

thousand four hundred ninety (1,490) Lots or Condominiums (for purposes of this subsection (i) each apartment unit located on any Lot in the Properties shall count as the sale of one (1) Lot upon the rental or lease of such apartment unit); or

(ii) At such time as neither Declarant nor any Participating Builder has any authority to annex real property in the Annexable Area to the Properties without the consent of the Delegates as provided in Article III; or

(iii) December 31, 2000.

(i) Suspension of Voting Rights. The Board shall have the authority to suspend the voting rights of any Member to vote in any meeting of the Members in any Delegate District, for any period during which the payment of any Common, Capital Improvement or Reconstruction Assessments against such Member and the real property owned by such member remains delinquent, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member's obligation to pay Assessments provided for herein.

## ARTICLE V

### FUNCTIONS OF MASTER ASSOCIATION

Section 5.1. Powers and Duties: The Master Association shall have all of the powers of a California non-profit mutual benefit corporation, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws or this Master Declaration. It shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Master Association under and by virtue of this Master Declaration, the Articles, and the Bylaws, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Master Association. Without in any way limiting the generality of the foregoing provisions, the Master Association shall have the power and obligation at any time:

(a) Meetings; Appointment of Delegates. To take such actions as necessary to notice and conduct meetings of the Members and to appoint Delegates in accordance with Section 4.4, above.

(b) Assessments. To levy assessments on the Owners of Lots and Condominiums within the Properties and to enforce payment of such assessments in accordance with the provisions of Article VI hereof.

(c) Rights of Entry and Enforcement. After Notice and Hearing, without being liable to any Owner or Sub-Association, to enter upon any Common Area, Lot or Condominium, for the purpose of enforcing by peaceful means this Master Declaration, or for the purpose of maintaining or repairing any such area if for any reason whatsoever the Owner thereof fails to maintain or repair any such area as required by this Master Declaration. Unless there exists an emergency, there shall be no entry into a Condominium unit or into a dwelling unit on a Lot without the prior consent of the Owner thereof. The Master Association shall also have the power and authority from time to time in its own name, on its behalf or on behalf of any Owner or Owners who consent thereto, to commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of this Master Declaration and to enforce, by mandatory injunctions or otherwise, all of the provisions of this Master Declaration. In the event of any action brought by the Master Association, the prevailing party shall be entitled to reasonable attorneys' fees to be fixed by the court.

(d) Easements and Rights-of-Way. To grant and convey with the consent of Declarant (which consent shall not be unreasonably withheld) for so long as Declarant may appoint a Delegate to the Master Association, to any Person, easements, rights-of-way, parcels or strips of land, in, on, over or under any portion of the Master Association Maintenance Area or other Association Property for the purpose of constructing, erecting, operating or maintaining thereon, therein and thereunder: (i) roads, streets, walks, driveways, parkways and park areas; (ii) overhead or underground lines, cables, wires, conduits, or other devices for the transmission of electricity for lighting, heating, power, television, telephone and other similar purposes; (iii) sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; and (iv) any similar public or quasi-public Improvements or facilities.

(e) Repair and Maintenance of Association Property. To paint, plant, maintain and repair in a neat and attractive condition all Master Association Maintenance Area and any other Association Property and all Improvements thereon, and to pay for utilities, gardening

service and other necessary utility or other services for the said Master Association Maintenance Areas and any other Association Property; provided, however, that the Master Association shall have no responsibility to provide the services referred to in this paragraph with respect to any Improvement which is not classified as a portion of the Association Property in a Declaration of Annexation. Such responsibility shall be that of the Owner concerned, as provided in this Master Declaration, or as described in the Declaration of Annexation.

(f) Manager. To retain and pay for the services of a professional person or firm to manage the Master Association Maintenance Area and any other Association Property (the "Manager"), as well as such other personnel as the Board shall determine shall be necessary or proper for the operation of the Association Property or the conduct of the business of the Master Association, whether such personnel are employed directly by the Master Association or are furnished by the Manager. The Master Association and the Board may delegate any of their duties, powers or functions to the Manager, provided that any such delegation shall be revocable upon notice by the Master Association or Board.

