticipated authorized expenditures of the Administrator under this Agreement and to change from time to time the amount, installments and/or frequency of payment of assessments. Changes in the amount of the assessments may be made, for example, to reflect (i) the transfer of Maintenance Obligations for additional Improvements or (ii) the Annexation of additional real property under this Agreement, as described in Article 9 of this Agreement. Such expenditures of the Administrator shall include the establishment of an adequate reserve fund for the Maintenance Obligations for which the Administrator is responsible under this Agreement. Assessments pursuant to this Section shall be collected either as part of or separate from the regular assessments levied under the Master Declaration and shall be subject to the limitations on regular assessments set forth therein.

5.1.1 Units Subject to Assessments. Only those Units within Village I (i) which are subject to the Master Declaration, including the property originally subject thereto and all property within Village I annexed thereto from time to time, and (ii) for which assessments under the Master Declaration have commenced shall be subject to assessment under this Agreement. No land which is designated for public or common recreational uses or as an open-space area shall be subject to assessments.

5.1.2 Owner's Share. Each Owner shall be assessed separately for a share of such anticipated authorized expenditures, in the same ratio such Owner is assessed under the Master Declaration; that is, a share shall be levied against each Owner according to the ratio of the number of Unit(s) owned by the Owner to the total number of Units subject to assessment hereunder.

5.1.3 Notice of Assessments. Separate written notices of the making of such assessment (including in such notice the amount thereof and the frequency of payment) shall be directed to each Owner, in the manner required for notice of regular assessments pursuant to the Master Declaration.

5.2 Special Assessments. The Administrator may also levy and collect special assessment(s) for the purposes described in Section 6.2 in the same manner as regular assessments are levied and collected as described in Section 5.1. The amount of any such special assessment, together with any late payment penalty and interest incurred pursuant to this Article, costs and reasonable attorneys' fees in the event enforcement is commenced, shall be and become a lien upon any Unit in the same manner as regular assessments become a lien. Special assessments pursuant to this Section shall be collected under the Master Declaration and shall be subject to the limitations on special assessments set forth therein, except that the provisions of Paragraphs 5.2.1 and 5.2.3 of the Master Declaration will not be applicable.

5.3 Applicability of Master Declaration Provisions. The provisions of Paragraphs 5.3 through 5.11 (inclusive) of Article 5 of the Master Declaration will be applicable to the regular and special assessments described in Article 5 of this Agreement, all to the same effect as if said Paragraphs were set forth fully in this Agreement. The Master Association may include any regular assessment under this Agreement as part of any regular assessment levied under the Master Declaration which is payable by Owners of Units within Village I that are subject to this Agreement.

ARTICLE 6  
DESTRUCTION: INSURANCE

6.1 Hazard Insurance. The Administrator shall keep insured against loss by perils under a multi-peril policy(ies) of hazard insurance all or appropriate portions of the Improvements with respect to which the Administrator has Maintenance Obligations, for the benefit of all Owners. The Improvements covered and the type and amount of coverage of such insurance shall be reasonably determined by the Administrator based upon the nature of the improvements, the cost and availability of coverage, and prudent practices for similar improvements at the time. The name of the insured under each policy of such insurance shall be substantially "[Name of the Administrator], for use and benefit of individual owners," followed, if desired by either the Administrator or the insurance carrier(s), by the designation of the Owners. Authority to adjust losses covered by the Administrator's policy(ies) shall be vested in the Administrator, and the Administrator is hereby irrevocably appointed as the attorney-in-fact for every Owner for this purpose. Insurance proceeds shall be payable directly to the Administrator for the use and benefit of the Owners, as their interests may appear. The premiums for such policy shall be paid as a common expense by the Administrator.

6.1.1 Maintenance of Policies. Copies of all such insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Administrator and open for inspection by Owners at any reasonable time(s). All such insurance policies shall (i) provide that they shall not be reducible or cancellable by the insurer, without first giving ten days' prior notice in writing to the Administrator and (ii) contain a waiver of subrogation by the insurer(s) against the Administrator and Owners.

6.1.2 Issuer Requirements. Said multi-peril policy(ies) of hazard insurance shall be issued by an insurance carrier which (i) has a financial rating by Best's Insurance Reports of Class B/VI or Class V (provided it has a general policy holder's rating of at least A) or better and (ii) is authorized to transact business within the State of California.

