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**MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
LADERA RANCH
A MASTER PLANNED COMMUNITY**

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**MASTER DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
LADERA RANCH**

This Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Ladera Ranch ("Master Declaration") is made by DMB Ladera, LLC, a Delaware limited liability company ("Declarant") and Standard Pacific Corp., a Delaware corporation (the "First Neighborhood Builder").

PREAMBLE:

A. The First Neighborhood Builder is the Owner of real property ("First Subdivision") in the unincorporated area of the County of Orange, State of California, described as follows:

Lots 5 to 27, inclusive, of Tract No. 15621, as shown on a Subdivision Map recorded in Book 781, Pages 14 to 16, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder.

B. Declarant and all of the Neighborhood Builders have agreed that the Residential Area, Apartment Area and any other area of the Annexable Area added to Covered Property will be developed with objectives designed to benefit all the property in the Covered Property, even though the areas are of different character. This common development scheme created by Declarant and the Neighborhood Builders imposes reciprocal burdens and benefits on all of the Covered Property, so that each portion and the entirety of the Covered Property is both burdened and benefitted by the provisions of this Master Declaration.

C. Declarant deems it desirable, for the efficient preservation of the amenities in the Covered Property, to create a "master planned development" (as defined in Section 2792.32 of Title 10 of the California Code of Regulations) which is also a "common interest development" within the meaning of Section 1351(c) of the California Civil Code, pursuant to the Davis-Stirling Common Interest Development Act. The Covered Property is planned to constitute a "subdivision" as defined in Section 11000 of the California Business and Professions Code. The general plan of development of the Covered Property will include forming a corporation pursuant to the California Nonprofit Public Benefit Corporation Law to which will be assigned the powers of (1) owning, maintaining and administering the LARMAC Property, (2) administering and enforcing the LARMAC Governing Documents, and (3) collecting and disbursing the assessments and charges hereinafter created. Declarant will cause such corporation, the Members of which will be the Owners of real property in the Covered Property, to be formed to exercise such powers, as required by Section 1363 of the California Civil Code.

D. Declarant declares that the Covered Property will be held, conveyed, encumbered, used, occupied and improved subject to the easements, restrictions, reservations, rights, covenants, conditions and equitable servitudes contained in this Master Declaration, all of which are for the purpose of enhancing the attractiveness and desirability of the Covered Property, in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale of the Covered Property. The covenants, conditions, restrictions, rights, reservations, easements and equitable servitudes set forth in this Master Declaration will (1) run with and burden the Covered Property and will be binding upon all Persons having or acquiring any interest in the Covered Property or any part thereof, their heirs, successors and assigns; (2) inure to the benefit of every portion of the Covered Property and any interest therein; (3) inure to the benefit of and be binding upon Declarant, the Neighborhood Builders, and their respective successors-in-interest, each Owner and each Owner's successors in interest; and (4) may be enforced by Declarant, any Neighborhood Builder, any Owner and LARMAC.

Introduction to Covered Property

Declarant has established this Master Declaration to provide a governance structure and statement of the objectives of that structure for the community in the Covered Property. This community will have a flexible system of standards and procedures for its overall development, administration, and operation. This Master Declaration establishes the powers and flexibility necessary to develop the community in the Covered Property.

LARMAC is the homeowners association formed to manage, maintain and govern the Covered Property. LARMAC's powers are described in Sections 3.2 and 3.3. The Master Declaration empowers LARMAC to enter into agreements with other entities to exercise its powers and fulfill its responsibilities.

The majority of LARMAC's business is overseen by its Board of Directors. Day-to-day activities are supervised by LARMAC's officers and the Community Manager. The Aesthetics Review Committee is a committee of LARMAC formed in Article IV to have jurisdiction over design, development, aesthetics and the character of the Covered Property. The Covenant Committee is another committee of LARMAC formed in Article V. The Covenant Committee is given the power of enforcing the use restrictions and other portions of the Master Declaration through administrative means.

Certain issues cannot be decided by the Board of Directors of LARMAC. Instead, these issues will be presented to the Neighborhood Representatives or the Members of LARMAC. The Neighborhood Representatives are elected by each of the Neighborhoods in the Covered Property. The Neighborhood Representatives' job includes informing Members who live in their Neighborhoods of various events and activities. Information about the Neighborhood Representatives' powers and duties as well as information about their election, term of office and decision-making procedure is contained in the Bylaws of LARMAC. Procedures for calling Member meetings are also contained in the LARMAC Bylaws.

In addition to this Master Declaration, some Neighborhoods may also be governed by Neighborhood Declarations or Village Declarations. These Neighborhood Declarations and Village Declarations may impose additional restrictions on Lots or Condominiums in the affected Neighborhoods. The Neighborhood Declarations may also create Neighborhood Corporations which will be operated pursuant to their own articles of incorporation and bylaws. The Neighborhood Corporations may have their own aesthetics review committees and may adopt their own aesthetics standards or rules and regulations. The Neighborhood Declarations and Village Declarations, the management documents of Subordinate Corporations, and rules and regulations or architectural or landscaping guidelines of various Neighborhoods may supplement or be more restrictive than the LARMAC Governing Documents so long as they are consistent with the scheme of governance established by the LARMAC Governing Documents.

To encourage a sense of overall community in the Covered Property, this Master Declaration provides for Special Benefit Areas as an alternative to the creation of multiple Subordinate Corporations. The Special Benefit Areas permit Neighborhoods to receive extra services or other benefits from LARMAC and to pay for these benefits above the basic level of the Common Assessments for the entire community.

ARTICLE I DEFINITIONS

When the following words and phrases are used in this Master Declaration, they will have the meanings given in this Article and be subject to the limits described in this Article.

1.1. **AESTHETICS REVIEW COMMITTEE.** Aesthetics Review Committee means the Aesthetics Review Committee created pursuant to Article IV.

1.2. **AESTHETICS STANDARDS.** Aesthetics Standards mean the design standards, procedures, rules and guidelines which may be adopted pursuant to Article IV.

1.3. **ANNEXABLE AREA.** Annexable Area means the real property described in *Exhibit "AA"*, all or any portion of which may be made subject to this Master Declaration pursuant to the provisions of Article XVI.

1.4. **APARTMENT AREA.** Apartment Area means all of the real property classified as a portion of the Apartment Area in a Supplemental Declaration, which is or will be developed with Improvements suitable for multi-Family rental apartment use.

1.5. **ARTICLES.** Articles mean the Articles of Incorporation of LARMAC as amended or restated. A copy of the initial Articles is attached as *Exhibit "AI"*.

1.6. **ASSESSMENT, COMMON.** Common Assessment means a charge against the Owners and their Lots or Condominiums to be used to satisfy Common Expenses, which is to be levied as provided in this Master Declaration. Common Assessments are composed of a

“General Assessment Component” and, possibly, a “Special Benefit Area Assessment Component,” as provided in Section 8.4. The Common Assessment is a regular assessment as described in California Civil Code Section 1366.

1.7. **ASSESSMENT, CAPITAL IMPROVEMENT.** Capital Improvement Assessment means a charge which the Board may levy against the Owners and their Lots or Condominiums representing a portion of the cost to LARMAC for installing or constructing any capital Improvements on any of the LARMAC Property. Capital Improvement Assessments will be levied in the same proportion as Common Assessments. Capital Improvement Assessments are special assessments as described in California Civil Code Section 1366.

1.8. **ASSESSMENT, COMPLIANCE.** Compliance Assessment means a charge against a particular Owner or Subordinate Corporation directly attributable to or reimbursable by that Owner or Subordinate Corporation equal to the cost incurred by LARMAC for corrective action, or a fine or penalty assessed by the Board, plus interest and other charges on such Compliance Assessments. Compliance Assessments shall not include any late payment penalties, interest charges or costs (including attorneys’ fees) incurred by LARMAC in the collection of Common, Capital Improvement or Reconstruction Assessments because these costs are added to the Common, Capital Improvement or Reconstruction Assessment for which they are incurred. Compliance Assessments may include any other collection costs, expenses and reasonable attorneys’ fees. Compliance Assessments are monetary penalties described in Section 2792.26(b) of the California Code of Regulations.

1.9. **ASSESSMENT, EXTRAORDINARY.** Extraordinary Assessment means a charge which the Board may levy against Owners and their Lots or Condominiums representing any expense incurred or to be incurred in accordance with the LARMAC Governing Documents which cannot be imposed as a Capital Improvement Assessment or Reconstruction Assessment but which qualifies as a special assessment described in California Civil Code Section 1366. Extraordinary Assessments will be levied in the same proportion as Common Assessments.

1.10. **ASSESSMENT, RECONSTRUCTION.** Reconstruction Assessment means a charge which the Board may levy against the Owners and their Lots or Condominiums representing a portion of LARMAC’s cost to reconstruct any Improvements on the LARMAC Property. Reconstruction Assessments will be levied in the same proportion as Common Assessments. Reconstruction Assessments are special assessments as described in California Civil Code Section 1366.

1.11. **ASSESSMENT UNIT.** Assessment Unit means the value allocated to each Lot or Condominium pursuant to Section 8.4.1, for purposes of calculating the share of Common Expenses attributable to such Lot or Condominium.

1.12. **BENEFICIARY.** Beneficiary means a Person to whom a mortgage is made and includes the beneficiary of a deed of trust.

1.13. **BOARD OR BOARD OF DIRECTORS.** Board or Board of Directors means LARMAC's Board of Directors.

1.14. **BUDGET.** Budget means a written, itemized estimate of LARMAC's income and Common Expenses.

1.15. **BYLAWS.** Bylaws means the Bylaws of LARMAC as adopted by the Board initially in the form of *Exhibit "BY"*, as amended or restated.

1.16. **CLOSE OF ESCROW.** Close of Escrow means the date on which a deed conveying a Lot or Condominium pursuant to a transaction requiring the issuance of a Public Report is Recorded. The term "Close of Escrow" shall not include the Recordation of a deed (i) between Declarant and (a) any successor to any rights of the Declarant or (b) any Neighborhood Builder, or (ii) between Neighborhood Builders, or (iii) conveying any portion of the Apartment Area.

1.17. **COMMON EXPENSES.** Common Expenses means those expenses for which LARMAC is responsible under this Master Declaration, including the actual and estimated costs of the following:

- Maintaining, managing and operating the LARMAC Property;
- Unpaid Capital Improvement Assessments, Common Assessments, Compliance Assessments, Extraordinary Assessments and Reconstruction Assessments;
- Any commonly metered utilities or other commonly metered charges for the Covered Property not paid for by a Subordinate Corporation;
- Managing and administering LARMAC;
- Compensation paid by LARMAC to managers, accountants, attorneys and LARMAC employees;
- All utilities, landscaping, trash pickup and other services benefitting the LARMAC Property;
- Maintaining address identification signs not provided for by a Subordinate Corporation;
- Fire, casualty and liability insurance, worker's compensation insurance, and other insurance covering the Covered Property and the directors, officers and agents of LARMAC;

- Bonding the members of the LARMAC Board of Directors or its officers;
- Taxes paid by LARMAC;
- Amounts paid by LARMAC for discharge of any lien or encumbrance levied against the Covered Property, or portions thereof;
- Reasonable reserves;
- Providing protective services for the LARMAC Property or other portions of Ladera;
- Payments under contracts entered into by LARMAC;
- Expenses designated as Common Expenses in Supplemental Declarations;
- All other expenses incurred by LARMAC for any reason whatsoever in connection with the Covered Property, for the common benefit of the Owners.

1.18. **COMMUNITY GUIDELINES.** Community Guidelines mean the rules and regulations adopted, amended or restated by the Board.

1.19. **COMMUNITY MANAGER.** Community Manager means the Person who provides professional community management for LARMAC and who is retained to perform functions of LARMAC as limited by the LARMAC Governing Documents and the terms of the agreement between LARMAC and said Person.

1.20. **CONDOMINIUM.** Condominium means a condominium as defined in Sections 783 and 1351(f) of the California Civil Code. Condominium also means the individual ownership interests in a "community apartment project" or "stock cooperative," both of which are defined in California Civil Code Section 1351, but excludes any condominium defined as a Lot for purposes of this Master Declaration.

1.21. **COUNTY.** County means the County of Orange in the State of California, and its various departments, divisions, employees and representatives. If any portion of the Covered Property becomes a portion of an incorporated city, then the term "County" includes the city in which the Covered Property is located.

1.22. **COVENANT COMMITTEE.** Covenant Committee means the Covenant Committee established by this Declaration and empowered to enforce the LARMAC Governing Documents.

1.23. **COVERED PROPERTY.** The Covered Property means all of the real property covered by this Master Declaration and subject to the jurisdiction of LARMAC, including (a) the First Subdivision, (b) the LARMAC Property designated in this Master Declaration or a Supplemental Declaration to be owned and maintained by LARMAC concurrently with the first close of escrow in the First Subdivision and (c) each Phase described in a Supplemental Declaration. The Covered Property is a “common interest development” and a “planned development” as defined in Sections 1351(c) and 1351(k), respectively, of the California Civil Code.

1.24. **DECLARANT.** Declarant means DMB Ladera, LLC, a Delaware limited liability company, its successors and any Person to which it shall have assigned any rights hereunder by express written assignment. Any such assignment may include some or all of the rights of the Declarant and may be subject to such limits as DMB Ladera, LLC may impose in its sole discretion. As used in this Section, “successor” means a Person who acquires Declarant or substantially all of its assets, or who merges with Declarant, by sale, merger, reverse merger, consolidation, sale of stock or assets, operation of law or otherwise. Declarant is a builder as described in California Civil Code Section 1375.

1.25. **DECLARANT’S NEIGHBORHOOD REPRESENTATIVE.** Declarant’s Neighborhood Representative means the Neighborhood Representative appointed by Declarant to represent Declarant and all Neighborhood Builders and to cast the Class A and Class B votes of the Declarant and all Neighborhood Builders.

1.26. **DEED OF TRUST.** Deed of Trust means any Recorded mortgage or deed of trust or other conveyance of one or more Lots, Condominiums, or other portions of the Covered Property to secure the performance of an obligation, which will be reconveyed upon the completion of such performance.

1.27. **DRE.** DRE means the California Department of Real Estate and its successors.

1.28. **FAMILY.** Family means (a) one or more natural persons related to each other by blood, marriage or adoption, or (b) a group of natural persons not all so related, but who maintain a common household in a Residence.

1.29. **FHA.** FHA means the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States government which succeeds to FHA’s function of insuring notes secured by Deeds of Trust on residential real estate.

1.30. **FHLMC.** FHLMC means the Federal Home Loan Mortgage Corporation created by Title II of the Emergency Home Finance Act of 1970, and its successors.

1.31. **FIRST SUBDIVISION.** First Subdivision means all of the real property described in Paragraph A of the Preamble of this Master Declaration.

1.32. **FISCAL YEAR.** Fiscal Year means the fiscal accounting and reporting period of LARMAC selected by the Board.

1.33. **FNMA.** FNMA means the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and its successors.

1.34. **GNMA.** GNMA means the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and its successors.

1.35. **IMPROVEMENT.** Improvement means any structure, vegetation or appurtenance thereto including buildings, walkways, sprinkler pipes, parking areas, recreational facilities, pools, gazebos, roads, driveways, parking areas, fences, all types of walls, stairs, decks, landscaping, antennae, the paint on all exterior surfaces, windbreaks, patio covers, railings, poles, signs, storage areas, exterior air conditioning and water-softening equipment. The Aesthetics Standards may identify additional items that are Improvements.

1.36. **INCLUDES, INCLUDING.** Whether capitalized or not, includes and including mean “includes without limitation” and “including without limitation,” respectively.

1.37. **LANDSCAPE MAINTENANCE GUIDELINES.** Landscape Maintenance Guidelines means the guidelines for the ordinary and necessary maintenance and preservation of the LARMAC Property. Among other things, the Landscape Maintenance Guidelines specify suggested maintenance levels, recommended intervals for regularly scheduled maintenance items, and the scope of required maintenance practices and procedures. The Landscape Maintenance Guidelines were provided to LARMAC by Declarant and may be supplemented, amended and updated by the Board.

1.38. **LARCS.** LARCS means the Ladera Ranch Community Services, a California nonprofit corporation (formed pursuant to the California Nonprofit Public Benefit Corporation Law), its successors and assigns, formed for the purpose of providing various community services to Ladera Ranch.

1.39. **LARMAC.** LARMAC means the Ladera Ranch Maintenance Corporation, a California nonprofit corporation, formed pursuant to the California Nonprofit Public Benefit Corporation Law, its successors and assigns. LARMAC is an “association” as defined in Section 1351(a) of the California Civil Code.

1.40. **LARMAC GOVERNING DOCUMENTS.** LARMAC Governing Documents means this Master Declaration, all Supplemental Declarations, the Articles, Bylaws, the Aesthetics Standards, the Landscape Maintenance Guidelines and the Community Guidelines.

1.41. **LARMAC MAINTENANCE FUNDS.** LARMAC Maintenance Funds means the accounts created for LARMAC receipts and disbursements pursuant to Article VIII hereof.

1.42. **LARMAC PROPERTY.** LARMAC Property means all the real property and Improvements, whether annexed to the Covered Property or not, which are owned in fee simple by LARMAC, or for which LARMAC has rights or obligations by easement, lease, encroachment permit, license or other agreement. The LARMAC Property is “common area” as defined in Section 1351(b) of the California Civil Code. The LARMAC Property initially encumbered by this Master Declaration is identified in Article XV. Additional LARMAC Property may be identified in Supplemental Declarations and may be annexed to the Covered Property pursuant to Article XVI.

1.43. **LOCAL GOVERNMENTAL AGENCY.** Local Governmental Agency means the County and any local or municipal governmental entity or agency including any school district, special assessment district, maintenance district or community facilities district.

1.44. **LOT.** Lot means any lot or parcel of land shown upon any Recorded subdivision map or Recorded parcel map of any portion of the Covered Property, including any Lot in an Apartment Area, but excluding the LARMAC Property and the Neighborhood Property. Lot will also mean a condominium as defined in Sections 783 and 1351(f) of the California Civil Code if (i) the condominium is a volume of real property that is not located entirely within a building (a ‘site’ condominium), and (ii) the Supplemental Declaration annexing the condominium to this Master Declaration states that the condominium will be defined as a Lot for purposes of this Master Declaration.

1.45. **MAINTAIN.** Whether capitalized or not, maintain means maintain, repair and replace.

1.46. **MASTER DECLARATION.** Master Declaration means this entire instrument, including the Preamble, all other provisions, and the Exhibits, as amended or restated.

1.47. **MEMBER, MEMBERSHIP.** Member means any Person holding a Membership and the Declarant. Membership means the property, voting and other rights and privileges of Members established in the LARMAC Governing Documents, together with the correlative duties and obligations contained therein.

1.48. **NEIGHBORHOOD.** Neighborhood means a geographical area in the Covered Property in which a single Neighborhood Representative represents the voting power of all Members (other than Declarant and the Neighborhood Builders) owning Lots or Condominiums

in such geographical area. As each portion of the Annexable Area is added to the property subject to this Master Declaration, the Supplemental Declaration adding the property will identify the Neighborhood to which the property is assigned.

1.49. **NEIGHBORHOOD BUILDER.** Neighborhood Builder means a Person designated by Declarant as a Neighborhood Builder in a Recorded document. Declarant intends to designate the following Persons as Neighborhood Builders: Persons who acquire a portion of the Covered Property for the purpose of (i) developing such portion for resale to the general public, or (ii) in the case of an Apartment Area, for developing such area for sale, lease, short or long-term investment or occupancy. Upon the first occupancy of a building in the Apartment Area, the owner of the building ceases to be a Neighborhood Builder. The term "Neighborhood Builder" does not include Declarant. Each Neighborhood Builder is a builder as described in California Civil Code Section 1375.

1.50. **NEIGHBORHOOD CORPORATION.** Neighborhood Corporation means any California nonprofit corporation or unincorporated association, or its successor, established in connection with a Neighborhood Declaration, the membership of which is composed of Owners of Lots or Condominiums in a portion of the Covered Property. LARMAC and any Village Corporation are not Neighborhood Corporations.

1.51. **NEIGHBORHOOD DECLARATION.** Neighborhood Declaration means any declaration of covenants, conditions and restrictions, or similar document, which affects solely a portion of the Covered Property. The Master Declaration, the Supplemental Declarations and any Village Declarations are not Neighborhood Declarations.

1.52. **NEIGHBORHOOD PROPERTY.** Neighborhood Property means that area in any portion of the Covered Property designated in a Neighborhood Declaration or Village Declaration as "common area" (as defined in Section 1351(b) of the California Civil Code) owned or maintained by the Subordinate Corporation for the primary benefit of the Owners under the jurisdiction of the Subordinate Corporation.

1.53. **NEIGHBORHOOD REPRESENTATIVE.** Neighborhood Representative means either (i) Declarant's Neighborhood Representative, or (ii) a person selected pursuant to the Bylaws, to represent all of the Members (excluding Declarant and the Neighborhood Builders) in a Neighborhood to vote on their behalf. All provisions of this Master Declaration and the Bylaws pertaining to the appointment, removal, qualification or action of Neighborhood Representatives shall apply equally to alternate Neighborhood Representatives.

1.54. **NOMINATING COMMITTEE.** Nominating Committee means the Nominating Committee that may be established by the Board pursuant to Section 2.15.2 of the Bylaws.

1.55. **NOTICE AND HEARING.** Notice and Hearing means written notice and a hearing before the Covenant Committee as authorized in the Bylaws and this Master Declaration.

1.56. **OWNER.** Owner means the Person or Persons, including Declarant and the Neighborhood Builders, holding fee simple interest of record to any Condominium or Lot. The term "Owner" includes a seller under an executory contract of sale but excludes Beneficiaries. A Supplemental Declaration may expand the definition of the term 'Owner' as it applies to a Neighborhood to include lessees or sublessees under a Recorded lease with an initial term of at least ten (10) years.

1.57. **PERSON.** Person means a natural individual or any entity with the legal right to hold title to real property. When the word "person" is used and is not capitalized, the word only refers to natural persons.

1.58. **PHASE OF DEVELOPMENT.** Phase of Development or Phase means each of the following: (i) the First Subdivision and the LARMAC Property designated in this Master Declaration or a Supplemental Declaration to be owned or maintained by LARMAC concurrently with the first Close of Escrow in the First Subdivision, (ii) any portion of the Covered Property covered by a Supplemental Declaration for which a Public Report has been issued, unless otherwise defined in such Supplemental Declaration, and (iii) if no Public Report is issued and there is no Phase designation in the Supplemental Declaration for a portion of the Covered Property, then all of the real property annexed pursuant to that Supplemental Declaration shall be a Phase.

1.59. **PUBLIC REPORT.** Public Report means a Final Subdivision Public Report issued by DRE in compliance with Sections 11000 et seq. of the California Business and Professions Code.

1.60. **RECORD OR FILE.** Record or File means, with respect to any document, entry of such document in the office of the County Recorder.

1.61. **RESERVES.** Reserves means those Common Expenses for which LARMAC funds are set aside pursuant to Article VIII and Section 1365.5 of the California Civil Code for funding the periodic painting and maintaining of the major components of the LARMAC Property which would not reasonably be expected to recur on an annual or more frequent basis and for payment of deductible amounts for insurance policies which LARMAC obtains. The amount of Reserves to be maintained by LARMAC will be determined annually by the Board pursuant to reserve guidelines established in accordance with prudent property management practices generally applied for a "common interest development" (as defined in Section 1351(c) of the California Civil Code) in the County.

1.62. **RESIDENCE.** Residence means the dwelling intended for use and occupancy by a single Family and located in a unit in an Apartment Area building, on a Lot in the Residential Area or in the unit of a Condominium in the Residential Area.

1.63. **RESIDENTIAL AREA.** Residential Area means the real property which is so classified in this Master Declaration or a Supplemental Declaration. The Residential Area includes single-family Lots or Condominiums and may include LARMAC Property and Neighborhood Property.

1.64. **SPECIAL BENEFIT AREA.** Special Benefit Area means a group of Lots or Condominiums that share the costs of either (i) maintaining specified Improvements on portions of the LARMAC Property, or (ii) receiving certain services or programs provided by LARMAC. The additional administrative costs of operating each Special Benefit Area shall be a part of the Common Expenses allocated to a Special Benefit Area component of Common Assessments. Special Benefit Areas may be designated by Declarant in this Master Declaration or any Supplemental Declaration when Declarant, in its sole discretion, determines that a group of Lots or Condominiums benefits more from the Improvements or services than the Covered Property as a whole. The Board of LARMAC may also designate Special Benefit Areas under circumstances authorized in this Master Declaration or a Supplemental Declaration.

1.65. **SUBORDINATE CORPORATION.** Subordinate Corporation means Neighborhood Corporations and Village Corporations.

1.66. **SUPPLEMENTAL DECLARATION.** Supplemental Declaration means an instrument Recorded pursuant to Article XVI to annex additional real property to the Covered Property or supplementing this Master Declaration, as such instrument is amended or restated.

1.67. **VILLAGE CORPORATION.** Village Corporation means any California nonprofit corporation or unincorporated association, or its successor, established in connection with a Village Declaration, the membership of which is composed of Owners of Lots or Condominiums in a portion of the Covered Property that is composed of multiple Neighborhoods. LARMAC and the Neighborhood Corporations are not Village Corporations.

1.68. **VILLAGE DECLARATION.** Village Declaration means any declaration of covenants, conditions and restrictions, or similar document, which affects a portion of the Covered Property composed of multiple Neighborhoods. The Master Declaration, the Supplemental Declarations and the Neighborhood Declarations are not Village Declarations.

1.69. **VA.** VA means the Department of Veterans Affairs of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by Deeds of Trust on residential real estate.

ARTICLE II USE RESTRICTIONS

This Article establishes limits on the use of Residences and Lots in the Residential Area of the Covered Property. The Covenant Committee has the power to enforce the use restrictions. Potential purchasers of Lots and Condominiums in the Residential Area should read these use restrictions closely to make sure they can use their property as they intend, without violating these use restrictions.

The Residential Area shall be held, used and enjoyed subject to the following restrictions. Real property added to the Covered Property that is not part of the Residential Area is exempt from the restrictions established in this Article unless the Supplemental Declaration annexing the property to the Covered Property indicates that the property being annexed is subject to the restrictions in this Article. Neighborhood Declarations and Village Declarations may establish supplementary or more restrictive use restrictions for the property they encumber so long as the restrictions are consistent with the scheme of governance established in the Master Declaration and any applicable Supplemental Declaration. Supplemental Declarations may add use restrictions or replace the use restrictions contained in this Article for the property the Supplemental Declarations encumber.

2.1. **SINGLE FAMILY RESIDENCE.** Each Residence shall be used only for (a) residential purposes, or (b) business or commercial activities authorized by this Section. An Owner may rent his Residence to a single Family provided that the Residence is rented pursuant to a lease or rental agreement which is (a) in writing and (b) subject to all of the provisions of the LARMAC Governing Documents. Residences may be used for business or commercial activities so long as the following requirements are met:

2.1.1. **Compliance With Law.** The activities are conducted in conformance with all applicable governmental ordinances;

2.1.2. **Streets and Parking Areas.** The patrons or clientele do not overburden the streets or parking areas in the Covered Property, considering the streets and parking areas are a part of a residential community, not a commercial development;

2.1.3. **Exterior Effects.** The existence or operation of such activities does not produce sounds, odors or materials outside the boundaries of the Lot, Condominium or Neighborhood Property that are excessive or inappropriate for a residential community;

2.1.4. **Insurance.** The activity does not increase LARMAC's liability or casualty insurance obligation or premium; and

2.1.5. **Consistent.** The activities are consistent with the character of the Residential Area and the Covered Property as a whole and conform to the provisions of this Master Declaration.

Offices operated by (i) the manager of a Subordinate Corporation for the sole purpose of managing the Subordinate Corporation, (ii) LARCS, and (iii) LARMAC, are exempt from the restrictions contained in this Section.

Except as authorized in this Section 2.1, no part of the Residential Area may be used for any business, commercial (including auctions or similar events), manufacturing, mercantile, storage, vending or other nonresidential purposes, including any activity for which the provider is compensated or receives any consideration, regardless of whether the activity is engaged in full or part-time, generates or does not generate a profit, or requires or does not require a license.

2.2. **NUISANCES.** No noxious or offensive activities may be carried on upon the Covered Property or on any public street abutting or visible from the Covered Property. LARMAC is entitled to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. LARMAC is entitled to delegate responsibility for enforcing the restrictions on nuisances contained in this Section to the Owners or Subordinate Corporations. No Owner may permit or cause anything to be done or kept on the Covered Property or on any public street abutting the Covered Property which may (a) increase the rate of insurance in the Covered Property, (b) result in the cancellation of such insurance, or (c) obstruct or interfere with the rights of other Owners. No Owner may commit or permit any nuisance in the Covered Property. Each Owner shall comply with all requirements of the local or state health authorities and with all other applicable governmental ordinances regarding occupancy and use of a Condominium or Lot, including the Residence thereon. Each Owner is accountable to LARMAC and other Owners for the conduct and behavior of Persons residing in or visiting his Lot or Condominium. LARMAC has the power to require that any damage to the LARMAC Property, personal property of LARMAC, or property of another Owner caused by such Persons shall be repaired at the sole expense of the Owner of the Lot or Condominium where such Persons are residing or visiting.

2.3. **SIGNS.** Subject to Civil Code Sections 712 and 713, no sign, poster, billboard, balloon advertising device or other display of any kind shall be displayed in the Covered Property except the following:

2.3.1. **Declarant and Neighborhood Builder Signs.** Signs (regardless of size or configuration) as may be used by Declarant and the Neighborhood Builders in connection with the development of the Covered Property and the sale, lease or other disposition of Lots, Condominiums and the Annexable Area;

2.3.2. **Entry Monuments.** Entry monuments and similar community identification signs either maintained by LARMAC or approved by the Aesthetics Review Committee and maintained by the Subordinate Corporations;

2.3.3. **Lots or Condominiums.** Subject to the Aesthetics Standards, one (1) nameplate or similar Owner name identification, and one (1) sign advising of the existence of security services protecting a Lot or Condominium; and

2.3.4. **Sale or Lease.** One (1) sign which may be displayed on each Lot or Condominium advertising the Lot or Condominium for sale or lease; provided that such sign complies with the Community Guidelines.

2.4. **PARKING AND VEHICULAR RESTRICTIONS.** LARMAC may elect to delegate the responsibility for enforcing the restrictions contained in this Section 2.4 to any Subordinate Corporation. If LARMAC notifies a Subordinate Corporation that LARMAC has delegated its responsibilities, the Subordinate Corporation must enforce these restrictions as they apply to the property subject to the Subordinate Corporation's jurisdiction. If a Subordinate Corporation fails to enforce these restrictions, LARMAC may revoke the delegation or impose a Compliance Assessment.

2.4.1. **Authorized Vehicles.** The following vehicles are Authorized Vehicles: standard passenger vehicles, including automobiles, vehicles designed to accommodate ten (10) or fewer people, motorcycles and pick-up trucks having a manufacturer's rating or payload capacity of one (1) ton or less. Authorized Vehicles may be parked in any portion of the Covered Property intended for parking of motorized vehicles, subject to the restrictions in the other portions of the LARMAC Governing Documents. No Owner may park any vehicle in a manner so that LARMAC determines that the vehicle unreasonably extends beyond the boundaries of a parking space or into streets or sidewalks in the Covered Property. LARMAC has the power to identify additional vehicles as authorized vehicles in the Community Guidelines to adapt this restriction to new types of vehicles produced by manufacturers.

2.4.2. **Prohibited Vehicles.** The following vehicles are Prohibited Vehicles: (i) recreational vehicles (including motorhomes, travel trailers, camper vans and boats), (ii) commercial-type vehicles (including stakebed trucks, tank trucks, dump trucks, step vans, concrete trucks and limousines), (iii) vehicles designed to accommodate more than ten (10) people, (iv) vehicles having more than two (2) axles, (v) trailers, inoperable vehicles or parts of vehicles, (vi) aircraft, (vii) other similar vehicles, or (viii) any vehicle or vehicular equipment deemed a nuisance by the Board. Prohibited Vehicles may not be parked, stored or kept on any public or private street in, adjacent to or visible from the Covered Property or any other LARMAC Property parking area unless (a) they are owned and used by LARMAC, LARCS or a Subordinate Corporation in connection with management or maintenance of a part of the Covered Property, (b) they are parked for brief periods as may be defined in the Community Guidelines, or (c) they are parked in an Owner's fully enclosed garage with the door closed. If a vehicle

qualifies as both an Authorized Vehicle and a Prohibited Vehicle, then the vehicle is presumed to be a Prohibited Vehicle, unless the vehicle is expressly classified as an Authorized Vehicle in writing by the Board. LARMAC has the power to identify additional vehicles as Prohibited Vehicles in the Community Guidelines to adapt this restriction to new types of vehicles produced by manufacturers.

2.4.3. **General Restrictions.** All vehicles owned or operated by or within the control of an Owner or a resident of an Owner's Lot or Condominium and kept in the Covered Property must be parked in the assigned carport, parking space or garage of that Owner to the extent of the space available; provided that each Owner shall ensure that any such carport, parking space or garage accommodates at least the number of Authorized Vehicles for which it was originally constructed by Declarant or a Neighborhood Builder. No repair, maintenance or restoration of any vehicle may be conducted on the Covered Property except in an enclosed garage when the garage door is closed, provided such activity is not undertaken as a business, and provided that such activity may be prohibited entirely by the Board if the Board determines that it constitutes a nuisance. LARMAC has the power, but not the duty, to enforce the restrictions in this Section 2.4.3.

2.4.4. **No Parking Zones.** No vehicles may be parked in the no parking zones identified in the Supplemental Declarations. Certain of these no parking zones will be identified only by signs and will not be identified with red-painted curbs. LARMAC has the power to enforce the no parking restrictions. Vehicles parked in these no parking zones may be towed immediately without advance notice to vehicle owners. These areas of certain streets within the Covered Property will be tapered to a width of approximately twenty-four feet (24'); no parking is allowed along these street sections.

2.4.5. **Parking Regulations.** LARMAC may establish additional regulations regarding any parking areas not assigned to individual Lots or Condominiums, including designating "parking," "guest parking," and "no parking" areas, setting time limits for parking vehicles in the LARMAC Property parking areas, and requiring registration of vehicles or use of parking permits. LARMAC may enforce all parking and vehicle use regulations applicable to the Covered Property through any means allowed by law, including removing violating vehicles without Notice and Hearing pursuant to California Vehicle Code Section 22658.2 or other applicable ordinances or statutes. If LARMAC fails to enforce any of the parking or vehicle use regulations, the County may enforce such regulations. If the County fails to enforce any of its parking ordinances on public streets in or abutting Ladera, including the no parking zones identified in Supplemental Declarations, LARMAC has the power but not the duty to enforce such ordinances against Owners and residents of Ladera. No one is allowed to obstruct the fire protection access easements identified on the

Recorded Tract Maps for the Covered Property. The approval of the County Fire Chief is required for any modifications such as speed bumps, control gates or other changes in the fire protection access easement areas.

2.5. ANIMAL RESTRICTIONS. The only animals that may be raised, bred or kept in the Residential Area are dogs, cats, fish, birds and other usual household pets; provided that they are not kept or bred for commercial purposes, in unreasonable quantities, or in violation of the LARMAC Governing Documents. As used in this Master Declaration, "unreasonable quantities" ordinarily means more than three (3) pets per household; provided, however, that the Board may determine that a reasonable number in any instance may be more or less. The Board may also change the authorized number of pets in the Community Guidelines. The Board may limit the size of pets and may prohibit maintenance of any animal which, in the Board's opinion, constitutes a nuisance. Animals in the Covered Property must be either kept in an enclosure or on a leash held by a person capable of controlling the animal. Any Person shall be liable to each and every other Person for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Covered Property by such Person. Persons shall clean up after their animals use the Covered Property or public street abutting or visible from the Covered Property. Any Person who keeps any animal, insect or reptile in the Covered Property, whether in compliance with or in violation of the LARMAC Governing Documents, shall indemnify, defend and hold harmless LARMAC, its officers, directors, contractors, agents and employees from any claim brought by any Person against LARMAC, its officers, directors, agents and employees for personal injuries or property damage caused by such animal, insect or reptile. LARMAC, at its option, may elect to only enforce this Section in connection with the LARMAC Property, leaving for the Owners and the Subordinate Corporations the power to enforce this Section as it applies to other areas of the Covered Property.

2.6. EXTERIOR ITEMS. Weeds, rubbish, debris, unsightly material or objects and trash may not be kept upon the Covered Property or on any public street abutting or visible from the Covered Property. Trash may be kept in sanitary containers located in appropriate areas screened from view in accordance with the Community Guidelines, and no odor may be permitted to arise therefrom so as to render any portion of the Covered Property unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Owners' trash containers may be exposed to the view of neighboring Residences only when set out for a reasonable period of time (not to exceed twenty-four (24) hours before and after scheduled trash collection hours). Trash containers owned by Subordinate Corporations may be kept on Neighborhood Property so long as they are contained in an enclosure installed by Declarant or a Neighborhood Builder or approved by the Aesthetics Review Committee. No exterior fires are permitted, except in barbeques and fire pits.

2.7. TEMPORARY BUILDINGS. Outbuildings, tents, storage sheds, shacks, or other temporary buildings or Improvements may not be placed on the Covered Property either temporarily or permanently, without the prior written consent of the Aesthetics Review Committee. Garages, carports, trailers, campers, motor homes, recreation vehicles or other

vehicles may not be used as residences in the Covered Property, either temporarily or permanently.

2.8. **LARMAC PROPERTY.** Owners and Subordinate Corporations shall not alter the LARMAC Property without the prior written consent of the Board.

2.9. **FUEL MODIFICATION ZONES.** LARMAC is responsible for maintaining, in accordance with any County requirements, those portions of the Covered Property identified as Fuel Modification Zones in *Exhibit "FM"* and exhibits to Supplemental Declarations. Construction or maintenance of structural Improvements in Fuel Modification Zones, construction or maintenance of any combustible structural Improvements on or adjacent to Fuel Modification Zones and installation, maintenance or modification of any landscaping Improvements in Fuel Modification Zones which are inconsistent with any landscape palette required by the County are prohibited. County setback requirements with respect to the Fuel Modification Zones must be complied with.

2.10. **OUTSIDE INSTALLATIONS.** Projections of any type are not permitted above the roof of any building in the Covered Property, except chimneys and vent stacks originally installed, if at all, by Declarant or a Neighborhood Builder. Portable and fixed basketball backboard and other sports apparatus are subject to regulation by LARMAC. No fence or wall may be erected, altered or maintained around any Residence or on any Lot except with the Aesthetics Review Committee's prior approval. No patio cover, wiring, or air conditioning fixture, water softeners, or other devices may be installed on the exterior of a Residence or be allowed to protrude through the walls or roof of the Residence (with the exception of those items installed by Declarant or a Neighborhood Builder) unless the Aesthetics Review Committee's prior written approval is obtained.

2.11. **ANTENNAE.** Owners are prohibited from installing any antennae outside of or on the exterior of a Residence for any purpose, except for an "Authorized Antenna," which may be installed in accordance with the Aesthetics Standards and the Community Guidelines.

An "Authorized Antenna" means (i) an antenna designed to receive direct broadcast satellite service, including direct-to-home satellite service, that is one meter or less in diameter, (ii) an antenna that is designed to receive video programming service, including multichannel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, that is one meter or less in diameter or diagonal measurement, (iii) an antenna designed to receive television broadcast signals, or (iv) a mast supporting an antenna described in items (i), (ii), and (iii) above.

So long as the Owner consents, a person residing in the Owner's Residence with the Owner's permission ("Resident") shall have the same rights as the Owner concerning the installation or use of an Authorized Antenna under this Section. The Aesthetics Review Committee may request proof of the Owner's consent before approving a Resident's application for installation of an Authorized Antenna.

LARMAC may adopt restrictions on installation or use of an Authorized Antenna on an Owner's Residence so long as such restrictions do not (1) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (2) unreasonably increase the cost of installation maintenance or use of an Authorized Antenna, (3) preclude acceptable quality reception, or (4) violate applicable law. LARMAC may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of managers, agents or employees of LARMAC, any Subordinate Corporation and other Owners, or for any other safety related reason established by LARMAC.

LARMAC may also (A) prohibit an Owner from installing an Authorized Antenna on property which such Owner does not own or is not entitled to exclusively use or control under the Restrictions, or (B) allow an Owner to install an antenna other than an Authorized Antenna subject to the Aesthetics Standards and review by the Aesthetic Review Committee.

This Section is intended to be a restatement of the authority granted to LARMAC under applicable law. All amendments, modifications, restatements and interpretations of the law applicable to the installation, use or maintenance of an antenna shall be interpreted to amend, modify, restate or interpret this Section.

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

2.13. **FURTHER SUBDIVISION.** Except as otherwise provided in this Master Declaration, no Owner may further partition or subdivide his Lot or Condominium, including any division of such Owner's Lot or Condominium into time-share estates or time-share uses. This provision does not limit the right of an Owner to (a) rent or lease his entire Lot or Condominium by means of a written lease or rental agreement subject to the LARMAC Governing Documents; (b) sell such Owner's Lot or Condominium; or (c) transfer or sell any Lot or Condominium to more than one Person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. Any failure by the lessee of any Lot or Condominium to comply with the LARMAC Governing Documents constitutes a default under the lease or rental agreement.