(g) Legal and Accounting Services. To retain and pay for legal and accounting services necessary or proper in the operation of the Association Property, enforcement of this Master Declaration, or in performing any of the other duties or rights of the Master Association.

(h) Insurance. To obtain and maintain in force the following policies of insurance:

(i) Fire and extended coverage insurance on all Improvements, if any, under the control or ownership of the Master Association, the amount of such insurance to be not less than one hundred percent (100%) of the aggregate full insurable value, meaning actual replacement value. Such insurance shall insure the Master Association and its Mortgagees, as their interests may appear. As to each such policy, which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but only to the extent that insurance proceeds are received in compensation for such loss.

(ii) Bodily injury liability insurance, with limits of not less than One Million Dollars (\$1,000,000.00) insuring against liability for bodily injury, death and property damage arising from the activities of the Master Association or with respect to property under its jurisdiction, including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured.

(iii) Worker's Compensation insurance to the extent necessary to comply with any applicable laws.

(iv) Such other insurance, including malicious mischief, medical payments, liquor liability, directors and officers errors and omissions insurance, indemnity and other bonds, as the Board shall deem necessary or expedient to carry out the Master Association functions as set forth herein or in the Articles and Bylaws.

The liability insurance referred to above shall name as separately protected insureds, Declarant, the Master Association, the Board, and their representatives, members and employees, with respect to any liability arising out of the maintenance or use of any Association Property. Every policy of insurance obtained by the Master Association shall contain an express waiver, if available, of any and all rights of subrogation against Declarant, the Board, and their representatives, members, employees and successors in interest.

Said fire and liability insurance policies may be blanket policies covering the Association Property and property of Declarant or Participating Builder, in which case the Master Association and Declarant or Participating Builder shall each pay their proportionate share of the premiums. With respect to insurance proceeds from the Association Property only, the Master Association shall be deemed trustee of the interests of all Members and Owners in any insurance proceeds paid to it under any such policies, and shall have full power to receive and to receipt for their interests in such proceeds and to deal therewith. In the event that the proceeds of such insurance policies are inadequate to pay for the entire cost of repair, replacement or reconstruction of the Master Association Maintenance Areas and any other Association Property, the Board may levy a Reconstruction Assessment on each Owner and his respective Lot or Condominium in accordance with Section 6.4, below. Notwithstanding any other provisions herein, the Master Association shall continuously maintain in effect

such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for planned unit development established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Federal Home Loan Mortgage Association ("FHLMC"), so long as any of which is a Mortgagee or Owner of a Lot or Condominium within the Properties, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

(i) Construction on Association Property. The Master Association (by action of the Board) may construct new Improvements or additions to the Association Property, or demolish existing Improvements, additions or demolition (other than maintenance or repairs to existing Improvements) in accordance with the provisions of this Master Declaration.

(j) Contracts. Neither Declarant, nor any Participating Builder nor any of their agents, shall enter any contract which would bind the Master Association or the Board for a period in excess of one (1) year and shall be terminable by either party thereto without cause or payment of a termination fee upon ninety (90) days written notice thereof, and shall be terminable for cause on thirty (30) days written notice, except as provided in the Bylaws. The Master Association, acting through the Board, may enter into contracts with Declarant, Sub-Associations, Lot or Condominium Owners or other Persons in the Developed Area or the Annexable Area to maintain and repair slope areas and other areas subject to the provisions of this Master Declaration. No Master Association contract or Sub-Association contract may be awarded to any firm or entity, other than Declarant, in which any Board member or relative of any member of the Board of either the Master Association or any Sub-Association has any financial or other interest. This restriction applies to all contracts for twelve (12) months after a member of the Board leaves his position on a Board.

(k) Audit. The Board shall provide for an annual independent audit of the accounts of the Manager and Master Association and for delivery of a copy of such audit to each Owner in the manner provided in the Bylaws. Any Owner, accompanied by an accountant, may at any time and at his own expense cause an audit or inspection to be made of the books and records of the Manager or the Master Association; provided that such audit or inspection is made during normal working hours and without unnecessary interference with the operations of the Manager or the Master Association.