6.2 Replacement in the Event of Loss. In the event of any loss, damage or destruction of Improvements which the Administrator has an obligation to repair, maintain and replace, the Administrator shall cause the same to be replaced, repaired or rebuilt. If the cost of such replacement, repair or rebuilding exceeds the hazard insurance proceeds received therefor, the Administrator shall undertake to cause the same to be replaced, repaired or rebuilt. The cost of such replacement, repair or rebuilding shall be assessed to all of the Owners as provided in Section 5.2.

6.3 Liability Insurance. The Administrator shall procure and keep in force during the term hereof insurance (containing a "severability of interest" clause or endorsement) in the name of the Administrator and the Owners against any liability to the public (including the Owners) resulting from any occurrence in or about the Improvements with coverage in the amount of at least \$1,000,000 per occurrence, for personal injury and/or property damage. Such insurance shall also provide coverage for any legal liability that results from lawsuits related to employment contracts to which the Administrator is a party. Premiums on such policy shall be paid as a common expense by the Administrator. The policy(ies) of such insurance shall contain a waiver of subrogation by the insurer(s) against (i) the Administrator and (ii) the Owners.

6.4 Feasibility of Maintaining Insurance. The obligation of the Administrator to maintain the insurance specifically described in this Article will be subject to the continued availability of insurance. If such insurance is no longer available or cannot be obtained at economically feasible rates, the Administrator may instead procure and keep in force other types of insurance providing coverage which is similar to that required by this Article or which, in the opinion of the Administrator, will reasonably protect the same interests of the Owners that this Article is intended to protect.

6.5 Other Insurance. The Administrator may also procure and keep in force such other policy or policies of insurance which it deems necessary and proper for the protection of the interests of the Owners under this Agreement.

#### ARTICLE 7 SCOPE, ENFORCEMENT

7.1 General Plan Character. As part of the Master Declaration, the covenants and equitable servitudes set forth in this Agreement constitute a general scheme for the benefit of each and every portion of the Property and all of the Owners thereof. Said covenants and equitable servitudes are imposed on each and every Unit subject to this Agreement for the benefit of each and every other Unit subject to this Agreement, as well as the present and future owners thereof. Said conditions and equitable servitudes are and shall be covenants running with the land or equitable servitudes, as the case may be.

7.2 Enforcing Persons. Breach of any of said covenants or equitable servitudes (or the continuation thereof) may be enjoined, abated or remedied by appropriate legal proceedings by (i) the Administrator or (ii) any person designated as an Enforcing Person under the provisions of Article 9 of the Master Declaration.

7.3 No Waiver. The failure of any Enforcing Person to enforce any of said covenants or equitable servitudes shall not constitute a waiver of the right to enforce the same therefor. No liability shall be imposed on or incurred by any Enforcing Person as a result of such failure.

7.4 Attorneys' Fees. The prevailing party in any action at law or in equity instituted by an Enforcing Person(s) to enforce or interpret the covenants or equitable servitudes contained herein shall be entitled to all costs incurred in connection therewith, including, but not limited to, court costs and reasonable attorneys' fees.

#### ARTICLE 8 ANNUAL BUDGETS AND REPORTS

8.1 Budget. The Administrator shall cause a budget for each fiscal year to be regularly prepared and distributed as part of the budget to be prepared by the Master Association pursuant to the Master Declaration. The budget shall contain the following information: (i) the estimated revenue and expenses of the Administrator on an accrual basis; (ii) the amount of the total cash reserves of the Administrator currently available for replacement or major repair of any Improvements and for contingencies; (iii) an itemized estimate of the remaining life of, and the method of funding to defer repair, replacement or additions to, major components of any Improvements for which the Administrator is responsible; and (iv) a general statement setting forth the procedures used by the Administrator in calculating and establishing reserves to defray the cost of repair, replacement or addition to, major components of any Improvements for which the Administrator is responsible.

8.2 Annual Report The Administrator shall maintain books of account of all of its receipts and expenditures hereunder and shall cause an annual report to be prepared and distributed as part of the accounting and annual report required under the provisions of the Master Declaration, in accordance with the requirements set forth therein.