2.14. **DRAINAGE.**

2.14.1. **Drainage Systems.** Rain gutters, down spouts, drainage systems or the established drainage pattern for a Lot, Condominium or Neighborhood Property originally installed or established by Declarant or the Neighborhood Builders, may not be altered or interfered with unless an adequate alternative

provision is made. For the purpose hereof, "established" drainage means the pattern and drainage Improvements which exist at the time that such Lot, Condominium or Neighborhood Property is conveyed to a purchaser or Subordinate Corporation (as appropriate) from Declarant or a Neighborhood Builder, and includes drainage from the Lots, Condominiums and Neighborhood Property and LARMAC Property onto adjacent Lots, Condominiums, Neighborhood Property and LARMAC Property.

2.14.2. **Pollutant Runoff.** LARMAC, the Subordinate Corporations and the Owners shall comply with plans for the regulation and control of pollutant run-off by using "Best Management Practices" in accordance with the residential provisions of the California and Orange County Storm Water Best Management Practices Handbook, which include the following:

i. LARMAC and the Subordinate Corporations shall periodically provide to their members environmental awareness education materials made available by the local municipalities. These materials will describe the use of chemicals (including household types) that should be limited to the Covered Property with no discharge of specified wastes via hosing or other direct discharge to gutters, catch basins, settling basins and storm drains. The materials shall also provide a description of fertilizer and pesticide usage guidelines consistent with any County Management Guidelines for Use of Fertilizers and Pesticides.

ii. LARMAC and the Subordinate Corporations shall establish trash management and litter control procedures aimed at reducing pollution of drainage water.

iii. LARMAC and the Subordinate Corporations shall have any drainage systems, streets and catch basins on property they maintain inspected and cleaned, and any streets and parking areas they maintain swept prior to the storm season (no later than October 15th each year).

iv. LARMAC and the Subordinate Corporations will maintain the property for which they are responsible consistent with the County Water Conservation Resolution and use fertilizers and pesticides consistent with County Management Guidelines for use of fertilizers and pesticides. Owners are responsible for implementing applicable Best Management Practices for their Lots and Condominiums.

v. LARMAC and the Subordinate Corporations shall implement irrigation and landscaping practices which will include provision of water sensors, programmable irrigation times, grouping of plants with similar water requirements in order to reduce excess irrigation

runoff and to promote surface filtration. LARMAC and the Subordinate Corporations shall maintain erosion control devices on the property they maintain until adequate vegetation coverage has been achieved following establishment of the landscape plantings.

2.15. **WATER SUPPLY SYSTEMS.** Individual water supply or water softener systems are prohibited on any Lot or in any Condominium unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any applicable water district, the Aesthetics Review Committee, and all other applicable Local Governmental Agencies.

2.16. **INSIDE INSTALLATIONS.** LARMAC has the power to prohibit or restrict use of aluminum foil, newspaper, paint, reflective tint or any other material as window coverings in the Community Guidelines or Aesthetics Standards. LARMAC also has the power to authorize Owners to use temporary window coverings after the Close of Escrow pending the installation of drapes, curtains, shutters or other appropriate interior window coverings for limited periods of time in the Aesthetics Standards.

2.17. **VIEW OBSTRUCTIONS.** Each Owner acknowledges that any construction or installation by Declarant, any Neighborhood Builder, LARMAC or any Subordinate Corporation may impair the view of such Owner and consents to such impairment. Each Owner acknowledges that there are no guaranteed views in the Covered Property, and no Lot or Condominium is assured the existence or unobstructed continuation of any particular view unless a Supplemental Declaration specifically provides otherwise.

2.18. **SOLAR ENERGY SYSTEMS.** Each Owner may install a solar energy system which serves his Lot or Condominium so long as (a) the design and location of the solar energy system meet the requirements of all applicable governmental ordinances and (b) said design and location receive the prior written approval of the Aesthetics Review Committee.

2.19. **INSTALLATION OF FRONT YARD LANDSCAPING.** If any landscaping on a Lot has not been installed by Declarant or a Neighborhood Builder, each Owner shall submit landscaping plans to the Aesthetics Review Committee within the time frame set in the Aesthetics Standards and complete the installation of any landscaping in accordance with a plan approved by the Aesthetics Review Committee within the time frame set in the Aesthetics Standards.

2.20. **POST TENSION CONCRETE SLABS.** The concrete slab for some or all of the Residences in the Covered Property may have been reinforced with a grid of steel cable which was installed in the concrete and then tightened to create a very high tension. This type of slab is commonly known as a "post-tension slab." Cutting into a post-tension slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Residence and/or personal injury. Owners shall not cut into or otherwise tamper with a post-tension slab. Owners shall not knowingly permit or allow any other person to

cut into or tamper with a post-tension slab, other than a licensed contractor who has been informed that the slab is post-tensioned and who has identified the location of the cables running within the slab. Owners shall disclose the existence of the post-tension slab (if any) to any tenant, subsequent purchaser or lessee of the Lot or Condominium. Owner shall indemnify and hold the Neighborhood Builders, Declarant, and their respective officers, employees, contractors and agents, free and harmless from and against any and all claims, damages, losses or other liability (including attorneys fees) arising from any breach of this Section.

2.21. **RIGHTS OF DISABLED.** Subject to the provisions of Article IV hereof, each Owner may modify his Residence and the route leading to the front door of his Residence, at his sole expense, in order to facilitate access to his Residence by persons who are blind, visually impaired, deaf or physically disabled, or to alter conditions which could be hazardous to such persons, in accordance with California Civil Code Section 1360 or any other applicable law.

ARTICLE III COMMUNITY GOVERNANCE: LARMAC

The success of the community is dependent upon the support and participation of each Owner in its governance and administration. This Master Declaration establishes LARMAC as the mechanism through which each Owner is able to provide that support and participation. This Article describes the organization of LARMAC, its powers, duties, authorized activities and prohibited activities. This Article also spells out the standards of care used to govern the Covered Property, identifies the limits of liability of LARMAC's Board of Directors and officers and identifies the scope of indemnification LARMAC can provide to its agents and other Persons.

3.1. **ORGANIZATION OF LARMAC.** The homeowners association organized to manage and maintain the Covered Property is incorporated under the name of Ladera Ranch Maintenance Corporation as a corporation not for profit organized under the California Nonprofit Public Benefit Corporation Law.

3.2. **GENERAL DUTIES AND POWERS.** LARMAC has the duties and powers set forth in the Articles, Bylaws, this Master Declaration and the Supplemental Declarations and also has the general and implied powers of a nonprofit public benefit corporation, generally to do all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper in operating for the general welfare of its Members, subject only to the limits upon the exercise of such powers set forth in the Articles, Bylaws, this Master Declaration and the Supplemental Declarations. All of LARMAC's powers shall be exercised by its Board of Directors except those powers reserved in specific provisions of the Articles, Bylaws, this Master Declaration or the Supplemental Declarations to the Members, Neighborhood Representatives, Covenant Committee or Aesthetics Review Committee.

3.3. **SPECIFIC DUTIES AND POWERS.** In addition to its general powers and duties, LARMAC has the following specific powers and duties.

3.3.1. **LARMAC Property.** The power and duty to accept, maintain, modify, remove and manage the LARMAC Property.

3.3.2. **Sewers and Storm Drains.** The power and duty to maintain any private sewer systems and any private storm drains or drainage facilities in the LARMAC Property if the drains and systems are not maintained by a Subordinate Corporation, a Local Governmental Agency or a utility company.

3.3.3. **Granting Rights.** The power and duty to grant exclusive or nonexclusive easements, licenses, rights of way or fee interests in portions of the LARMAC Property, to the extent any such grant is reasonably required for either (i) utilities and sewer facilities to serve the LARMAC Property, Neighborhood Property and the Lots, or (ii) purposes of conformity with the as-built location of Improvements, or (iii) purposes consistent with the intended use of the Covered Property as a master planned community. LARMAC may deannex such LARMAC Property from the encumbrance of the Master Declaration in connection with any lot line adjustment.

3.3.4. **Insurance.** The power and duty to maintain liability and fire insurance with respect to the LARMAC Property and personal property, if any, owned by LARMAC as provided in this Master Declaration.

3.3.5. **Board, Officer and Committee Member Training.** The power but not the duty to make training seminars or materials available to the Board members, officers, and committee members either before or after the persons begin their service to LARMAC. Seminars can be designed to educate the Board, officers or committee members about their duties and responsibilities. All expenses associated with these training seminars shall be a Common Expense of LARMAC.

3.3.6. **Right of Entry.** The power but not the duty to enter upon any Lot, Condominium or Neighborhood Property to inspect it. The power but not the duty, after Notice and Hearing, to enter upon any Lot, Condominium or Neighborhood Property, without being liable to any Owner or Subordinate Corporation except for damage caused by such entry, in order to (i) enforce by peaceful means the provisions hereof, or (ii) maintain any Lot, Condominium or Neighborhood Property if for any reason the responsible Owner or Subordinate Corporation fails to perform such maintenance or repair as required by the LARMAC Governing Documents. The cost of such enforcement and maintenance shall be a Compliance Assessment enforceable as set forth in this Master Declaration. The Owner or Subordinate Corporation shall promptly pay all amounts due for such work. The costs of collection may be added, at the option of the Board, to the amount assessed against such Owner or Subordinate

Corporation. If an emergency occurs, entry upon a Lot, Condominium or Neighborhood Property by or on behalf of LARMAC is permitted without Notice and Hearing.

3.3.7. **Community Guidelines.** The power but not the duty to establish, amend, restate, delete and create exceptions to the Community Guidelines for the use of the LARMAC Property.

i. **Opportunity to Comment.** Owners must be given an opportunity to comment on all modifications to the Community Guidelines any time before, but no later than sixty (60) days after any proposed modification is adopted.

ii. **Effective Date.** Any modifications to the Community Guidelines will become effective and binding fifteen (15) days after the modifications are either (A) posted in a conspicuous place in the LARMAC Property or (B) sent to the Members via first class mail or by any system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. Community Guidelines may be modified or repealed by the Board or by the Neighborhood Representatives.

iii. **Areas of Regulation.** Community Guidelines may include guidelines regarding use of the LARMAC Property; signs; parking restrictions; minimum standards of property maintenance; and any other matter within LARMAC's jurisdiction; provided, however, that such Community Guidelines are enforceable only to the extent they are consistent with the Articles, Bylaws, Master Declaration and the Supplemental Declarations.

iv. **Limits on Regulation.** The Community Guidelines must apply uniformly to all Owners and cannot discriminate between tenants of Owners of Residential Area Lots and Condominiums and tenants of Owners of Apartment Area Lots or other areas of the Covered Property. The rights of Owners to display religious and holiday signs, symbols and decorations inside their Residences of the kinds normally displayed in single family residential neighborhoods shall not be abridged, except LARMAC may adopt time, place and manner restrictions with respect to such displays if they are visible outside of the Residence. The Community Guidelines shall not regulate the content of political signs; however, they may regulate the time, place and manner of posting of such signs. No modification to the Community Guidelines may require an Owner to dispose of personal property that was in or on a Lot or Condominium prior to the adoption of such modification if such personal property was in

compliance with all rules previously in force. This exemption shall apply only during the period of such Owner's ownership of the Lot or Condominium and shall not apply to (i) subsequent Owners who take title to the Lot or Condominium after the modification is adopted, or (ii) clarifications to the Community Guidelines.

v. **Use of Facilities.** The Community Guidelines may (i) specify a maximum number of guests which an Owner, tenant or other Person may admit to the LARMAC Property facilities at one time, (ii) establish rules for allowing Owners, tenants or other Persons to use portions of LARMAC Property facilities for groups of guests or private functions, or (iii) establish admission fees, deposit requirements or other fees for the use of any facilities on LARMAC Property.

3.3.8. **Borrowings.** The power, but not the duty, to borrow money for purposes authorized by the Articles, Bylaws, Master Declaration or any Supplemental Declaration, and in aid thereof, to mortgage, pledge, deed in trust, establish a line of credit or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

3.3.9. **Contracts.** The power but not the duty to enter into contracts, including to the following:

i. **Contracts for Services.** Contracts with Owners, Subordinate Corporations or other Persons to provide services or to maintain Improvements in the Covered Property and elsewhere which LARMAC is not otherwise required to provide or maintain pursuant to the LARMAC Governing Documents; provided, however, that any such contract shall provide for reimbursement of LARMAC for the costs of providing such services or maintenance;

ii. **Community Services.** Contracts with Persons to provide various community services such as cultural programs, social services, community outreach programs, recreational leagues, educational programs or activities, festivals, holiday celebrations and activities, recycling programs or a community technology network to the residents of the Covered Property. LARMAC has the right to require payment of compensation for making the LARMAC Property available for events that will include Persons who are not residents of the Covered Property or providing any other services that benefit the Persons LARMAC contracts with;

iii. **Cost Sharing.** Contracts to share costs with any neighboring property for, among other things, shared or mutually

beneficial property or services or a higher level of LARMAC Property maintenance;

iv. **Adjacent Owners.** Contracts with adjacent property owners to provide for preservation and maintenance of natural areas, wildlife preserves or similar conservation areas and sponsorship of education programs and activities which contribute to the overall understanding, appreciation and preservation of the natural environment in the Covered Property and the surrounding area.

3.3.10. **Resale Program.** After Declarant and the Neighborhood Builders no longer own a Lot or Condominium or portion of the Annexable Area or with the Declarant's consent, LARMAC may provide services related to the sale of real property and may own, operate, and staff a center for the purpose of facilitating sale of real property in the Covered Property. Any such center shall be operated in accordance with policies and procedures adopted by the Board.

3.3.11. **Special Events or Activities.** From time to time groups of Persons, including LARCS, Neighborhood Corporations, clubs, educational, cultural, religious or other volunteer organizations may desire to sponsor special events or activities in the Covered Property. LARMAC has the authority to issue permits granting to these groups, their guests, invitees, employees, agents, contractors and designees a nonexclusive license of access and use over some or all of the LARMAC Property as reasonably necessary to the operation of the special event or activity. LARMAC may also issue permits which authorize the sponsor and its guests and invitees to park vehicles in the Covered Property at reasonable times before, during and after the special event or activity. LARMAC may charge fees it determines are appropriate in connection with allowing groups to use the LARMAC Property and facilities.

3.3.12. **Hosting Events.** LARMAC has the power but not the duty to organize and host events promoting community participation in the Covered Property. The cost of such events is a Common Expense to be paid for as a Special Benefit Area Assessment Component or General Assessment Component of Common Assessments, as the Board determines is appropriate. Such events may include hosting functions that give Members the opportunity to meet Neighborhood Representatives or candidates, Board members or candidates or various committee members.

3.3.13. **Indemnification.**

i. **For LARMAC Representatives.** LARMAC has the power and the duty to indemnify Board members, LARMAC officers, Neighborhood Representatives, Covenant Committee members, Aesthetics

Review Committee members, and all other LARMAC committee members for all damages and pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person brought because of performance of acts or omissions within what the Person reasonably believed to be the scope of the Person's LARMAC duties ("Official Acts") to the fullest extent authorized by California law. Board members, LARMAC officers, Covenant Committee members, Aesthetics Review Committee members, and all other LARMAC committee members are deemed to be agents of LARMAC when they are performing Official Acts for purposes of obtaining indemnification from LARMAC pursuant to this Section 3.3.13(i). Any action in connection with providing indemnification required by law to be performed by the Members may be performed by the Neighborhood Representatives. The entitlement to indemnification hereunder inures to the benefit of the successors, estate, executor, administrator, heirs, legatees, or devisees of any Person entitled to such indemnification.

ii. **For Other Agents of LARMAC.** LARMAC has the power as authorized by California law, but not the duty, to indemnify any other Person acting as an agent of LARMAC for any damages and pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person because of an Official Act. Any action in connection with providing indemnification required by law to be performed by the Members may be performed by the Neighborhood Representatives.

iii. **Provided by Contract.** LARMAC also has the power, but not the duty, to contract with any Person to provide indemnification beyond the scope of indemnification authorized by applicable law on such terms and subject to such conditions and the Board may impose.

3.3.14. **Annexing Additional Property.** The power but not the duty to annex additional property to the property encumbered by this Master Declaration pursuant to Section 16.5.

3.3.15. **Vehicle Restrictions.** The power granted in Section 2.4 to identify Authorized Vehicles or Prohibited Vehicles and to modify the restrictions on vehicles.

3.3.16. **Control of LARCS.** The power and the duty to (i) assume control of and accept membership in LARCS when control and membership are tendered to the Master Association by the member of LARCS and its board of directors,

and (ii) operate LARCS in accordance with its articles of incorporation and bylaws.

3.4. **PERMITTED FUNCTIONS.** LARMAC is formed exclusively for those social welfare purposes and activities which are specifically and directly related to (i) maintaining, operating and using the LARMAC Property, including the social, recreational and other Improvements thereon, (ii) collecting assessments to finance the maintenance and use of the LARMAC Property, and (iii) administering and enforcing the LARMAC Governing Documents (collectively, the "Permitted Functions"). Permitted Functions do not include those activities prohibited by Section 3.5 below. The funds and resources of LARMAC shall be used exclusively for the direct costs of Permitted Functions. This Section does not preclude the use of the LARMAC Property facilities by Declarant or the Neighborhood Builders for promotional special events and other purposes.

3.5. **PROHIBITED ACTIVITIES.** LARMAC is prohibited from undertaking or performing any of the following activities ("Prohibited Activities"), or expending or using LARMAC funds or resources for any Prohibited Activities.

3.5.1. **Nuisances.** Abating any annoyance or nuisance emanating from outside the physical boundaries of the Covered Property. This is not a limit on LARMAC's ability to enforce Sections 2.2 and 2.4 in connection with public streets in or abutting the Covered Property.

3.5.2. **Political Activities.** Engaging in any Federal, State or local political activities or activities intended to influence a governmental action. These activities include endorsement or support of legislative or administrative actions by a Local Governmental Agency, candidates for elected or appointed office, initiatives, recall elections or other ballot proposals. LARMAC is prohibited from conducting, sponsoring, participating in or expending funds or resources on any activity, campaign or event, including any social or political campaign, event or activity, which does not directly and exclusively pertain to a Permitted Function.

3.5.3. **Abridging Rights.** Taking any action which is inconsistent with, or which would abrogate, any right or exemption in Article XVII or elsewhere in the LARMAC Governing Documents.

3.6. **COMMENCEMENT OF LARMAC MAINTENANCE OBLIGATIONS.**

3.6.1. **General Rule.** For any Phase which includes a Lot or Condominium in the Residential Area or Residence in the Apartment Area, LARMAC's obligation to maintain the LARMAC Property shall commence on the date Common Assessments commence. For a Phase composed solely of LARMAC Property, LARMAC's obligation to maintain the LARMAC Property

shall commence upon conveyance of such property to LARMAC. Until commencement of Common Assessments in a Phase, Declarant or the appropriate Neighborhood Builder shall maintain the LARMAC Property in such Phase. The nature, design, quantity, quality and all other attributes of the LARMAC Property, and the facilities and amenities thereon, shall be determined in Declarant's sole and absolute discretion or by a Neighborhood Builder (with Declarant's written consent).

3.6.2. **Multi-Phased LARMAC Property.** A portion of the Annexable Area ("Multi-Phased LARMAC Property") may be designated in multiple Supplemental Declarations to be conveyed to LARMAC in connection with several different Phases of Development (the "Alternative Phases"). Parcels of Multi-Phased LARMAC Property, if any, must be conveyed to LARMAC prior to commencement of Assessments in the Alternative Phases to which such parcels are assigned. LARMAC will be obligated to maintain the Multi-phased LARMAC Property concurrently with the first commencement of assessments in any of the Alternative Phases.

3.6.3. **Offers of Dedication.** Portions of the LARMAC Property may be subject to an unaccepted offer of dedication to a Local Governmental Agency for public access, use or maintenance. These areas may include parks, trails, other recreational or open space amenities, landscaping areas or other Improvements. LARMAC Property subject to such offers of dedication shall be maintained and used by LARMAC and the Owners in the same manner as all other LARMAC Property until the offer of dedication is accepted. Once the dedication is accepted, (i) the dedicated LARMAC Property shall be maintained by the accepting Local Governmental Agency pursuant to the offer of dedication, and (ii) the dedicated LARMAC Property shall no longer constitute a part of the LARMAC Property, (iii) the dedicated LARMAC Property may be open for use by the general public subject to regulation by the Local Governmental Agency.

3.7. **CONVEYANCE OF LARMAC PROPERTY.** Conveyance of LARMAC Property in each Phase shall occur (i) for Residential Areas, before the first Close of Escrow for a Lot or Condominium in such Phase, or (ii) for an Apartment Area, before the last to occur of (a) occupancy of an apartment Residence in such Phase, or (b) the first day of the first month following the month in which an Apartment Area Phase becomes subject to this Master Declaration, or (iii) for any other area, on the first day of the first month following the month in which the Phase becomes subject to this Master Declaration. LARMAC, acting through its Board, must accept title to and maintenance responsibility for each portion of LARMAC Property when title and maintenance responsibility is tendered by Declarant or a Neighborhood Builder, execute each deed and any accompanying escrow instructions if requested to do so by Declarant or a Neighborhood Builder, and execute any bond exonerations when presented if the bonded obligations are satisfied. No Owner shall interfere with the exercise of rights or

performance of obligations established in this Section by LARMAC, Declarant or a Neighborhood Builder.

3.8. STANDARD OF CARE, NONLIABILITY.

3.8.1. Scope of Powers and Standard of Care.

i. **General Scope of Powers.** Rights and powers conferred on the Board, the Neighborhood Representatives, Covenant Committee, the Aesthetics Review Committee or other Committees or representatives of LARMAC by the LARMAC Governing Documents are not duties and obligations charged upon those Persons unless the rights and powers are explicitly identified in the LARMAC Governing Documents or in applicable law as including duties and obligations. Unless a duty to act is imposed on the Board, Neighborhood Representatives, Covenant Committee, Aesthetics Review Committee or other Committees or representatives of LARMAC by the LARMAC Governing Documents or applicable law, the Board, Neighborhood Representatives and the committees have the right to decide to act or not act. Any decision to not act is not a waiver of the right to act in the future.

ii. **Business Affairs.** This Section 3.8.1(ii) applies to Board member actions in connection with management, personnel, maintenance and operations, insurance, contracts and finances, Covenant Committee member actions and Aesthetics Review Committee member actions. Each person shall perform his duties in good faith, in a manner he believes to be in the best interests of LARMAC and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. When performing his duties, a person is entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by:

- (i) One or more officers or employees of LARMAC whom the person believes to be reliable and competent in the matters presented;
- (ii) Counsel, independent accountants or other persons as to matters which the person believes to be in such person's professional or expert competence; or
- (iii) A committee of the Board upon which the person does not serve, as to matters within its designated authority, which committee the person believes to merit confidence, so long as, in any such case, the person acts in good faith, after

reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted.

- (iv) This Section 3.8.1(ii) is intended to be a restatement of the business judgement rule established in law applicable to LARMAC. All amendments, modifications, restatements and interpretations of the business judgment rule applicable to LARMAC shall be interpreted to amend, modify, restate or interpret this Section 3.8.1(ii).

iii. **LARMAC Governance.** This Section 3.8.1(iii) applies to Board actions, Aesthetics Review Committee decisions and Covenant Committee decisions in connection with interpretation and enforcement of the LARMAC Governing Documents, architectural and landscaping control, regulation of uses in the Covered Property, rule making and oversight of committees. Actions taken or decisions made in connection with these matters shall be reasonable, fair and nondiscriminatory.

3.8.2. **Nonliability.**

i. **General Rule.** No Person is liable to any other Person (other than LARMAC or a party claiming in the name of LARMAC) for injuries or damage resulting from such Person's Official Acts, except to the extent that injuries or damage result from the Person's willful or malicious misconduct. No Person is liable to LARMAC (or to any party claiming in the name of LARMAC) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's willful or malicious misconduct. LARMAC is not liable for damage to property in the Covered Property unless caused by the negligence of LARMAC, the Board, the Neighborhood Representatives, LARMAC's officers, the Community Manager or the Community Manager's staff.

ii. **Nonliability of Volunteer Board Members and Officers.** A volunteer Board member or volunteer LARMAC officer shall not be personally liable to any Person who suffers injury, including bodily injury, emotional distress, wrongful death or property damage or loss as a result of the tortious act or omission of the volunteer officer or Board member if all of the applicable conditions specified in Section 1365.7 of the California Civil Code are met.

**ARTICLE IV
AESTHETIC REVIEW COMMITTEE**

Jurisdiction over design, construction and aesthetic aspects of the Covered Property is given to the Aesthetics Review Committee. The Aesthetics Review Committee is a three to five person committee initially appointed by the Declarant and eventually appointed by the Board of Directors of LARMAC. The Aesthetics Review Committee must approve all plans for architectural or landscaping modifications in the Covered Property before the modifications are made. The Aesthetics Review Committee also has the right to review modifications as they are constructed and give final approval of completed modifications.

In addition to establishing the Aesthetics Review Committee, this Article establishes the procedures for preapproving certain Improvements, granting variances and appealing decisions of the Aesthetics Review Committee and Neighborhood Corporations' aesthetics review board.

4.1. MEMBERS OF COMMITTEE. The Aesthetics Review Committee shall be composed of not less than three (3) nor more than five (5) members with the exact number of members set by the Board. Aesthetics Review Committee members appointed by the Board must be Members or agents of Members, but Aesthetics Review Committee members appointed by Declarant are not subject to this limit. The Aesthetics Review Committee has the right and duty to promulgate Aesthetics Standards against which to examine any request made pursuant to this Article. Board members may also serve as Aesthetics Review Committee members only if a reasonable effort is made to fill the positions on the Aesthetics Review Committee with persons who are not Board members and a position remains vacant.

4.2. POWERS AND DUTIES.

4.2.1. General Powers and Duties. The Aesthetics Review Committee shall consider and act upon all plans and specifications submitted for its approval. The Aesthetics Review Committee also has the power but not the duty to inspect work in progress to assure conformance with plans approved by the Aesthetics Review Committee. The Aesthetics Review Committee shall perform such other duties as the Board assigns to it. The Aesthetics Review Committee shall not have the power to enforce the restrictions contained in the LARMAC Governing Documents. This power is reserved to the Board and the Covenant Committee.

4.2.2. Issuance of Aesthetics Standards. The Aesthetics Review Committee shall regularly review its Aesthetics Standards. The Aesthetics Standards and any amendments, modifications or restatements must be approved by the Board. The Aesthetics Standards shall include rules or guidelines setting forth procedures for the submission of plans for approval, may require a fee to accompany each application for approval, and may identify additional factors which the Aesthetics Review Committee will consider in reviewing submissions. The Aesthetics Review Committee may provide that fees it imposes be uniform,

or that fees be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or installations contemplated. The Aesthetics Review Committee may require such detail in plans and specifications submitted for its review as it deems proper and may require submission of landscape plans, floor plans, site plans, drainage plans, elevation drawings and descriptions or samples of exterior material and colors.

4.2.3. **Retaining Consultants.** The Aesthetics Review Committee has the power but not the duty to retain Persons to advise the Aesthetics Review Committee in connection with decisions; however, the Aesthetics Review Committee does not have the power to delegate its decision-making power.

4.3. RIGHTS OF APPOINTMENT.

4.3.1. **Initial Appointment.** The initial members of the Aesthetics Review Committee shall be representatives of Declarant until one (1) year after the original issuance of the Public Report for the First Subdivision ("First Anniversary").

4.3.2. **By Declarant.** After the First Anniversary, Declarant may appoint and remove a majority of the members of the Aesthetics Review Committee until the earlier to occur of (i) the date on which Close of Escrow has occurred for the sale of seven thousand two hundred ninety (7,290) Lots and Condominiums in the Covered Property, or (ii) the fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Phase for which a Public Report was most recently issued.

4.3.3. **By the Board.** After the First Anniversary, the Board may appoint and remove those members of the Aesthetics Review Committee which Declarant is not authorized to appoint until such time as Declarant's right of appointment expires, and thereafter the Board may appoint and remove all members of the Aesthetics Review Committee. Aesthetics Review Committee members appointed by the Board serve for a term set by the Board or until their respective successors are appointed.

4.3.4. **Notice of Appointment.** Whenever an Aesthetics Review Committee member is appointed or removed while both Declarant and the Board have rights of appointment, written notice of such appointment or removal must be given by the appointing party to the other party.

4.4. REVIEW OF PLANS AND SPECIFICATIONS.

4.4.1. **Improvements Requiring Approval.** No construction, installation or alteration of an Improvement, in the Covered Property by an Owner or a Neighborhood Corporation may be commenced or maintained until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location thereof have been submitted to and approved in writing by the Aesthetics Review Committee; provided, however, that any Improvement may be repainted without Aesthetics Review Committee approval so long as the Improvement is repainted with an approved color. The provisions of this Article also apply to the construction, installation and alteration of solar energy systems, as defined in Section 801.5 of the California Civil Code, subject to the provisions of California Civil Code Section 714, the County Building Code, applicable zoning regulations, and associated County ordinances.

4.4.2. **Application Procedure.** Until changed by the Board, the address for submission of plans and specifications is LARMAC's principal office. The form of application used by the Aesthetics Review Committee and any Neighborhood Corporation shall include spaces allowing "Adjacent Owners" to sign or initial the application confirming that they have been notified of the application. The Aesthetics Review Committee shall establish a definition of "Adjacent Owners" in its Aesthetics Standards for use by the Aesthetics Review Committee and the aesthetic review boards for all Neighborhood Corporations. Applications will be complete even if all of the Adjacent Owners do not initial the applications so long as the Applicant certifies that the Applicant requested that the Adjacent Owners sign the applications.

If the Aesthetics Review Committee receives plans and specifications it determines are not complete, the Aesthetics Review Committee may reject the application for approval. The Aesthetics Review Committee shall transmit its decision and the reasons therefor to the Owner submitting the plans and specifications ("Applicant") at the address set forth in the application for approval within forty-five (45) days after the Aesthetics Review Committee receives all required materials. Any application submitted pursuant to this Section shall be deemed approved unless the Aesthetics Review Committee transmits written disapproval or a request for additional information or materials to the Applicant within forty-five (45) days after the date the Aesthetics Review Committee receives all required materials.

4.4.3. **Standard for Approval.** The Aesthetics Review Committee shall approve plans and specifications submitted for its approval only if it determines that (a) the installation, construction or alteration contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Covered Property as a whole, (b) the appearance of any structure

affected thereby will be in harmony with the surrounding structures, (c) the installation, construction or alteration thereof will not detract from the beauty, wholesomeness and attractiveness of the LARMAC Property or the enjoyment thereof by the Members, and, if applicable, (d) the maintenance thereof will not become a burden on LARMAC.

The Aesthetics Review Committee may condition its approval of plans and specifications upon any of the following: (1) the Applicant's furnishing LARMAC with security acceptable to LARMAC against any mechanic's lien or other encumbrance which may be Recorded against the Covered Property as a result of such work, (2) such changes therein as the Aesthetics Review Committee deems appropriate, (3) (if applicable) the Applicant's agreement to grant appropriate easements to LARMAC for the maintenance of the Improvements, (4) the Applicant's agreement to install (at its sole cost) water, gas, electrical or other utility meters to measure any increased consumption, (5) (if applicable) the Applicant's agreement to reimburse LARMAC for the cost of such maintenance, or (6) the Applicant's agreement to complete the proposed work within a stated period of time.

4.4.4. **Relationship to Neighborhood Corporations.** The Aesthetics Review Committee may require that all plans and specifications be approved by any Neighborhood Corporation having jurisdiction before the Aesthetics Review Committee reviews the plans and specifications. Conditions and requirements imposed by the Aesthetics Review Committee supersede all conflicting conditions or requirements which may be imposed by a Neighborhood Corporation. The Aesthetics Review Committee's determination of the existence of a conflict or discrepancy between the conditions or requirements imposed by the Aesthetics Review Committee and those imposed by a Neighborhood Corporation are binding and conclusive upon the Neighborhood Corporation and any affected Applicant.

4.4.5. **Exemption.** Notwithstanding any other provision of the LARMAC Governing Documents, Declarant, Neighborhood Builders and any Person Declarant designates in a Supplemental Declaration need not seek Aesthetics Review Committee approval with respect to their construction or development activities. Declarant may exclude portions of the Covered Property from jurisdiction of the Aesthetics Review Committee in the applicable Supplemental Declaration. Declarant may, at its option, establish an additional architectural review committee for any area exempted from the jurisdiction of the Aesthetics Review Committee.

4.5. **MEETINGS OF THE AESTHETICS REVIEW COMMITTEE.** The Aesthetics Review Committee shall meet as necessary to perform its duties. The vote or written

consent of a majority of the Aesthetics Review Committee constitutes an act of the Aesthetics Review Committee.

4.6. **NO WAIVER OF FUTURE APPROVALS.** The Aesthetics Review Committee's approval does not waive any right to withhold future approvals.

4.7. **COMPENSATION OF MEMBERS.** The Aesthetics Review Committee's members shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in performing their duties.

4.8. **INSPECTION OF WORK.** The Aesthetics Review Committee or its duly authorized representative may inspect any work for which approval is required under the LARMAC Governing Documents ("Work"). The right to inspect includes the right to require any Owner to take such action as may be necessary to remedy any noncompliance with the Aesthetics Review Committee-approved plans for the Work or with the requirements of the LARMAC Governing Documents ("Noncompliance").

4.8.1. **Time Limit.** The Aesthetics Review Committee's right to inspect the Work and notify the responsible Owner of any Noncompliance shall terminate sixty (60) days after the Aesthetics Review Committee has received written notice from the Owner that the Work is completed if the Work is, in fact, completed. If the Aesthetics Review Committee fails to send a notice of Noncompliance to an Owner before this time limit expires, the Work shall be deemed to comply with the approved plans.

4.8.2. **Remedy.** If an Owner fails to remedy any Noncompliance within sixty (60) days from the date of notification from the Aesthetics Review Committee, the Aesthetics Review Committee may initiate the enforcement procedures established in Section 13.1.1.

4.9. **SCOPE OF REVIEW.** The Aesthetics Review Committee shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed construction, installation or alteration solely on the basis of aesthetic considerations, consistency with the LARMAC Governing Documents, height of landscaping materials at maturity, and the overall benefit or detriment which would result to the immediate vicinity and the Covered Property generally. The Aesthetics Review Committee shall consider the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Aesthetics Review Committee is not responsible for reviewing, nor may its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

4.10. **VARIANCE.** The Aesthetics Review Committee may authorize variances from compliance with any of the architectural and landscaping provisions of the LARMAC Governing Documents, including restrictions upon height, size, floor area or placement of structures, or

similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the Aesthetics Review Committee, and become effective upon Recordation. After Declarant's right to appoint a majority of the Aesthetics Review Committee's members expires, the Board must approve any variance recommended by the Aesthetics Review Committee before any such variance becomes effective. If a variance is granted, no violation of the covenants, conditions and restrictions contained in the LARMAC Governing Documents shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance does not waive any of the terms and provisions of the LARMAC Governing Documents for any purpose except as to the particular property and particular provision hereof covered by the variance, nor does it affect the Owner's obligation to comply with all applicable governmental ordinances affecting the use of his Residence, Lot or Condominium.

4.11. **PRE-APPROVALS.** The Board may authorize pre-approval of certain Improvements.

4.12. **APPEALS.**

4.12.1. **Persons Who Have Appeal Rights.** The only Person with the right to appeal an application that has been rejected is the Applicant. "Adjacent Owners" as defined by the Aesthetics Review Committee and the Applicant are the only Persons who have the right to appeal an approved application. The Persons granted appeal rights by this Section 4.12.1 are referred to in Sections 4.12.2 and 4.12.3 as "Appellants."

4.12.2. **Appeals of Neighborhood Corporation Decisions.** Appellants have the right to appeal decisions by the Neighborhood Corporation aesthetics review board to the board of directors of the Neighborhood Corporation. Appellants' rights to file appeals terminate at 5:00 p.m. on the day that is ten (10) business days after the date the Applicant's application has been approved by the Neighborhood Corporation aesthetics review board. Appellants have the affirmative duty of determining when an application has been approved. Neither the Board nor the Aesthetics Review Committee nor the Neighborhood Corporation has any duty to ensure that approvals are communicated to all potential Appellants. Decisions made by a Neighborhood Corporation board of directors are not appealable. This limit on appeals from Neighborhood Corporation decisions is not a limit on the ability of the Neighborhood Corporation board of directors to amend or modify a decision it has issued. Each Neighborhood Corporation board of directors shall adopt policies and procedures for implementing the process of appealing aesthetic review board decisions to the Neighborhood Corporation board of directors.

4.12.3. **Appeals of Decisions of Aesthetics Review Board.** Appellants have the right to appeal decisions by the Aesthetics Review Committee to the Board of Directors of LARMAC. Appellants' rights to file appeals terminate at 5:00 p.m. on the day that is ten (10) business days after the date the Applicant's application has been approved by the Aesthetics Review Committee. Appellants have the responsibility to determine when an application has been approved. Neither the Board nor the Aesthetics Review Committee has any duty to ensure that approvals are communicated to all potential Appellants. Decisions made by the LARMAC Board are not appealable. This limit on appeals from LARMAC Board decisions is not a limit on the LARMAC Board's ability to amend or modify a decision it has issued under circumstances it considers appropriate. The Board may adopt policies and procedures for implementing the process of appealing Aesthetics Review Committee decisions to the Board.

ARTICLE V COVENANT COMMITTEE

The Covenant Committee is a three to five person committee initially appointed by the Declarant and eventually appointed by the Board of Directors of LARMAC. The Covenant Committee has the power to enforce the restrictions in the LARMAC Governing Documents. It will hold hearings as provided in LARMAC's Bylaws. This Article also establishes the method for appealing Covenant Committee decisions.

5.1. **MEMBERS OF COMMITTEE.** The Covenant Committee shall be composed of not less than three (3) nor more than five (5) members with the exact number of members set by the Board. Covenant Committee members appointed by the Board must be Members or agents of Members, but Covenant Committee members appointed by Declarant are not subject to this limit. Board members may also serve as Covenant Committee members.

5.2. **POWERS AND DUTIES.**

5.2.1. **General Powers and Duties.** The Covenant Committee shall have the power to enforce the restrictions contained in the LARMAC Governing Documents in accordance with Article XIII. However, only the Board has the power to initiate litigation.

5.2.2. **Issuance of Enforcement Procedures.** The Covenant Committee has the power, but not the duty, to propose procedures for enforcement that supplement the procedures established in the LARMAC Governing Documents. Any procedures, amendments, modifications or restatements of the procedures must be approved by the Board.

5.2.3. **Retaining Consultants.** The Covenant Committee has the power but not the duty to retain Persons to advise the Covenant Committee in connection

with decisions; however, the Covenant Committee does not have the power to delegate its decision-making power.

5.3. RIGHTS OF APPOINTMENT.

5.3.1. **Initial Appointment.** The initial members of the Covenant Committee shall be representatives of Declarant until one (1) year after the original issuance of the Public Report for the First Subdivision (“First Anniversary”).

5.3.2. **By Declarant.** After the First Anniversary, Declarant may appoint and remove a majority of the members of the Covenant Committee until the earlier to occur of (i) the date on which Close of Escrow has occurred for the sale of seven thousand two hundred ninety (7,290) Lots and Condominiums in the Covered Property, or (ii) the fifth (5th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Phase for which a Public Report was most recently issued.

5.3.3. **By the Board.** After the First Anniversary, the Board may appoint and remove those members of the Covenant Committee which Declarant is not authorized to appoint until such time as Declarant’s rights of appointment shall have expired, and thereafter the Board may appoint and remove all members of the Covenant Committee. Covenant Committee members appointed by the Board shall serve for a term set by the Board or until their respective successors are appointed.

5.3.4. **Notice of Appointment.** Whenever a Covenant Committee member is appointed or removed while both Declarant and the Board have rights of appointment, written notice of such appointment or removal must be given by the appointing party to the other party.

5.3.5. **Relationship to Neighborhood Corporations’ Boards.** Decisions by the Covenant Committee supersede all conflicting decisions by a Subordinate Corporation. The Covenant Committee’s determination of the existence of a conflict or discrepancy between the conditions or requirements imposed by the Covenant Committee and those imposed by a Subordinate Corporation are binding and conclusive upon the Subordinate Corporation.

5.4. **MEETINGS OF THE COVENANT COMMITTEE.** The Covenant Committee shall meet as necessary to perform its duties. The vote or written consent of a majority of the Covenant Committee constitutes an act of the Covenant Committee.

5.5. **COMPENSATION OF MEMBERS.** The Covenant Committee's members shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in performing their duties.

5.6. **APPEALS.** Decisions by the Covenant Committee may be appealed by a Person who is sanctioned to the Board of Directors of LARMAC. The right to file appeals terminates at 5:00 p.m. on the day that is ten (10) business days after the date a decision has been issued by the Covenant Committee. Persons wishing to appeal have the affirmative duty of determining when a decision has been issued. Decisions made by the LARMAC Board are not appealable. This limit on appeals from LARMAC Board decisions is not a limit on LARMAC Board's ability to amend or modify a decision it has issued. The Board may adopt policies and procedures for implementing the process of appealing Covenant Committee decisions to the Board.