(1) Maintenance of Flood Control Facilities and Other Areas. To maintain, inspect, repair and reconstruct flood control facilities on or servicing the Properties, including emergency services, and to repair slope easements, slopes, roads, roadways, roadway rights-of-way, parkways and decorative signs identifying the Properties not maintained by governmental entities to the extent deemed advisable by the Board; and in particular, to maintain medians and circles on those public roadways located on the Properties.

Section 5.2. Rules and Regulations: The Board may adopt such Rules and Regulations as it deems proper for the use and occupancy of the Association Property. A copy of the Rules and Regulations, as they may from time to time be adopted, amended or repealed, shall be posted in a conspicuous place in the Association Property and may be mailed or otherwise delivered to each Owner. Such Rules and Regulations may, but need not be, recorded; provided, however, that any decision to record the Rules and Regulations shall be first made by a majority vote of the Delegates. If the Rules and Regulations are recorded pursuant to this provision, and duly adopted amendments to the Rules and Regulations shall be recorded by the Board. Upon such mailing, delivery or recordation, or posting, the Rules and Regulations shall have the same force and effect as if they were set forth and were a part of this Master Declaration; provided, however, that the Rules and Regulations shall be enforceable only to the extent that they are consistent with this Master Declaration, the Articles and the Bylaws, and the Rules and Regulations may not be used to amend any of said documents. In addition, as to any Owner having actual knowledge of any given Rules and Regulations, such Rules and Regulations shall have the same force and effect and may be enforced against such Owner.

Section 5.3. Liability; Indemnification: No Member of the Board, Delegate, Declarant, Participating Builder nor the Manager shall have any liability to the Master Association or its Members based upon any alleged failure to properly discharge their respective powers and duties under this Article V as long as such persons perform such powers and duties in a manner not expressly contrary to law and in a manner such persons believe to be in the best interests of the Master Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. Such persons shall be entitled to rely on information in any form prepared or presented by employees or agents of the Master Association whom such persons believe to be reliable and competent in the matters presented and to rely on the information and advice of other outside consultants which such persons believe to be within such outside consultants' professional or expert

competence. Such persons shall be indemnified to the full extent allowed by the California Corporations Code without limitation.

Section 5.4. Taxes: Each Owner shall execute such instruments and take such action as may reasonably be specified by the Master Association to obtain separate real estate tax assessments of each Lot or Condominium. If any taxes or assessments may, in the opinion of the Master Association, nevertheless be a lien on the Association Property, or any part thereof, they may be paid by the Master Association, and each Owner shall be obligated to pay or to reimburse the Master Association for, as the case may be, the taxes and assessments assessed by the County Assessor or other taxing authority against the Association Property and attributable to his own Lot or Condominium and interest in the Association Property.

Section 5.5. Limitation on Certain Actions: Notwithstanding any contrary provision in this Master Declaration or in the Articles or Bylaws of the Master Association, the amount of Common Assessments levied in any fiscal year of the Master Association upon each Owner shall not be less than the amount reflected in the Final Subdivision Public Report for the First Subdivision per Lot or Condominium prior to the date on which Declarant has lost the power to appoint a Delegate to the Master Association, unless the consent of Declarant has first been obtained (in addition to any other vote, consent or approval required).

Section 5.6. Actions Without a Meeting: The Board may take actions and exercise those powers and duties specified in this Master Declaration or otherwise authorized by the Bylaws or statute without a meeting if all of the Directors consent in writing to the action to be taken. If the Board resolves by unanimous written consent to take an action, an explanation of the action taken shall be posted in a prominent place or places within the Common Area as the Directors may direct which is convenient to the Owners within three (3) days after the written consents of all Directors have been obtained.

## ARTICLE VI

### ASSESSMENTS

Section 6.1. Covenant To Pay: Declarant and any Participating Builder, for each Lot or Condominium owned by it, hereby agrees to pay, and each Owner of a Lot or Condominium by accepting a deed or other conveyance creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or