#### ARTICLE 9 ANNEXATION

9.1 Developer's Right of Annexation. Developer has, and shall have, the absolute right to impose this Agreement upon all or any portion of the Annexation Property by the annexation thereof pursuant to the Master Declaration in the manner set forth in Article 15 of the Master Declaration which is entitled "Annexation," and, when such annexation is accomplished under the Master Declaration, Annexation under this Agreement will be deemed accomplished and this Agreement shall be of the same force and effect with respect to such annexed property as if it was originally described herein.

9.2 Deannexation. Upon the recording of a Termination and Extinction of Declaration of Annexation pursuant to said Article 15 of the Master Declaration with respect to any portion of Village I which has been previously made subject to the Master Declaration and this Agreement, such portion of Village I shall be free and clear of this Agreement and also the Master Declaration (as provided therein).

9.3 Assessments. Upon Annexation of all or any portion of the Annexation Property, assessments against the Units in such annexed property shall commence as provided in Article 5 of this Agreement. At the time of such commencement of assessments, the anticipated authorized expenses of the Administrator shall be adjusted to reflect any increased costs to the Administrator of its management, operation and maintenance responsibilities under this Agreement arising by reason of such Annexation, and the assessment upon each Unit then subject to assessment shall be accordingly adjusted so as to apportion all of said costs equally among all of the Units then subject to assessment.

9.4 Limitations on Amendment. Notwithstanding the provisions of Article 10 entitled "Amendment," no amendment, revocation or rescission of this Article may be had so long as Developer has the right to annex any portion of the Annexation Property pursuant to this Article without the (i) written consent of Developer and (ii) recording of such consent in the Office of the Recorder of San Diego County, California.

#### ARTICLE 10 AMENDMENT

10.1 Amendment Requirements. As a part of the Master Declaration, this Agreement may be amended only by amendment of the Master Declaration as provided therein.

10.2 Effective Upon Recording. Each such amendment to this Agreement shall become effective only upon being filed for record as hereinabove provided and shall, from and after its effective date, be as effective as this Agreement as to (i) all portions of Village I which are subject to this Agreement, (ii) the Administrator and (iii) all of the Owners (as of the effective date) and their successors in interest.

#### ARTICLE 11 GENERAL PROVISIONS

11.1 Notices. Notices required by this Agreement, or desired, to be given shall be conclusively deemed served (i) if personally served, at the time of such service, and (ii) if mailed, 72 hours after deposit thereof in the United States mail, postage prepaid, addressed to the person(s) to whom such notice is to be given at the last known address of such person(s).

11.2 Severability. In the event any covenant or provision contained in this Agreement is held to be invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Agreement shall, nevertheless, be and remain in full force and effect.

11.3 Singular Includes Plural. The use herein of the neuter gender includes the masculine and the feminine genders, and the use herein of the singular number includes the plural, whenever the context so requires.

11.4 Captions. Captions in this Agreement are inserted for convenience of reference only and do not define, describe or limit the scope or the intent of this Agreement or any of the terms hereof.

11.5 Exhibits. All exhibits, if any, referred to herein and attached hereto are a part hereof.

11.6 Construction. This Agreement and every provision hereof shall be construed to facilitate the performance of the Maintenance Obligations for which the Administrator has such responsibility in harmony with the balance of the Master Declaration of which this Agreement is a part.

IN WITNESS WHEREOF, this Agreement has been executed as of the day first above set forth.

RANCHO DEL ORO DEVELOPMENTS, a  
California general partnership

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

By: \_\_\_\_\_

Title: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_



RANCHO DEL ORO VILLAGES LAND  
DEVELOPMENT, a California general  
partnership

By: RANCHO DEL ORO DEVELOPMENTS, a  
California general partnership,  
General Partner

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

By:

Title:

By:

Title:

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

By:

Title:

By:

Title:

VILLAGE HOME BUILDING PARTNERSHIP NO.  
I, a California limited partnership

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

By: *[Handwritten Signature]*

Title: *VP*

By: *[Handwritten Signature]*

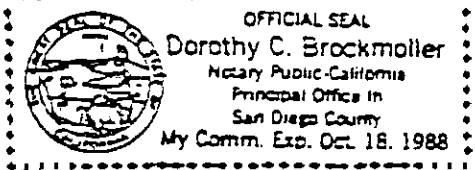
Title: *Asst Secretary*

EES:1789M  
072886

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On August 19 1988, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas Alan and Barbara Powell, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed this instrument as the President and Secretary, respectively, or on behalf of COLLINS-RANCHO DEL ORO COMPANY, the corporation that executed this instrument on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.