ARTICLE VI OWNERS' MEMBERSHIP AND VOTING RIGHTS

Each Person who purchases a Lot or Condominium in the Covered Property becomes a Member of LARMAC with certain rights and privileges. Methods for transferring Memberships in LARMAC, Members' voting rights and the Declarant's veto rights are described in this Article.

6.1. **MEMBERSHIP.** Every Owner shall automatically be a Member and shall remain a Member until such Owner's Lot or Condominium ownership ceases, at which time such Owner's Membership shall automatically cease. Ownership of a Lot or Condominium is the sole qualification for Membership. Memberships are not assignable except to the Person to whom title to the Lot or Condominium has been transferred.

6.2. **TRANSFER OF MEMBERSHIPS.** The Membership of any Owner may not be transferred, pledged or alienated in any way, except upon the transfer or encumbrance of such Owner's Lot or Condominium, and then only to the transferee or Beneficiary of such Lot or Condominium. A prohibited transfer is void and will not be reflected upon the books and records of LARMAC. A Class A Member who has sold his Lot or Condominium to a contract purchaser under an agreement to purchase may delegate his Membership rights to the contract purchaser. The delegation must be in writing and must be delivered to the Board before the contract purchaser may vote. The contract seller shall remain liable for all charges and assessments attributable to the contract seller's Lot or Condominium which accrue before fee title to the Lot or Condominium is transferred. If an Owner fails or refuses to transfer his Membership to the purchaser of such Owner's Lot or Condominium upon transfer of fee title thereto, the Board may record the transfer upon LARMAC's books. Until satisfactory evidence of such transfer has been presented to the Board, the purchaser will not be entitled to vote at LARMAC meetings. At the request of LARCS, LARMAC shall provide LARCS with the name, address and telephone number of each new Owner and the forwarding address of any former Owner.

6.3. **CLASSES OF VOTING MEMBERSHIP.** Members of LARMAC are Declarant, for so long as Declarant is entitled to cast a Class A, B or C vote and each Owner (including any Neighborhood Builder) of at least one (1) Lot or Condominium in the Covered Property. Membership in LARMAC is subject to the LARMAC Governing Documents. Except for the Class C Membership, all Memberships in LARMAC are appurtenant to the Lots and Condominiums. Ownership of a Lot or Condominium is the sole qualification for Membership in LARMAC. LARMAC classes of voting Membership are as follows:

6.3.1. **Class A.** Class A Members are all Owners except Declarant and the Neighborhood Builders for so long as there exists a Class B Membership. Class A Members are entitled to one (1) vote for each Assessment Unit assigned pursuant to Section 8.4.1 to a Lot or Condominium owned by such Class A Members which is subject to assessment. Declarant and the Neighborhood Builders shall become Class A Members upon conversion of the Class B Membership. When more than one (1) Person owns any Lot or Condominium, all such Persons are Members. The vote for such Lot or Condominium shall be exercised in accordance with Section 6.4. The Class A votes allocated to Declarant and the Neighborhood Builders shall be exercised by Declarant's Neighborhood Representative.

6.3.2. **Class B.** The Class B Members are Declarant and the Neighborhood Builders. The Class B Members are entitled to three (3) votes for each Assessment Unit assigned to a Lot or Condominium owned by Declarant or a Neighborhood Builder which is subject to assessment. Votes of the Class B Members shall be exercised by Declarant's Neighborhood Representative. The Class B Membership shall be converted to Class A Membership on the first to occur of the following events:

- i. The Close of Escrow for the sale of six thousand seventy five (6,075) Lots and Condominiums in the overall development composed of the Covered Property and Annexable Area.
- ii. The fifth (5th) anniversary of the first Close of Escrow in the Phase for which a Public Report was most recently issued.
- iii. The twenty-fifth (25th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Covered Property.

6.3.3. **Class C.** The Class C Member shall be Declarant (whether or not Declarant is a Member). The Class C Member is not entitled to vote on any matters except the Class C Member is entitled to select a majority of the members of the Board of Directors until the Class C Termination Date. The "Class C Termination Date" shall be the earlier to occur of the following events:

i. The Close of Escrow for the sale of six thousand seventy five (6,075) Lots and Condominiums in the overall development composed of the Covered Property and Annexable Area.

ii. The fifth (5th) anniversary of the first Close of Escrow in the Phase for which a Public Report was most recently issued.

iii. The twenty-fifth (25th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Covered Property.

6.3.4. **Election of Twenty Percent of the Board.** Declarant (whether or not Declarant is an Owner) is entitled to select twenty percent (20%) of the members of the Board of Directors until the Selection Termination Date. The "Selection Termination Date" shall be the earlier to occur of the following events:

i. The Close of Escrow for the sale of seven thousand two hundred ninety (7,290) Lots and Condominiums in the overall development composed of the Covered Property and Annexable Area.

ii. The fifth (5th) anniversary of the first Close of Escrow in the Phase for which a Public Report was most recently issued.

iii. The twenty-fifth (25th) anniversary of the first Close of Escrow for the sale of a Lot or Condominium in the Covered Property.

6.4. VOTING RIGHTS.

6.4.1. **General Rule.** All voting rights are subject to the LARMAC Governing Documents.

6.4.2. **Co-Ownership.** When more than one (1) Person holds an ownership interest in any Lot or Condominium ("co-owner"), all such co-owners are Members and may attend any LARMAC meetings, but only one (1) such co-owner shall be entitled to exercise the vote to which the Lot or Condominium is entitled. Co-owners owning the majority interests in a Lot or Condominium may designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Lot or Condominium shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if the designation has been revoked, the vote for the Lot or Condominium shall be exercised as the co-owners owning the majority interests in the Lot or Condominium agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with his co-owners' consent. No vote may be cast for any Lot or Condominium if the co-owners present in person or by proxy owning the majority interests in such Lot

or Condominium cannot agree to said vote or other action. The nonvoting co-owner or co-owners are jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot or Condominium and are entitled to all other benefits of ownership. All agreements and determinations lawfully made by LARMAC in accordance with the voting percentages established in the Articles, Bylaws and Master Declaration are binding on all Owners and their successors in interest.

6.5. **DECLARANT'S VETO RIGHT.** Declarant has the right to veto the LARMAC actions listed in Section 6.6. This veto right shall terminate on the date on which neither Declarant nor any Neighborhood Builder owns or has a Deed of Trust interest in the Covered Property or any portion of the Annexable Area.

6.6. **ACTIONS SUBJECT TO DECLARANT'S VETO.** The following actions are subject to Declarant's veto:

6.6.1. **Change in Design.** Any change in the general, overall architectural and landscaping design of the Covered Property or the LARMAC Property;

6.6.2. **Aesthetics Review Committee.** The adoption of and any supplement, amendment or restatement to the Aesthetics Standards, all decisions of the Aesthetics Review Committee, any decisions made on appeal to the Board, and any decision to terminate the Aesthetics Review Committee.

6.6.3. **Community Guidelines.** The adoption of any supplement, amendment or restatement to the Community Guidelines or the decision to terminate the Covenant Committee.

6.6.4. **Maintenance.** Modifications to level or frequency of maintenance of LARMAC Property or to the Landscape Maintenance Guidelines;

6.6.5. **Reduction in Services.** Any significant reduction of LARMAC Property services, the amount of Common Assessments or entering into contracts for maintenance or other goods and services benefitting LARMAC or the LARMAC Property at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services as determined pursuant to the Landscape Maintenance Guidelines;

6.6.6. **Special Benefit Areas.** The creation of or modification of a Special Benefit Area;

6.6.7. **Annexations.** The annexation to the Covered Property of real property pursuant to Section 16.5;

6.6.8. **Amendments.** And any proposed amendment to Article II, Article IX, Article XII, Article XIII, Article XVI, and Article XVII, and Sections 1.3, 1.24, 1.25, 1.51 to 1.55, 3.3, 3.5, 3.7, 4.3, 4.12, 5.3, 6.3, 6.5, 6.6, 7.1, 7.5, 7.6, 7.11, 8.4, 14.2, and 14.3.

ARTICLE VII OWNERS' PROPERTY RIGHTS AND PROJECT EASEMENTS

Living or working in a master planned community involves sharing and cooperation. The various types of properties and uses in the Covered Property require the creation of special property rights and provisions to address the needs of the variety of Persons living and working in the Covered Property. The property rights acquired by Owners and other Persons in the Covered Property are described in this Article along with limits on the exercise of those rights.

7.1. **OWNERS' EASEMENTS OF ENJOYMENT.** Every Owner has a right and easement of ingress and egress and of enjoyment in, to and over the LARMAC Property. Each such easement is appurtenant to and shall pass with title to every Lot or Condominium, subject to the following. Unless otherwise indicated, the rights of LARMAC described below may be exercised by the Board.

7.1.1. **LARMAC Exercise of Powers.** LARMAC's exercise of its powers.

7.1.2. **Suspension of Privileges.** LARMAC's right to enforce provisions of the LARMAC Governing Documents by suspending the Membership rights and other rights and easements of any Owner (and of the Persons deriving rights and easements from an Owner) to use the LARMAC Property in accordance with the Notice and Hearing procedure established in the Bylaws.

7.1.3. **Transfer of Property.** Subject to the limits established in other Sections of this Master Declaration, LARMAC's right to transfer all or a part of the LARMAC Property for such purposes and subject to such conditions as may be approved by the Neighborhood Representatives.

7.1.4. **Declarant's Right to Access.** The right of Declarant, the Neighborhood Builders and their sales agents, representatives and prospective purchasers to the nonexclusive use of the LARMAC Property and Neighborhood Property, without cost, for access, ingress, egress, use and enjoyment, in order to market and dispose of the Covered Property and the Annexable Area, until neither Declarant nor any Neighborhood Builder owns any portion of the Covered Property or the Annexable Area; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners established by this Master Declaration.

7.1.5. **Other Declarant Rights.** The rights and reservations of Declarant and the Neighborhood Builders established in Article XVII.

7.1.6. **Reconstructing Improvements.** LARMAC's right to reconstruct, replace or refinish any Improvement or portion thereof on the LARMAC Property.

7.1.7. **Maintenance.** LARMAC's right to maintain the LARMAC Property.

7.1.8. **Restricting Access.** LARMAC's right to reasonably restrict access to slopes and other landscaped areas, maintenance facilities, open space areas and other areas of the LARMAC Property designated by the Board. A Supplemental Declaration may designate exclusive use areas in portions of the LARMAC Property for the exclusive use or maintenance by one or more Owners (such as common driveway areas).

7.1.9. **Access to Public.** LARMAC's right to make portions of the LARMAC Property available for use by Persons who are not residents or Owners in the Covered Property on such terms and at such times as may be negotiated by LARMAC.

7.1.10. **Other Easements.** The easements reserved in the other Sections of this Article.

7.2. **EASEMENTS FOR VEHICULAR/PEDESTRIAN TRAFFIC.** Declarant reserves, for the benefit of all Owners and the Subordinate Corporations, nonexclusive easements appurtenant to all the Lots, Condominiums and Neighborhood Property in the Covered Property for vehicular and pedestrian traffic over the private streets and walkways in the LARMAC Property, subject to the parking restrictions in Section 2.4.

7.3. **EASEMENTS FOR PUBLIC SERVICE USE.** Declarant reserves easements over the Covered Property for public services of the Local Government Agencies including the right of law enforcement and fire protection personnel to enter upon any part of the Covered Property for the purpose of carrying out their official duties.

7.4. **EASEMENTS FOR WATER AND UTILITY PURPOSES.** Declarant reserves easements over the Covered Property for public and private utility purposes including the right of any public utility or mutual water district of ingress or egress over the LARMAC Property for purposes of reading and maintaining meters, and using and maintaining fire hydrants located in the Covered Property.

7.5. EASEMENT FOR DECLARANT AND NEIGHBORHOOD BUILDERS OVER LARMAC PROPERTY. Declarant reserves for its benefit, for the benefit of the Neighborhood Builders, and for the benefit of Declarant's and Neighborhood Builders' agents, employees, contractors, customers and invitees and for the benefit of their successors and assigns, a nonexclusive easement appurtenant to the Annexable Area, in, to, and over the LARMAC Property for access, ingress, egress, use and enjoyment, in order to show the Covered Property or Annexable Area to its prospective purchasers, or to develop, market, sell, lease or otherwise dispose of the Covered Property or the Annexable Area. Such easement shall continue for so long as Declarant or a Neighborhood Builder owns any portion of the Covered Property or the Annexable Area.

7.6. MASTER TELECOMMUNICATIONS EASEMENTS. All of the Covered Property is subject to exclusive and nonexclusive easements reserved to Declarant for access, ingress, and egress, for purposes of installing, operating, maintaining, inspecting and removing a cable television system and telecommunication service lines, facilities, and equipment, for the benefit of Declarant and its subsidiaries, transferees, successors and assigns, as reserved and granted by reservations and conveyances of Record and the provisions hereof. Such easements are freely transferable by Declarant to any other individual or entity and their successive owners for the purpose of providing a community cable television system and telecommunication services to the Covered Property and to other real property. All such community cable television and telecommunication lines, facilities and equipment shall remain the property of Declarant, its subsidiaries, successors, transferees and assigns, and transfer of all or any portion of the Covered Property does not imply the transfer of any such community cable television and telecommunication easements or the lines, facilities or equipment located thereon. Exercise of the easements reserved in this Section shall not unreasonably interfere with the reasonable use and enjoyment of the Covered Property.

7.7. MISCELLANEOUS EASEMENTS. Declarant and each Neighborhood Builder reserves the following easements for the benefit of all of the real property in the Covered Property and the Owners:

7.7.1. Utilities. Reciprocal, nonexclusive easements over all Lots, Condominiums, Neighborhood Property and the LARMAC Property, for maintenance and repair of utility services.

7.7.2. Drainage. Reciprocal, nonexclusive easements for drainage of water over, across and upon adjacent Lots, Condominiums, Neighborhood Property and LARMAC Property resulting from the normal use of adjoining Lots, Condominiums, Neighborhood Property or LARMAC Property.

7.7.3. Maintenance and Repair. Nonexclusive easements for access to perform necessary maintenance of any Improvement constructed by Declarant or a Neighborhood Builder.

7.7.4. **Easements on Maps.** Easements as shown on any Recorded subdivision map or Recorded parcel map of any portion of the Covered Property.

7.7.5. **Encroachments.** Easements for minor encroachment and maintenance if any Improvement on a Lot, Condominium or Neighborhood Property encroaches upon the LARMAC Property or if LARMAC Property Improvements encroach upon any Lot, Condominium or Neighborhood Property as a result of construction by Declarant or a Neighborhood Builder or as a result of construction, repair or reconstruction approved by the Aesthetics Review Committee.

7.7.6. **Other Accommodations.** Easements for the benefit of the Lots, Condominiums and Neighborhood Property over adjacent Lots, Condominiums, Neighborhood Property or LARMAC Property for the purposes of accommodating any natural movement or settling of any Improvement, any encroachment of any Improvement due to minor engineering or construction variances, and any encroachment of eaves, roof overhangs and architectural features comprising parts of the original construction of any Residence.

7.8. **DELEGATION OF USE.** Any Owner entitled to use and enjoyment of the LARMAC Property may delegate his rights to such Owner's tenants, contract purchasers or subtenants who reside in such Owner's Residence, subject to reasonable regulation by the Board. An Owner who has delegated his rights may not use or enjoy the recreational facilities or equipment on the LARMAC Property for so long as such delegation remains in effect. Each Apartment Area Owner may delegate its right of enjoyment in and to the LARMAC Property to tenants or subtenants, and such tenants or subtenants may further delegate such rights of enjoyment to the members of their Family and their guests, subject to the LARMAC Governing Documents. On receipt of notice from LARCS that an Owner owes an amount to LARCS, LARMAC may withhold facilities keys from the Owner until the amount is paid.

7.9. **WAIVER OF USE.** No Owner may exempt himself from personal liability for assessments levied by LARMAC, nor release his Lot or Condominium from the liens and charges hereof, by waiving the use and enjoyment of the LARMAC Property or by abandoning such Owner's Lot or Condominium.

7.10. **TAXES.** Each Owner shall take such action as LARMAC may reasonably require to obtain separate real estate tax assessment of each Lot or Condominium. If any taxes or assessments may, in LARMAC's opinion, become a lien on the LARMAC Property or any part thereof, LARMAC may pay them as a Common Expense and charge LARMAC's costs to the appropriate Owners as a Special Benefit Area Assessment Component of the Owners' Common Assessments.

7.11. **RIGHT TO GRANT ADDITIONAL EASEMENTS.** Declarant reserves, together with the right to grant and transfer the same, easements over the LARMAC Property for

the exclusive use by an Owner or Owners of contiguous property as a yard, recreational, gardening, and/or landscaping area. Any such easement may be conveyed by the Declarant prior to conveying the last Lot or Condominium in the Covered Property or any portion of the Annexable Area. Such conveyance must be approved in advance by the Board of Directors of LARMAC. The purpose of the easement, the portion of the LARMAC Property affected, the Lot or Condominium to which the easement is appurtenant, and any restrictions on use of the easement area shall be identified in the Recorded grant of easement.

ARTICLE VIII OBLIGATION TO SHARE COSTS

One of the obligations of Owners in the Covered Property is to contribute financially to support the operations of LARMAC. LARMAC funds its operations through collection of different kinds of assessments: Common Assessments, Capital Improvement Assessments, Extraordinary Assessments, Reconstruction Assessments and Compliance Assessments. This Article describes how the different types of assessments are collected and used by LARMAC. This Article also sets limits on the amount of certain assessments that can be charged to Owners.

8.1. CREATION OF ASSESSMENT OBLIGATION. Declarant and each Neighborhood Builder, for each Lot or Condominium owned by Declarant or a Neighborhood Builder, covenants to pay, and each Owner is deemed to covenant to pay to LARMAC (a) Common Assessments, (b) Capital Improvement Assessments, (c) Compliance Assessments, (d) Extraordinary Assessments, and (e) Reconstruction Assessments. Except as provided in this Section, all assessments (other than certain Compliance Assessments), together with interest, costs and reasonable attorneys' fees for the collection thereof, are a charge and can become a lien upon the Lot or Condominium against which such assessment is made. Each assessment (including Compliance Assessments), together with interest, costs and reasonable attorneys' fees, is also the personal obligation of the Person who was the Owner of the Lot or Condominium at the time when the assessment fell due. The personal obligation for delinquent assessments may not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

8.2. MAINTENANCE FUNDS OF LARMAC. The LARMAC Maintenance Funds may be established as trust accounts at a banking or savings institution and may be combined so long as reserve funds are not combined with operating funds and the funds are treated as separate funds for accounting purposes. The Board shall budget and keep at least the following accounts (the "Maintenance Funds") into which shall be deposited all monies paid to LARMAC, and from which disbursements shall be made in LARMAC's performance of its functions:

8.2.1. General Operating Fund. A General Operating Fund for current expenses of LARMAC, exclusive of current expenses attributable to the Special Benefit Areas.

8.2.2. **General Reserve Fund.** An adequate General Reserve Fund for the deposit of Reserves attributable to Improvements within the LARMAC Property, exclusive of Reserves attributable to the Special Benefit Areas.

8.2.3. **Special Benefit Area Operating Fund.** For each Special Benefit Area, a separate Special Benefit Area Operating Fund for current expenses of the Special Benefit Area.

8.2.4. **Special Benefit Area Reserve Fund.** For each Special Benefit Area, a separate adequate Special Benefit Area Reserve Fund for the deposit of Reserves attributable to the Special Benefit Area.

8.2.5. **Miscellaneous Maintenance Funds.** Any other Maintenance Funds which LARMAC may deem necessary.

8.3. **PURPOSE OF ASSESSMENTS.** Assessments and any other amounts deposited into the Maintenance Funds shall be used exclusively to (a) promote the Owners' recreation and welfare, (b) improve and maintain the LARMAC Property, and (c) perform any other LARMAC function. Disbursements from the particular Maintenance Funds shall be limited to specific purposes as follows:

8.3.1. **General Operations.** Disbursements from the General Operating Fund shall be made to discharge LARMAC's responsibilities under the LARMAC Governing Documents, for the common benefit of all Owners.

8.3.2. **General Reserves.** Disbursements from the General Reserve Fund shall be made to fund those Reserve expenditures which are not Budgeted to a Special Benefit Area.

8.3.3. **Special Benefit Area Operations.** Disbursements from each Special Benefit Area Operating Fund shall be made to fund the current operating Common Expenses of the Special Benefit Area for which the fund was created.

8.3.4. **Special Benefit Area Reserves.** Disbursements from each Special Benefit Area Reserve Fund shall be made to fund Reserve expenditures attributable to the Special Benefit Area for which the fund was created.

8.4. **ASSESSMENT COMPONENTS, RATES AND EXEMPTIONS.** Each annual Common Assessment is an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts of prospective deposits into the General Operating and Reserve Funds, Special Benefit Area Operating and Reserve Funds, and any other Maintenance Fund established by LARMAC. Common Assessments shall be assessed against the Owners of Lots or Condominiums as follows:

8.4.1. **Assessment Units.** The Common Expenses of LARMAC shall be allocated among the Owners and their respective Lots and Condominiums for which Common Assessments have commenced based upon the number of Assessment Units chargeable to each Lot or Condominium. Assessment Units shall be allocated as follows:

i. **Residential Area.** Each Residential Area single-family Lot and Condominium, and the Owner thereof, shall be allocated one (1) Assessment Unit.

ii. **Apartment Area.** Each Apartment Area Lot developed as a multi-Family project for rental apartments, and the Owner of the Lot, shall be allocated one (1) Assessment Unit for every three (3) apartment Residences or fraction thereof located on such Apartment Area Lot for which the appropriate Local Governmental Agency has issued a certificate of occupancy or other comparable final authorization permitting occupancy of such apartment Residence unless a different allocation is established in a Supplemental Declaration.

iii. **Other Areas.** If a Phase includes property that is not a part of the Apartment Area or the Residential Area, the Supplemental Declaration annexing that Phase to this Master Declaration shall designate the number of Assessment Units assigned to each Lot in the area. The Assessment Unit assignment must be approved by the DRE before the Supplemental Declaration for the Phase is Recorded.

iv. **Special Allocation.** Declarant may identify any Common Expense which is subject to a special allocation. The Common Expense and special allocation must be identified in each Supplemental Declaration.

8.4.2. **General Assessment Component.** The portion of the Common Assessment collected to pay Common Expenses of LARMAC exclusive of Common Expenses Budgeted to the Special Benefit Areas ("General Assessment Component") shall be allocated among all of the Lots and Condominiums based upon the number of Assessment Units chargeable to each Lot and Condominium.

8.4.3. **Special Benefit Area Assessment Component.** The portion of the Common Assessment collected to pay the portion of Common Expenses composed of Special Benefit Area Operating and Reserve Funds Budgeted exclusively to any particular Special Benefit Area ("Special Benefit Area Assessment Component") shall be assessed to Lots and Condominiums designated in a Supplemental Declaration as responsible for the costs of the Special Benefit Area. Unless otherwise provided in a Supplemental Declaration,

the Special Benefit Area Assessment Component shall be allocated among all of the Lots and Condominiums in such Special Benefit Area based on the number of Assessment Units allocated to the Lots and Condominiums.

8.4.4. **Excess Funds.** During the term of any subsidy agreement between Declarant or any Neighborhood Builder and LARMAC approved by the DRE (“Subsidy Agreement”), all excess funds in the Maintenance Funds over and above the amounts used for payment of Common Expenses (including Reserves) shall be used by LARMAC to fund future Maintenance Fund deficits. After the termination of any Subsidy Agreement, the Board of Directors may determine that excess funds remaining in the Operating Funds, over and above the amounts used for the operation of the Covered Property, may, in the sole discretion of the Board, be used to reduce the following year’s Common Assessment attributable to such Maintenance Funds.

8.5. **LIMITS ON COMMON ASSESSMENT INCREASES.**

8.5.1. **Increases in the General Assessment Component.** For purposes of this Section 8.5 and Section 8.6, an “Increase Election” means a vote by written ballot of the Members with (i) a quorum requirement of fifty percent (50%) of the Members, and (ii) the minimum number of Members required to approve an action being a majority of the quorum. Sections 8.5.1(i) and 8.5.1(ii) do not limit increases in the General Assessment Component necessary for addressing an “Emergency Situation” as defined in Section 8.5.4(iii).

i. **Maximum Authorized Increase for Initial Year of Operations.** During the Fiscal Year in which Common Assessments commence, the Board may increase the General Assessment Component so that it exceeds one hundred twenty percent (120%) of the General Assessment Component disclosed for the Covered Property in the most current Budget approved by DRE at the time Common Assessments commence only if the Board first obtains the approval of Members in an Increase Election.

ii. **Maximum Authorized Increase for Subsequent Fiscal Years.** After the Fiscal Year in which Common Assessments commence, the Board may increase the General Assessment Component over the General Assessment Component for the immediately preceding Fiscal Year only as follows:

- (i) If the increase in the General Assessment Component is less than or equal to twenty percent (20%) of the General Assessment Component for the immediately preceding Fiscal Year, then the Board must either (a) have distributed

the Budget for the current Fiscal Year in accordance with Section 1365(a) of the California Civil Code, or (b) obtain the approval of the Members casting a majority of votes in an Increase Election; and

- (ii) If the increase in the General Assessment Component is greater than twenty percent (20%) of the General Assessment Component for the immediately preceding Fiscal Year, then the Board must obtain the approval of Members casting a majority of votes in an Increase Election.

8.5.2. Increases in the Special Benefit Area Component. For purposes of this Section 8.5 and Section 8.6, a “Special Benefit Increase Election” means a vote of the Members in the Special Benefit Area with (i) a quorum requirement of fifty percent (50%) of the Members in the Special Benefit Area, and (ii) the minimum number of Members required to approve an action being a majority of the quorum. Sections 8.5.2(i) and 8.5.2(ii) do not limit increases in any Special Benefit Area Component necessary for addressing an “Emergency Situation” as defined in Section 8.5.4(iii).

i. **Maximum Authorized Increase for Initial Year of Operations.** During the Fiscal Year in which Common Assessments commence, the Board may increase any Special Benefit Area Component so that it exceeds one hundred twenty percent (120%) of the amount of the Special Benefit Area Component disclosed for the Covered Property in the most current Budget approved by DRE at the time Common Assessments commence only if the Board first obtains the approval of Members in a Special Benefit Increase Election.

ii. **Maximum Authorized Increase for Subsequent Fiscal Years.** After the Fiscal Year in which Common Assessments commence, the Board may increase any Special Benefit Area Component over the Special Benefit Area Component for the immediately preceding Fiscal Year only as follows:

- (i) If the increase in the Special Benefit Area Component is less than or equal to twenty percent (20%) of the Special Benefit Area Component for the immediately preceding Fiscal Year, then the Board must either (a) have distributed the Budget for the current Fiscal Year in accordance with Section 1365(a) of the California Civil Code, or (b) obtain the approval of the Members casting a majority of votes in a Special Benefit Increase Election; and

- (ii) If the increase in the Special Benefit Area Component is greater than twenty percent (20%) of the Special Benefit Area Component for the immediately preceding Fiscal Year, then the Board must obtain the approval of Members casting a majority of votes in a Special Benefit Increase Election.

8.5.3. **Combined Increases.**

i. **Maximum Authorized Increase for Initial Year of Operations.** Until the first day of the Fiscal Year immediately following the Fiscal Year in which Common Assessments commence, the Board may increase the Common Assessment for any Special Benefit Area so that it exceeds one hundred twenty percent (120%) of the amount of the Common Assessment disclosed for such Special Benefit Area in the most current Budget filed with and approved by DRE at the time Common Assessments commence only if the Board first obtains the approval of Members in a Special Benefit Increase Election.

ii. **Maximum Authorized Increase for Subsequent Fiscal Years.** Starting with the first Fiscal Year immediately following the Fiscal Year in which Common Assessments commence, the Board may increase the Common Assessment for any Special Benefit Area over the Common Assessment for the Special Benefit Area for the immediately preceding Fiscal Year only as follows:

- (i) If the increase in the Common Assessment for any Special Benefit Area is less than or equal to twenty percent (20%) of Common Assessment for such Special Benefit Area for the immediately preceding Fiscal Year, then the Board must either (a) have distributed the Budget for the current Fiscal Year in accordance with Section 1365(a) of the California Civil Code, or (b) obtain the approval of the Members casting a majority of votes in a Special Benefit Increase Election; and
- (ii) If the increase in the Common Assessment for any Special Benefit Area is greater than twenty percent (20%) of the Common Assessment for such Special Benefit Area for the immediately preceding Fiscal Year, then the Board must obtain the approval of Members casting a majority of votes in a Special Benefit Increase Election.

8.5.4. Provisions Applicable to All Common Assessments.

i. **Supplemental Common Assessments.** If the Board determines that Common Expenses may be properly paid by collection of a Common Assessment in an amount less than the maximum authorized Common Assessment, the Board may levy a Common Assessment which is less than the maximum authorized amount. If the Board determines that the Common Assessment being collected is or will become inadequate to pay all Common Expenses, the Board shall immediately determine the approximate amount of the inadequacy and levy a supplemental Common Assessment, subject to the limits described in subsections 8.5.1, 8.5.2 and 8.5.3 above.

ii. **Automatic Assessment Increases.** Notwithstanding any other provisions of this Section 8.5, upon Declarant's annexation of any portion of the Annexable Area, the Common Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the LARMAC Property so long as the annexation of such Annexable Area is permitted by DRE. To minimize the need for frequent adjustments in the amount of the Common Assessments during the development of the Covered Property, the Board may stabilize the amount of the Common Assessments invoiced to the Owners at a level amount calculated to defray the Common Expenses of LARMAC during the time that Common Assessments are fluctuating due to the periodic annexation of Lots, Condominiums and LARMAC Property.

iii. **Emergency Situations.** An "Emergency Situation" is any one of the following:

- (i) An extraordinary expense required by an order of a court;
- (ii) An extraordinary expense necessary to maintain any portion of the Covered Property for which LARMAC is responsible where a threat to personal safety on the Covered Property is discovered; and
- (iii) An extraordinary expense necessary to maintain the any portion of the Covered Property for which LARMAC is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this Subsection 8.5.4(c), the Board shall adopt a resolution containing written findings as to the necessity of the

extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the notice of assessment increase.

8.6. SPECIAL ASSESSMENTS.

8.6.1. **Authorization.** The Board is authorized to levy Capital Improvement Assessments, Reconstruction Assessments and Extraordinary Assessments (each, a "Special Assessment" for purposes of this Section 8.6) for purposes authorized in this Master Declaration or any Supplemental Declaration.

8.6.2. **Limit on Special Assessments for Improvements Outside of Special Benefit Areas.** Special Assessments for Improvements outside of Special Benefit Areas which, if added to the Special Assessments already levied during a Fiscal Year for Improvements outside of Special Benefit Areas that exceed five percent (5%) of LARMAC's Budgeted gross expenses for such Fiscal Year (excluding Budgeted gross expenses for Special Benefit Areas) may only be levied with the vote or written consent of Members casting a majority of votes at an Increase Election unless the Special Assessments are necessary for addressing Emergency Situations defined in Section 8.5.4(iii).

8.6.3. **Limit on Assessments for Improvements In Special Benefit Areas.** Special Assessments for Improvements in a Special Benefit Area which, if added to the Special Assessments already levied during a Fiscal Year for that Special Benefit Area, that exceed five percent (5%) of LARMAC's Budgeted gross expenses for the Special Benefit Area for such Fiscal Year, may only be levied with the vote or written consent of Members casting a majority of votes at a Special Benefit Increase Election unless the Special Assessments are necessary for addressing an Emergency Situation as defined in Section 8.5.4(iii).

8.6.4. **Combined Assessments.** If any Special Assessments for a Special Benefit Area when added to Special Assessments for the current Fiscal Year cause the total amount of Special Assessments to exceed five percent (5%) of LARMAC's Budgeted gross expenses for such Fiscal Year, then the Special Assessments for the Special Benefit Area must be approved in a Special Benefit Increase Election unless the Special Assessments are necessary for addressing an Emergency Situation as defined in Section 8.5.4(iii).

8.7. **NEIGHBORHOOD REPRESENTATIVE APPROVAL.** If permitted under California law, any assessments or increases described in Sections 8.5 and 8.6 may be approved by the Neighborhood Representative instead of the Members.

8.8. COMMENCEMENT OF COMMON ASSESSMENTS. Common Assessments shall commence as to each Lot or Condominium in any Residential Area Phase requiring the issuance of a Public Report (or any combined Residential/Apartment Area Phase) on the first Close of Escrow in such Phase. Common Assessments shall not commence for any Apartment Area Phase until after the first close of escrow in the Covered Property. Then, Common Assessments for each Apartment Area Phase shall commence on the first day in which the first residential occupancy of any portion of such Apartment Area Phase occurs. However, if the first occupancy of any portion of an Apartment Area Phase occurs prior to the date upon which such Phase becomes subject to this Master Declaration, Common Assessments shall commence as to each Residence in such Apartment Area Phase on the day that such Phase becomes subject to this Master Declaration. Common Assessments shall commence on each Lot in a Phase in an area other than the Residential Area or Apartment Area on the first day that such Phase becomes subject to this Master Declaration. The first Common Assessment shall be adjusted according to the number of months remaining in the Fiscal Year.

8.9. COLLECTION OF COMMON ASSESSMENTS. The Board shall fix the amount of the Common Assessment against each Lot at least thirty (30) days in advance of each Common Assessment period. Written notice of any change in the amount of any Common Assessment, Capital Improvement Assessment or Reconstruction Assessment shall be sent via first-class mail to every Owner subject thereto not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. The due dates shall be established by the Board. LARMAC shall, upon demand and for a reasonable charge, furnish a certificate setting forth whether the assessments on a specified Lot or Condominium have been paid. A properly completed certificate as to the status of assessments against a Lot or Condominium is binding upon LARMAC as of the date of its issuance. LARMAC may use any method of collecting assessments allowed by law including charging credit cards or electronic transfers. At LARMAC's discretion, the additional cost of any method of collection can be collected from the Owner electing the method of collection and does not have to be divided equally among all Owners.

Each installment of Common Assessments may be paid by the Member to LARMAC in one check or payment or in separate checks as payments attributable to specified LARMAC Maintenance Funds. If any payment of a Common Assessment installment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the payment received by LARMAC from that Owner shall be credited an order of priority set in the Community Guidelines.

8.10. EXEMPT PROPERTY. The following property is exempt from assessments imposed pursuant to this Master Declaration:

8.10.1. Public Property. All portions of the Covered Property dedicated to and accepted by a Local Government Agency.

8.10.2. LARMAC Property. The LARMAC Property.

8.10.3. **Neighborhood Property.** All Neighborhood Property.

8.10.4. **Other.** Any areas exempted from assessments in a Supplemental Declaration.

8.11. **CFD'S AND ASSESSMENT DISTRICTS.** The Covered Property lies within the boundaries of Special Assessment Districts and Mello-Roos Community Facilities Districts which require the levy of special taxes for the repayment of bonds issued for the purpose of paying the cost of services or capital improvements that have been or are being provided. The amount of the special tax and any other information pertaining to any such district can be obtained from the County Assessor's office. Owners will be obligated to pay these assessments and taxes in addition the Assessments imposed by LARMAC or any Subordinate Corporation.

**ARTICLE IX
RESIDENTIAL AREA MAINTENANCE OBLIGATIONS**

To protect the aesthetics of the Covered Property, the Declarant has established standards for maintaining the various types of property in the Residential Area. This Article describes these standards.

9.1. **MAINTENANCE OBLIGATIONS.** Each Owner of a Lot in a Residential Area shall maintain his Residence and Lot in accordance with this Section 9.1 unless this Section 9.1 is explicitly superseded in a Supplemental Declaration.

9.1.1. **General Responsibilities.** Each Owner, at the Owner's sole expense, shall maintain and restore all Improvements located on the Owner's Lot and the Lot itself, in a neat, sanitary and attractive condition. Such maintenance responsibilities include the maintenance of the entire Residence on the Lot, as well as any fence or wall constructed on the Lot along the Lot Line abutting any LARMAC Property. Each Owner whose Lot uses a private drainage system installed by Declarant or a Neighborhood Builder is responsible for its maintenance. Each Owner whose Lot uses a sewer system lateral is responsible for the maintenance of that portion of the lateral which exclusively serves such Owner's Lot. Each Owner is also responsible for maintaining the mailbox that serves the Owner's Lot. If any Owner permits any Improvement which such Owner is responsible for maintaining to fall into disrepair or to become unsafe, unsightly or unattractive, or to otherwise violate the LARMAC Governing Documents, the Board may seek any remedies at law or in equity which it may have. In addition, the Board may, after Notice and Hearing, enter upon such Owner's Lot to perform such maintenance and charge the cost thereof to the Owner. Said cost shall be a Compliance Assessment enforceable as set forth in this Master Declaration, unless the parties agree that the cost shall be a part of a Special Benefit Area Assessment Component.

9.1.2. **Street Trees.** Certain areas on the Lots or in the County right of way are designated in Supplemental Declarations as "Street Tree Areas." LARMAC will be responsible for trimming and root pruning the trees in the Street Tree Area. The Owner of the Lot assigned to each Street Tree Area in the Supplemental Declarations will be responsible for feeding, maintaining and irrigating the trees and landscaping in the Owner's Street Tree Area. If there is a dispute between Owners regarding responsibility for maintenance, the Board shall identify Street Tree Area to be maintained by the Owners. The Board's decision shall be a final resolution of the dispute. Each Owner shall become responsible for maintenance of his Street Tree Area on Close of Escrow for the purchase of his Lot. LARMAC shall become responsible for its portion of the maintenance of the Street Tree Area concurrently with the commencement of Common Assessments in each Phase. Neighborhood Builders will plant trees in the Street Tree Areas. The Owner assigned to each Street Tree may not remove or relocate the trees in the Street Tree Areas without the prior written consent of LARMAC. If any tree in a Street Tree Area requires replacement, the Owner assigned to such Street Tree Area must replace the Street Tree in the same location with a tree of the same variety and with a minimum box size of twenty-four (24) inches in accordance with all requirements set by LARMAC.

9.1.3. **Insurance Obligations.** Each Owner is also responsible for carrying public liability insurance in the amount such Owner deems desirable to cover such Owner's individual liability for damage to person or property occurring inside such Owner's Residence or elsewhere upon such Owner's Lot.

9.1.4. **Damage to Residences-Reconstruction.** If all or any portion of any Lot or Residence is damaged or destroyed by fire or other casualty, the Owner of such Lot shall either (i) rebuild, repair or reconstruct the Lot and the Residence thereon in a manner which will restore them substantially to their appearance and condition immediately prior to the casualty or as otherwise approved by the Aesthetics Review Committee, or (ii) install landscaping on the Lot without rebuilding the Residence as approved by the Aesthetics Review Committee. The Owner of any damaged Lot or Residence and the Aesthetics Review Committee shall proceed with all due diligence. The Owner shall cause construction or landscaping to commence within six (6) months after the damage occurs and to be completed within twelve (12) months after damage occurs, unless prevented by causes beyond such Owner's reasonable control. A transferee of the Lot which is damaged or upon which is located a damaged Residence shall commence and complete construction or landscaping in the respective periods which would have remained for the performance of such obligations if the Owner of the Lot at the time of the damage still held title to the Lot. However, no such transferee may be required to commence or complete such construction in less than thirty (30) days from the date such transferee acquired title to the Lot.

9.1.5. **Walls.** The walls in the Covered Property located on or within one foot of a property line of a Lot are divided into the categories listed in this Section and shall be maintained as required by this Section.

i. **Party Walls.** Each wall or fence which is placed on the dividing line between the Lots (the "Party Wall") is a party wall. The cost of reasonable maintenance of a Party Wall shall be shared equally by the Owners of the Lots divided by the Party Wall. However, each Owner is responsible for repainting the side of any Party Wall facing his Lot. Unless covered by a blanket insurance policy kept by LARMAC, if a Party Wall is destroyed or damaged, any Owner whose Lot is affected thereby may restore it, and the Owner of the other Lot which is affected thereby shall contribute equally to the cost of restoration. An Owner who by his negligent or willful act causes a Party Wall to require repair or replacement shall bear the whole cost of the necessary repairs or replacement. The right of any Owner to contribution from any other Owner under this Subsection is appurtenant to each Owner's Lot and passes to such Owner's successors in title.

ii. **Masonry Walls.** Masonry Walls are generally the walls covered by this Section that are constructed entirely of masonry. The Masonry Walls in the First Subdivision are identified on *Exhibit "WM."* Additional Masonry Walls will be identified in Supplemental Declarations. LARMAC shall maintain the surface facing at the LARMAC Property and top surface of the Masonry Walls. The Owners shall maintain all other portions of the Masonry Walls.

iii. **Masonry/Tubular Steel Walls.** Masonry/Tubular Steel Walls are generally the walls covered by this Section that are constructed of masonry and topped with tubular steel. The Masonry/Tubular Steel Walls in the First Subdivision are identified on *Exhibit "WM."* Additional Masonry/Tubular Steel Walls will be identified in Supplemental Declarations. LARMAC shall maintain the masonry surface facing the LARMAC Property and all tubular steel portions of the Masonry/Tubular Steel Walls. The Owners shall maintain all other portions of the Masonry/Tubular Steel Walls.

iv. **Masonry/View Panel Walls.** Masonry/View Panel Walls are generally the walls covered by this Section that are constructed of masonry and topped with a view panel. The Masonry/View Panel Walls in the First Subdivision are identified on *Exhibit "WM."* Additional Masonry/View Panel Walls will be identified in Supplemental Declarations. LARMAC shall maintain the masonry surface facing the

LARMAC Property and clean the exterior surface of the view panel on the Masonry/View Panel Walls. The Owners shall maintain all other portions of the Masonry/View Panel Walls.

v. **Toe of Slope Walls.** All other walls covered by this Section are Toe of Slope Walls to be maintained entirely by the Owner of the Lot adjacent to the Toe of Slope Wall. Toe of Slope Walls may be retaining walls or may be other types of walls. Toe of Slope Walls are generally located at or near the toe of a slope.