Dorothy C. Brockmoller  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On August 27 1988, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas Alan and Barbara Powell, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed this instrument as the Vice President and Secretary, respectively, on behalf of J. F. SHEA CO., INC., the corporation that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.

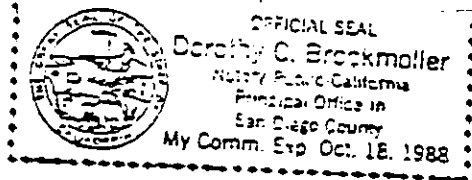


Carol J. Clark  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) ss  
COUNTY OF SAN DIEGO )

On April 24 1981, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Francis J. White and Donald R. White, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed this instrument as the President and Secretary, respectively, on behalf of COLLINS-RANCHO DEL ORO COMPANY, the corporation that executed this instrument on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors as such partner of RANCHO DEL ORO DEVELOPMENTS, that such partnership executed this instrument as such partner of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, and that such partnership executed it.

WITNESS my hand and official seal.

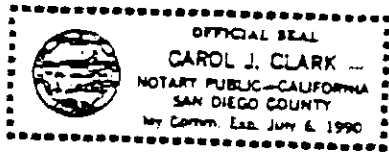


Dorothy C. Brockmoller  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) ss  
COUNTY OF SAN DIEGO )

On August 27 1976, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas Moran and Marlene Kottrell, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed this instrument as the Vice President and Assistant Secretary, respectively, on behalf of J.F. SHEA CO., INC., the corporation that executed this instrument on behalf of VILLAGE HOME BUILDING PARTNERSHIP NO. 1, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its by-laws or a resolution of its board of directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.



*Carol J. Clark*  
Notary Public in and for Said  
County and State

## EXHIBITS

- "1"      Legal Description of Property (Initial Increment)
- "2"      Legal Description of Village I
- "3"      Map Indicating Village I
- "4"      Legal Description of Annexation Property
- "5"      Map Indicating Village Streets, Tract Streets and  
Maintenance Areas

EXHIBIT 1  
(VILLAGE MAINTENANCE AGREEMENT)

"THE PROPERTY"

All of Lots 39 through 114, inclusive, of Map Number 11501, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on May 1, 1986.

EXHIBIT 2  
[VILLAGE MAINTENANCE AGREEMENT]

"VILLAGE 1"

All of Lots 1.2, 1.3, 1.4, 1.5, 1.6 and "K" of Map Number 11409, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on December 27, 1985, and all of Map Number 11501, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on May 1, 1986 as File Number 86-173101.



2025 RELEASE UNDER E.O. 14176

# RANCHO DEL ORO

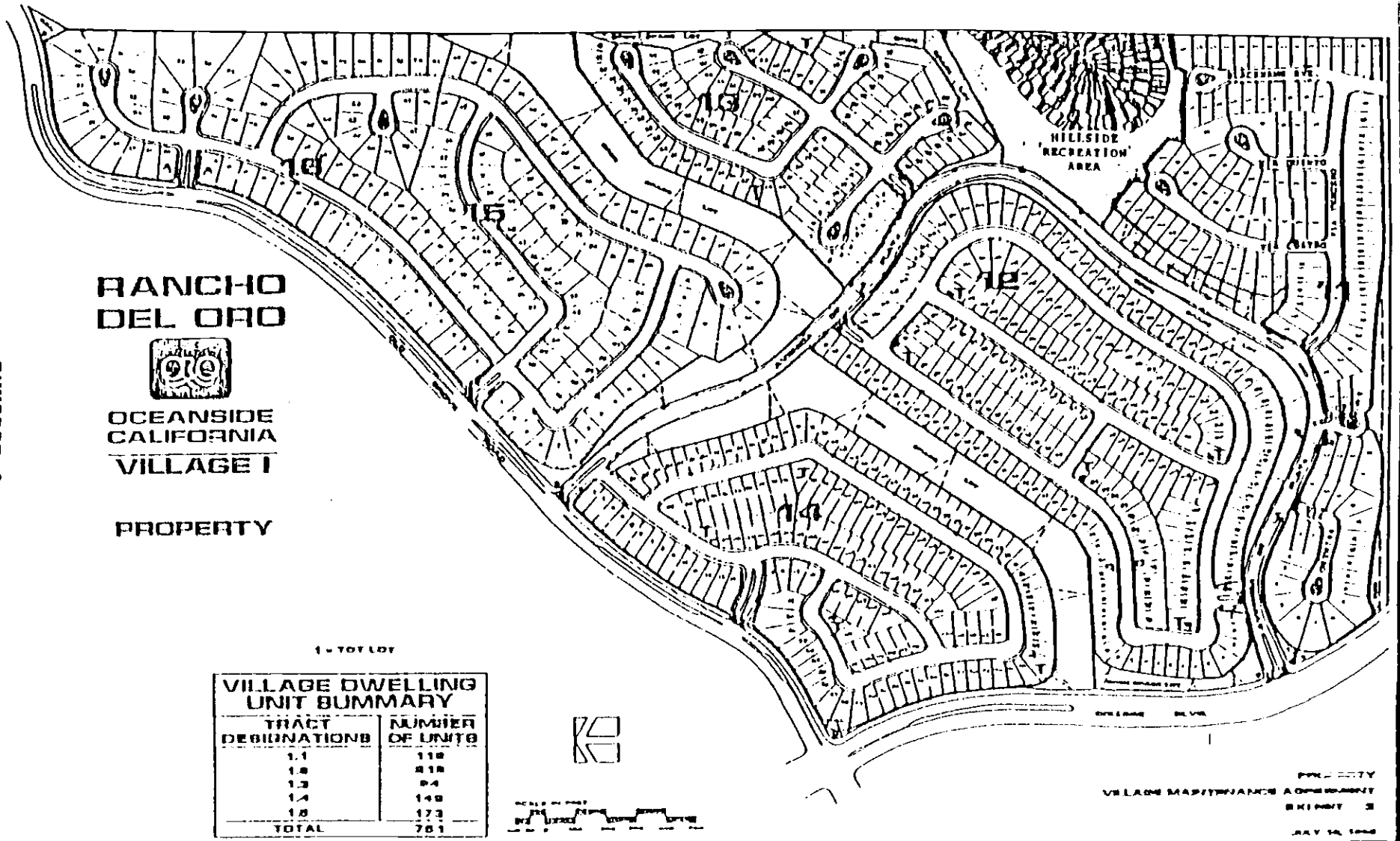


OCEANSIDE  
CALIFORNIA  
VILLAGE I

PROPERTY

1-707 LOT

VILLAGE DWELLING UNIT SUMMARY	
TRACT DESIGNATION	NUMBER OF UNITS
1.1	118
1.2	218
1.3	84
1.4	149
1.5	173
<b>TOTAL</b>	<b>751</b>



PROPERTY  
VILLAGE MORTGAGE AGREEMENT  
SERIES 3  
JULY 15, 1948

EXHIBIT 4  
(VILLAGE MAINTENANCE AGREEMENT)

"ANNEXATION PROPERTY"

All of Lots 1.2, 1.3, 1.4, 1.5, 1.6 and "K" of Map Number 11409, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on December 27, 1985, and all of Map Number 11501, in the City of Oceanside, County of San Diego, State of California, filed in the Office of the County Recorder of San Diego County on May 1, 1986.

EXCEPTING THEREFROM, the following:












All of Lots 39 through 114, inclusive, of said Map Number 11051.

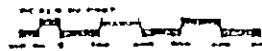
# RANCHO DEL ORO



OCEANSIDE CALIFORNIA  
VILLAGE I

## LEGEND

-  TOT LOT
  -  VILLAGE STREETS
  -  ENRICHED PAVING
  -  PARKWAYS, MEDIANS & SIDEWALKS
  -  STREET LIGHTS
  -  STREET SIGNS
  -  TRACT STREETS
  -  ENRICHED PAVING
  -  PARKWAYS, MEDIANS & SIDEWALKS
  -  STREET LIGHTS
  -  STREET SIGNS
- FOR MAINTENANCE AREAS SEE APPLICABLE STREET CROSS SECTION.