9.2. **SUBORDINATE CORPORATION RESPONSIBILITIES.** Each Subordinate Corporation, at its expense shall maintain and restore all Improvements located on its Neighborhood Property in a neat, sanitary and attractive condition. If any Subordinate Corporation permits any Improvement which such Subordinate Corporation is responsible for maintaining, to fall into disrepair or to become unsafe, unsightly or unattractive, or to otherwise violate this Master Declaration, the Board may seek any remedies at law or in equity which it may have. In addition, the Board may, after Notice and Hearing, enter upon such Neighborhood Property to make such repairs or to perform such maintenance and charge the cost thereof to the Subordinate Corporation. Said cost shall be a Compliance Assessment enforceable as set forth in this Master Declaration, unless the parties agree that the cost shall constitute a portion of the Special Benefit Area Assessment Component.

9.3. **MAINTENANCE OBLIGATIONS OF LARMAC.**

9.3.1. **Responsibilities.** After completion of the construction or installation of the Improvements on the LARMAC Property by Declarant or a Neighborhood Builder, no Improvement, excavation or work which in any way alters the LARMAC Property may be made or done by any Person other than LARMAC, its authorized agents, Declarant or the Neighborhood Builders. Unless otherwise expressly provided in this Master Declaration or a Supplementary Declaration, upon commencement of Common Assessments on the Lots or Condominiums in a Phase, LARMAC shall maintain and paint all completed Improvements on the LARMAC Property in such Phase. Pursuant to requirements imposed by the County, upon commencement of Common Assessments on Lots or Condominiums in a Phase, LARMAC shall maintain and paint all completed Improvements on the areas of public property depicted on **Exhibit "MAP"** and any **Exhibit "MAP"** attached to a Supplemental Declaration. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the LARMAC Property. LARMAC may add or remove any landscaping Improvements to or from the LARMAC Property and keep the landscaping thereon free of weeds and disease.

9.3.2. **Inspection.** The Board shall have the LARMAC Property and all Improvements thereon inspected at least once every three (3) years in order to (a)

determine whether the LARMAC Property is being maintained adequately in accordance with the standards of maintenance established in the LARMAC Governing Documents, (b) identify the condition of the LARMAC Property and any Improvements thereon, including the existence of any hazards or defects, and the need for performing additional maintenance, refurbishment, replacement, or repair, and (c) recommend preventive actions which may be taken to reduce potential maintenance costs to be incurred in the future. The Board may employ such experts and consultants as necessary to perform the inspection and make the report required by this Section. The Board shall prepare a report of the results of the inspection required by this Section. The report shall be furnished to Owners within the time set forth for furnishing Owners with the Budget. The report must include at least the following:

- i. a description of the condition of the LARMAC Property, including a list of items inspected, and the status of maintenance, repair and need for replacement of all such items;
- ii. a description of all maintenance, repair and replacement planned for the ensuing Fiscal Year and included in the Budget;
- iii. if any maintenance, repair or replacement is to be deferred, the reason for such deferral;
- iv. a summary of all reports of inspections performed by any expert or consultant employed by the Board to perform inspections;
- v. a report of the status of compliance with the maintenance, replacement and repair needs set forth in the inspection report for preceding years; and
- vi. such other matters as the Board deems appropriate.

9.3.3. **Damage to LARMAC Property.** The Board may levy the cost of any maintenance, repairs or replacements by LARMAC in the LARMAC Property arising out of or caused by the willful or negligent act of an Owner, other Person or any Subordinate Corporation as a Compliance Assessment against the responsible Owner, Person or Subordinate Corporation after Notice and Hearing.

9.4. **NONDOMESTIC WATER USE.** In its efforts to conserve water, the Santa Margarita Water District (“SMWD”) requires the use of nondomestic water to irrigate parks, school yards, golf courses, greenbelt areas and common areas. Nondomestic water includes untreated groundwater, untreated surface water, domestic water that has been exposed to the atmosphere and recycled water. Recycled water is highly treated wastewater which conforms to all applicable standards for irrigation use. The water used to irrigate some of the LARMAC

Property, including any privately owned property that is maintained by LARMAC, will be nondomestic water. Nondomestic water is not potable water and therefore not suitable for human consumption. The water is suitable for incidental body contact. As with any water spray, the repeated spray of nondomestic water may stain or discolor personal property, fencing and structural Improvements over time.

According to SMWD, the recycled water meets all regulatory requirements established by the various responsible governmental agencies. SMWD has standards for the operation of the nondomestic system to meet the regulatory requirements. These standards are subject to change. Declarant, Neighborhood Builder, LARMAC, and their respective employees, consultants and agents have no control over the quality of recycled and nondomestic water and therefore will not be responsible for any property damage or personal injury by recycled or nondomestic water.

Owners are subject to SMWD rules and regulations, one of which strongly recommends against the use of self-generating water softeners connected to SMWD's wastewater system. Further information regarding SMWD Regulations is available from SMWD at its headquarters office.

ARTICLE X DAMAGE AND CONDEMNATION

This Article establishes the procedure for repairing or reconstructing damaged LARMAC Property and for obtaining funds from condemnation of LARMAC Property.

Damage to or destruction of the LARMAC Property and condemnation of the LARMAC Property shall be handled in the following manner:

10.1. REPAIR AND RECONSTRUCTION. If the LARMAC Property is damaged or destroyed, LARMAC shall cause the LARMAC Property to be repaired and reconstructed substantially in accordance with the original plans and specifications, and any restoration or repair of the LARMAC Property shall be performed substantially in accordance with the original plans and specifications. If the cost of effecting total restoration of the LARMAC Property exceeds the amount of insurance proceeds, then LARMAC shall levy a Reconstruction Assessment against the Lots and Condominiums and their respective Owners equal to the difference between the total restoration cost and the insurance proceeds.

10.2. OWNERS' RESPONSIBILITIES. Each Owner is liable to LARMAC for all expenses of repairing the LARMAC Property not fully reimbursed to LARMAC by insurance proceeds (including any deductible amounts under any insurance policies against which LARMAC files a claim for such damage) which may be sustained due to the negligence or willful misconduct of said Owner or the Persons deriving their right and easement of use and enjoyment of the LARMAC Property from said Owner. LARMAC may, after Notice and Hearing, (i) determine whether any claim shall be made upon the insurance kept by LARMAC and (ii) levy against such Owner a charge equal to any deductible paid and the increase, if any, in

the insurance premium directly attributable to the damage caused by such Owner or the Persons for whom such Owner may be liable as described in this Master Declaration, as a Special Benefit Area Assessment Component of Common Assessments. If a Lot or Condominium is jointly owned, the liability of its Owners is joint and several, except to the extent that LARMAC has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing, the cost of correcting such damage, to the extent not reimbursed to LARMAC by insurance, shall be a Compliance Assessment against such Owner.

10.3. **EMINENT DOMAIN.** If any portion of the LARMAC Property is taken by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to LARMAC and deposited in the Operating Fund. No Owner may participate as a party, or otherwise, in any proceedings relating to such condemnation.

ARTICLE XI INSURANCE

This Article establishes minimum requirements for insurance kept by LARMAC and the Owners in the Covered Property.

11.1. **PROPERTY INSURANCE.** The Board shall obtain and keep all such property insurance for loss or damage to all insurable Improvements installed by Declarant, any Neighborhood Builder or by LARMAC on the LARMAC Property with an agreed amount endorsement for no less than one hundred percent (100%) of the full replacement cost (new without deduction for depreciation) of the cost of Improvements, fixtures and other property without deduction for coinsurance, and may obtain insurance against such other hazards and casualties as LARMAC may deem desirable if commercially reasonable and kept by reasonably prudent owners of similar properties. LARMAC may also insure any other real or personal property it owns against loss or damage by fire and such other hazards as LARMAC may deem desirable, with LARMAC as the owner and beneficiary of such insurance. The policies insuring the LARMAC Property must be written in the name of, and the proceeds thereof must be payable to LARMAC. Unless the applicable insurance policy provides for a different procedure for filing claims, all claims made under such policy must be sent to the insurance carrier or agent, as applicable, by certified mail and be clearly identified as a claim. LARMAC shall keep a record of all claims made. LARMAC shall use insurance proceeds to repair or replace the property for which the insurance was carried. Premiums for all insurance carried by LARMAC are a Common Expense.

11.2. **INSURANCE OBLIGATIONS OF OWNERS.** Each Owner is responsible for insuring his personal property and all other property and Improvements in his Lot or Condominium as required by either Section 9.1.3, the applicable Supplemental Declaration, Village Declaration or Neighborhood Declaration. Such policies shall not adversely affect or diminish any coverage under any insurance obtained by or on behalf of LARMAC. Duplicate copies of such other policies shall be deposited with the Board upon the Board's request. If any loss intended to be covered by insurance carried by or on behalf of LARMAC occurs and the

proceeds payable thereunder are reduced due to insurance carried by any Owner, such Owner shall assign the proceeds of such insurance to LARMAC, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

11.3. WAIVER OF SUBROGATION. All policies of insurance LARMAC keeps must provide, if available on commercially reasonable terms, for waiver of: (a) any defense based on coinsurance, and (b) any claim for subrogation and other rights of recovery that LARMAC and the Owners might have against each other and their respective agents, employees, entities and insurers with respect to all parties covered by whatever casualty insurance is in effect. As to each policy of insurance LARMAC keeps which will not be voided or impaired thereby, LARMAC waives and releases all claims against the Board, the Owners, the Community Manager, Declarant, the Neighborhood Builders 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 or breach of any agreement by such Persons, but only to the extent that insurance proceeds are received in compensation for such loss.

11.4. LIABILITY AND OTHER INSURANCE. LARMAC shall obtain commercial general liability insurance, including coverage for medical payments and malicious mischief, in such limits as it deems desirable with such minimum limits as are set forth in Section 1365.9 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from LARMAC's activities or with respect to property LARMAC maintains or is required to maintain including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. LARMAC may also obtain Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Owner, LARMAC, the Board and Community Manager, against liability in connection with the LARMAC Property, the premiums for which are a Common Expense. The Board shall review all insurance policies at least annually and adjust the limits in its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity insurance and other insurance as it deems advisable, insuring the Board, LARMAC's officers and the Community Manager against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. However, fidelity insurance coverage which names LARMAC as an obligee must be obtained by or on behalf of LARMAC for any Person handling LARMAC funds, including LARMAC officers, directors, employees and agents and Community Manager employees, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in LARMAC's or Community Manager's custody during the term of the insurance. The aggregate amount of such insurance coverage may not be less than one-fourth (1/4) of the annual Common Assessments on all Lots and Condominiums in the Covered Property, plus reserve funds. In addition, LARMAC shall continuously keep in effect such casualty, flood and liability insurance and fidelity insurance coverage meeting the requirements for planned unit developments established by FNMA, GNMA and FHLMC, so long as any of them is a Beneficiary or an Owner of a Lot or Condominium in the Covered Property, except to the extent such coverage is not reasonably available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable.

11.5. **NOTICE OF EXPIRATION REQUIREMENTS.** If available, each insurance policy LARMAC keeps must contain a provision that said policy may not be canceled, terminated, materially modified or allowed to expire by its terms, without ten (10) to thirty (30) days' prior written notice to the Board, Declarant, and to each Owner and Beneficiary, insurer and guarantor of a first Deed of Trust who has filed a written request with the carrier for such notice, and every other Person in interest who requests such notice of the insurer.

ARTICLE XII RIGHTS OF BENEFICIARIES

This Article gives various rights to lenders.

12.1. **GENERAL PROTECTIONS.** Notwithstanding any other provision of this Master Declaration, no amendment or violation of the Master Declaration defeats or renders invalid the rights of the Beneficiary under any Deed of Trust upon one (1) or more Lots or Condominiums made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Lot or Condominium will remain subject to this Master Declaration. For purposes of the LARMAC Governing Documents, "first Deed of Trust" means a Deed of Trust with first priority over other Deeds of Trust on a Lot or Condominium.

12.2. **WRITTEN NOTIFICATION.** Each Beneficiary, insurer and guarantor of a first Deed of Trust encumbering at least one Lot or Condominium, upon filing a written request for notification with the Board, is entitled to written notification from LARMAC of:

- i. any condemnation or casualty loss which affects either a material portion of the Covered Property or the Lots or Condominiums securing the respective first Deed of Trust; and
- ii. any delinquency of sixty (60) days or more in the performance of any obligation under the LARMAC Governing Documents, including the payment of assessments or charges owed by the Owner(s) of the Lots or Condominiums securing the respective first Deed of Trust, which notice each Owner consents to and authorizes; and
- iii. a lapse, cancellation, or material modification of any policy of insurance or fidelity insurance kept by LARMAC; and
- iv. any abandonment or termination of LARMAC.

12.3. **RIGHT OF FIRST REFUSAL.** Each Owner, including each first Beneficiary of a first Deed of Trust which obtains title to such Lot or Condominium pursuant to the remedies provided in such Deed of Trust, or by foreclosure of such Deed of Trust, or by deed or

assignment in lieu of foreclosure, shall be exempt from any "right of first refusal" created or purported to be created by the LARMAC Governing Documents.

12.4. RIGHTS UPON REQUEST. All Beneficiaries, insurers and guarantors of first Deeds of Trust, upon written request to LARMAC, shall have the right to:

- i. examine current copies of LARMAC's books, records and financial statements and the LARMAC Governing Documents during normal business hours; and
- ii. receive written notice of all meetings of Neighborhood Representatives; and
- iii. designate in writing a representative who shall be authorized to attend all meetings of Neighborhood Representatives.

12.5. PAYMENTS OF DELINQUENT AMOUNTS. Beneficiaries of First Deeds of Trust may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any LARMAC Property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for LARMAC Property and shall be owed immediate reimbursement therefor from LARMAC.

12.6. CONTRACTS. The Board may enter into such contracts or agreements on behalf of LARMAC as are required in order to satisfy the guidelines of VA, FHA, FHLMC, FNMA, GNMA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Deeds of Trust encumbering Lots and Condominiums. Each Owner agrees that it will benefit LARMAC and its Members, as a class of potential borrowers and potential sellers of their Lots and Condominiums, if such agencies approve the Covered Property as a qualifying subdivision under their respective policies, rules and regulations. Each Owner authorizes his Beneficiary to furnish information to the Board concerning the status of any Deed of Trust encumbering a Lot or Condominium.

ARTICLE XIII ENFORCEMENT

This Article establishes procedures for enforcing the provisions of the LARMAC Governing Documents, collecting delinquent assessments, enforcing certain bonded obligations and resolving disputes with the Declarant.

13.1. ENFORCEMENT OF LARMAC GOVERNING DOCUMENTS. All disputes arising under the LARMAC Governing Documents, other than those described in Section 13.2, Section 13.4 or regulated by Civil Code Section 1375, shall be resolved as follows:

13.1.1. **Violations Identified by LARMAC.** If the Board, the Aesthetics Review Committee or the Covenant Committee determines that there is a violation of the LARMAC Governing Documents, then the Covenant Committee shall give written notice to the responsible Owner or Subordinate Corporation identifying (i) the condition or violation complained of, and (ii) the length of time the Owner or Subordinate Corporation has to remedy the violation including, if applicable, the length of time the Owner or Subordinate Corporation has to submit plans to the Aesthetics Review Committee and the length of time the Owner or Subordinate Corporation has to complete the work proposed in the plans submitted to the Aesthetics Review Committee.

If an Owner or Subordinate Corporation does not perform such corrective action as is required by the Covenant Committee within the allotted time, the Covenant Committee, after Notice and Hearing, may remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner or Subordinate Corporation as a Compliance Assessment.

If the violation involves nonpayment of any type of assessment, then the Board may collect such delinquent assessment pursuant to the procedures set forth in Section 13.2.

13.1.2. **Violations Identified by an Owner or Subordinate Corporation.** If an Owner or Subordinate Corporation alleges that another Owner, other Person, or Subordinate Corporation is violating the LARMAC Governing Documents (other than nonpayment of any type of assessment), the complaining Owner or Subordinate Corporation must first submit the matter to the Covenant Committee for Notice and Hearing before the complaining Owner or Subordinate Corporation may resort to alternative dispute resolution, as required by Section 1354 of the California Civil Code, or litigation for relief.

13.1.3. **Legal Proceedings.** Failure to comply with any of the terms of the LARMAC Governing Documents by a Subordinate Corporation or an Owner, or any other Person, is grounds for relief which may include an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof; provided, however, that the procedures established in Section 1354 of the California Civil Code and in Sections 13.1.1 and 13.1.2 above must first be followed, if they are applicable.

13.1.4. **Limit on Expenditures.** LARMAC may not incur litigation expenses, including attorneys' fees, or borrow money to fund litigation, where LARMAC initiates legal proceedings or is joined as a plaintiff in legal proceedings, unless LARMAC first obtains the consent of the Members (excluding the voting power of any Owner who would be a defendant in such proceedings), and, if applicable, complies with the requirements of Section 1354

of the California Civil Code. Such approval is not necessary if the legal proceedings are initiated (i) to enforce the use restrictions contained in Article II, (ii) to enforce the architectural and landscaping control provisions contained in Article IV, (iii) to collect any unpaid assessments levied pursuant to the LARMAC Governing Documents, (iv) for a claim, the total value of which is less than five hundred thousand dollars (\$500,000), or (v) as a cross-complaint in litigation to which LARMAC is already a party. If LARMAC decides to use or transfer reserve funds or borrow funds to pay for any litigation, LARMAC must notify its Members of the decision by mail. Such notice shall provide an explanation of why the litigation is being initiated or defended, why operating funds cannot be used, how and when the reserve funds will be replaced or the loan will be repaid, and a proposed budget for the litigation. The notice must state that the Members have a right to review an accounting for the litigation which will be available at LARMAC's office. The accounting shall be updated monthly.

13.1.5. **Additional Remedies.** The Board may adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner or Subordinate Corporation for the failure of such Owner, or of a resident of or visitor to such Owner's Lot or Condominium, or Subordinate Corporation to comply with the LARMAC Governing Documents. The Board may Record a Notice of Noncompliance for any violation of the LARMAC Governing Documents if permitted by law. Such fines or penalties may only be assessed after Notice and Hearing.

13.1.6. **No Waiver.** Failure to enforce any provision hereof does not waive the right to enforce that provision, or any other provision hereof.

13.1.7. **Right to Enforce.** The Board, the Covenant Committee or any Owner (not at the time in default hereunder) may enforce the LARMAC Governing Documents as described in this Article, subject to Section 1354 of the California Civil Code. Each remedy provided for in the LARMAC Governing Documents is cumulative and not exclusive or exhaustive.

13.2. NONPAYMENT OF ASSESSMENTS.

13.2.1. **Remedies.** Any installment of an assessment is delinquent if not paid within fifteen (15) days of the due date established by the Board. Any assessment installment not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided in this Master Declaration bears interest at the maximum rate permitted by law commencing thirty (30) days from the date the assessment becomes due until paid. The Board may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(d)(2). LARMAC may bring an action at law against the Owner personally obligated to pay the same, or

foreclose the lien against the Lot or Condominium. LARMAC need not accept any tender of a partial payment of an assessment installment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender does not waive LARMAC's right to demand and receive full payments thereafter. Before LARMAC may place a lien upon an Owner's Lot or Condominium to collect a past due assessment, LARMAC shall send a written notice to the Owner by certified mail which contains the following information: (i) the fee and penalty procedure of LARMAC, (ii) an itemized statement of the charges owed by the Owner, including the principal owed, any late charges and the method of calculation, any attorneys' fees, (iii) the collection practices used by LARMAC, and (iv) a statement that LARMAC may recover the reasonable costs of collecting past due assessments.

13.2.2. **Notice of Delinquent Assessment.** No action may be brought to enforce any assessment lien created in this Master Declaration unless at least thirty (30) days has expired following the date a Notice of Delinquent Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot or Condominium, and a copy thereof has been Recorded by LARMAC. Such Notice of Delinquent Assessment must recite (a) a good and sufficient legal description of any such Lot or Condominium, (b) the record Owner or reputed Owner thereof, (c) the amount claimed (which may at LARMAC's option include interest on the unpaid assessment and late charges as described above plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), (d) LARMAC's name and address, and (e) in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by LARMAC to enforce the lien by sale. A monetary penalty imposed by LARMAC as a disciplinary measure for failure of an Owner to comply with the LARMAC Governing Documents may not become a lien enforceable by nonjudicial foreclosure against such Owner's Lot or Condominium; provided, however, that monetary penalties imposed for late payments and as a means of reimbursing LARMAC for costs incurred for the repair of damage to LARMAC Property for which an Owner or Persons deriving rights from the Owner were responsible may become a lien against such Owner's Lot or Condominium enforceable by the sale of the Lot or Condominium in accordance with Section 13.2.3. Recordation of the Notice of Delinquent Assessment creates a lien on the Lot or Condominium as provided in Section 1367 of the California Civil Code. Said lien is prior to any declaration of homestead Recorded after the date on which this Master Declaration is Recorded. The lien continues until paid or otherwise satisfied. The Notice of Delinquent Assessment must be signed by an authorized LARMAC officer or agent, and must be mailed in the manner set forth in Section 2924b of the California Civil Code to the record Owner of the Lot or Condominium no later than ten (10) calendar days after recordation.

13.2.3. **Foreclosure Sale.** A sale to foreclose a LARMAC lien may be conducted by the Board, its attorneys or other Persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the California Civil Code, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in Deeds of Trust, or in any other manner permitted by law. LARMAC, through duly authorized agents, may bid on the Lot or Condominium at foreclosure sale, and acquire and hold, lease, encumber and convey the same. Upon completion of the foreclosure sale, LARMAC or the purchaser at the sale may file suit to secure occupancy of the defaulting Owner's Lot or Condominium, and the defaulting Owner shall be required to pay the reasonable rental value of the Lot or Condominium during any period of continued occupancy by the defaulting Owner or any Persons claiming under the defaulting Owner.

13.2.4. **Curing of Default.** Upon the timely curing of any default for which LARMAC Recorded a Notice of Delinquent Assessment, LARMAC shall Record an appropriate Release of Lien upon payment by the defaulting Owner of a reasonable fee, to be determined by the Board, to cover the cost of preparing and Recording such release. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by the lien upon any Lot or Condominium created hereunder shall be conclusive upon LARMAC and the Owners as to the amount of such indebtedness as of the date of the certificate, in favor of all Persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee, to be determined by the Board.

13.2.5. **Cumulative Remedies.** The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which LARMAC may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

13.2.6. **Assignments After Foreclosure.** After a Beneficiary or other Person obtains title to a Lot or Condominium by judicial foreclosure or by means set forth in a Deed of Trust, the Lot or Condominium shall remain subject to the Master Declaration and the payment of all installments of assessments accruing after the date the Beneficiary or other Person obtains title.

13.2.7. **Priority of Assessment Lien.** Deeds of Trust Recorded before a Notice of Delinquent Assessment have lien priority over the Notice of Delinquent Assessment. Sale or transfer of any Lot or Condominium does not affect the assessment lien, except that the sale or transfer of any Lot or Condominium pursuant to judicial or nonjudicial foreclosure of a first Deed of Trust extinguishes the lien of such assessments as to payments which became due prior to such sale

or transfer. No sale or transfer relieves such Lot or Condominium from lien rights for any assessments thereafter becoming due. No Person who obtains title to a Lot or Condominium pursuant to a judicial or nonjudicial foreclosure of the first Deed of Trust is liable for the share of the Common Expenses or assessments chargeable to such Lot or Condominium which became due prior to the acquisition of title to the Lot or Condominium by such Person. Such unpaid share of Common Expenses or assessments is a Common Expense collectible from all of the Owners including such Person. Liens for assessments imposed by LARMAC have priority over liens for assessments imposed by the Subordinate Corporations even when the LARMAC Notice of Delinquent Assessment is recorded after a Subordinate Corporation's lien notice.

The Board of Directors has the power to take such action as is necessary to make any assessment lien of LARMAC encumbering a Residence subordinate to the interests of the Department of Veterans Affairs of the State of California under its Cal-Vet loan contracts, with respect to such Residence, to the same extent that the assessment lien would be subordinate to the lien or charge of a first Deed of Trust encumbering such Residence.

13.2.8. **Receivers.** In addition to the foreclosure and other remedies granted LARMAC in this Master Declaration, each Owner conveys to LARMAC all of such Owner's right, title and interest in all rents, issues and profits derived from and appurtenant to such Lot or Condominium, subject to the right, power and authority of LARMAC to collect and apply such rents, issues and profits to any delinquent assessments owed by such Owner, reserving to the Owner the right, prior to any default by the Owner in the payment of assessments, to collect and retain such rents, issues and profits as they may become due and payable. Upon any such default LARMAC may, upon the expiration of thirty (30) days following delivery to the Owner of the "Notice of Delinquent Assessment" described in this Master Declaration, either in person, by agent or by receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness secured by the lien described in this Master Declaration, (a) enter in or upon and take possession of the Lot or Condominium or any part thereof, (b) in LARMAC's name sue for or otherwise collect such rents, issues and profits, including those past due and unpaid, and (c) apply the same, less allowable expenses of operation, to any delinquencies of the Owner hereunder, and in such order as LARMAC may determine. The entering upon and taking possession of the Lot or Condominium, the collection of rents, issues and profits and the application thereof, shall not cure or waive any default or notice of default hereunder or invalidate any act done pursuant to such notice.

13.2.9. **Alternative Dispute Resolution of Assessment Disputes.** Disputes between an Owner and LARMAC regarding the assessments imposed by LARMAC may be submitted to alternative dispute resolution in accordance with

Civil Code Section 1354 if such Owner pays in full (i) the amount of the assessment in dispute, (ii) any late charges, (iii) any interest, and (iv) all fees and costs associated with the preparation and filing of a Notice of Delinquent Assessment (including mailing costs and attorneys' fees not to exceed the maximum amount allowed by law), and states by written notice that such amount is paid under protest, and the written notice is mailed by certified mail to LARMAC not more than thirty (30) days from the Recording of a Notice of Delinquent Assessment. Upon receipt of such written notice, LARMAC shall inform the Owner in writing that the dispute may be resolved through alternative dispute resolution as set forth in Civil Code Section 1354.

The right of any Owner to utilize alternative dispute resolution under this Section may not be exercised more than two times in any single calendar year, and not more than three times within any five (5) calendar years. Nothing in this Section shall preclude any Owner and LARMAC, upon mutual agreement, from entering into alternative dispute resolution in excess of the limits set forth in this Master Declaration. An Owner may request and be awarded through alternative dispute resolution reasonable interest to be paid by LARMAC in the total amount paid under items (i) through (iv) above, if it is determined that the assessment levied by LARMAC was not correctly levied.

13.3. ENFORCEMENT OF BONDED OBLIGATIONS. If (a) the LARMAC Property and Improvements in any Phase are not completed prior to the issuance of a Public Report for such Phase by DRE, and (b) LARMAC is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of Declarant's or a Neighborhood Builder's commitment to complete such Improvements, then the following provisions of this Section will be applicable:

13.3.1. Board Action. The Board shall consider and vote on the question of action by LARMAC to enforce the obligations under the Bond with respect to any such Improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the Planned Construction Statement appended to the Bond. If LARMAC has given an extension in writing for the completion of any LARMAC Property Improvement, then the Board shall be directed to consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

13.3.2. Member Action. A vote by written ballot of Members to override a decision by the Board not to enforce the obligations under the Bond or on the Board's failure to consider and vote on the question shall be held no fewer than thirty-five (35) nor more than forty-five (45) days after the Board receives a petition for such a vote signed by Members representing at least five percent (5%) of LARMAC's voting power. A vote of a majority of LARMAC's voting power

composed of Members other than Declarant or the Neighborhood Builders to enforce the obligations under the Bond shall be deemed to be the decision of LARMAC, and the Board shall thereafter implement such decision by initiating and pursuing appropriate action.

13.4. **DISPUTES WITH DECLARANT PARTIES.** Any disputes between LARMAC, any Subordinate Corporation or any Owners, and the Declarant, any Neighborhood Builder, any director, officer, partner, employee, contractor, subcontractor, design professional or agent of the Declarant or a Neighborhood Builder (collectively "Declarant Parties") arising under the LARMAC Governing Documents or relating to the Covered Property, shall be subject to the following provisions:

13.4.1. **Construction Defect Disputes.** Prior to the commencement of any legal action by LARMAC or any Owner against the Declarant, a Neighborhood Builder or Declarant Party based upon a claim for defects in the design or construction of any Lot or Condominium, Common Property or Improvements thereon, the party filing the lawsuit must first comply with the requirements of Civil Code Section 1375 (notwithstanding the fact that Section 1375 does not apply to Owners by its terms). If the parties are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, the dispute shall be resolved in accordance with Section 13.4.3 below, and the parties shall be responsible for bearing their own attorneys' fees in such proceeding.

13.4.2. **Other Disputes.** Any other disputes arising under the LARMAC Governing Documents or otherwise between LARMAC, any Owner and the Declarant, Neighborhood Builder or a Declarant Party (except for action taken by LARMAC against Declarant or a Neighborhood Builder for delinquent assessments, and any action involving any Common Property completion bonds) shall be resolved in accordance with Section 13.4.3 below. The dispute resolution procedure in Section 13.4.3 for resolution of disputes under this Section 13.4.2 shall be deemed to satisfy the alternative dispute requirements of Civil Code Section 1354, as applicable.

13.4.3. **Judicial Reference.** Any unresolved disputes under Sections 13.4.1 and 13.4.2 above, shall be submitted to general judicial reference pursuant to California Code of Civil Procedure Sections 638(1) and 641-645.1 or any successor statutes thereto. The parties shall cooperate in good faith to ensure that all necessary and appropriate parties are included in the judicial reference proceeding. Declarant and any Neighborhood Builder shall not be required to participate in the judicial reference proceeding unless it is satisfied that all necessary and appropriate parties will participate. The parties shall share equally in the fees and costs of the referee, unless the referee orders otherwise.

The general referee shall have the authority to try all issues, whether of fact or law, and to report a statement of decision to the court. The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services/Endispute ("JAMS") for judicial reference (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties), provided that the following rules and procedures shall apply in all cases unless the parties agree otherwise:

- i. The proceedings shall be heard in Orange County;
- ii. The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters;
- iii. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction;
- iv. The referee may require one or more pre-hearing conferences;
- v. The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge;
- vi. A stenographic record of the trial shall be made, provided that the record shall remain confidential except as may be necessary for post-hearing motions and any appeals;
- vii. The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable; and
- viii. The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

The statement of decision of the referee upon all of the issues considered by the referee is binding upon the Parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action which may be brought by any of the parties. The parties acknowledge and accept that they are waiving their right to a jury trial.

ARTICLE XIV GENERAL PROVISIONS

Communities are dynamic and constantly evolving as circumstances, technology, needs, desires and laws change, and as the surrounding area changes. The Covered Property and the LARMAC Governing Documents must be able to adapt to these changes while protecting the things that make the Covered Property unique. This Article includes provisions that will allow the Covered Property to adapt to different changes.

14.1. **TERM.** This Master Declaration continues in full force unless a Declaration of Termination satisfying the requirements of an amendment to the Master Declaration as set forth in Section 14.3 is Recorded.

14.2. **INTERPRETATION.**

14.2.1. **General Rules.** The LARMAC Governing Documents shall be liberally construed to effectuate the goal of creating a uniform plan for the development of a master planned community and for the maintenance of the LARMAC Property. Any violation of the LARMAC Governing Documents is a nuisance. The LARMAC Governing Documents shall be interpreted so as to be consistent with applicable laws and regulations, including ordinances and regulations of the appropriate Local Governmental Agencies. The Article, Section and paragraph headings are inserted for convenience only, and may not be considered or referred to in resolving questions of interpretation or construction. As used in the LARMAC Governing Documents, the singular includes the plural and the plural the singular; and the masculine, feminine and neuter each include the other, unless the context dictates otherwise. Except as otherwise expressly provided, any reference to time for performance of obligations or to elapsed time means consecutive calendar days, months, or years, as applicable. Exhibits "AA," "FM," "LP," "MAP," "SBA" and "WM" are incorporated in this Master Declaration by this reference. All references made in the LARMAC Governing Documents to statutes are to those statutes as amended or restated or to subsequently enacted replacement statutes. Unless otherwise indicated, reference to Articles, Sections and Exhibits are to Articles, Sections and Exhibits of the document containing the reference.

14.2.2. **Intent of Declarant.** Declarant intends that the Covered Property be developed for single-family residential, multi-family residential apartment uses and other uses defined in Supplemental Declarations, all consistent with this Master Declaration and any applicable Supplemental Declarations. In addition, Declarant, at its option, may designate areas for maintenance, recreational, institutional or other purposes.

14.2.3. **Statements in Italics.** The portions of the LARMAC Governing Documents printed in italics are provided as simplified, general explanations of the purposes of the Articles, Sections or paragraphs of the LARMAC Governing Documents and the scheme of governance for the Covered Property. The statements in italics are provided for convenience and may not be considered in resolving questions of interpretation or construction of the LARMAC Governing Documents.

14.2.4. **Relationship to Supplemental Declarations.** As each Phase of the Residential Area, Apartment Area or other area in the Covered Property is developed, Declarant or Declarant and a Neighborhood Builder may Record at least one (1) Supplemental Declaration which shall designate the use classifications in the areas affected and which may supplement this Master Declaration with such additional covenants, conditions, restrictions and land uses as Declarant may deem appropriate for the real property being annexed ("Annexed Territory"). The provisions of any Supplemental Declaration may impose such additional, different or more restrictive conditions, covenants, restrictions, land uses and limits as Declarant may deem advisable, taking into account the particular requirements of each Phase. If there is any conflict between any Supplemental Declaration and the Master Declaration, the Supplemental Declaration shall control with respect to the Annexed Territory described in such Supplemental Declaration. If there is any conflict between any Neighborhood Declaration or Village Declaration and the Master Declaration or applicable Supplemental Declaration, the Master Declaration and applicable Supplemental Declaration shall control, although such documents shall be construed to be consistent with one another to the extent possible. A Neighborhood Declaration may, but need not, provide for the establishment of a Neighborhood Corporation, to be composed of Owners of Lots or Condominiums.

14.2.5. **Relationship to Other LARMAC Governing Documents.** If there are conflicts or inconsistencies between this Master Declaration and the Articles, Bylaws, Aesthetics Standards or Community Guidelines then this Master Declaration shall prevail.

14.2.6. **Severability.** The provisions of the LARMAC Governing Documents are independent and severable. A determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction does not affect the validity or enforceability of any other provision hereof.

14.3. **TERMINATION AND AMENDMENT.** Notice of the subject matter of a proposed amendment to, or termination of, this Master Declaration in reasonably detailed form shall be included in the notice of any meeting or election of LARMAC at which a proposed amendment or termination is to be considered.

14.3.1. **Neighborhood Representative Approval.** All amendments except those listed in Section 14.3.2 below can be adopted by Neighborhood Representatives holding at least a majority of the voting power of LARMAC.

14.3.2. **Member Approval.** The following amendments to this Master Declaration must be approved by the Members:

- i. Any amendment terminating this Master Declaration or LARMAC.
- ii. Amendments to Sections 3.3.9, .3.3.16, 3.5, 6.3, 13.1.4, 13.3, 13.4, 14.3.1, and 14.3.2 and Articles XVI and XVII.

14.3.3. **Beneficiary Approval.** In addition to the required notice and consent of Members and Declarant, the Beneficiaries of fifty-one percent (51%) of the first Deeds of Trust on all the Lot or Condominiums in the Covered Property who have requested LARMAC to notify them of proposed action requiring the consent of a specified percentage of Beneficiaries of first Deeds of Trust must approve any of the following amendments to the LARMAC Governing Documents.

- i. Any amendment which affects or purports to affect the validity or priority of Deeds of Trust or the rights or protection granted to Beneficiaries, insurers and guarantors of first Deeds of Trust in this Master Declaration.
- ii. Any amendment which would or could result in a Deed of Trust being canceled by forfeiture.
- iii. Any amendment relating to the insurance provisions as set out in Article XI hereof, or to the application of insurance proceeds as set out in Article X hereof, or to the disposition of any money received in any taking under condemnation proceedings.
- iv. Any amendment which would subject any Owner to a right of first refusal or other such restriction if such Lot or Condominium is proposed to be sold, transferred or otherwise conveyed.

14.3.4. **Notice to Beneficiaries.** Each Beneficiary of a first Deed of Trust on a Lot or Condominium in the Covered Property which is sent written notice of a proposed amendment or termination of this Master Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved

the amendment or termination if the Beneficiary fails to submit a response to the notice within thirty (30) days after the date of the mailing receipt.

14.3.5. **Certification of Amendments.** A copy of each amendment shall be certified by at least two (2) LARMAC officers, and the amendment will be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by at least two (2) officers of LARMAC that the requisite number of Owners or Neighborhood Representatives have either voted for or consented in writing to any termination or amendment adopted as provided above, when Recorded, is conclusive evidence of that fact. LARMAC shall keep in its files the record of all such votes or written consents for at least four (4) years. The certificate reflecting any termination or amendment which requires the written consent of any of the Beneficiaries of first Deeds of Trust must include a certification that the requisite approval of such Beneficiary has been obtained. The certificate reflecting any termination or amendment which requires the written consent of Declarant or is subject to Declarant's veto right must include Declarant's signature.

14.3.6. **Unilateral Amendment By Declarant.** Notwithstanding any other provisions of this Section 14.3, at any time prior to the first Close of Escrow in the First Subdivision, Declarant may unilaterally amend or terminate this Master Declaration by Recording a written instrument which effects the amendment or termination and is signed and acknowledged by Declarant and the Neighborhood Builder who owns the First Subdivision. Notwithstanding any other provisions of this Section 14.3, Declarant (for so long as Declarant or a Neighborhood Builder owns any portion of the Covered Property or the Annexable Area) may unilaterally amend this Master Declaration by Recording a written instrument signed by Declarant in order to (i) conform this Master Declaration to applicable law, (ii) conform this Master Declaration to the requirements of VA, FHA, DRE, FNMA, GNMA, FHLMC or the County, (iii) correct typographical errors, (iv) change any exhibit to this Master Declaration or portion of an exhibit depicting property that is not part of a Phase for which assessments have commenced, and (v) change any exhibit to this Master Declaration or portion of an exhibit to conform to as-built conditions.

14.3.7. **Amendment By the Board.** Notwithstanding any other provisions of this Section 14.3, the Board may amend this Master Declaration by Recording a written instrument signed by two officers of LARMAC certifying that the Board approved the amendment in order to (i) conform this Master Declaration to applicable law, (ii) correct typographical errors, and (iii) change any exhibit to this Master Declaration or portion of an exhibit to conform to as-built conditions. So long as Declarant or a Neighborhood Builder owns any portion of the Covered Property or the Annexable Area, the Board must obtain

Declarant's consent to any amendment the Board approves pursuant to this Section.

14.4. **NO PUBLIC RIGHT OR DEDICATION.** Nothing contained in this Master Declaration constitutes a gift or dedication of all or any part of the Covered Property to the public, or for any public use.

14.5. **CONSTRUCTIVE NOTICE AND ACCEPTANCE.** Every Person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or Condominium or other portion of the Covered Property does consent and agree, and shall be conclusively deemed to have consented and agreed, to every limit, restriction, easement, reservation, condition and covenant contained in this Master Declaration, whether or not any reference to the LARMAC Governing Documents is contained in the instrument by which such Person acquired an interest in the Covered Property.

14.6. **NOTICES.** Except as otherwise provided in this Master Declaration, notice to be given to an Owner must be in writing and may be delivered to the Owner or Mortgagee personally or by any system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means. Delivery of such notice to one (1) or more co-owners of a Lot or Condominium, to any general partner of a partnership or to a member of a limited liability company, constitutes delivery to all co-owners, the partnership or the limited liability company. Delivery of such notice to any officer or agent for the service of process on a corporation constitutes delivery to the corporation. Alternatively, notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner or Mortgagee at the most recent address furnished by such Owner or Mortgagee to LARMAC. If an Owner does not furnish an address, notice may be sent to the street address of an Owner's Lot or Condominium. Such notice is deemed delivered three (3) business days after the time of such mailing, except for notice of a meeting of Members or of the Board, in which case the notice provisions of the Bylaws control. Any notice to be given to LARMAC may be delivered personally to any member of the Board, or sent by United States mail, postage prepaid, addressed to LARMAC at such address as may be fixed from time to time and circulated to all Owners or sent by any system or technology designed to record and communicate messages, telegraph, facsimile, electronic mail, or other electronic means to such address or telephone number as the Board may establish.