HILLSIDE RECREATION AREA

VILLAGE MAINTENANCE AGREEMENT  
EXHIBIT B - MAINTENANCE AREAS

JAN 14, 1960

DATE

# RANCHO DEL ORO



OCEANSIDE  
CALIFORNIA

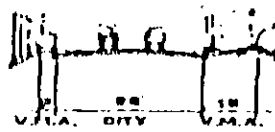
## STREET CROSS SECTIONS

### SECTION

- V.M.A. - Maintenance areas for Beach Maintenance Agreements
- V.M.A. - Maintenance areas for Village Maintenance Agreements
- CRP - Areas to be established by city pursuant to CRP - Areas to be established by abutting property owner

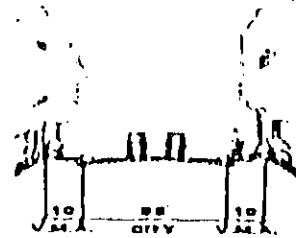
### K

No utility fronting  
on street  
Sidewalk one side  
No parking



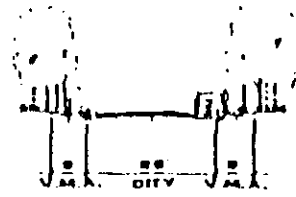
### L

Sidewalk both sides  
when double loaded  
Sidewalk one side  
when single loaded  
Parking both sides



### M

Curb 40 feet or more  
1000' streets only  
1,000'-3,000' sq. ft.  
lots  
Parking both sides  
Sidewalk both sides



DEPARTMENT  
ENGINEER  
11000 BALBOA BLVD. SUITE 100  
SAN DIEGO, CALIFORNIA

PLANNING DEPARTMENT  
LAWRENCE AND ASSOCIATES  
700 FIFTH STREET  
OCEANSIDE, CALIFORNIA

COMMERCIAL PLANNING  
SMAA  
5400 LAKE BLVD.  
SAN DIEGO, CALIFORNIA

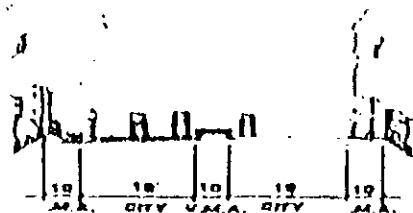
CIVIL ENGINEER  
CEM ASSOCIATED  
8300 LINDSAY STREET  
SAN DIEGO, CALIFORNIA

LAND PLANNER  
ARCHITECTURAL DESIGN  
AND ASSOCIATES, INC.  
830 LINDSAY STREET  
SAN DIEGO, CALIFORNIA

JULY 10, 1988

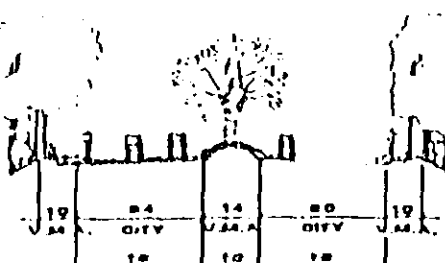
### I

TRACT DRIVE  
No parking



### J

AVENUE DE LA PLAZA  
No parking



AT COLLECT BLVD.

AT OLD CORVE RD.

Recording Requested by: )

When Recorded Mail to: )

Rancho Del Oro Development )  
c/o Jenkins & Ferry )  
A Professional Corporation )  
1100 Central Savings Tower )  
225 Broadway )  
San Diego, California 92101 )

Attn: Arthur G. Peinado, Esc. )

THE FOREGOING INSTRUMENT IS A FULL, TRUE  
AND CORRECT COPY OF THE ORIGINAL RECORDED  
ON 10-23-86 FILE NO. 86-479691  
OF OFFICE OF THE COUNTY CLERK  
COMMERCIAL LAND TITLE COMPANY

*Arthur G. Peinado*

Space Above For Recorder's Use

FIRST AMENDMENT TO  
MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS  
FOR THE VILLAGES OF RANCHO DEL ORO

THIS FIRST AMENDMENT TO MASTER DECLARATION OF COVENANTS,  
CONDITIONS AND RESTRICTIONS ("First Amendment") is made and  
executed as of the 13 day of October, 1986, by RANCHO DEL  
ORO DEVELOPMENTS, a California general partnership  
("Developer"), RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, a  
California general partnership ("Rancho"), and VILLAGE HOME  
BUILDING PARTNERSHIP NO. 1, a California limited partnership  
("Home Building"), with reference to the following recitals:

R E C I T A L S

A. A Master Declaration of Covenants, Conditions and  
Restrictions ("Master Declaration") dated August 28, 1986 was  
executed by Developer, Rancho and Home Building and recorded on  
September 4, 1986 in the Official Records of San Diego County,  
California, as File No. 86-388367.

B. The City has required certain amendments to the Master  
Declaration as a condition of approval of a final subdivision  
map for a portion of the real property to be annexed thereto.

C. Paragraph 16.1 of the Master Declaration provides that  
prior to the sale and conveyance of a Unit to a purchaser  
(other than Developer, Rancho, Home Building or a Builder), the  
Master Declaration may be amended by written instrument signed  
and acknowledged by Developer and a majority of all Builders  
then owning land in the Master Project.

D. Rancho and Home Building currently own all of the land  
included in the Master Project and have signed and acknowledged  
this First Amendment.

E. All capitalized terms which are not defined herein  
shall have the meanings set forth in the Master Declaration.

NOW, THEREFORE, the Master Declaration is hereby amended as follows:

1. The definition of "Improvement" in Paragraph 1.14 is amended to add the following items:

"drainage facilities, ornamental lighting and irrigation systems."

2. Paragraph 4.3 is amended to add the following:

"The Master Association shall maintain the Master Common Area and all Improvements thereon in accordance with the PRD Master Plan, the Master Landscape Plan approved by The City for the property covered by the PRD Master Plan, and other applicable City standards, requirements and conditions of approval. Maintenance by the Master Association shall include measures to protect slope stability."

3. Paragraph 9.2 is deleted in its entirety and the following is substituted therefor:

"9.2 Relationship of Master Declaration to The City's Approvals; Compliance with Laws.

9.2.1 Notwithstanding any other provision of this Master Declaration to the contrary, the Developer and each Owner shall not, by amendment of this Master Declaration or otherwise, modify any of the following provisions of this Master Declaration, without the prior approval of the City Council of The City: (i) any provisions which establish the responsibility to provide for the management and control and maintenance, including landscape maintenance, of the Master Common Area, by the Master Association, as provided in this Master Declaration; and (ii) the provisions of this Master Declaration concerning necessary compliance with City laws and requirements of other governmental bodies. This Paragraph 9.2.1 and the obligations established hereby shall not be modified, amended or deleted without the prior approval of the City Council of The City. The City shall have the right, but not the obligation, to enforce the provisions of this Paragraph and shall be entitled to recover reasonable attorneys' fees established by a court in the event The City elects to enforce its rights pursuant to this Paragraph in the event of a default hereunder by the Developer and/or Owners.

9.2.2 The Developer and each Owner shall at all times comply with any laws, ordinances or regulations of The City, duly enacted thereby, and any other provision, regulation or requirement of any other governmental body, and nothing in this Master Declaration is intended to be, nor shall be deemed to be, a waiver of, or promulgation contrary to, any such law, ordinance or regulation. No provision of this Master Declaration is intended to nor shall it be deemed to constitute any delegation by The City, or any other governmental body, to the Master Association, of any of The City's rights to enforce or impose any ordinances, regulations or policies upon the Master Association, any property owner/occupant, or any property covered by this Master Declaration.

9.2.3 Rancho has executed a Grant of Easement in favor of the Master Association dated August 18, 1986, and recorded on September 4, 1986 as File No. 86-388369 of the Official Records of San Diego County, California. The Grant of Easement relates to Lot K of Map No. 11409, as more particularly described therein. Rancho and the Master Association hereby agree that the Grant of Easement shall not be extinguished, terminated or modified without the written recorded consent of The City, except for an automatic termination upon conveyance of fee title to Lot K to The Master Association as provided in the Grant of Easement."