14.7. **ADDITIONAL PROVISIONS.** Notwithstanding the provisions contained in the LARMAC Governing Documents, LARMAC and the Owners should be aware that there may be provisions of various laws, including the Davis-Stirling Common Interest Development Act codified at Sections 1350 et seq. of the California Civil Code and the federal Fair Housing Act codified at Title 42 United States Code, Sections 3601 et seq., which may supplement or override the LARMAC Governing Documents. Declarant and the Neighborhood Builders make no representations or warranties regarding the future enforceability of the LARMAC Governing Documents.

14.8. **MERGERS OR CONSOLIDATIONS.** Upon a merger or consolidation of LARMAC with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of LARMAC as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by the LARMAC Governing Document, together with the covenants and restrictions established upon any other property, as one (1) plan.

ARTICLE XV LAND CLASSIFICATIONS

The Covered Property is composed of many different types of properties. This Article describes the different classifications of land in the Covered Property. These classifications are used to establish use restrictions and various rights and obligations of the Owners of the different types of property in the Covered Property.

The Covered Property, including each portion of Annexed Territory described in a Supplemental Declaration, shall be designated according to one or more of the following land classifications. The Declarant has the right to create other area designations in Supplemental Declarations.

15.1. **RESIDENTIAL AREA.** The First Subdivision is classified as Residential Area. There is no Apartment Area in the First Subdivision.

15.2. **PHASE OF DEVELOPMENT.** The First Subdivision and the LARMAC Property designated in this Master Declaration and a Supplemental Declaration to be owned and maintained concurrently with the first Close of Escrow in the First Subdivision is a Phase of Development.

15.3. **PROPERTY TO BE MAINTAINED BY LARMAC.** The LARMAC Property to be transferred to LARMAC with the first Close of Escrow in the First Subdivision includes the property described on *Exhibit "LP"*. LARMAC shall become responsible for maintaining as a portion of the LARMAC Property the maintenance areas on public property depicted on *Exhibit "MAP"* on the first close of Escrow in the First Subdivision. Additional LARMAC Property may be designated in the Supplemental Declaration for the First Subdivision.

15.4. **NEIGHBORHOOD PROPERTY.** There is no Neighborhood Property in the First Subdivision.

15.5. **SPECIAL BENEFIT AREA.** The areas depicted on *Exhibit "SBA"* are designated as areas to be maintained as a part of the Slope 1 Special Benefit Area. The Lots in the First Subdivision shall share the costs of the Slope 1 Special Benefit Area. Other Lots will be designated to share the costs of the Slope 1 Special Benefit Area in Supplemental Declarations.

15.6. **NEIGHBORHOOD.** The First Subdivision will be assigned to a Neighborhood in the Supplemental Declaration for the First Subdivision.

**ARTICLE XVI
ANNEXATION OF ADDITIONAL PROPERTY**

Because the Covered Property may eventually be composed of many different properties, the Declarant has reserved the right to annex additional property to the property subject to this Master Declaration. LARMAC is also given the power to add additional property to the property subject to this Master Declaration.

Additional real property may be annexed to the Covered Property and such additional real property may become subject to this Master Declaration by any of the following methods:

16.1. **TIMING OF ANNEXATIONS.** Declarant and Neighborhood Builders may, but shall not be required to add to the Covered Property all or any portion of the Annexable Area by Recording a Supplemental Declaration encumbering the portion of the Annexable Area annexed thereby (“Annexed Territory”). Annexable Area may be added to the Covered Property without the approval of the Owners, Neighborhood Representatives, or the Board or LARMAC.

16.2. **SUPPLEMENTAL DECLARATION CONTENT.** Each Supplemental Declaration annexing real property to the Covered Property shall contain at least the following provisions:

16.2.1. **Master Declaration Reference.** A reference to this Master Declaration, which reference shall state the date of Recordation hereof and the Instrument number or other relevant Recording data of the County Recorder’s office.

16.2.2. **Extension of Comprehensive Plan.** A statement that the provisions of this Master Declaration shall apply to the Annexed Territory as set forth therein.

16.2.3. **Description/Phases of Development.** A description of the Annexed Territory, including any LARMAC Property. A Supplemental Declaration may cover one (1) or more Phases of Development, as designated in such Supplemental Declaration.

16.2.4. **Land Classifications.** The land classifications of the Annexed Territory as required by Article XV. The Supplemental Declaration may create new land classifications, areas of the LARMAC Property reserved for the exclusive use of Owners, or areas of individually owned Lots or Condominiums to be maintained by LARMAC.

16.2.5. **Special Benefit Areas.** The Supplemental Declaration covering a Lot or Condominium subject to a Special Benefit Area Assessment Component shall: (i) identify the Special Benefit Area, if existing, or describe the Special Benefit Area if proposed; and (ii) identify the Lots or Condominiums covered by the Supplemental Declaration which are entitled to use the facilities of the Special Benefit Area or which are obligated to bear the exclusive or disproportionate maintenance of such Special Benefit Area and which shall be obligated to pay the Special Benefit Area Assessment Component attributable to such Special Benefit Area.

16.3. **APPROVAL OF ANNEXATIONS.** Each Supplemental Declaration shall be signed by Declarant and by each Record owner of the Annexed Territory. For any annexation of property outside of the Annexable Area, each Supplemental Declaration must be signed by the Record owner of the Annexed Territory and by an officer of LARMAC, certifying that the approval of the requisite percentage of Neighborhood Representatives has been obtained.

16.4. **DEANNEXATION AND AMENDMENT.**

16.4.1. **By Declarant.** Declarant may unilaterally amend a Supplemental Declaration or delete all or a portion of a Phase from coverage of this Master Declaration and the jurisdiction of LARMAC, so long as Declarant is the Owner of all of such Phase, and provided that (1) a Notice of Deletion or an amendment to the Supplemental Declaration, as applicable, is Recorded in the same manner as the applicable Supplemental Declaration was Recorded, (2) no Class A or Class B LARMAC vote has been exercised with respect to any portion of such Phase, (3) Common Assessments have not yet commenced with respect to any portion of such Phase, (4) there has been no Close of Escrow for the sale of any Lot or Condominium in such Phase to a member of the home buying public, and (5) LARMAC has not made any expenditures or incurred any obligations with respect to any portion of such Phase. Declarant may also unilaterally delete any portion of the Annexable Area from the Annexable Area by Recording a Notice of Deletion.

16.4.2. **By Neighborhood Builder.** Neighborhood Builders may amend a Supplemental Declaration or delete all or any portion of a Phase from coverage of this Master Declaration and the jurisdiction of LARMAC, so long as such Neighborhood Builders or Declarant and such Neighborhood Builders together are the Owners of all of such Phase and provided further, that all requirements of items (1) through (6) set forth in Section 16.4.1 above have been satisfied, and Declarant has consented in writing to such amendment or deletion by executing the appropriate Notice of Deletion or amendment to the Supplemental Declaration, as applicable.

16.5. **OTHER ADDITIONS.** Additional real property may be annexed to the Covered Property and brought within the general plan of this Master Declaration upon the approval by Neighborhood Representatives holding at least two-thirds (2/3) of the voting power of LARMAC.

16.6. **RIGHTS OF ANNEXED TERRITORY MEMBERS.** Upon the Recording of a Supplemental Declaration containing the provisions as set forth in this Section, all provisions contained in this Master Declaration will apply to the Annexed Territory in the same manner as if it were originally covered by this Master Declaration, subject to the provisions of the applicable Supplemental Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Master Declaration with respect to the Annexed Territory will be the same as with respect to the property originally covered by this Master Declaration, and the rights, powers and responsibilities of the Owners, lessees and occupants of Lots and Condominiums in the Annexed Territory, as well as within the property originally subject to this Master Declaration, will be the same as if the Annexed Territory were originally covered by this Master Declaration, subject to such restrictions as may be imposed in the Supplemental Declaration.

Any Supplemental Declaration may contain such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Master Declaration as may be necessary to reflect the different character, if any, of the Annexed Territory, or as Declarant and the Neighborhood Builder deem appropriate in the development of the Annexed Territory, and as are consistent with the general plan of this Master Declaration.

ARTICLE XVII DECLARANT AND NEIGHBORHOOD BUILDER EXEMPTIONS

Declarant reserves various rights in this Article to facilitate the smooth, orderly development of the Covered Property and to accommodate changes in the development plan that inevitably occur as a community the size of the Covered Property grows and matures.

17.1. **INTEREST OF DECLARANT.** The First Subdivision is a portion of a larger parcel of land which Declarant intends to develop into a master planned community. Declarant in cooperation with the County, has created a comprehensive plan for the development of the Covered Property which includes modern master-planning objectives which have been formulated for the common good in the community. Declarant, the Neighborhood Builders, or their successors or assigns intend, but are not obligated, to construct Residences and develop all of the Lots in the Covered Property. The completion of that work and sale, resale, rental and other disposal of Lots is essential to the establishment and welfare of the Covered Property as a quality master planned community. Each Owner acknowledges that Declarant has a substantial interest in assuring compliance with, and enforcement of, the covenants, conditions, restrictions and reservations contained in this Master Declaration and any Supplemental Declarations.

17.2. **RIGHTS.** The provisions of this Article XVII supersede and control over all other provisions of the LARMAC Governing Documents as applied to Declarant and the Neighborhood Builders. Declarant and the Neighborhood Builders have the following rights. Nothing in the LARMAC Governing Documents limits and no Owner or LARMAC will interfere with Declarant's or any Neighborhood Builder's exercise of these rights.

17.2.1. **Subdivision.** To subdivide and resubdivide any portion of the Covered Property.

17.2.2. **Sales.** To sell and rent any portion of the Covered Property directly or through agents and representatives.

17.2.3. **Development.** To complete excavation, grading, construction of Improvements and other development activities on the Covered Property.

17.2.4. **Construction.** To alter construction plans and designs, to modify Improvements and to construct such additional Improvements as Declarant or a Neighborhood Builder deems advisable.

17.2.5. **Grading.** To carry on such grading work as may be approved by the Local Governmental Agency having jurisdiction.

17.2.6. **Signs.** To erect, construct and maintain on the Covered Property such structures, signs and displays reasonably necessary for the conduct of the business of completing the work and disposing of the Covered Property and the Annexable Area.

17.2.7. **Creating Additional Easements.** At any time prior to acquisition of title to a Lot or Condominium by a purchaser from Declarant or a Neighborhood Builder, to establish on that Lot, additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as reasonably necessary to the proper development and disposal of the Covered Property and the Annexable Area.

17.2.8. **Sales and Leasing.** To use the LARMAC Property for access to the sales and leasing facilities of Declarant and Neighborhood Builders by prospective purchasers, sales agents, Declarant and Neighborhood Builders.

17.2.9. **Models and Offices.** To use any structures or vehicles owned or leased by Declarant or Neighborhood Builders in the Covered Property as model home complexes, or real estate sales or leasing offices.

17.2.10. **Modifications.** To unilaterally modify Declarant's or the Neighborhood Builders' development plan for the Covered Property, the

Annexable Area, or any portion thereof, including designating and redesignating Phases of Development and constructing Residences of larger or smaller sizes, values or of different types.

17.2.11. **Gated Communities.** To create Neighborhoods in the Covered Property that are gated so that access to the Neighborhoods is limited.

17.3. **EXEMPTION.** Declarant and the Neighborhood Builders are exempt from the restrictions contained in Article II.

17.4. **ASSIGNMENT OF RIGHTS.** All or any portion of the rights of Declarant or a Neighborhood Builder in the LARMAC Governing Documents may be assigned by Declarant or such Neighborhood Builder (with Declarant's consent), as applicable, to any successor in interest to any portion of Declarant's or Neighborhood Builder's interest in any portion of the Covered Property or the Annexable Area (including to any Neighborhood Builder) by an express written assignment which specifies the rights of Declarant or such Neighborhood Builder so assigned.

17.5. **EASEMENT RELOCATION.** LARMAC Property comprising easements over real property the fee title to which has not been made subject to the Master Declaration ("Interim Easement Area") may be relocated, modified or terminated by Declarant to accommodate the final plan of development for the future Phase in which the Interim Easement Area is located. Such relocation, modification or termination shall be set forth in the Recorded instrument annexing fee title to the Interim Easement Area to the Master Declaration. No such relocation, modification or termination shall prevent access to any Lot or Condominium.

17.6. **DECLARANT'S REPRESENTATIVE.** LARMAC shall provide Declarant with all notices and other documents to which a Beneficiary is entitled pursuant to this Master Declaration, provided that Declarant shall be provided such notices and other documents without making written request therefor. Commencing on the date on which Declarant no longer has an elected or appointed representative on the Board, and continuing until the date on which Declarant and the Neighborhood Builders no longer own a Lot or Condominium in the Covered Property or any portion of the Annexable Area, LARMAC shall provide Declarant with written notice of all meetings of the Board as if Declarant were an Owner and Declarant shall be entitled to have a representative present at all such Board meetings ("Declarant's Representative"). The Declarant's Representative shall be present in an advisory capacity only and shall not be a Board member or have any right to vote on matters coming before the Board.

17.7. **CONVERSION OF APARTMENT AREA.** The Owner of an Apartment Area Lot or Lots, in its sole discretion, may elect to convert all or any portion of its Apartment Area to a portion of the Residential Area pursuant to then applicable laws. In such event, effective upon the first Close of Escrow for the sale of a Lot or Condominium in each Phase of such converted Apartment Area, such Phase shall be deemed Residential Area; the Owners of Lots or Condominiums in such Phase of converted Apartment Area shall all be "Owners" as defined in this Master Declaration; such Lots or Condominiums shall be assessed in the same manner as

other Residential Area Lots and Condominiums; the Owners of such Lots or Condominiums shall have the same voting rights as other Owners of the same class of Members; and such Lots and Condominiums, and the Owners thereof, shall be subject to all of the provisions of this Master Declaration in the same manner as the other Lots, Condominiums and Owners in the Residential Area. For purposes of this Section 18.7 only, the term "Phase" shall mean the portion of the Residential Area covered by a Supplemental Declaration for such portion for which a Public Report has been issued, unless otherwise provided in such Supplemental Declaration. The conversion of Apartment Area pursuant to this Section shall not require the approval of the Neighborhood Representatives, LARMAC or the Members, nor require modifications to existing Apartment Area Improvements in order to conform them with the portions of the LARMAC Governing Documents applicable to the Residential Areas.

This Master Declaration is dated for identification purposes 6/17, 1999.

DMB Ladera, LLC, a Delaware limited liability company By: Rancho Mission Viejo, LLC,
Its: Agent and Manager

By: [Signature]
Its: Vice President - Community Development

By: [Signature]
Its: Executive Vice President - Development
"Declarant"

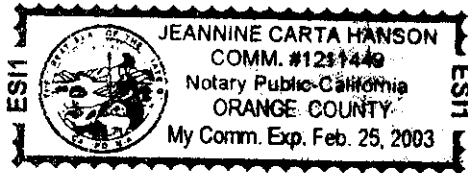
STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On June 17, 1999, before me, Jeannine Carta Hanson, personally appeared Paul Johnson and Stephen C Schrank, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) ~~is~~ (are) subscribed to the within instrument and acknowledged to me that ~~he~~ ~~she~~ (they) executed the same in ~~his~~ ~~her~~ (their) authorized capacity(ies), and that by ~~his~~ ~~her~~ (their) signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[Signature]
Notary Public in and for said State

(SEAL)



Additional Signature Page to Master Declaration

Standard Pacific Corp., a Delaware corporation

By: [Signature]

Its: AUTHORIZED REPRESENTATIVE

By: William C. Fischel

Its: AUTHORIZED REPRESENTATIVE

"First Neighborhood Builder"

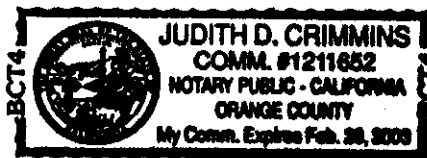
STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On JUNE 15, 1999, before me, JUDITH D. CRIMMINS, personally appeared JARI L. KARTOZIAN and WILLIAM C. FISCHEL, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) (is) ~~(are)~~ subscribed to the within instrument and acknowledged to me that (he) (she) ~~(they)~~ executed the same in (his) (her) ~~(their)~~ authorized capacity(ies), and that by (his) (her) ~~(their)~~ signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

[Signature]
Notary Public in and for said State

(SEAL)



48
-89-

EXHIBIT "AA"
SHEET 1 OF 2

10-0367-11(A)
06-10-99

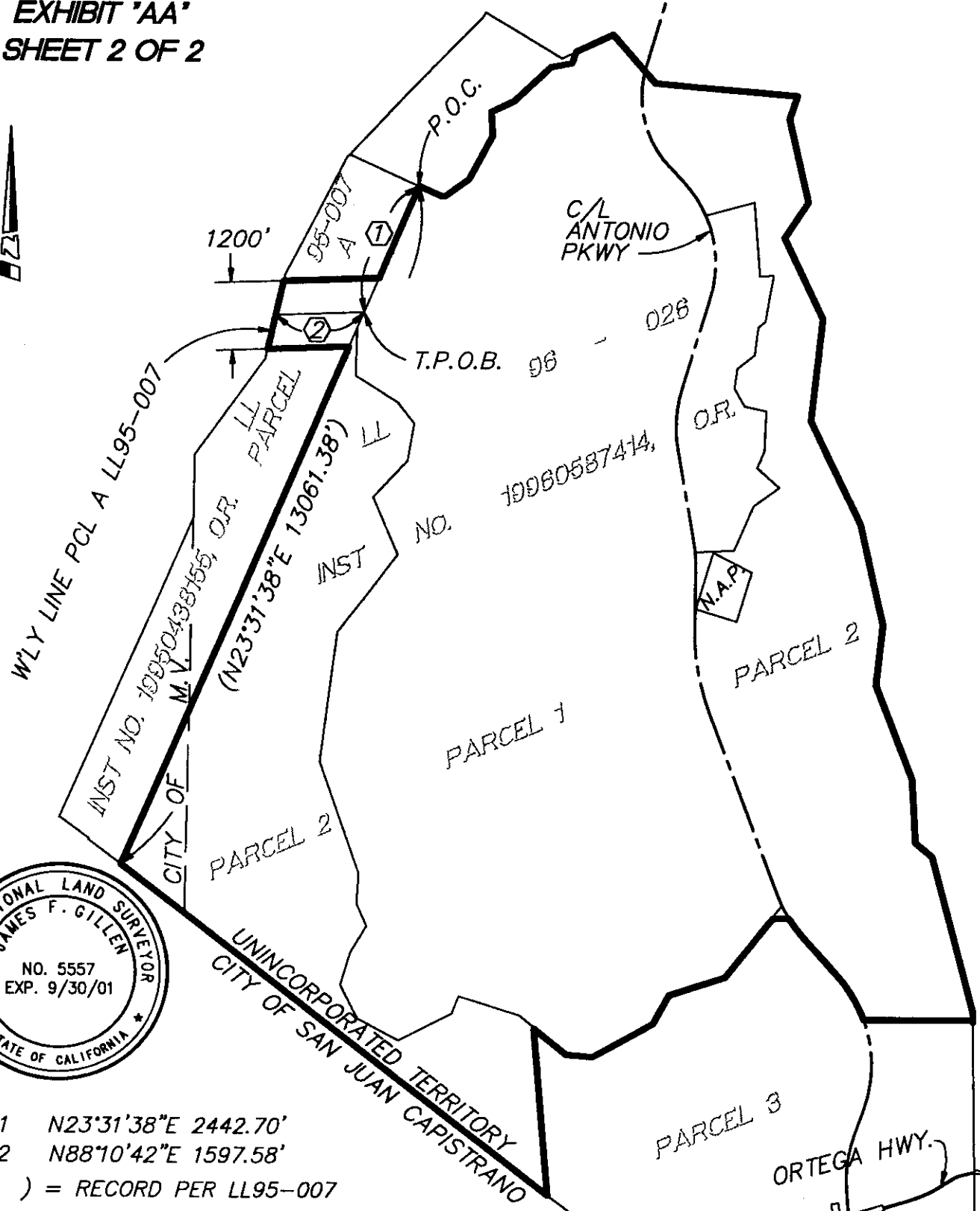
LEGAL DESCRIPTION
LADERA RANCH ANNEXABLE AREA

Parcel 1 and Parcel 2 of Lot Line Adjustment LL 96-026 in the Unincorporated Territory of the County of Orange, State of California, as shown on that certain document recorded November 21, 1996 as Instrument No. 19960587414 of Official Records, in the office of the County Recorder of said County, together with that portion of Parcel A of Lot Line Adjustment LL 95-007 in said Unincorporated Territory of the County of Orange, as shown on that certain document recorded October 5, 1995, as Instrument No. 19950438155 of said Official Records, included within a strip of land, 1200.00 feet wide, the centerline of said strip being described as follows:

Commencing at the Northeasterly terminus of that certain course shown as having a bearing and distance of "N 23°31'38" E 13061.38' " for the Southeasterly line of said Parcel A; thence South 23°31'38" West 2442.70 feet along said Southeasterly line to the TRUE POINT OF BEGINNING; thence leaving said Southeasterly line South 88°10'42" West 1597.58 feet to the Westerly line of said Parcel A.

The sidelines of said strip to be prolonged or shortened to terminate Southeasterly in said Southeasterly line and Westerly in said Westerly line.

EXHIBIT 'AA'
SHEET 2 OF 2



- 1 N23°31'38"E 2442.70'
- 2 N88°10'42"E 1597.58'
- () = RECORD PER LL95-007

HUITT - ZOLLARS

Huitt-Zollars, Inc.
15101 Red Hill Avenue, Tustin, CA 92780
(714) 259-7900

APPROVED BY

James F. Gillen

6/10/99

SKETCH TO ACCOMPANY
A LEGAL DESCRIPTION

**LADERA RANCH
ANNEXABLE AREA**

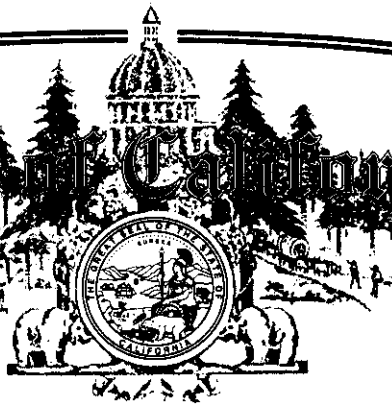
SCALE	1"=2500'
DRAWN BY	JRD
CHECKED BY	JFG
DATE	3/23/99
JOB NO.	10-0367-11

EXHIBIT "AI"

ARTICLES OF INCORPORATION OF LARMAC

State of California

2108309



SECRETARY OF STATE



I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.

IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this

MAY 13 1998



Bill Jones

Secretary of State

2108309

ENDORSED
FILED

In the office of the Secretary of State
of the State of California

**ARTICLES OF INCORPORATION
OF
LADERA RANCH MAINTENANCE CORPORATION
A California Nonprofit Public Benefit Corporation**

MAY 12 1999

I

The name of this corporation ("Corporation" herein) is LADERA RANCH MAINTENANCE CORPORATION.

II

- A. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law for public purposes.
- B. The purpose of this corporation is to promote the common good and general welfare of the Ladera Ranch community and the management of a common interest development under the Davis-Stirling Common Interest Development Act.

III

The Corporation's initial agent for service of process is Merit Property Management, Inc.

IV

- A. The Corporation is organized and operated exclusively as a welfare organization within the meaning of Section 23701f of the California Revenue and Taxation Code and shall have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Public Benefit Corporation Law may now or hereafter have or exercise, provided that the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purpose of the Corporation, which is to manage a common interest development under the Davis-Stirling Common Interest Development Act.
- B. No part of the activities of this Corporation shall consist of lobbying or propaganda, or otherwise attempting to influence federal, state or local legislation of any type. This Corporation shall not participate in or intervene in any political campaign (including publishing or distributing statements) on behalf of or in opposition to any candidate for political office or any proposed legislation.

V

- A. The classes of Membership and the voting and other rights and privileges of Members shall be as set forth in the Bylaws.
- B. So long as there are two classes of voting Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, and (ii) Neighborhood Representatives representing a bare majority of the voting power of each class of Members.
- C. After conversion of the Class B Membership to Class A Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Corporation, (ii) Neighborhood Representatives representing a bare majority of the total voting power of the Members, and (iii) Neighborhood Representatives representing a bare majority of the voting power of the Members other than the Subdivider of the project ("Declarant").

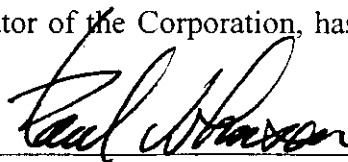
VI

- A. The name and address of the Corporation's managing agent is Merit Property Management, Inc., 25910 Acero Street, Second Floor, Mission Viejo, California 92691.
- B. The Corporation does not have a corporate office. The common interest development is near the intersection of Oso Parkway and Antonio Parkway, Orange County, California 92675-0000.

VII

- A. The assets of the Corporation are irrevocably dedicated to social welfare purposes and no part of the profits shall ever inure to the benefit of a director, officer, or any private shareholder, member or individual.
- B. On a dissolution or a winding up of the Corporation, its assets remaining after payment of, or provision for the payment of, all debts and liabilities of the Corporation shall be distributed to a nonprofit organization that is organized and operated exclusively for social welfare purposes and that has established its tax exempt status under Section 501(c)(3) or Section 501(c)(4) of the Internal Revenue Code.

The undersigned, who is the incorporator of the Corporation, has executed these Articles of Incorporation on May 4, 1998.



Paul Johnson



EXHIBIT "BY"
BYLAWS OF LARMAC

BYLAWS
OF
LADERA RANCH MAINTENANCE CORPORATION

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FOR BYLAWS OF

LADERA RANCH MAINTENANCE CORPORATION

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BYLAWS
OF
LADERA RANCH MAINTENANCE CORPORATION

Article I
GENERAL PLAN

The Ladera Ranch Maintenance Corporation ("LARMAC") is the homeowners association formed to manage and maintain the LARMAC Property, enforce the LARMAC Governing Documents and impose architectural control in the community. Each homeowner in the Covered Property will become a Member of LARMAC. The Board of Directors of LARMAC oversees its operations. Day to day activities are performed by the Community Manager and supervised by the LARMAC Board. Specific day-to-day responsibilities are assigned to the LARMAC officers.

To encourage the community to be involved in the operation of LARMAC, the Declarant has divided the Covered Property into Neighborhoods and assigned each Neighborhood a Neighborhood Representative. The Neighborhood Representative will be responsible for keeping Neighborhood residents informed of LARMAC activities, voting on certain issues and performing other duties described in Section 4.1.

For significant matters, decisions can only be made by a vote of the Members. Rules regarding Members decisions are in Article VI.

Responsibilities in two specific areas are delegated to two separate committees: the Aesthetics Review Committee and the Covenant Committee. The Aesthetics Review Committee is responsible for updating the Aesthetics Standards and reviewing plans for proposed architectural and landscaping modifications. Rules regarding operation of the Aesthetics Review Committee are in the Master Declaration. The Covenant Committee is responsible for enforcing the LARMAC Governing Documents. Rules regarding operation of the Covenant Committee are in the Master Declaration. The notice and hearing procedure the Covenant Committee will use when addressing violations of the LARMAC Governing Documents is in Article IX of these Bylaws.

The Board also has the power to appoint a Nominating Committee. The Nominating Committee will assist the Board in its search for volunteers to serve as Board members or Neighborhood Representatives. The Nominating Committee is described in Section 2.15.2 of these Bylaws. The Board and president both have the power to appoint other committees to assist in various aspects of operation of LARMAC.

Below is a chart showing the relationship of these different parties.

BOARD OF DIRECTORS
Oversees all operations

<i>Officers</i>	<i>Committees</i>	<i>Neighborhood Representatives</i>	<i>Members</i>
President Vice President Secretary Chief Financial Officer ■ Assigned broad duties	Covenant Committee Aesthetics Review Committee Nominating Committee ■ Have jurisdiction over specific matters	 ■ Responsible for communications with Members and voting on certain issues	 ■ Receive benefits of Membership ■ Encouraged to participate and responsible for complying with the LARMAC Governing Documents ■ Vote on select issues

These Bylaws establish the procedures to be followed by the LARMAC Board, the Community Manager, the LARMAC officers, committees, Neighborhood Representatives and Members as they operate LARMAC.

1.1. **NAME.** The name of the corporation is the **Ladera Ranch Maintenance Corporation**. The principal office of LARMAC shall be located in Orange County, California.

1.2. **DEFINITIONS AND INTERPRETATION.** Unless otherwise provided in these Bylaws, the capitalized terms in these Bylaws have the same meanings as are given to such terms in the Master Declaration. These Bylaws shall be interpreted in accordance with Section 14.2 of the Master Declaration.

1.3. **LARMAC RESPONSIBILITIES.** In accordance with the Master Declaration, LARMAC is responsible for the following:

- ✓ administering the Covered Property,
- ✓ maintaining the LARMAC Property,
- ✓ approving the Budget,
- ✓ establishing and collecting all assessments authorized under the Master Declaration,

- ✓ providing overall architectural and landscaping control in the Covered Property, and
- ✓ enforcing the LARMAC Governing Documents.

1.4. **APPLICATION.** The provisions of these Bylaws are applicable to the phased master planned community known as Ladera Ranch, located in Orange County, California. All Persons occupying a Residence in the Covered Property or using the facilities of the Covered Property in any manner are subject to the LARMAC Governing Documents. By acquiring, renting or occupying any Residence in the Covered Property the Person doing so signifies that the Person agrees to comply with the LARMAC Governing Documents.

Generally, the Board of Directors is responsible for overseeing the operations of LARMAC and making most of the decisions regarding LARMAC operations. However, in some situations, LARMAC decisions can only be made by the Members or the Neighborhood Representatives. Each of the following articles describes these various responsibilities. Article II describes how the Board of Directors operates. Article III describes the duties and responsibilities of the LARMAC officers. Article IV describes how the Neighborhood Representatives make decisions. Article VI describes the process used to obtain Member decisions on issues.

The following is a list of the parties who participate in operation of LARMAC and the issues which must be presented to them for approval.

Board of Directors	<ul style="list-style-type: none"> • All issues that are not reserved exclusively to the Members and/or the Neighborhood Representatives
Neighborhood Representatives	<ul style="list-style-type: none"> • Certain amendments to the Master Declaration and the Bylaws • Annexations to the Covered Property that are not made by the Declarant or Neighborhood Builders • Certain contracts (see Section 2.9.3 of these Bylaws) • Directors' and officers' compensation (if any)
The Entire Membership	<ul style="list-style-type: none"> • Elect, remove and replace Directors • Certain amendments to the Bylaws and the Master Declaration • Certain increases in Common Assessments and Capital Improvement Assessments • Litigation expenses LARMAC will incur as a plaintiff
Each Neighborhood	<ul style="list-style-type: none"> • Elect and remove the Neighborhood Representative for that Neighborhood
Members in Special Benefit Areas	<ul style="list-style-type: none"> • Certain increases in the Assessments (See Master Declaration Section 8.5.2) • Certain Special Benefit Area Capital Improvement Assessments
Declarant	<ul style="list-style-type: none"> • Certain amendments to the Bylaws and the Master Declaration • Certain items listed in Section 6.6 of the Master Declaration
First Mortgagees	<ul style="list-style-type: none"> • Items listed in Master Declaration Section 14.3.3

1.5. **LIMITS.**

1.5.1. **Organization and Activity.** LARMAC is organized exclusively for purposes within the meaning of Section 501(c)(4) of the IRC. LARMAC shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of LARMAC. LARMAC shall not carry on any other activities not permitted to be carried on by a corporation exempt from federal income tax under Section 501(c)(4) of the IRC or the corresponding provision of any future United States internal revenue law.

1.5.2. **Political Activities.** LARMAC shall not participate in or intervene in (including publishing or distributing statements) any political campaign on behalf of or in opposition to any candidate for political office or any proposed legislation.

1.5.3. **Assets and Property.** The property, assets, profits, and net income of LARMAC are irrevocably dedicated to social welfare purposes. No part of the earnings of LARMAC shall ever inure to the benefit of any director, trustee, officer, shareholder or member of LARMAC or to the benefit of any private individual.

1.5.4. **Not for Profit.** LARMAC is not organized, and shall not be operated, for pecuniary gain or profit.

1.5.5. **Dissolution.** On the winding up and dissolution of LARMAC, after paying or adequately providing for its debts and obligations, LARMAC's remaining assets shall be distributed to such organizations organized and operated exclusively for social welfare purposes which have established tax-exempt status under Section 501(c)(4) of the IRC or the corresponding provisions of any future United States internal revenue law.

Article II
BOARD OF DIRECTORS

This Article describes the Board of Directors including the number of people who will serve on the Board, their term of office and how they are elected. This Article also establishes the powers and duties of the Board and limits on the Board's powers.

***Start Up of LARMAC.** After LARMAC is incorporated, it will be governed by a Board of Directors composed of three persons appointed by the incorporator of LARMAC. Within one year after the first Close of Escrow in the Covered Property, an election of Directors will be held. At this first election, the Board of Directors will automatically expand to five positions. All of these positions will be available to be filled in the election. The persons originally appointed as Directors by the incorporator may be re-elected to the Board or new persons may be elected.*

Long Term Operations. Directors' terms of office are staggered. At the first election, the three persons receiving the highest number of votes will be elected to serve for three-year terms. The two persons receiving the next highest number of votes will be elected to serve for two-year terms. At subsequent elections, new Directors will be elected to replace Directors whose terms are ending. These new Directors will serve three-year terms. The expected result of this system is that either two or three positions on the Board are open to be filled at each election.

2.1. **NUMBER.** Until the first election of Directors, LARMAC's property, business and affairs shall be governed and managed by a Board of Directors composed of three (3) persons. Beginning with the first election of Directors, the property, business and affairs of LARMAC shall be governed and managed by a Board of Directors composed of five (5) persons. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws.

2.2. **QUALIFICATIONS.**

2.2.1. **Qualifications for Nomination.** Anyone nominated to serve as a Director must be a person who is one of the following:

- (a) An Owner or agent of an Owner of a Lot or Condominium in the Residential Area who is not an officer or director of a Subordinate Corporation or LARCS, or
- (b) An Owner or agent of an Owner of a Lot in any area of the Covered Property that is not a part of the Residential Area, or
- (c) An agent of Declarant or an agent of a Neighborhood Builder for so long as Declarant or a Neighborhood Builder owns or has a Mortgage interest in either (i) a Lot or Condominium in the Covered Property, or (ii) any portion of the Annexable Area.

2.2.2. **Qualifications for Holding Office.** Directors are encouraged to satisfy the following requirements while they serve in office:

- (a) Not be absent from three (3) consecutive meetings of the Board;
- (b) Attend at least seventy-five percent (75%) of the Board meetings held each year and attend the entire meeting each time;
- (c) Exhibit respect, professionalism and courteous behavior to Owners, committee members, vendors, the Community Manager and its staff, and any other Persons involved with LARMAC;

(d) Be a Member in good standing or agent of a Member in good standing; and

(e) Participate in education programs provided to the Directors by LARMAC.

2.3. **TERM OF OFFICE.** Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of the three (3) Directors receiving the highest number of votes at the first election shall be three (3) years and the term of office of the two (2) Directors receiving the next highest number of votes at the first election shall be two (2) years. Thereafter, new Directors shall be elected or appointed to fill any vacancies. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be three (3) years. The term of office of each Director elected or appointed to fill a vacancy created for any other reason shall be the balance of the unserved term of the Director's predecessor. Any Director may be reelected. There is no limit on the number of terms which a Director may serve.

2.4. **ELECTIONS.** *Directors will be elected using the following procedure. First, the Nominating Committee will solicit nominations of candidates for the Board positions and generate a Slate of Candidates. The Slate of Candidates will be distributed to the Members along with forms of proxies to complete. The Neighborhood Representatives will attend the election meeting and cast the Members' votes in accordance with the directions provided by the Members in their proxies. Cumulative voting will be used in all elections.*

The following is a time line showing the days for performing various tasks to be completed in connection with the first election of Directors.

<i>50 - 120 days before meeting</i>	<i>after close of nominations</i>	<i>10 - 90 days before meeting</i>	<i>10 - 90 days before meeting</i>	<i>0 - 60 days before meeting</i>	<i>first election of Directors held</i>
<i>close of nominations</i>	<i>slate of candidates generated</i>	<i>record date set for Members entitled to receive notice of Election Meeting</i>	<i>Members sent notice of meeting, Slate of Candidates and proxy for election</i>	<i>record date for voting set</i>	<i>within one year after first Close of Escrow in the Covered Property</i>

2.4.1. **Nomination Procedure.** The Nominating Committee, acting at the Board's direction, will seek volunteers to run for office. The Board may establish nomination procedures and reasonable time frames for receiving nominations in the Community Guidelines. The date set for close of nominations must be not less than fifty (50) nor more than one hundred twenty (120) days before the date of the Directors election (the "Election Meeting"). No nominations for the Board can be made after the

date set for the close of nominations. A slate of candidates (“Slate of Candidates”) must be prepared and distributed to the Members based on the nominations that comply with the nomination guidelines established by the Board. If more qualified people are nominated than there are positions to be filled, an election shall be held in accordance with the procedure established in this Section 2.4. If, after the close of nominations, the number of qualified people nominated for the Board is not more than the number of positions to be filled, LARMAC may, without further action, declare those nominated and qualified to be elected.

2.4.2. **Election Meeting.** The Board of Directors shall set the date for each Election Meeting. The date for the first Election Meeting must be set within one (1) year after the first Close of Escrow in the Covered Property. Each subsequent Election Meeting must be held within the sixty (60) days preceding the date on which any Director’s term of office will expire. Notice of the date of each Election Meeting must be distributed to the Members no less than ten (10) nor more than ninety (90) days before the date of the Election Meeting. The quorum for Election Meetings is twenty-five percent (25%) of the voting power of LARMAC. Each Neighborhood Representative who attends an Election Meeting represents all Members in his Neighborhood for purposes of establishing a quorum. The Board may establish additional procedures for holding Election Meetings in the Community Guidelines.

2.4.3. **Record Dates.** The Board may fix a date as a record date for determining Members entitled to notice of each Election Meeting. The record date so fixed must be not more than ninety (90) nor less than ten (10) days before the date of the Election Meeting. If the Board does not fix a record date, the record date is the close of business on the business day preceding the day on which notice is given. The Board may also fix a date as a record date for determining Members entitled to vote at the Election Meeting. The record date so fixed must be not more than sixty (60) days before the date of the Election Meeting. If the Board does not fix a record date, the record date is the day on which the Election Meeting is held.

2.4.4. **Collection of Proxies.** The Board shall deliver forms of proxies to all Members listing the Slate of Candidates and identifying the applicable Neighborhood Representative as the person authorized to exercise the proxy. All proxies must be in writing. Every proxy is revocable and automatically ceases after completion of the Election Meeting for which the proxy was provided. Any form of proxy distributed must afford the opportunity to choose among all candidates listed on the Slate of Candidates. The proxy must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the length of time it will be valid.

2.4.5. **Cumulative Voting.** Cumulative voting must be used in the election of Directors for any election in which two (2) or more Directors are to be elected. To

cumulate votes, Members may cast a number of votes equal to the Member's share of the voting power multiplied by the number of Directors to be elected.

2.4.6. **Voting Reports.** To verify compliance with the voting requirements of this Section 2.4, the Board may require each person exercising proxy rights to execute a certificate providing the following information: (i) the total number of Class A and/or Class B votes represented by such person; and (ii) the total number of Class A and/or Class B votes which are cast for individual candidates. The Board may establish rules for verifying the certificates and proxy rights in the Community Guidelines.

2.4.7. **Special Election Requirement.** So long as either (a) Declarant or any Neighborhood Builder is entitled to exercise a Class B or Class C vote, or (b) Declarant and all Neighborhood Builders collectively are entitled to exercise a majority of LARMAC's voting power, not less than twenty percent (20%) of the members of the Board must be elected solely by the votes of Members other than Declarant and the Neighborhood Builders.

2.5. **REPLACEMENT MEETINGS.** If a vacancy in the Board of Directors exists, a replacement Director may be elected at a "Replacement Meeting." The procedure for calling and holding a Replacement Meeting shall be the same as that for an Election Meeting, subject to the following modifications. The Board shall call a Replacement Meeting (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of LARMAC, or (c) upon receipt of a petition signed by Members holding at least five percent (5%) of LARMAC's voting power. The Secretary shall give notice of any Replacement Meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The notice must state the date, time, place and purpose of the Replacement Meeting. The Replacement Meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at the Replacement Meeting except as stated in the notice. The quorum for Replacement Meetings is twenty-five percent (25%) of the voting power of LARMAC. The Board may establish procedures for identifying a Slate of Candidates and collecting proxies for Replacement Meetings in the Community Guidelines. The Board may establish record dates for receipt of notice of Replacement Meetings and for voting at Replacement Meetings within time frames comparable to those for Election Meetings.

2.6. **VACANCIES.** Until termination of the Class C Membership, a vacancy in the office of a Director who was appointed by the Class C Member shall be filled only by an appointee of the Class C Member. Any vacancies on the Board caused by removal of a Director or by a vote of the Members must be filled by the Members in an Election Meeting or a Replacement Meeting. All other vacancies on the Board caused by any other reason may be filled by vote of a majority of the remaining Directors, even though they may constitute less than a quorum. A Director may resign at any time by giving written notice to the President, the Secretary or the Board. Any such resignation is effective on the date of receipt of such notice or at any later time specified in the resignation notice. Unless specified in the notice, acceptance of

the resignation by the Board is not necessary to make it effective. If a Director's resignation is effective at a later time, the Board may elect a successor to take office as of the date when the resignation becomes effective. A vacancy or vacancies on the Board shall exist on the occurrence of the following: (a) the death or resignation of any Director; (b) the declaration by resolution of the Board of a vacancy in the office of a Director who has been declared of unsound mind by an order of court, convicted of a felony or found by a final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Corporation Law; (c) the increase of the authorized number of Directors; (d) the failure at any Election Meeting or Replacement Meeting to elect the number of Directors required to be elected at such meeting; or (e) the occurrence of any other events resulting in a vacancy as provided under the California Nonprofit Corporation Law. Any vacancy not filled by the Directors may be filled at an Election Meeting or Replacement Meeting.

2.7. REMOVAL OF DIRECTORS. Any Director or the entire Board may be removed before the expiration of their terms of office with or without cause as follows: (i) for so long as fewer than fifty (50) Lots or Condominiums are included within the Covered Property, by Members holding a majority of LARMAC's voting power (including votes attributable to Declarant and the Neighborhood Builders), and (ii) once fifty (50) or more Lots or Condominiums are included within the Covered Property, by a majority of a quorum of the Members. However, if the entire Board is not removed as a group pursuant to a single vote, no individual Director may be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed must be given an opportunity to be heard. Any Director who has been elected to office solely by the votes attributable to Members other than Declarant or the Neighborhood Builders may be removed from office before the expiration of his term of office only by the votes attributable to Members holding at least a simple majority of LARMAC's voting power, excluding votes attributable to Declarant and the Neighborhood Builders. Any Director who has been elected to office solely by the votes of the Class C Member may be removed from office before the expiration of his term of office only by the votes of the Class C Member.

2.8. GENERAL POWERS AND DUTIES. The Board has the powers and duties necessary to conduct, manage and control LARMAC's affairs. All of LARMAC's powers, including those enumerated in Sections 3.2 and 3.3 of the Master Declaration, shall be exercised by its Board of Directors except those powers (i) reserved in specific provisions of the Articles, these Bylaws, the Master Declaration or any Supplemental Declaration, to the Members, Neighborhood Representatives, Covenant Committee or Aesthetics Review Committee or (ii) delegated by the Board pursuant to Section 2.9.8. All powers and duties of the Board shall be exercised in accordance with the standards established in Section 3.8.1 of the Master Declaration.

Board Powers and Duties

Generally, the Board can exercise all powers of LARMAC that are not reserved exclusively to the Neighborhood Representatives and/or the Members. The Board is also granted the following specific powers and duties:

- *Select and remove officers, agents and employees*
- *Contract for services and maintenance*
- *Conduct, manage and control LARMAC*
- *Enforce the LARMAC Governing Documents*
- *Delegate duties*
- *Grant certain easements or licenses*
- *Keep records of LARMAC affairs*
- *Retain a Community Manager*
- *Appoint Neighborhood Representatives or alternates if Neighborhoods fail to elect them*
- *Change principal office, set meeting locations, adopt corporate seal*
- *Fix and levy assessments*
- *Contract and pay for insurance*
- *Adopt the Bylaws*
- *Sell a portion of the LARMAC Property (see Section 2.9.12 of these Bylaws)*
- *Enter into subsidy or maintenance agreements*
- *Appoint members of the Aesthetics Review Committee and Covenant Committee and create a Nominating Committee or other Committees the Board deems appropriate*

2.9. **SPECIAL POWERS AND DUTIES.** Without limiting the scope of the Board's general powers and duties, the Board is also granted the following powers and duties:

2.9.1. **Officers, Agents and Employees.** The power and duty to select, appoint and remove all LARMAC officers, agents and employees, to prescribe such powers and duties for them as may be consistent with law and with the LARMAC Governing Documents, to fix their compensation, to require from them security for faithful service when the Board deems advisable, and to contract to provide them with such indemnification from LARMAC as the Board determines is appropriate.

2.9.2. **Neighborhood Representatives.** The power granted in Section 4.3.4 to appoint Neighborhood Representative or alternates when Members fail to elect them along with the power granted in Section 4.6.3 to remove Neighborhood Representatives or alternates who fail to perform their duties.

2.9.3. **Contracts.** The power to enter into contracts. This includes the power and duty to contract and pay for maintenance, landscaping, utilities, materials, supplies and services relating to the LARMAC Property, to retain Persons necessary to operate the Covered Property, including legal and accounting services, to contract and pay for Improvements on the LARMAC Property, and to contract to provide services to areas outside of the Covered

Property when the Board determines that LARMAC will be appropriately compensated and providing the services will not unreasonably burden LARMAC. However, the Board may not enter into any contract with a third Person wherein the third Person will furnish goods or services for the LARMAC Property or LARMAC without the vote or written consent of Neighborhood Representatives except for the following:

(a) **Terminable Agreements.** Agreements that are terminable by LARMAC without cause, penalty or other obligation upon not more than ninety (90) days written notice,

(b) **Public Utilities.** A contract with a public utility company for a term that does not exceed the shortest term for which the public utility company will contract at the regulated rate if the rates charged for the materials or services are regulated by the California Public Utilities Commission,

(c) **Insurance.** Casualty or liability insurance policies of not more than three (3) years' duration provided that the policies permit short-term cancellation by LARMAC,

(d) **Communication Systems.** Agreements for television services, satellite dish services, communication services, highspeed data transfer, computer services, telephony and other technology and equipment with terms not in excess of ten (10) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%),

(e) **Alarms.** Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%),

(f) **Nonprofit Corporations and Local Governmental Agencies.** Agreements with any nonprofit corporations or Local Governmental Agencies,

(g) **Contingency Agreements.** Agreements in which LARMAC enters into litigation or any alternative dispute resolution procedure when LARMAC's obligation to pay for services is set in whole or in part on a contingency basis only if (i) the agreement is for collection of assessments or other accounts receivable, (ii) the agreement involves

evaluation of services, or (iii) the total amount to be paid by LARMAC under the agreement is not in excess of Forty Thousand Dollars (\$40,000.00), and

(h) **DRE Approval.** Agreements approved by the DRE.

2.9.4. **Principal Office, Place of Meetings, Seal.** The power but not the duty to change LARMAC's principal office from one location to another within Orange County; to designate any place within Orange County for meetings of Members or Neighborhood Representatives; to adopt and use a corporate seal and to alter the form of such seal.

2.9.5. **Assessments.** The power and duty to fix, levy and collect Assessments, as provided in the Master Declaration. Subject to any limits imposed by the LARMAC Governing Documents, the Board may incur expenditures for any permitted purpose and accumulate reserves. The funds collected by the Board from the Members for reserves, maintenance recurring less frequently than annually, and capital improvements, is at all times held in trust for the Members. Disbursements from reserve funds may only be made in accordance with the Master Declaration.

2.9.6. **Enforcement.** The power to enforce the LARMAC Governing Documents and any agreements entered into by LARMAC and to impose sanctions against members for violations of the LARMAC Governing Documents.

2.9.7. **Insurance.** The power and duty to contract and pay for insurance in accordance with the Master Declaration.

2.9.8. **Delegation.** The power but not the duty to delegate its powers according to law.

2.9.9. **LARMAC Governing Documents.** The power to adopt these Bylaws and amend these Bylaws as authorized in Section 7.1 along with the power to adopt, amend or restate such other LARMAC Governing Documents as authorized in the Master Declaration or any Supplemental Declaration.

2.9.10. **Conveyances.** The power but not the duty to grant or quitclaim exclusive or nonexclusive easements, licenses or rights of way in, on, or over the LARMAC Property for purposes consistent with the intended use of the Covered Property as a master planned community.

2.9.11. **Records.** The power and duty to keep, or cause to be kept, a complete record of LARMAC acts and corporate affairs.

2.9.12. **Sale of Property.** The power but not the duty to sell property of LARMAC; provided, however, that Neighborhood Representatives holding at least a majority of the voting power of LARMAC must approve any sale during any Fiscal Year of LARMAC property having an aggregate fair market value greater than five percent (5%) of LARMAC's budgeted gross expenses for that Fiscal Year.

2.9.13. **Agreements with Declarant or Neighborhood Builders.** The power but not the duty to negotiate and enter into subsidy agreements or maintenance agreements with Declarant and Neighborhood Builders approved by the DRE.

2.9.14. **Community Manager.** The power to engage a Community Manager for LARMAC at a compensation established by the Board to fulfill such duties and provide such services as the Board authorizes.

2.10. **BOOKS, AUDIT.** The Board shall distribute the following financial information to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request). The financial information required by Sections 2.10.1 and 2.10.2 should be prepared separately for each Special Benefit Area and the General Assessment Component of Common Assessments.

2.10.1. **Budget.** A pro forma operating budget for each Fiscal Year consisting of at least the following information must be distributed not less than forty-five (45) nor more than sixty (60) days before the beginning of the Fiscal Year:

(a) The estimated revenue and Common Expenses computed on an accrual basis.

(b) A summary of LARMAC's reserves based upon the most recent review or study conducted pursuant to Section 1365.5 of the California Civil Code, which must be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component of an Improvement on the LARMAC Property.

(ii) As of the end of the Fiscal Year for which the study is prepared:

(A) The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components of the LARMAC Property for

which LARMAC is responsible (“Estimated Reserves”).

(B) The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain the major components of the LARMAC Property for which LARMAC is responsible (“Actual Reserves”).

(iii) The percentage that the Actual Reserves is of the Estimated Reserves.

(c) A statement as to whether the Board has determined or anticipated that the levy of one or more Capital Improvement, Extraordinary Assessment or Reconstruction Assessments will be required to repair, replace, or restore any major component of the LARMAC Property for which LARMAC is responsible or to provide adequate reserves therefor.

(d) A general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the costs of repair and replacement of, or additions to, major components of the LARMAC Property and facilities for which LARMAC is responsible.

The Board may distribute a summary of the Budget in lieu of the Budget itself, so long as the Board complies with the provisions of Section 1365(c) of the California Civil Code.

2.10.2. **Financial Report.** A report consisting of the following must be distributed within one hundred twenty (120) days after the close of the Fiscal Year:

(a) A balance sheet as of the end of the Fiscal Year.

(b) An operating (income) statement for the Fiscal Year.

(c) A statement of changes in financial position for the Fiscal Year.

(d) Any information required to be reported under Section 6322 of the California Corporations Code.

(e) For any Fiscal Year in which LARMAC’s gross income exceeds \$75,000, a copy of a review of the annual report prepared in

accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(f) A statement of the place where the names and addresses of the Members are located.

If the report referred to in this Section 2.10.2 is not prepared by an independent accountant, it must be accompanied by the certificate of an authorized LARMAC officer stating that the report was prepared from LARMAC's books and records without independent audit or review.

2.10.3. **Insurance Information.** LARMAC shall distribute to all of its Members a summary of LARMAC's property, general liability, and earthquake and flood insurance policies, if any, which shall be distributed within sixty (60) days preceding the beginning of LARMAC's fiscal year, that includes all of the following about each policy: (i) the name of the insurer, (ii) the type of insurance, (iii) the policy limits of the insurance, and (iv) the amount of deductibles, if any.

(a) LARMAC shall, as soon as reasonably practical, notify its Members in the manner required by applicable law if any of the policies described above have lapsed, been canceled, and are not immediately renewed, restored, or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If LARMAC receives any notice of nonrenewal of a policy described above, LARMAC shall immediately notify its Members if replacement coverage will not be in effect by the date the existing coverage will lapse.

(b) To the extent that any of the information required to be disclosed is specified in the insurance policy declaration page, LARMAC may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members.

(c) The summary distributed above shall contain, in at least 10-point boldface type, the statement required by Section 1365 of the California Civil Code.

2.10.4. **Enforcement Policies.** In addition to financial statements, the Board shall annually distribute within sixty (60) days before the beginning of the Fiscal Year a statement of LARMAC's policies and practices in enforcing its remedies against Members for defaults in the payment of Assessments, including the recording and foreclosing of liens against Residences.

2.10.5. **Reconciliations.** The Board shall do the following on at least a quarterly basis: (1) cause to be completed and review a current reconciliation of LARMAC's operating and reserve accounts, (2) review the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (3) review the income and expense statement for LARMAC's operating and reserve accounts, and (4) review the most current account statements prepared by the financial institutions where LARMAC maintains its operating and reserve accounts. The signatures of either (i) two (2) Directors, or (ii) one (1) Director and one (1) LARMAC officer (who is not also a Director) are required for withdrawal of money from LARMAC's reserve accounts. As used in this paragraph, the term "reserve accounts" means money that the Board has identified from its Budget for use to defray the expense of future repair and replacement of, or additions to, those major components which LARMAC is obligated to maintain.

2.10.6. **Reserve Study.** The Board shall cause a study of the reserve account requirements and an inspection of the Covered Property to be conducted in accordance with Section 1365.5(e) of the California Civil Code. As used in this paragraph, "reserve account requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace or restore those major components of the LARMAC Property which LARMAC is obligated to maintain.

2.11. **COMPENSATION.** Directors may not receive any salary or compensation for their services as Directors unless such compensation is approved by Neighborhood Representatives holding at least a majority of the voting power of LARMAC; provided, however, that (i) nothing in these Bylaws precludes any Director from serving LARMAC in some other capacity and receiving compensation therefor, (ii) any Director may be reimbursed for actual expenses incurred in performance of LARMAC duties, and (iii) no officer, employee or director of Declarant, a Neighborhood Builder or any affiliate of Declarant or a Neighborhood Builder may receive any compensation as a Director of LARMAC.

2.12. MEETINGS.

2.12.1. **Attendance.** Any meeting of the Board may be held by conference telephone or through use of any other communication equipment, so long as the requirements for attendance at a meeting through the selected method established by the California Corporations Code are met. In these cases, all Directors will be deemed to be present in person at the meeting.

2.12.2. **Organization Meeting of Board.** The first regular meeting of a newly elected Board ("Organization Meeting") must be held within ten (10) days of election of the Board, at such place as is fixed and announced by the Directors when such Directors were elected at the Organization Meeting, the Directors shall

organize, elect officers and transact other business. No notice is necessary to the newly elected Directors in order legally to constitute the Organization Meeting provided that (a) a majority of the whole Board is present when the time and place are announced and (b) the meeting is held on the same day and at the same place as the meeting of the Neighborhood Representatives at which the newly constituted Board was elected.

2.12.3. **Regular Meetings of Board.** Regular meetings of the Board must be open to all Members and Neighborhood Representatives to the extent of space available. Regular meetings may be held at such time and place within the Covered Property as is determined by a resolution adopted by the Board; provided, however, that such meetings must be held no less frequently than quarterly. Regular meetings of the Board may be held without notice to the Board if the time and place of such meetings are fixed by the Board. Otherwise, notice of regular meetings must be given in the manner required for special meetings of the Board by Section 2.12.4.

2.12.4. **Special Meetings of Board.** Special meetings may be called by the President or by any two (2) Directors upon four (4) days' notice to Board members by first-class mail or forty-eight (48) hours' notice to Board members delivered personally or by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. The notice must state the time, place and purpose of the meeting.

2.12.5. **Executive Sessions.** The Board may convene in executive session to discuss and vote upon personnel matters, litigation, matters relating to the formation of contracts with third parties, or Member discipline. The nature of any business to be considered in executive session must first be announced in an open session and must be generally noted in the minutes of the Board. In any matter relating to the discipline of a Member, the Board shall meet in executive session if requested by that Member. The Member may attend the executive session.

2.12.6. **Other Meetings of the Board.** Any congregation of a majority of the members of the Board at the same time and place to hear, discuss, or deliberate upon any item of business scheduled to be heard by the Board, except those matters that may be discussed in executive session, shall constitute a meeting of the Board. All Members and Neighborhood Representatives shall have the right to attend any regular, special or other meeting of the Board to the extent of space available, except an executive session. Members who are not Directors may not participate in any deliberation or discussion at such meetings unless authorized by a vote of the Board. At each Board meeting, except for executive sessions, the Board must set aside time for Members to speak, subject to reasonable time limitations imposed by the Board.

2.12.7. **Notice to Members.** Members shall be given notice of the time and place of any meeting of the Board, except emergency meetings defined in this Section, at least four (4) days before the meeting. Notice required by this Section may be given by posting the notice in a prominent place or places within the LARMAC Property, by mail or delivery of the notice to each Residence in the Covered Property, or by newsletter or other similar means of communication. If there are circumstances that could not have been reasonably foreseen which require immediate attention and possible action by the Board and which of necessity make it not practical to provide notice to the Members, then an emergency meeting of the Board may be called by the President or any two (2) other members of the Board without providing notice to the Members.

2.12.8. **Waiver of Notice.** Before or at any meeting of the Board, any Director may, in writing, waive personal notice of such meeting and such waiver is equivalent to giving notice to such Director. Attendance by a Director at any Board meeting waives personal notice of the time and place of the meeting. If all the Directors are present at any Board meeting, no notice to Directors is required and any business may be transacted at such meeting. The transactions of any Board meeting, however called and noticed or wherever held, are valid as if they occurred at a meeting duly held after regular call and notice, if (a) a quorum is present, (b) notice to the Members of such meeting was provided if required by Section 2.12.7, and (c) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the minutes of the meeting. The Secretary shall file all waivers, consents and approvals with LARMAC's records or make them a part of the minutes of the meeting.

2.13. **ACTION WITHOUT MEETING.** The Board may act without a meeting if all Directors consent in writing to such action. Written consents must be filed with the minutes of the proceedings of the Board. Action by written consent has the same effect as a unanimous vote of the Directors. Within three (3) days after the written consents of all Directors have been obtained, an explanation of any action taken by unanimous written consent without a meeting must be either (a) posted by the Board in a prominent place or places in the LARMAC Property, or (b) communicated to the Members by another means the Board determines is appropriate.

2.14. **QUORUM AND ADJOURNMENT.** Except as otherwise expressly provided in these Bylaws, at all meetings of the Board, a majority of the Directors constitutes a quorum for the transaction of business, and the acts of a majority of the Directors present at a meeting at which a quorum is present are the acts of the Board. If at any meeting of the Board there is less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

2.15. COMMITTEES.

2.15.1. **Generally.** The Board may, by resolution, designate such advisory and other committees as it desires, and may establish the purposes and powers of each such committee. The resolution designating and establishing the committee must (a) provide for appointment of its members and a chairman, (b) state the purposes of the committee, and (c) provide for reports, termination and other administrative matters the Board deems appropriate. All committees are required to keep minutes of their meetings. Committee meeting minutes shall be maintained at LARMAC's principal office or at such other place as the Board may designate.

2.15.2. **Nominating Committee.** The Board may form a Nominating Committee to solicit volunteers to serve as Neighborhood Representatives and alternates, serve as Board members or fill other LARMAC positions. At the Board's direction, the Nominating Committee will also be responsible for assisting candidates for LARMAC offices in becoming familiar with their potential duties and responsibilities. The Nominating Committee may, at the Board's request, assist in preparing and distributing election materials. Any member of the Board and any Owner in the Covered Property may serve on the Nominating Committee. If a Nominating Committee is not formed, the Board shall perform the duties of the Nominating Committee.

2.15.3. **Special Benefit Area Committee.** The Board may delegate certain duties involving managing any Special Benefit Area to a committee composed of the Neighborhood Representatives for Neighborhoods within the Special Benefit Area. The Board may make the committee responsible for oversight of all aspects of operation of the Special Benefit Area including preparing all financial information and contracting for services for the Special Benefit Area. The Board, at its option, may assign a representative of the Community Manager to act as the Special Benefit Area manager and assist the committee in performing its duties. The Board may also establish an advisory committee of Owners for the Special Benefit Area. The scope of the powers of the committee, procedures for operation and any other rules needed to operate the committee may be established by the Board in the Community Guidelines.

Article III OFFICERS

This Article describes the responsibilities of the different officers of LARMAC. Officers of LARMAC are elected annually by the Board of Directors and serve at the pleasure of the Board.

3.1. **DESIGNATION.** LARMAC's principal officers are a President, a Vice President, a Secretary, and a Chief Financial Officer, all elected by the Board. The Board may appoint an Assistant Financial Officer, an Assistant Secretary and such other officers as it determines to be necessary. Officers other than the President need not be Directors. Any person may hold more than one office except one person cannot be both the Secretary and the Chief Financial Officer. Except for Declarant and Neighborhood Builder representatives, anyone serving as either a Subordinate Corporation or LARCS board member or officer cannot be a LARMAC officer.

3.2. **ELECTION OF OFFICERS.** The Board shall annually elect LARMAC's officers at the new Board's Organization Meeting. Each officer shall hold his office at the pleasure of the Board, until he resigns, is removed, is otherwise disqualified to serve, or his successor is elected and qualified to serve.

3.3. **REMOVAL OF OFFICERS.** Upon an affirmative vote of a majority of the Board at a meeting, any officer may be removed, either with or without cause, and his successor elected. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary. Any such resignation is effective on the date of receipt of the resignation or at any later time specified in the resignation. Unless specified in the resignation, acceptance of the resignation by the Board is not necessary to make it effective.

3.4. **COMPENSATION.** Officers may not receive any salary or compensation for their services as officers unless such compensation is approved by Neighborhood Representatives holding at least a majority of the voting power of LARMAC; provided, however, that (i) nothing in these Bylaws precludes any officer from serving LARMAC in some other capacity and receiving compensation therefor, (ii) any officer may be reimbursed for actual expenses incurred in the performance of LARMAC duties, and (iii) no officer, employee or director of Declarant, a Neighborhood Builder or any affiliate of Declarant or Neighborhood Builder may receive any compensation for service as an officer of LARMAC.

3.5. **PRESIDENT.** The President is the chief executive officer of LARMAC and is responsible for the following:

3.5.1. **Meetings.** Presiding at all LARMAC, Neighborhood Representative and Board meetings.

3.5.2. **General Powers.** Exercising all general powers and duties which are usually vested in the office of the President of a corporation, including the power to appoint committees from among the Members,

3.5.3. **Supervision.** Subject to the control of the Board, exercising general supervision, direction and control of LARMAC's business, and

3.5.4. **Other Powers.** Exercising such other powers and duties as may be prescribed by the Board or these Bylaws.

3.6. **VICE PRESIDENT.** The Vice President shall take the President's place and perform the President's duties whenever the President is absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as prescribed by the Board or these Bylaws.

3.7. **SECRETARY.** The Secretary is responsible for the following:

3.7.1. **Minutes.** Ensuring minutes of all meetings of the Board, Neighborhood Representative meetings and LARMAC committee meetings are taken and maintained at LARMAC's principal office or such other place as the Board may direct,

3.7.2. **The Seal.** Keeping LARMAC's seal in safe custody,

3.7.3. **Other LARMAC Documents.** Keeping charge of such books and papers as the Board may direct,

3.7.4. **Notices of Meetings.** Giving, or causing to be given, notices of meetings of the Members, Neighborhood Representatives and of the Board,

3.7.5. **Membership Register.** Maintaining or causing to be maintained a record book of Members, listing the names, mailing addresses, e-mail addresses, and telephone numbers of the Members as furnished to LARMAC ("Membership Register") and recording or causing to be recorded the termination or transfer of ownership by any Member in the Membership Register, together with the date of the transfer, and

3.7.6. **Miscellaneous.** In general, performing all duties incident to the office of Secretary, and performing such other duties as prescribed by the Board or these Bylaws.

3.8. **CHIEF FINANCIAL OFFICER.** The Chief Financial Officer is responsible for LARMAC funds. The Chief Financial Officer is responsible for the following:

3.8.1. **Books of Account.** Keeping, or causing to be kept, full and accurate accounts, tax records and records of business transactions of LARMAC, including accounts of all assets, liabilities, receipts and disbursements in books belonging to LARMAC,

3.8.2. **Valuables.** Being responsible for the deposit of all money and other valuable effects in the name and to the credit of LARMAC in such depositories as the Board designates,

3.8.3. **Disbursements.** Disbursing LARMAC's funds as ordered by the Board,

3.8.4. **Accounting.** Rendering to the President and Directors, upon request, an account of all transactions and of LARMAC's financial condition, and

3.8.5. **Other Powers.** Exercising such other powers and performing such other duties prescribed by the Board or these Bylaws.

Article IV NEIGHBORHOOD REPRESENTATIVES

Each Neighborhood is assigned a Neighborhood Representative to represent the Members when voting on certain issues. This Article describes the duties of the Neighborhood Representatives, establishes the procedures for the Members to use when electing their Neighborhood Representatives, and establishes the procedures Neighborhood Representatives must follow when they must vote on issues. (For Neighborhood Representatives' participation in elections of Directors, see Section 2.4). Each Neighborhood Representative is entitled to cast the number of votes equal to the number of votes assigned to the Members the Neighborhood Representative represents. For example, if the Neighborhood Representative represents a Neighborhood composed of forty Residences, all owned by Persons who are not the Declarant or the Neighborhood Builders, the Neighborhood Representative will have forty votes. The Declarant and Neighborhood Builders will have their own representative, called the "Declarant's Neighborhood Representative" who will be appointed by the Declarant and entitled to cast all votes held by the Declarant and the Neighborhood Builders.

Neighborhood Representative Responsibilities:

- *Attend Neighborhood Representative Meetings*
- *Cooperate with the LARMAC Board*
- *Publicize Social Events*
- *Inform Members of Actions*
- *Assist Nominating Committee*
- *Coordinate Member Votes*

4.1. **POWERS AND DUTIES.** Neighborhood Representatives shall have the following powers and duties:

4.1.1. **Attend Neighborhood Representative Meetings.** The duty to regularly attend meetings of the Neighborhood Representatives and participate in all votes of the Neighborhood Representatives.

4.1.2. **Neighborhood Meetings.** The duty to preside over meetings of their Neighborhoods.

4.1.3. **Special Benefit Areas.** The duty to participate in the operation of the Special Benefit Areas as required by the Board.

4.1.4. **Cooperation with the LARMAC Board.** The duty to cooperate with the LARMAC Board to distribute information to Members and, when requested, assist in distributing and collecting ballots or proxies of the Members.

4.1.5. **Publicizing Social Events.** The duty to assist in publicizing social events at the request of the Board.

4.1.6. **Inform Members.** The duty to promptly inform Members the Neighborhood Representative represents of proposed and final actions of the Neighborhood Representatives.

4.1.7. **Assist Nominating Committee.** The duty to assist the Nominating Committee and the Board in the search for volunteer replacement Directors, Neighborhood Representatives and alternates or committee members.

4.1.8. **Coordinate Member Votes.** The duty to collect Member proxies when Directors are to be elected or removed and perform such other duties in connection with Director elections as are assigned by the Board.

4.1.9. **Additional Duties.** The duty to fulfill such other duties as are assigned to the Neighborhood Representatives by the Board.

4.1.10. **Limits on Powers and Duties.** Neighborhood Representatives shall not have any powers and duties except those described in this Section 4.1.

4.2. **QUALIFICATION.**

4.2.1. **Qualifications for Nomination.** Anyone nominated to serve as a Neighborhood Representative or alternate must be a person who is one of the following:

(a) An Owner or agent of an Owner of a Lot or Condominium in the Neighborhood the person wishes to represent who is not a LARMAC Board member, or

(b) An agent of Declarant or an agent of a Neighborhood Builder for so long as Declarant or a Neighborhood Builder owns or has a Mortgage interest in (i) a Lot or Condominium in the Covered Property, or (ii) any portion of the Annexable Area.

4.2.2. **Qualifications for Holding Office.** Neighborhood Representatives are encouraged to satisfy the following requirements while they serve in office:

(a) Not be absent from three (3) consecutive meetings of the Neighborhood Representatives;

(b) Attend at least seventy-five percent (75%) of the Neighborhood Representative meetings held each year and attend the entire meeting.

(c) Exhibit respect, professionalism and courteous behavior to Owners, committee members, vendors, the Community Manager and its staff, and any other Persons involved with LARMAC.

(d) Be a Member in good standing or agent of a Member in good standing.

(e) Participate in education programs provided to the Neighborhood Representatives by LARMAC.

The following chart shows the schedule for selecting Neighborhood Representatives in Neighborhoods without Neighborhood Corporations. Neighborhood Representatives can be elected by vote at a meeting of the Neighborhood or by written ballot.

↓	↓	↓	↓	↓
<i>10 - 60 days before meeting</i>	<i>10 - 60 days before meeting</i>	<i>10 - 30 days before meeting</i>	<i>Date set by Board</i>	<i>within 6 months after first Close of Escrow in a Neighborhood</i>
<i>set record date for Members receiving notice of meeting (not applicable if vote is by written ballot)</i>	<i>set record date for Members entitled to vote</i>	<i>notice of meeting sent out (not applicable if vote is by written ballot)</i>	<i>ballot sent out (not applicable if vote is at meeting)</i>	<i>select Neighborhood Representative and alternate by written ballot or at a meeting</i>

4.3. **SELECTION.** Each Neighborhood defined in the Master Declaration and Supplemental Declarations shall be represented by a Neighborhood Representative and an alternate Neighborhood Representative. The Neighborhood Representatives and alternates shall be selected as follows:

4.3.1. **Selection of First Neighborhood Representative and Alternate.** The first Neighborhood Representative and alternate for each Neighborhood must be selected within six (6) months after the first Close of Escrow in the Neighborhood.

4.3.2. **Neighborhood Corporations.** Where all Residences subject to a Neighborhood Declaration also comprise all of the Residences in a Neighborhood, the president of the Neighborhood Corporation created pursuant to that Neighborhood Declaration shall be the Neighborhood Representative. The board of directors of the Neighborhood Corporation shall appoint one of the board members as the alternate Neighborhood Representative.

4.3.3. **Neighborhoods Without Neighborhood Corporations.**

(a) **General Procedure.** In Neighborhoods that are not composed of Residences under the jurisdiction of a single Neighborhood Corporation, the Neighborhood Representative and alternate shall be selected in an election set by the Board of Directors. The election may be held at a meeting of the Neighborhood or by written ballot as determined by the Board. The Board of Directors or the Nominating Committee will solicit applications from Members in the Neighborhood to serve as the Neighborhood Representative for a period ending at least thirty (30) days before the date of the Neighborhood Representative election. If, after the close of nominations, only one person is nominated as the Neighborhood Representative, LARMAC may, without further action, declare that the person who was nominated and qualified to be elected has been elected.

(b) **Quorum and Approval.** At least twenty percent (20%) of the voting power in the Neighborhood holding the election must cast votes for the election to be valid. If the election is valid, the person receiving the highest number of votes will be the Neighborhood Representative and the person receiving the second highest number of votes will be the alternate Neighborhood Representative.

4.3.4. **Neighborhoods That Do Not Have Neighborhood Representatives or Alternates.** If, for any reason, a Neighborhood does not have a Neighborhood Representative or an alternate, the Board shall have the power to appoint a qualified person to fill the position. At the Board's request, the Nominating Committee will seek volunteers to fill the position. If no qualified person is willing to serve as a Neighborhood Representative, the President of LARMAC will be the Neighborhood Representative. Notices of all appointments must be distributed to the Members in the affected Neighborhoods within no more than sixty (60) days after the date of the appointment.

4.3.5. **Declarant's Neighborhood Representative.** Declarant is entitled to appoint one (1) Neighborhood Representative ("Declarant's Neighborhood Representative") to represent Declarant and the Neighborhood Builders at all meetings of the Neighborhood Representatives and to cast all of the Class A and Class B votes which Declarant and the Neighborhood Builders are entitled to cast. At any time, Declarant may change the person which it has appointed to serve as Declarant's Neighborhood Representative and may also designate an alternate Declarant's Neighborhood Representative. Declarant must give written notice to the Board before any such appointment or change in appointment is effective.

4.4. **TERM OF OFFICE.** *There are two types of Neighborhood Representatives: those who represent Neighborhoods without Neighborhood Corporations and those who represent Neighborhoods with Neighborhood Corporations. In Neighborhoods without Neighborhood Corporations, the first Neighborhood Representative's term of office is set in the Supplemental Declaration adding that Neighborhood to the Covered Property. After the first Neighborhood Representative serves his term, the following Neighborhood Representatives will serve three-year terms. For each Neighborhood with a Neighborhood Corporation, the Neighborhood Representative is the President of the Neighborhood Corporation so his term will be the same as his term of office as President. The same rules apply to terms of office for alternate Neighborhood Representatives. The Declarant's Neighborhood Representative's term of office is indefinite. He will serve until either the Declarant appoints a replacement or the Declarant's right to have the Declarant's Neighborhood Representative expires.*

4.4.1. **Generally.** Neighborhood Representatives and alternates may serve consecutive terms. There is no maximum limit on the number of terms a person can serve as a Neighborhood Representative or alternate.

4.4.2. **Neighborhoods with Neighborhood Corporations.** The term of office for each Neighborhood Representative and alternate representing a Neighborhood with a Neighborhood Corporation shall be coincident with such person's term of office as an officer or director of the Neighborhood Corporation.

4.4.3. **Neighborhoods Without Neighborhood Corporations.** The term of office of the first Neighborhood Representative and alternate selected pursuant to Section 4.3.3 will begin on the date the Neighborhood Representative and alternate are selected and terminate on the date set in the Supplemental Declaration that first identifies the Neighborhood. The term of office of all other Neighborhood Representatives and alternates selected pursuant to Section 4.3.3 shall be three (3) years.

4.5. **VACANCIES.** A vacancy in the office of a Neighborhood Representative shall exist on the occurrence of the following: (a) the death or written resignation of any Neighborhood Representative; (b) the declaration by resolution of the Board of a vacancy in the office of a Neighborhood Representative who has been declared of unsound mind by an order of court, convicted of a felony or found by a final order or judgment of any court to have breached a duty under Article 3 of Chapter 2 of the California Nonprofit Corporation Law; (c) the failure of Members to elect a Neighborhood Representative; or (d) the occurrence of any other events resulting in a vacancy as provided under the California Nonprofit Corporation Law.

4.5.1. **Vacancies in Neighborhoods with Neighborhood Corporations.** Vacancies in the Neighborhood Representative position will be filled by the new President of the Neighborhood Corporation. Vacancies in the alternate Neighborhood Representative position will be filled by the board of directors of the Neighborhood Corporation.

4.5.2. **Vacancies in Other Neighborhoods.** Vacancies occurring for any reason other than expiration of a Neighborhood Representative's term shall first be filled by the alternate Neighborhood Representative. If there is no alternate Neighborhood Representative, then the vacancy shall be filled pursuant to the procedures established in Section 4.3.4. If the alternate Neighborhood Representative becomes the Neighborhood Representative, a new alternate shall be selected in accordance with the procedures established in Section 4.3.4. Any person selected to fill a vacancy occurring before expiration of a term of office shall serve the remainder of the unexpired term of office of the predecessor Neighborhood Representative or alternate.

4.6. **REMOVAL.**

4.6.1. **Neighborhoods with Neighborhood Corporations.** An officer or director of a Neighborhood Corporation serving as a Neighborhood

Representative or alternate is deemed removed concurrently with his or her removal as an officer or director of the Neighborhood Corporation.

4.6.2. **Other Neighborhoods.**

(a) **Percentage of Member Approval Required.**

Neighborhood Representatives and alternates selected pursuant to Sections 4.3.3 or 4.3.4 may be removed by the Members in their Neighborhoods before the expiration of their terms of office. At the first attempt to remove a Neighborhood Representative or alternate, the approval of the greater of (i) thirty percent (30%) of the voting power of the Members in the Neighborhood, or (ii) the majority of the voting power represented in the removal vote must be obtained to remove a Neighborhood Representative. At any subsequent attempt to remove a Neighborhood Representative or alternate during a single term, the approval of the greater of (i) forty percent (40%) of the voting power of the Members in the Neighborhood, or (ii) the majority of the voting power present represented in the removal vote must be obtained to remove a Neighborhood Representative.

(b) **Procedure for Removal By Members.** Members in a Neighborhood who wish to have a Neighborhood Representative or alternate removed must direct their requests to the Nominating Committee. At least five percent (5%) of the Members in a Neighborhood must sign a petition for removal before the Nominating Committee is required to hold a removal election. The removal election may be held at a meeting or by written ballot. If a removal election is held, the Neighborhood Representative or alternate whose removal has been proposed must be given an opportunity to be heard. If the Neighborhood Representative or alternate is removed, a replacement may be elected at the same time. Any Neighborhood Representative or alternate who has been elected to office solely by the votes of Members other than Declarant and the Neighborhood Builders may be removed from office before the expiration of his term of office only by the vote of Members excluding Declarant and the Neighborhood Builders. The Board may establish additional procedures for removal elections in the Community Guidelines.

4.6.3. **Removal by the LARMAC Board.** The LARMAC Board has the power to remove any Neighborhood Representative who the LARMAC Board determines is not performing the duties of a Neighborhood Representative.

4.7. VOTING.

For a partial list of the issues to be voted on by Neighborhood Representatives, see the chart following Section 1.4 of these Bylaws.

4.7.1. **Generally.** Neighborhood Representatives must act personally at a meeting or by written ballot, and may not act by proxy. If a Neighborhood Representative is not present at a meeting of the Neighborhood Representatives, then the alternate for such absent Neighborhood Representative may attend the meeting and exercise all Neighborhood Representative powers. If the previously absent Neighborhood Representative arrives before the adjournment of a meeting, the alternate is no longer entitled to act in the place of such Neighborhood Representative; provided that such relinquishment of authority by the alternate does not invalidate any matter previously voted or acted upon by the alternate in his or her temporary capacity as Neighborhood Representative. Except as otherwise provided in these Bylaws, each Neighborhood Representative shall exercise his voting power as the Neighborhood Representative determines is appropriate. Declarant's Neighborhood Representative shall exercise all of the Class A and Class B voting power of Declarant and the Neighborhood Builders. All votes represented by Declarant's Neighborhood Representative shall be cast in the manner directed by Declarant. Any Class C vote shall be cast by Declarant.

4.7.2. **Soliciting Member Views.** When Neighborhood Representatives have notice in advance of a vote that will be taken, the Neighborhood Representatives shall solicit opinions from the Members they represent to identify the Members' views regarding the issue to be voted on. Within sixty (60) days after a vote is taken, the Board will announce the results of the vote and the way each Neighborhood Representative voted.

4.7.3. **Quorum.** The presence in person of Neighborhood Representatives representing at least a majority of LARMAC's voting power constitutes a quorum. The Neighborhood Representatives present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Neighborhood Representatives to leave less than a quorum, if any action taken (other than adjournment) is approved by the votes required in Section 4.7.4 (or such greater percentage of Neighborhood Representatives as may be required by the LARMAC Governing Documents for any specific action).

4.7.4. **Approval.** If a quorum is present, the affirmative vote of the majority of the voting power represented at the meeting, entitled to vote and voting on any matter, is the act of the Neighborhood Representatives, unless the vote of a greater number or voting by classes is required by the LARMAC Governing Documents or applicable law. If, however, a meeting is actually

attended by Neighborhood Representatives representing less than one-third (1/3) of the voting power of the Neighborhood Corporation, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the of the general nature of which was given pursuant to Section 4.8.5.

4.7.5. **Specified Actions.** Any provision of the LARMAC Governing Documents which requires approval of a majority of the voting power held by the Neighborhood Representatives before action may be undertaken requires approval of (a) a majority of the voting power of each class of Membership represented by the Neighborhood Representatives so long as a Class B Membership exists, and (b) both a majority of the voting power represented by the Neighborhood Representatives and a majority of the voting power of Neighborhood Representatives derived from Members other than Declarant and Neighborhood Builders.

4.7.6. **Special Notice Requirements.** Approval by the Neighborhood Representatives of any of the following proposals, other than by unanimous approval is not valid unless the general nature of the proposal was stated in the notice to the Neighborhood Representatives: (a) approving a contract or transaction between LARMAC and one or more Directors, or between LARMAC and any entity in which a Director has a material financial interest; or (b) electing to wind up and dissolve LARMAC.

4.8. MEETINGS.

4.8.1. **Place of Meetings of Neighborhood Representatives.** Meetings of the Neighborhood Representatives shall be held in the Covered Property or such other practical and convenient place as designated by LARMAC's Board.

4.8.2. **Annual Meetings of Neighborhood Representatives.** The Neighborhood Representatives shall gather once a year for an annual meeting. The date of the first annual meeting of Neighborhood Representatives shall be set by the Board, but shall be no later than one (1) year after the first Close of Escrow in the First Subdivision. Thereafter, the annual meetings shall be held on or about the anniversary date of the first annual meeting. The annual meetings of the Neighborhood Representatives shall be open to attendance by all Members and first Mortgagee representatives to the extent of the space available in the meeting room.

4.8.3. **Special Meetings of Neighborhood Representatives.** The President shall call a special meeting of all Neighborhood Representatives, as directed by resolution of a majority of a quorum of the Board, or upon receipt of a petition signed by Members or Neighborhood Representative(s) representing at least five percent (5%) of LARMAC's voting power. The Secretary shall give

notice of any special meeting within twenty (20) days after adoption of such resolution or receipt of such petition. The notice must state the date, time and place of the meeting and the general nature of the business to be transacted. The special meeting must be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or receipt of such petition. No business may be transacted at a special meeting except as stated in the notice. Special meetings of the Neighborhood Representatives are open to attendance by all Members and first Mortgagee representatives to the extent of the space available in the meeting room.

4.8.4. **Adjourned Meetings.** If any meeting of Neighborhood Representatives cannot be organized because a quorum is not present, Neighborhood Representatives representing a majority of the voting power present may adjourn the meeting to a time not more than forty-five (45) days from the original meeting date, at which meeting the quorum requirement is the presence of Neighborhood Representatives representing at least fifteen percent (15%) of LARMAC's voting power.