4. Paragraph 17.7 is amended to add the following provision:

"As used herein, 'will' or 'shall' indicates a mandatory action and 'may' indicates a permissive action."

5. Exhibit C attached to the Master Declaration, which describes the Annexation Property, is amended to delete Lot "7.5" and to substitute therefor Lot "7.3".

6. Exhibit D attached to the Master Declaration, which describes the initial Master Common Area, is deleted in its entirety and Exhibit D attached hereto is substituted therefor.

7. Exhibit G attached to the Master Declaration, which is the Village Maintenance Agreement, is deleted in its entirety and Exhibit G attached hereto is substituted therefor.

8. In all other respects, the Master Declaration remains unchanged, in full force and effect.

IN WITNESS WHEREOF, this First Amendment has been executed as of the day first above set forth.

RANCHO DEL ORO DEVELOPMENTS, a California general partnership

By COLLINS-RANCHO DEL ORO COMPANY, a California corporation

By: *Roll C. Sisk*

Title: U.P.

By: *A. A. Shinn*

Title: VP

RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, a California general partnership

By: RANCHO DEL ORO DEVELOPMENTS, a California general partnership, General Partner

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

By: *Roll C. Sisk*

Title: U.P.

By: *A. A. Shinn*

Title: VP

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

By: *[Signature]*

Title: VP

By: *[Signature]*

Title: *Assoc Secretary*



VILLAGE HOME BUILDING PARTNERSHIP  
No. 1, a California limited  
partnership

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

By: [Signature]  
Title: V.P.

By: [Signature]  
Title: Asst. Secretary

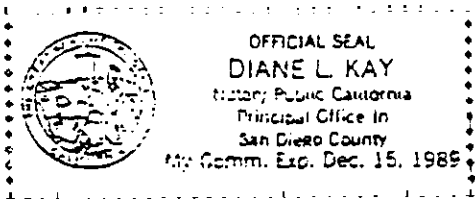
APPROVED AS TO FORM  
OCEANSIDE CITY ATTORNEY  
[Signature]  
ASSISTANT CITY ATTORNEY

EBS:2024M

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On Oct 13, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Richard T. [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the vice president, and [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the managing director of COLLINS-RANCHO DEL ORO COMPANY, the corporation that executed this instrument on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.

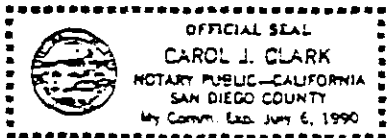


[Signature]  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On August 17, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the Vice President, and [unclear], personally known to me (or proved to me on the basis of satisfactory evidence) to be the Assistant Secretary of J. F. SHEA CO., INC., the corporation that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.



[Signature]  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On Oct 13, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Paul H. Hill, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Exec. Vice, and Robert J. Hill, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Chairman of COLLINS-RANCHO DEL ORO COMPANY, the corporation that executed this instrument on behalf of RANCHO DEL ORO DEVELOPMENTS, the partnership that executed this instrument on behalf of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner of RANCHO DEL ORO DEVELOPMENTS, that such partnership executed this instrument as such partner of RANCHO DEL ORO VILLAGES LAND DEVELOPMENT, and that the partnership executed it.

WITNESS my hand and official seal.  
OFFICIAL SEAL  
DIANE L KAY  
Notary Public California  
Principal Office in  
San Diego County  
My Comm. Exp. Dec. 15, 1989

*[Signature]*  
Notary Public in and for Said  
County and State

STATE OF CALIFORNIA )  
 ) SS  
COUNTY OF SAN DIEGO )

On November 13, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Thomas Naga, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Vice President, and Carol J. Clark, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Assistant Secretary of J. F. SHEA CO., INC., the corporation that executed this instrument on behalf of VILLAGE HOME BUILDING PARTNERSHIP NO. 1, the partnership that executed this instrument, and acknowledged to me that the corporation executed this instrument pursuant to its bylaws or a resolution of its Board of Directors as such partner and that the partnership executed it.

WITNESS my hand and official seal.

OFFICIAL SEAL  
CAROL J. CLARK  
NOTARY PUBLIC - CALIFORNIA  
SAN DIEGO COUNTY  
My Comm. Exp. July 6, 1990

*[Signature]*  
Notary Public in and for Said  
County and State