4.8.5. **Notice of Meetings.** The Secretary must send a notice of each annual or special meeting delivered personally, by first class mail or by any other means of written communication, including a system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, to each Neighborhood Representative of record, to the Members, and to each first Mortgagee who has filed a written request for notice with the Secretary, at least ten (10) but not more than ninety (90) days before such meeting. Notice of Neighborhood Representative meetings shall also be given to the Members of LARMAC through posting on the LARMAC Property, distribution through an appropriate means of telecommunications or via LARMAC's newsletter, if any.

4.8.6. **Record Date.** The Board may fix a date as a record date for determining the voting power represented by each Neighborhood Representative. The record date so fixed must be not more than sixty (60) days before the date of the meeting or the date the written ballot is distributed. If the Board does not fix a record date, the record date is the close of business on the business day preceding the day on which the meeting is held or the ballot is distributed.

4.8.7. **Order of Business.** Meetings of Neighborhood Representatives must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the LARMAC Board may adopt. The order of business at all meetings of the Neighborhood Representatives is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) unfinished business; and (g) new business.

4.8.8. **Consent of Absentees.** The transactions of any meeting of Neighborhood Representatives, either annual or special, however called and noticed, are valid as if they occurred at a meeting duly held after regular call and notice, if (a) a quorum is present in person, and (b) either before or after the meeting, each of the Neighborhood Representatives not present in person signs (i) a written waiver of notice, (ii) a consent to the holding of such meeting, or (iii) an approval of the minutes of the meeting. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

4.9. **ACTION BY WRITTEN BALLOT.** Any action which may be taken at a meeting of the Neighborhood Representatives may be taken without a meeting by written ballot of the Neighborhood Representatives. Ballots must be distributed in the same manner as provided in Section 4.8.5 for the giving of notice of meetings of Neighborhood Representatives. Ballot solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Neighborhood Representative specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of both (A) a number of ballots representing voting power which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (B) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of votes cast by written ballot, constitutes approval by written ballot.

4.10. **MINUTES, PRESUMPTION OF NOTICE.** Minutes or a similar record of the proceedings of meetings of Neighborhood Representatives, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given constitutes prima facie evidence that such notice was given.

Article V LADERA RANCH COMMUNITY SERVICES ("LARCS")

Ladera Ranch Community Services ("LARCS") is a nonprofit public benefit corporation formed to foster a unique sense of community throughout Ladera Ranch through sponsorship of a variety of activities and programs. These activities may include sponsoring community and neighborhood clubs and special events, sports activities and leagues, managing a community technology network, and sponsoring health and wellness programs. Following the "Class C Termination Date", LARMAC will become the sole member of LARCS. Article V describes the procedures LARMAC will use to select the directors of LARCS once LARMAC becomes the sole member of LARCS.

5.1. **ACCEPTANCE OF LARCS MEMBERSHIP.** Upon the assignment by DMB Ladera, LLC, a Delaware limited liability company, or any affiliate of DMB Ladera, LLC, of its membership interest in LARCS to LARMAC, LARMAC shall be deemed to have accepted the membership interest in LARCS and shall become the sole member of LARCS.

5.2. **SELECTION OF DIRECTORS OF LARCS.** Upon becoming sole member of LARCS, LARMAC shall be entitled to elect the directors of LARCS. This Article outlines the procedure by which the directors of LARCS shall be elected. Pursuant to Section 5.2.3, if the number of persons nominated and qualified is equal to or less than the number of positions to be filled, the Board will declare those who are nominated and qualified elected to the LARCS board of directors. Otherwise, the Neighborhood Representatives will elect the persons who will serve as the directors of the LARCS.

5.2.1. **Voting Procedure.** The LARCS board of directors shall be selected by vote of the Neighborhood Representatives either at a meeting or by written ballot, as the Board shall determine. The procedure for holding the meeting and voting or preparing and distributing the ballots shall be the procedure established in the other Articles of these Bylaws, as modified by this Article.

5.2.2. **Qualification Criteria.** The nominees for directors of LARCS shall satisfy the following criteria:

- (a) A director shall not be a member of the Board.
- (b) A director shall be a Class A Member of LARMAC and a resident of the Covered Property.
- (c) A director shall have actively participated in LARCS activities and events.
- (d) A director shall be interested in the furtherance of the activities and purpose of LARCS.

5.2.3. **Nomination Procedure.** The Nominating Committee, acting at the Board's direction, will seek volunteers to serve as directors of LARCS. The Board may establish nomination procedures and reasonable time frames for receiving nominations in the Community Guidelines. The date set for close of nominations must be not less than fifty (50), nor more than one hundred twenty (120), days before the "Vote Date", which is the date of either the meeting of the Neighborhood Representatives at which the LARCS board of directors will be selected or the date ballots for the selection of the LARCS board of directors are due. No nominations can be made after the date set for the close of nominations. A slate of candidates ("Slate of Candidates") must be prepared and distributed to the Neighborhood Representatives based on the nominations that comply with the

nomination guidelines established by the Board. If more qualified people are nominated than there are positions to be filled, an election shall be held. If, after the close of nominations, the number of qualified people nominated for the LARCS board of directors is not more than the number of positions to be filled, the Board may, without further action, declare that those individuals who have been nominated and qualified shall be elected to the LARCS board of directors.

5.2.4. **Soliciting Member Input.** To the extent practical, the Neighborhood Representatives may, but are not required to, solicit input from the Members that they represent to identify the Members' views regarding the nominees for the LARCS board of director.

5.2.5. **Selection of LARCS Directors.** The Board must set the Vote Date no later than ten (10) days before the date the LARCS bylaws require the vote for the directors of LARCS to be held. The Board may establish additional guidelines or procedures for holding Selection Meetings in the Community Guidelines. Within sixty (60) days after a vote is taken to select the LARCS board of directors, the Board will announce the results of the vote, and the way each Neighborhood Representative voted.

Article VI ACTIONS BY LARMAC MEMBERS

This Article describes how the Members make decisions, the minimum quorum requirement for Member votes, the number of Members required to approve proposals and other procedures involved with seeking Member approval of matters. Because LARMAC may eventually have over 8,000 Members, decisions to be made by the entire Membership (except for the election of Directors) will be made by written ballot and not at meetings. In some circumstances, such as when Neighborhood Representatives are elected, meetings of Members in a Neighborhood may be held. Meetings of Members in Special Benefits Areas can also be held.

The following is a summary of the issues that can be decided by the entire Membership, Members in Neighborhoods and Members in Special Benefit Areas.

<i>Entire Membership</i>	<ul style="list-style-type: none"> ➤ <i>Election of Directors</i> ➤ <i>Amendments to certain provisions of the Bylaws</i> ➤ <i>Certain increases in the General Assessment Component of Common Assessments and imposition of certain Capital Improvement Assessments</i> ➤ <i>Expenditures of some litigation expenses</i> ➤ <i>Enforcing Declarant's bonded obligations</i> ➤ <i>Certain amendments to the Master Declaration</i>
<i>Neighborhoods</i>	<ul style="list-style-type: none"> ➤ <i>Election and removal of Neighborhood Representatives</i>
<i>Special Benefit Areas</i>	<ul style="list-style-type: none"> ➤ <i>Certain increases in assessments (See Master Declaration Section 8.5.2)</i> ➤ <i>Imposition of certain Special Benefit Area Capital Improvement Assessments</i>

6.1. **VOTING RIGHTS.** LARMAC's classes of voting Membership are set forth in the Master Declaration.

6.2. **ACTIONS BY THE ENTIRE MEMBERSHIP.** Actions that must be taken by the entire Membership of LARMAC, except for the election of Directors, shall be taken by written ballot in accordance with the following procedure.

6.2.1. **Quorum Requirement.** Twenty-five percent (25%) of LARMAC's voting power constitutes a quorum of the Membership.

6.2.2. **Approval Requirement.** Any action which may be taken by the Members of LARMAC must be approved by a majority of the voting power of LARMAC.

6.2.3. **Record Date.** The Board may fix a date in the future as a record date for determining which Members are entitled to vote. The record date so fixed must be not more than sixty (60) days before the date of the vote. If the Board does not fix a record date for determining Members entitled to vote, Members on the date the written ballot is distributed who are otherwise eligible to vote are entitled to vote.

6.2.4. **Form of Ballot.** Ballots must be delivered personally, by first class mail or by any other written means of communication, including by a system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means. Solicitations for ballots must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be recorded in accordance therewith.

6.2.5. **Approval by Ballot.** Receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

6.2.6. **Distribution of Ballots.** For each issue submitted to the Members for vote by written ballot, the Board will prepare and distribute (i) a statement describing the proposal and potential arguments for and against the proposal, (ii) a form of written ballot, and (iii) any other information required by applicable

California law. A single ballot may be used for multiple proposals. The Board will also provide copies of these items to the Neighborhood Representatives. At the Board's request, the Neighborhood Representatives will assist in collecting written ballots from Members and returning written ballots to the Board.

6.3. **ACTIONS BY NEIGHBORHOODS.** The only actions to be taken by the Neighborhoods are election and removal of Neighborhood Representatives. Neighborhood Representatives representing Neighborhoods composed of Lots or Condominiums under the jurisdiction of a single Neighborhood Corporation will be elected and removed concurrently with their election and removal from office in the Neighborhood Corporation pursuant to Sections 4.3.2 and 4.6.1. Neighborhood Representatives representing other Neighborhoods will be elected pursuant to Section 4.3.3 and removal pursuant to Section 4.6.2.

6.4. **ACTIONS BY SPECIAL BENEFITS AREAS.** The only actions that must be taken by Members in a Special Benefits Area are approvals of certain increases in the Special Benefit Area component of Common Assessments, certain aggregate increases in Common Assessments and imposition of certain Special Benefit Area Capital Improvement Assessments. The quorum and approval requirements for these actions are set forth in Sections 8.5.2, 8.5.3 and 8.6.3 of the Master Declaration.

6.5. **PROVISIONS APPLICABLE TO SPECIAL BENEFITS AREA ACTIONS AND NEIGHBORHOOD ACTIONS.**

6.5.1. **Voting by Proxy.** Votes may be cast at a meeting in person or by proxy. Proxies must be in writing, signed by the Member granting the proxy, dated and filed with the Secretary in advance of any meeting. Every proxy is revocable and automatically ceases after completion of the meeting for which the proxy was filed. Any form of proxy distributed must afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon. The proxy must provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy must also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

6.5.2. **Place of Meetings.** Meetings shall be held in the Covered Property or such other practical and convenient place as designated by the Board.

6.5.3. **Calling Meetings.** The Board shall call a meeting of the Members in a Neighborhood or Special Benefits Area (a) as directed by resolution of a majority of a quorum of the Board, (b) by request of the President of LARMAC, or (c) upon receipt of a petition signed by Members representing at least five percent (5%) of LARMAC's voting power in the Neighborhood or Special Benefits Area. The Secretary shall give notice of any meeting within twenty (20) days after adoption of such resolution or receipt of such request or petition. The

notice must state the date, time and places of such meeting and the general nature of the business to be transacted. The meeting must be held not less than thirty-five (35) nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business may be transacted at a meeting except as stated in the notice.

6.5.4. **Notice.** The Secretary shall send a notice of each meeting delivered personally, by first class mail or by any other written means of communication, including by a system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, stating the purpose of the meeting and the day, hour and place(s) where the meeting is to be held, to each Member of record in the Neighborhood or Special Benefits Area, at least ten (10) but not more than ninety (90) days before such meeting. The notice may set forth time limits for speakers and other procedures for running the meeting. The notice must specify those matters the Board intends to present for action by the Members. Once a notice is sent, it shall be considered received, forty-eight (48) hours after being sent.

6.5.5. **Record Dates.** The Board may fix a date as a record date for determining which Members are entitled to notice of any meeting of a Neighborhood or Special Benefits Area. The record date so fixed must be not less than ten (10) nor more than ninety (90) days before the date of the meeting. If the Board does not fix a record date for notice, the record date is the close of business on the business day preceding the day on which notice is given. In addition, the Board may fix a date in the future as a record date for the determination of the Members entitled to vote at any meeting of a Neighborhood or Special Benefits Area or by written ballot. The record date so fixed must be not more than sixty (60) days before the date of the meeting or cut off date for receipt of the ballot. If the Board does not fix a record date for determining Members entitled to vote, Members on the day of the meeting or the date the written ballot is distributed who are otherwise eligible to vote are entitled to vote at the meeting.

6.5.6. **Order of Business.** Meetings must be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as LARMAC may adopt. The order of business at all meetings of the Members is as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting (if any); (d) unfinished business; and (e) new business.

6.5.7. **Action By Written Ballot.** Any action which may be taken at a meeting of the Members in a Neighborhood or Special Benefits Area may be taken without a meeting by written ballot. Ballots must be solicited and returned in the same manner as provided for the giving of notice of meetings. Such

solicitations must specify (a) the number of responses needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received to be counted. The form of written ballot must afford an opportunity to specify a choice between approval and disapproval of each matter and must provide that, where the Member specifies a choice, the vote shall be recorded in accordance therewith. Receipt within the time period specified in the solicitation of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting, and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast, constitutes approval by written ballot.

6.5.8. **Distribution of Ballots.** For each issue submitted to the Members in a Neighborhood or Special Benefits Area for vote by written ballot, the Board will prepare and distribute (i) a statement describing the proposal and potential arguments for and against the proposal, (ii) a form of written ballot, and (iii) any other information required by applicable California law. The Board will also provide copies of these items to the appropriate Neighborhood Representatives. At the Board's request, the Neighborhood Representatives will assist in collecting written ballots from Members and returning written ballots to the Board.

6.5.9. **Consent of Absentees.** The transactions of any meeting of Members in a Neighborhood or Special Benefits Area, however called and noticed, are as valid as though had at a meeting duly held after regular call and notice, if (a) a quorum is present either in person or by proxy, and (b) either before or after the meeting, each of the Members not present in person or by proxy signs (i) a written waiver of notice, (ii) a consent to the holding of such meeting, or (iii) an approval of the minutes of the meeting. The Secretary shall file all such waivers, consents or approvals with the corporate records or make them a part of the minutes of the meeting.

6.5.10. **Minutes, Presumption of Notice.** Minutes or a similar record of the proceedings of meetings of Members in a Neighborhood or Special Benefits Area, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given constitutes prima facie evidence that such notice was given.

**Article VII
AMENDMENTS TO BYLAWS**

7.1. **BOARD APPROVAL.** These Bylaws may be amended by a majority of the entire Board, (i) at any time before the Close of Escrow for the sale of the first Lot or Condominium, or (ii) if the proposed amendment is required to conform the Bylaws to the requirements of VA, FHA, DRE, FNMA, GNMA or FHLMC and is within the Board's power to adopt without Member approval pursuant to the California Corporations Code. Any other amendment to these Bylaws requires approval by a majority of the entire Board and any other approvals required by Sections 7.2, 7.3 and 7.4.

7.2. **NEIGHBORHOOD REPRESENTATIVE APPROVAL.** Amendments that cannot be adopted by the Board alone pursuant to Section 7.1 or by the Board with the consent of Members pursuant to Section 7.3 must be approved by the Board and the Neighborhood Representatives; provided that the specified percentage of the voting power necessary to amend a specific Section or provision of these Bylaws may not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. When applicable, the approval required by Section 7.4 must also be obtained.

7.3. **MEMBER APPROVAL.** Sections 4.1, 6.2, 6.3, 6.4, 7.2, and 7.3 and Article II may not be amended without the approval of Members obtained pursuant to Section 6.2.2.

7.4. **DECLARANT APPROVAL.** Sections 3.1, 4.1, 4.2, 4.3, 4.6, 4.7, 6.1, 6.2, 6.3, 6.4 and Articles II and VII may not be amended without the written consent of Declarant until the date on which neither Declarant nor Neighborhood Builders owns or has a Mortgage interest in any portion of the Covered Property or the Annexable Area.

**Article VIII
MISCELLANEOUS**

8.1. **CONFLICTING PROVISIONS.** In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in case of any conflict between the Master Declaration and these Bylaws, the Master Declaration shall control.

8.2. **CHECKS, DRAFTS AND DOCUMENTS.** All checks, drafts, orders for payment of money, notes and other evidences of indebtedness issued in the name of or payable to LARMAC must be signed or endorsed in the manner and by the person or persons the Board designates by resolution, subject to the requirements of these Bylaws for withdrawing money from LARMAC's reserve accounts.

8.3. **EXECUTION OF DOCUMENTS.** The Board may authorize any Person to enter into any contract or execute any instrument in the name and on behalf of LARMAC, and such authority may be general or confined to specific instances. Unless so authorized by the

Board, no Person may bind LARMAC by any contract or engagement or pledge its credit or render it liable for any purpose or in any amount.

8.4. **USE OF TECHNOLOGY.** Where allowed by applicable law, any information LARMAC, its Board of Directors, officers, Neighborhood Representatives or other representatives is required to distribute can be distributed by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means.

8.5. **AVAILABILITY OF LARMAC DOCUMENTS.**

8.5.1. **Records To Be Maintained.** LARMAC shall maintain at its principal office (or at such other place within or near the Covered Property as the Board may prescribe) the LARMAC Governing Documents, books of account, minutes of meetings of Members, Neighborhood Representatives, the Board and committees, the Membership Register and any other documents required by law to be maintained by LARMAC (collectively, the "LARMAC Documents"), each of which shall be made available for inspection and copying by any Member or the Member's duly appointed representative for a purpose reasonably related to the Member's interest as a Member in accordance with applicable law.

8.5.2. **Limits on Availability.** The Board may establish reasonable rules regarding (a) notice to be given to the custodian of the LARMAC Documents by the Member desiring to make the inspection, (b) hours and days of the week when such an inspection may be made, and (c) payment of the cost of copying any of the LARMAC Documents requested by a Member; provided that every Director may at any reasonable time inspect all LARMAC Documents and the physical properties owned or controlled by LARMAC, and make extracts and copies of documents.

8.5.3. **Time of Availability.** The minutes, minutes that are proposed for adoption that are marked to indicate draft status, or a summary of the minutes, of any meeting of the Board (other than an executive session) and any meeting of Neighborhood Representatives must be available to Members within thirty (30) days of the meeting. No later than ten (10) days after LARMAC receives written request from any Member, LARMAC shall provide to that Member a copy of any one or more of the documents listed in California Civil Code Section 1368(a) requested by the Member for purposes of providing the documents to a prospective purchaser of the Member's Residence. LARMAC may charge a fee for this service not exceeding LARMAC's reasonable cost to prepare and reproduce the requested documents.

8.5.4. **Distribution to Members.** The minutes, proposed minutes or summary minutes described in Section 8.5.3 must be distributed to any Member upon request and upon reimbursement of LARMAC's cost of making the

distribution. Members must be notified in writing when the Budget is distributed or when any general mailing to the entire LARMAC Membership is made of their right to have copies of the minutes of meetings of the Board and how and where those minutes may be obtained.

8.6. **FISCAL YEAR.** The Board shall designate LARMAC's Fiscal Year. The Fiscal Year may be changed by the Board.

8.7. **STATEMENTS IN ITALICS.** The portions of these Bylaws printed in italics are provided as simplified, general explanations of the purposes of the Articles and Sections of these Bylaws and the scheme of governance for the Covered Property. The statements in italics are provided for convenience and may not be considered in resolving questions of interpretation or construction of the LARMAC Governing Documents.

Article IX NOTICE AND HEARING PROCEDURE

If a Person believes a violation of the LARMAC Governing Documents is being committed, the Person can report the violation to the Covenant Committee. This Article establishes the procedure for submitting complaints. It also sets the procedure the Covenant Committee will use when hearing complaints and determining if sanctions will be imposed.

9.1. **INITIAL COMPLAINT.** Persons who believe a violation of the LARMAC Governing Documents has occurred may file a violation complaint in a form authorized by the Covenant Committee with a Person designated by the Covenant Committee. The Covenant Committee will then begin the enforcement process. In its discretion, the Covenant Committee can issue one or two violation letters to the Person alleged to have committed the violation ("respondent") or set a hearing described in Section 9.2. The Covenant Committee may direct the Community Manager to assist the Covenant Committee in any of the steps the Covenant Committee chooses to take in enforcing the LARMAC Governing Documents except that decisions made at hearings must be made by the Covenant Committee itself.

9.2. **SCHEDULING HEARINGS.** A hearing before the Covenant Committee to determine whether a sanction should be imposed may be initiated by the Covenant Committee after receipt of at least one violation complaint. To initiate a hearing, the Covenant Committee must deliver to the respondent a notice which includes all of the following:

9.2.1. **Complaint.** A written statement in ordinary, concise language describing the acts or omissions with which the respondent is charged,

9.2.2. **Basis for Violation.** A reference to the specific provisions of the LARMAC Governing Documents which the respondent is alleged to have violated,

9.2.3. **Hearing Schedule.** The date, time and place of the scheduled hearing,

9.2.4. **Sanctions.** A list of sanctions which may be imposed at the hearing.

The date for the hearing may be no less than fifteen (15) days after the date the notice of hearing is mailed or delivered to the respondent. The respondent is entitled to attend the hearing, submit a statement of defense to the Covenant Committee in advance of the hearing, and present a statement of defense and supporting witnesses at the hearing. If the respondent does not attend the hearing, the respondent waives these rights.

9.3. **CONDUCT OF HEARING.** The Covenant Committee shall conduct the hearing in executive session, affording the respondent a reasonable opportunity to be heard. Before any sanction is effective, proof of notice and the invitation to be heard must be placed in the minutes of a Covenant Committee meeting. Such proof is adequate if a copy of the notice and a statement of the date and manner of delivery is entered in the Covenant Committee's minutes by a LARMAC officer or Covenant Committee member who mailed or delivered such notice. The minutes of the meeting must contain a written statement of the results of the hearing and the sanction, if any, imposed.

9.4. **IMPOSITION OF SANCTIONS.** After affording the respondent an opportunity for a hearing before the Covenant Committee, the Board may ratify any one or more of the following sanctions imposed by the Covenant Committee: (a) levy a Compliance Assessment as authorized in the Master Declaration; (b) suspend or condition the respondent's right to use any recreational facilities LARMAC owns, operates or maintains beginning on a date in the future selected by the Covenant Committee; (c) suspend the respondent's voting privileges established under the Master Declaration; (d) enter upon a Lot or Condominium or property owned by a Subordinate Corporation to remedy the violation of the LARMAC Governing Documents, or (e) record a notice of noncompliance (if not prohibited by law). Any suspension of Membership privileges may not be for a period of more than thirty (30) days for any noncontinuing infraction. For continuing infractions (including nonpayment of any assessment), Membership privileges may be suspended for so long as the violation continues. Written notice of any sanction to be imposed ("notice of sanction") must be delivered to the respondent personally, by any system or technology designed to record and communicate messages, facsimile, electronic mail, or other electronic means, via first class mail or certified mail return receipt requested, or any combination of the foregoing. No action against the respondent arising from the alleged violation may take effect before five (5) days after the hearing.

9.5. **LIMITS ON REMEDIES.** The Board's or Covenant Committee's failure to enforce the LARMAC Governing Documents does not waive the right to enforce the same thereafter. The remedies provided by the LARMAC Governing Documents are cumulative and not exclusive. However, any individual Member or Subordinate Corporation must exhaust all available internal LARMAC remedies prescribed by the LARMAC Governing Documents

before that Member or Subordinate Corporation may resort to a court of law for relief with respect to any alleged violation of the LARMAC Governing Documents by another Member or Subordinate Corporation.

9.6. **APPEALS.** If the respondent is sanctioned, the respondent has the right to appeal any decision of the Covenant Committee to the Board. To exercise this right, a written notice of appeal must be received by the presiding member of the Covenant Committee, the President of the Board or the Community Manager within ten (10) days after the date of the notice of sanction.

CERTIFICATE OF SECRETARY

I, the undersigned, certify that:

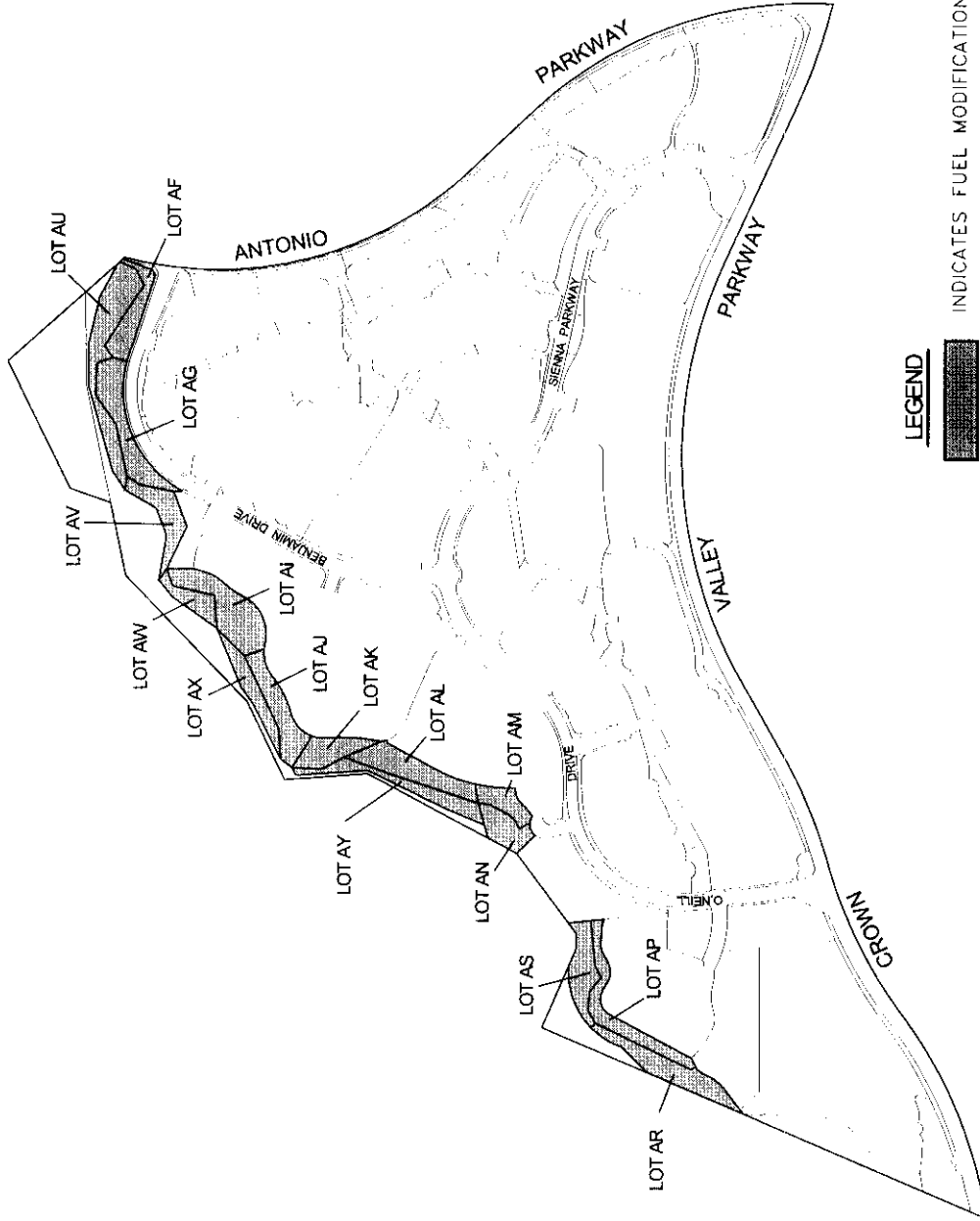
1. I am the duly elected and acting Secretary of the Ladera Ranch Maintenance Corporation, a California nonprofit corporation; and
2. The foregoing Bylaws, composed of 44 pages including this page, constitute the Bylaws of the Ladera Ranch Maintenance Corporation, duly adopted by the Board of Directors in Lieu of First Organizational Meeting dated effective as of May 13, 1998.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Ladera Ranch Maintenance Corporation this _____ day of _____, 1999.

Marc Lamkin, Secretary

(SEAL)

EXHIBIT "FM" FUEL MODIFICATION ZONE



NOT TO SCALE

TRACT NO. 15615

Lots AF, AG, AI to AN, AP, AR, AS, AU to AY, inclusive, of Tract 15615, in the Unincorporated Territory of Orange County, State of California, as shown on a map recorded on December 11, 1998, in Book 777, Pages 14 to 31, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County.



EXHIBIT "LP"

**LARMAC PROPERTY TO BE CONVEYED WITH
THE FIRST CLOSE OF ESCROW IN THE FIRST SUBDIVISION**

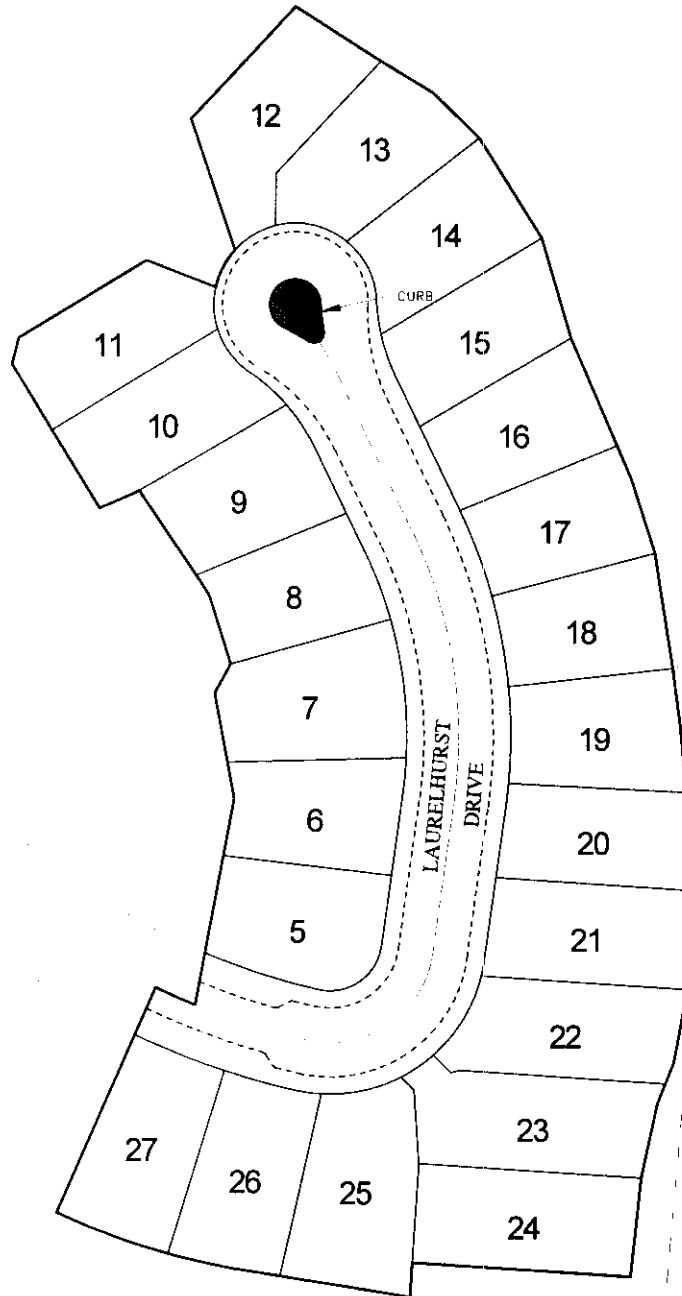
Lots A to Y, inclusive, AB to AG, inclusive, AI to AN, inclusive, AP to AZ, inclusive, BA, BB, BD to BY, inclusive, CA to CE, inclusive, CG to CJ, inclusive, CL to CS, inclusive, CU to CZ, inclusive, DA to DK, inclusive, DM to DS, inclusive, DU to DZ, inclusive, EA, EB, ED, EF to EK, inclusive, EM to EP, inclusive, and Lot 21 of Tract No. 15615, in the Unincorporated Territory of Orange County, State of California, as shown on a map recorded on December 11, 1998, in Book 777, Pages 14 to 31, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County, together with:

Lot A of Tract No. 15621, in the Unincorporated Territory of Orange County, State of California, as shown on a map recorded on March 30, 1999, in Book 781, Pages 14 to 16, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County.

EXHIBIT "MAP" MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY



NOT TO SCALE



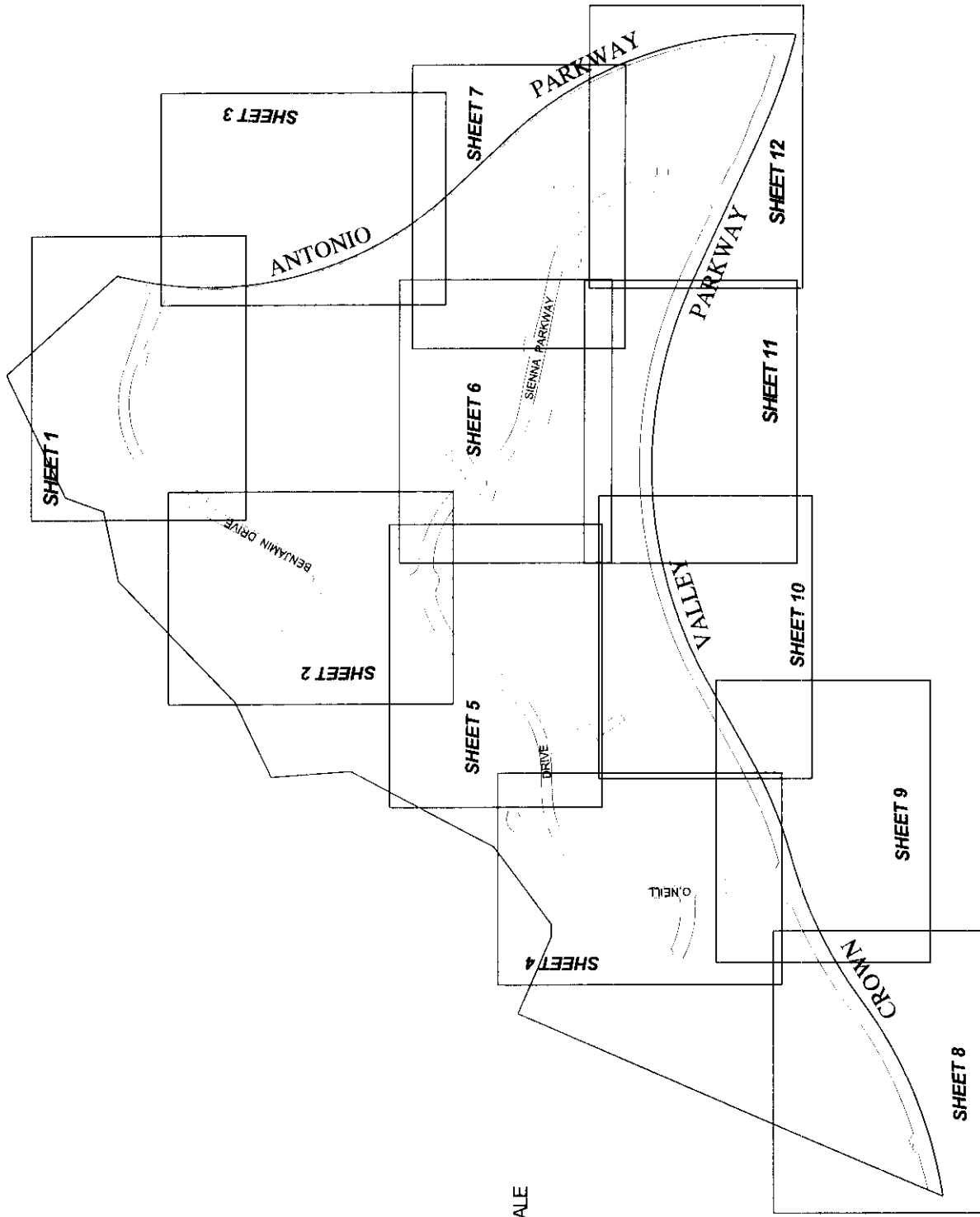
LEGEND



INDICATES MAINTENANCE AREA
WITHIN PUBLIC RIGHT OF WAY

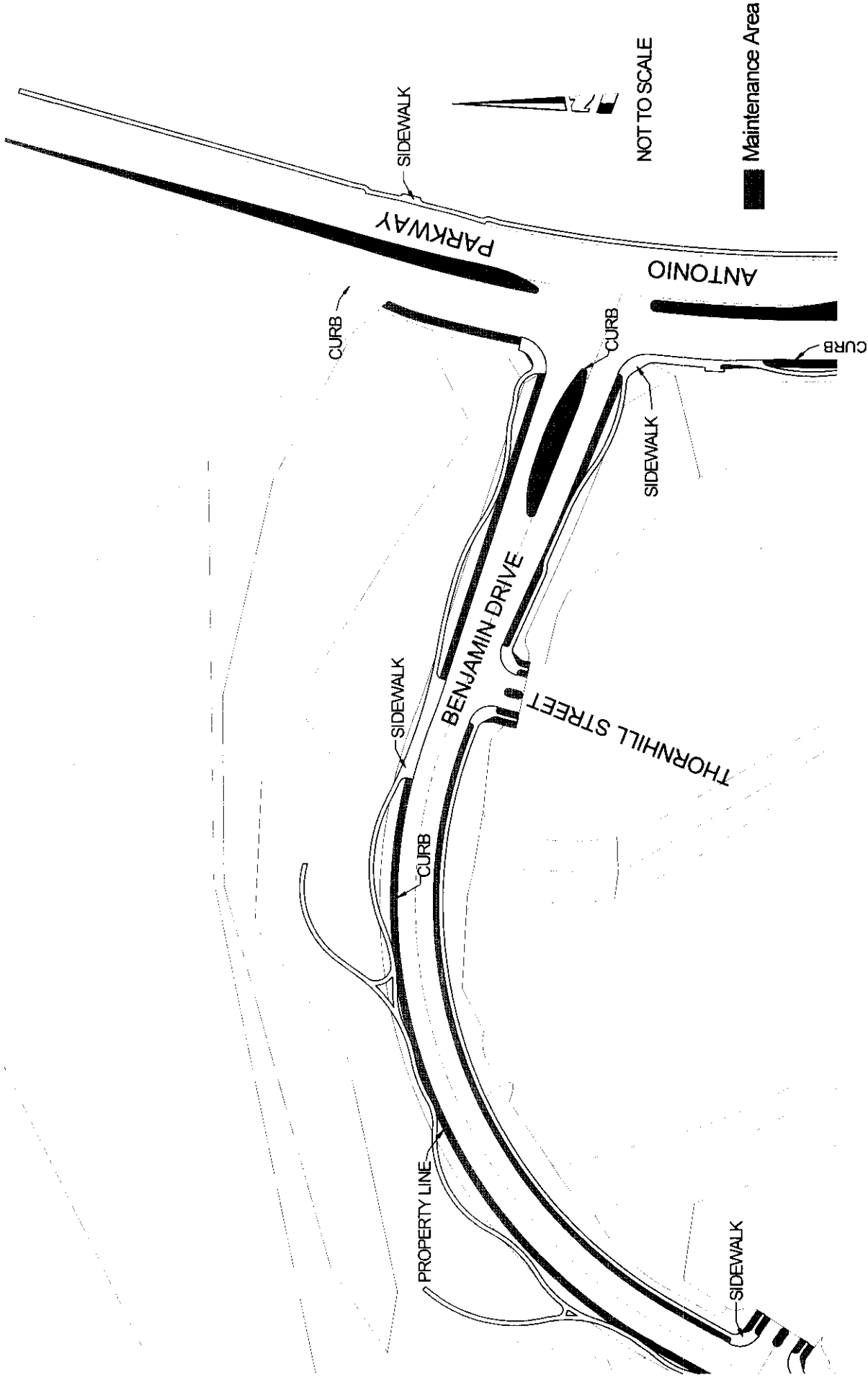
PRESCOTT
6
LADERA RANCH

PHASE 1
LOTS 5-27
TRACT NO. 15621



NOT TO SCALE

TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
INDEX MAP



TRACT NO. 15615

MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY

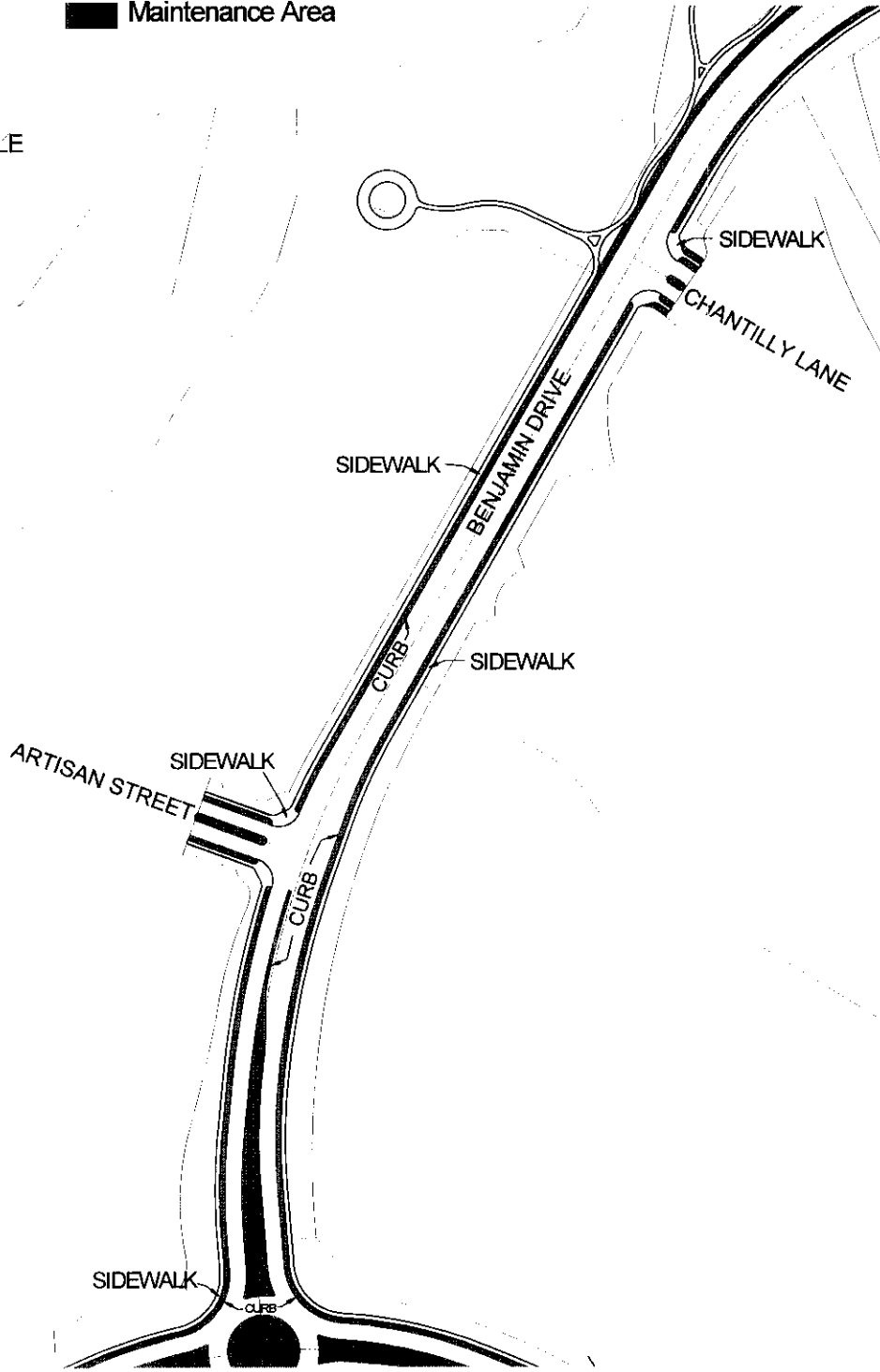
SHEET 1

LADERA RANCH



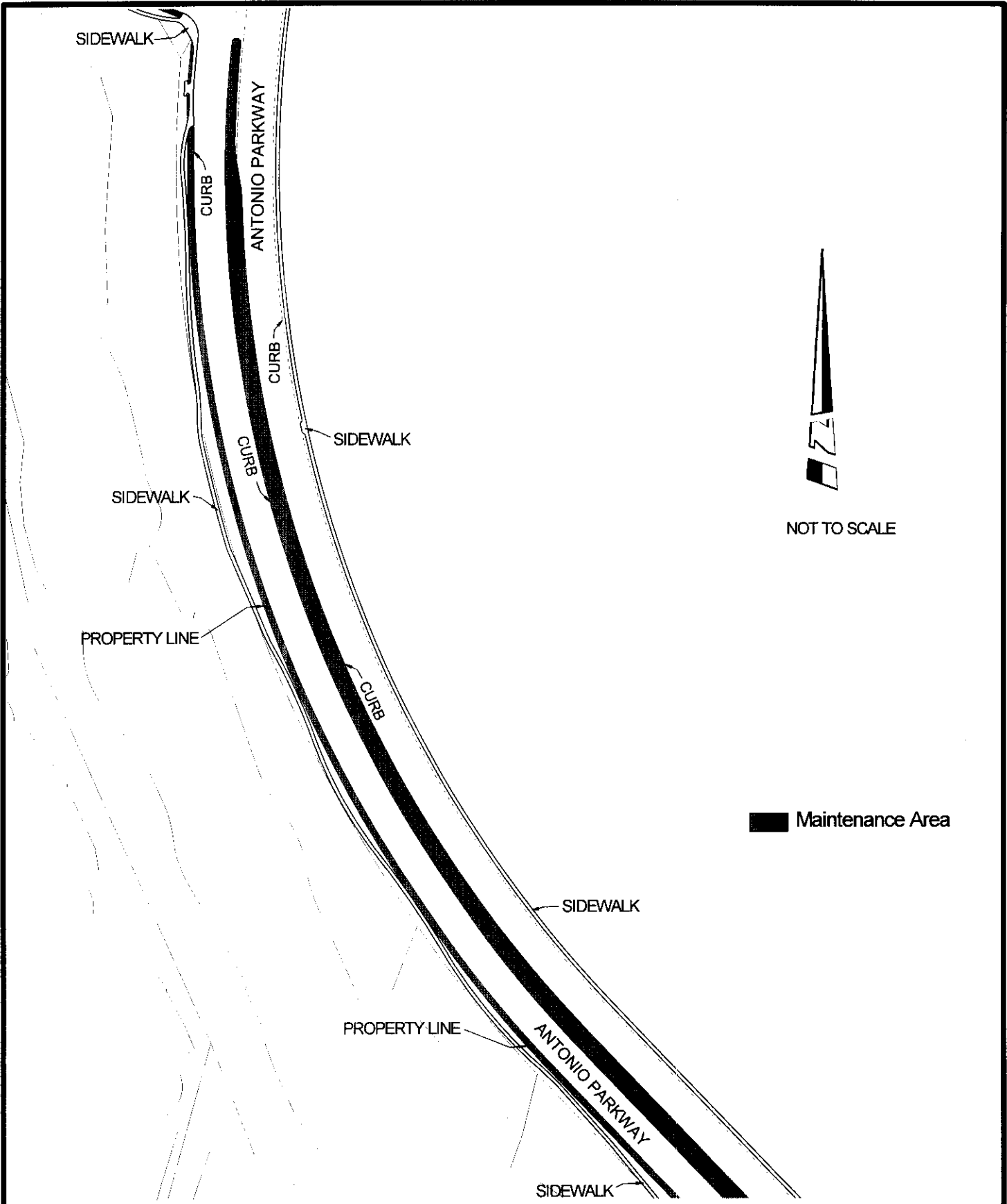
■ Maintenance Area

NOT TO SCALE



TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
SHEET 2


LADERA RANCH



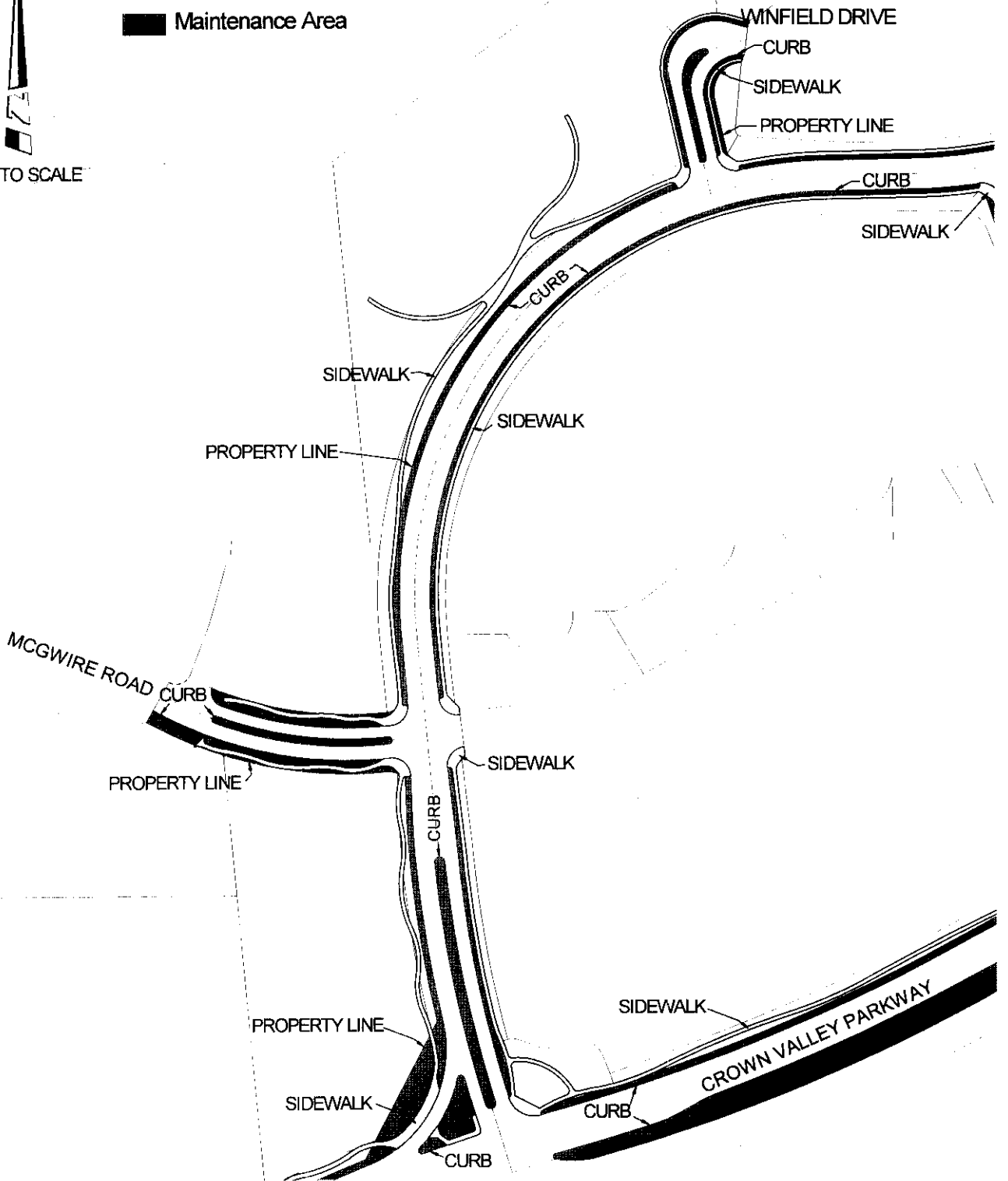
TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
SHEET 3





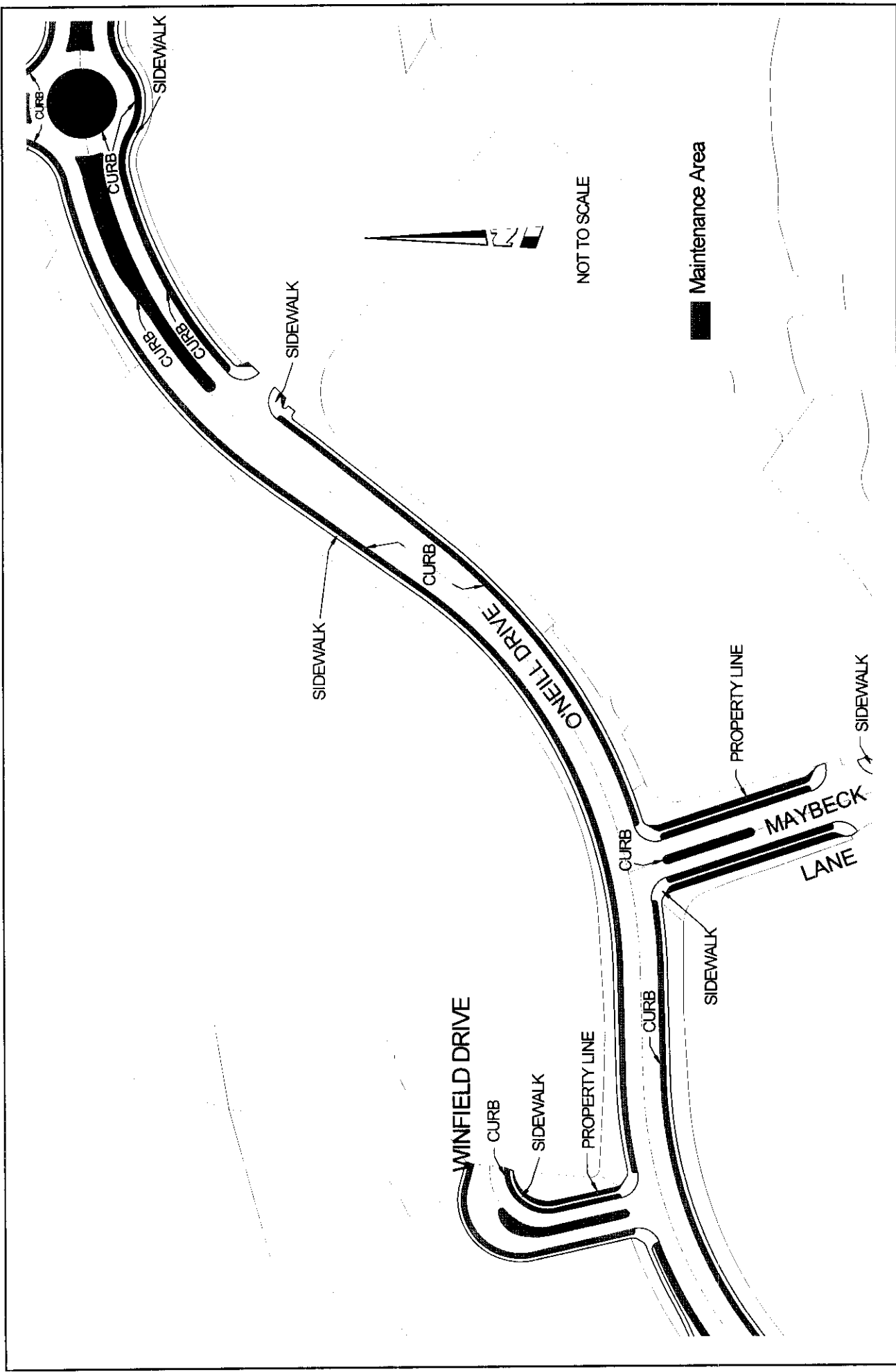
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■ Maintenance Area

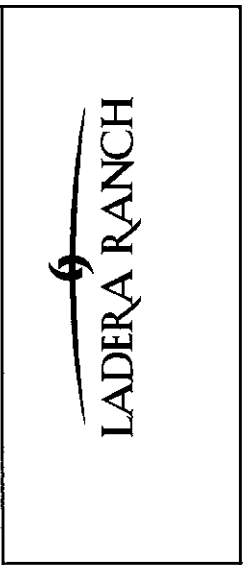


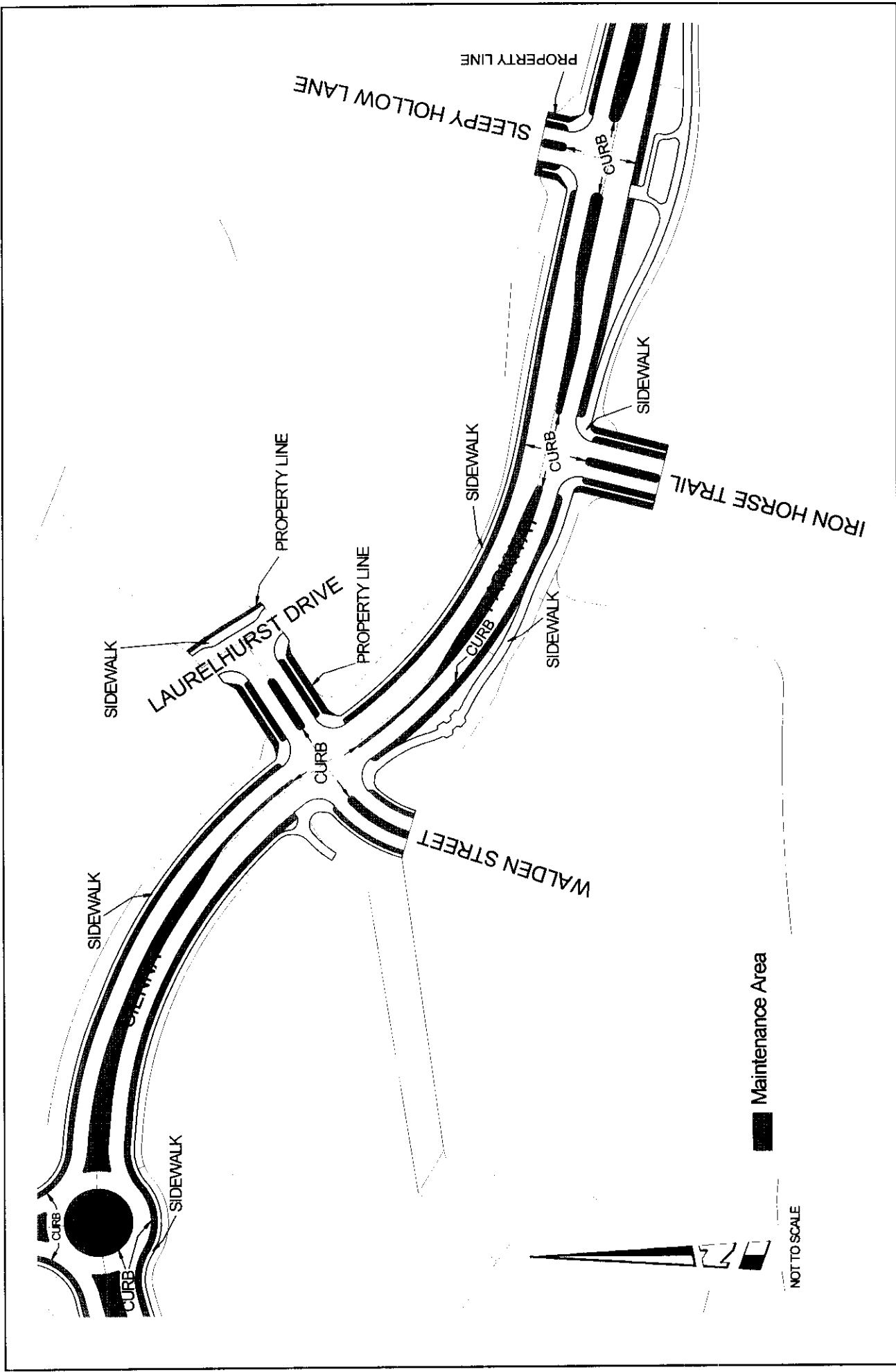
TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
SHEET 4



LADERA RANCH

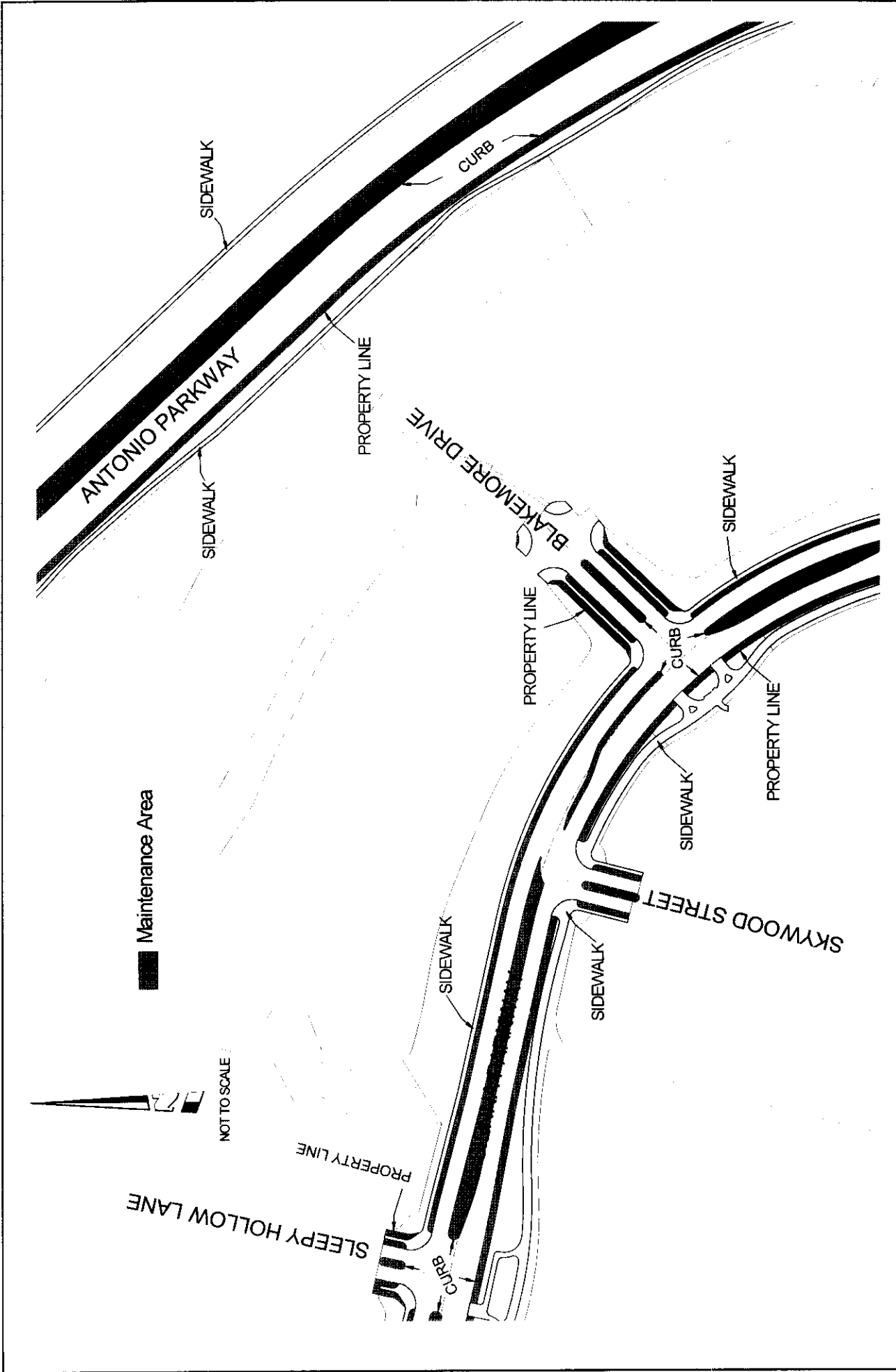


TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
SHEET 5






TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
SHEET 6



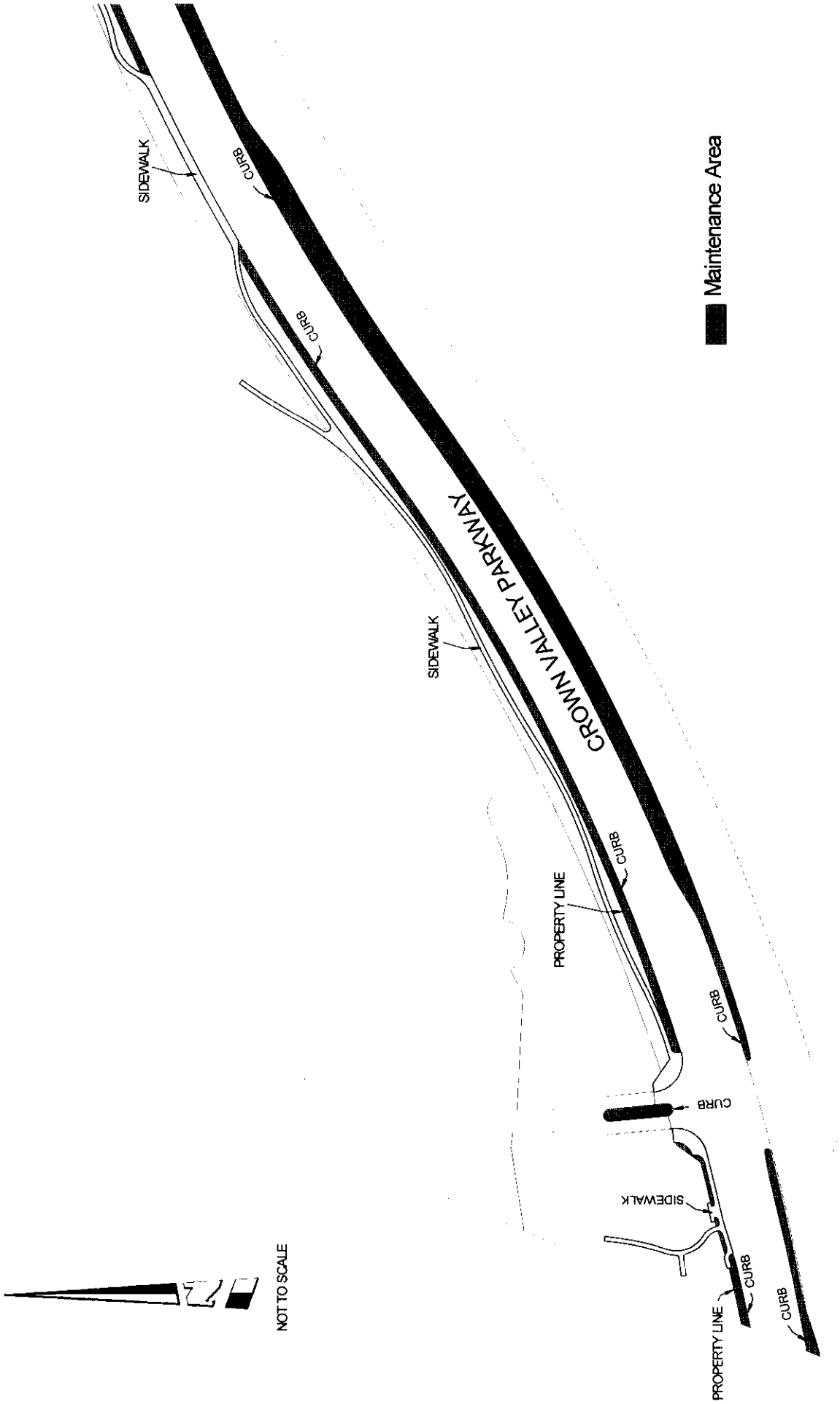
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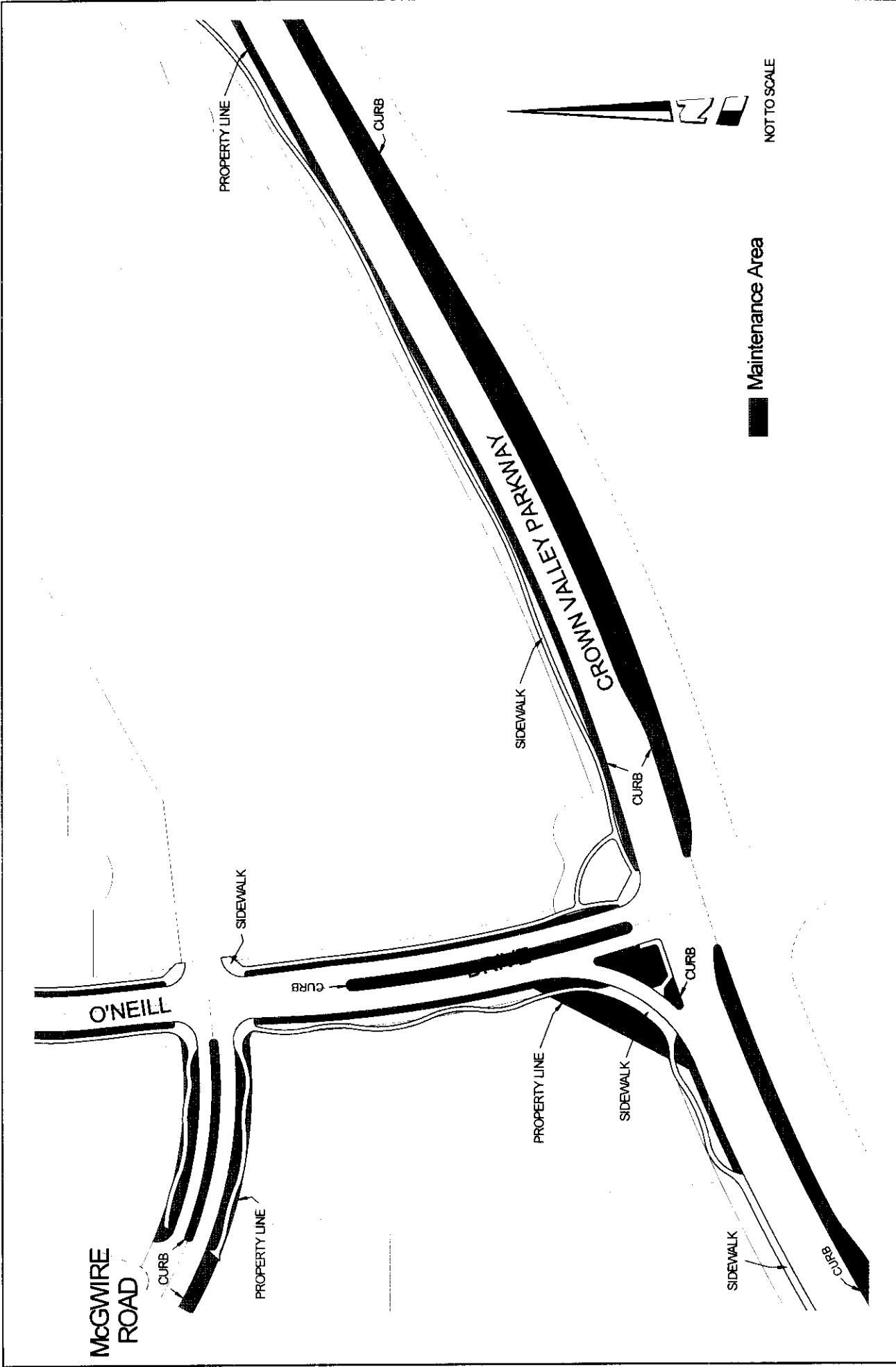
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY

SHEET 7

LADERA RANCH

TRACT NO. 15615
MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY
SHEET 8



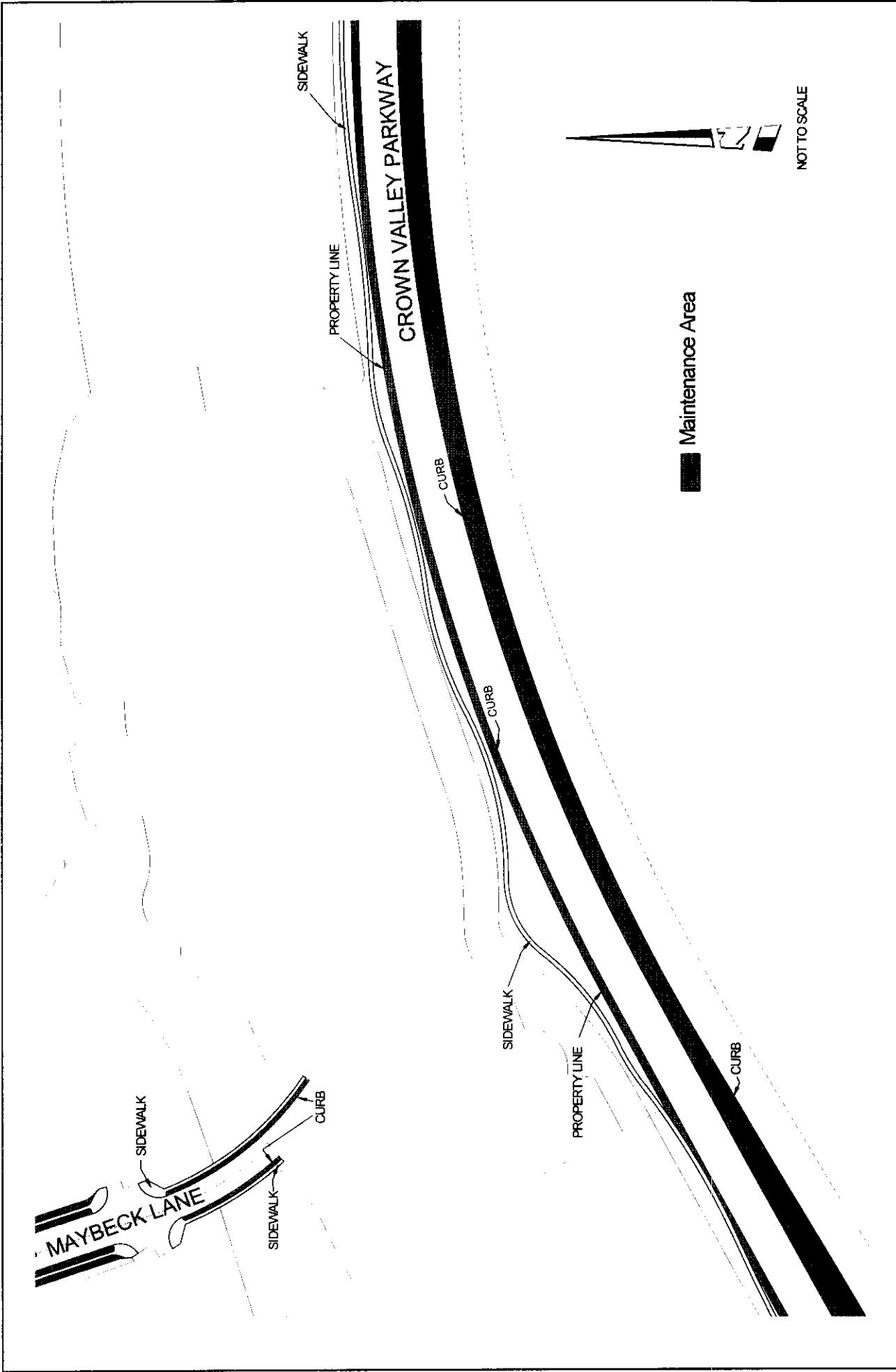


TRACT NO. 15615

MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY

SHEET 9

LADERA RANCH

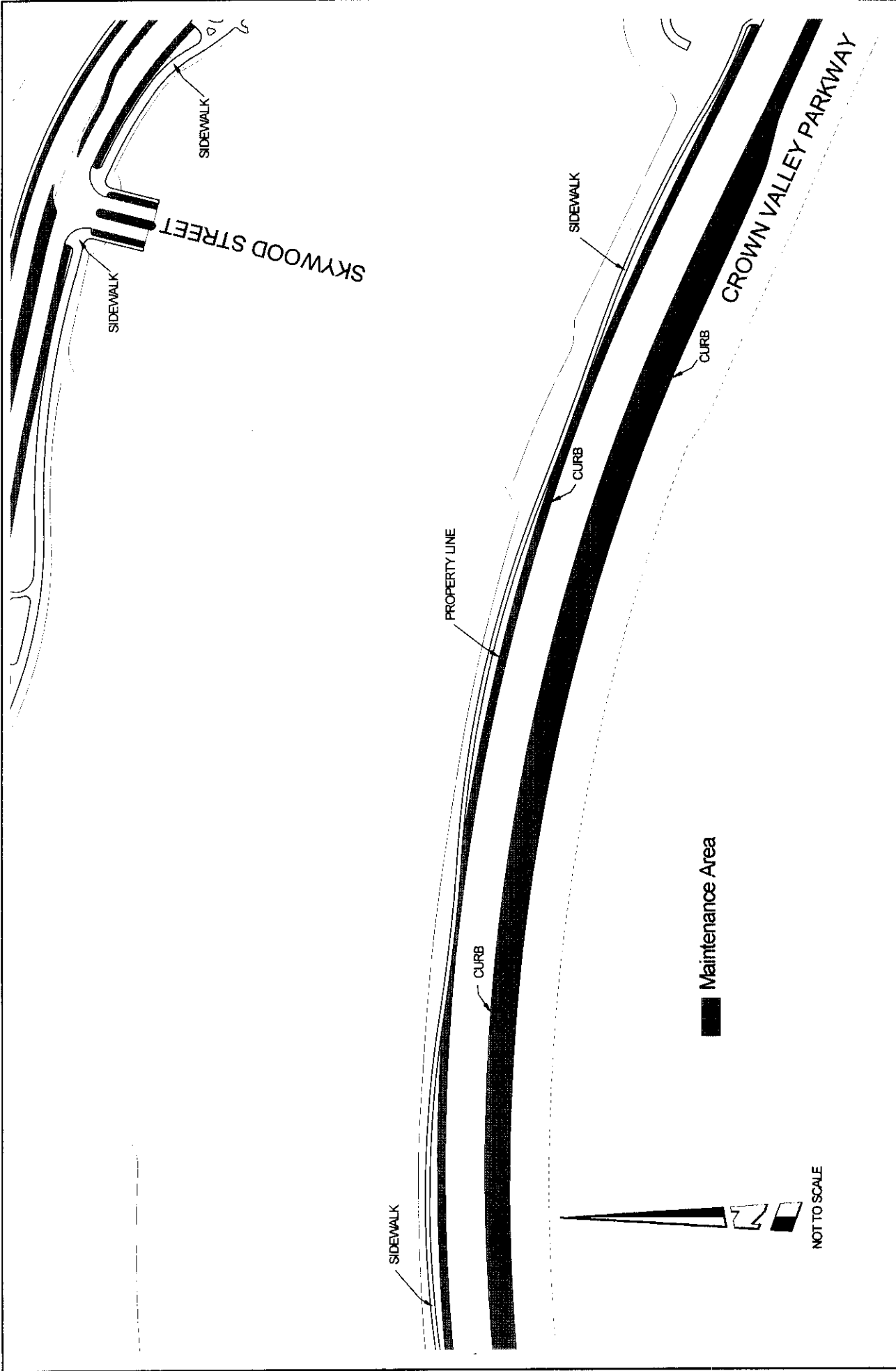


TRACT NO. 15615

MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY

SHEET 10

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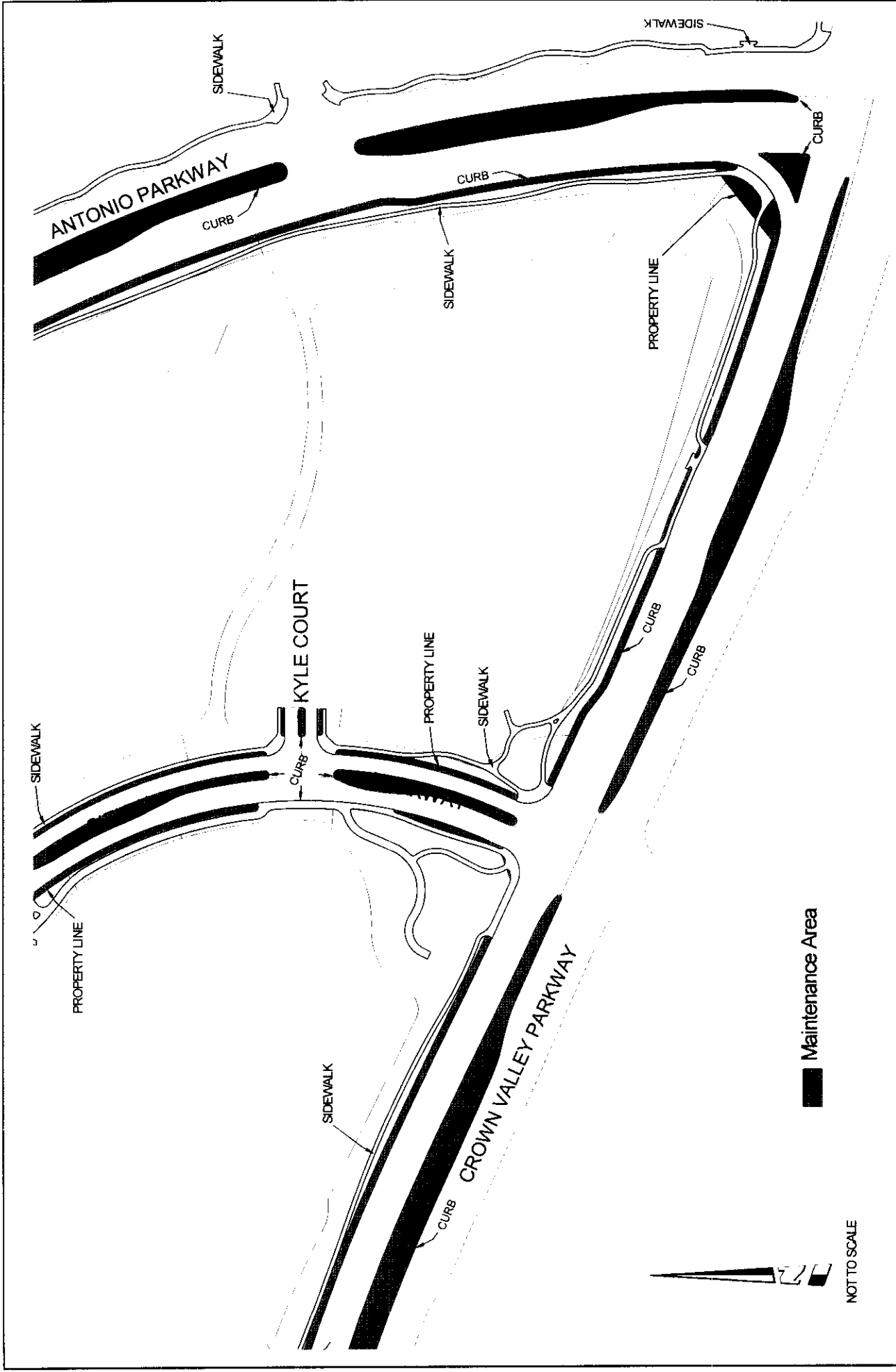


TRACT NO. 15615

MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY

SHEET 11

LADERA RANCH



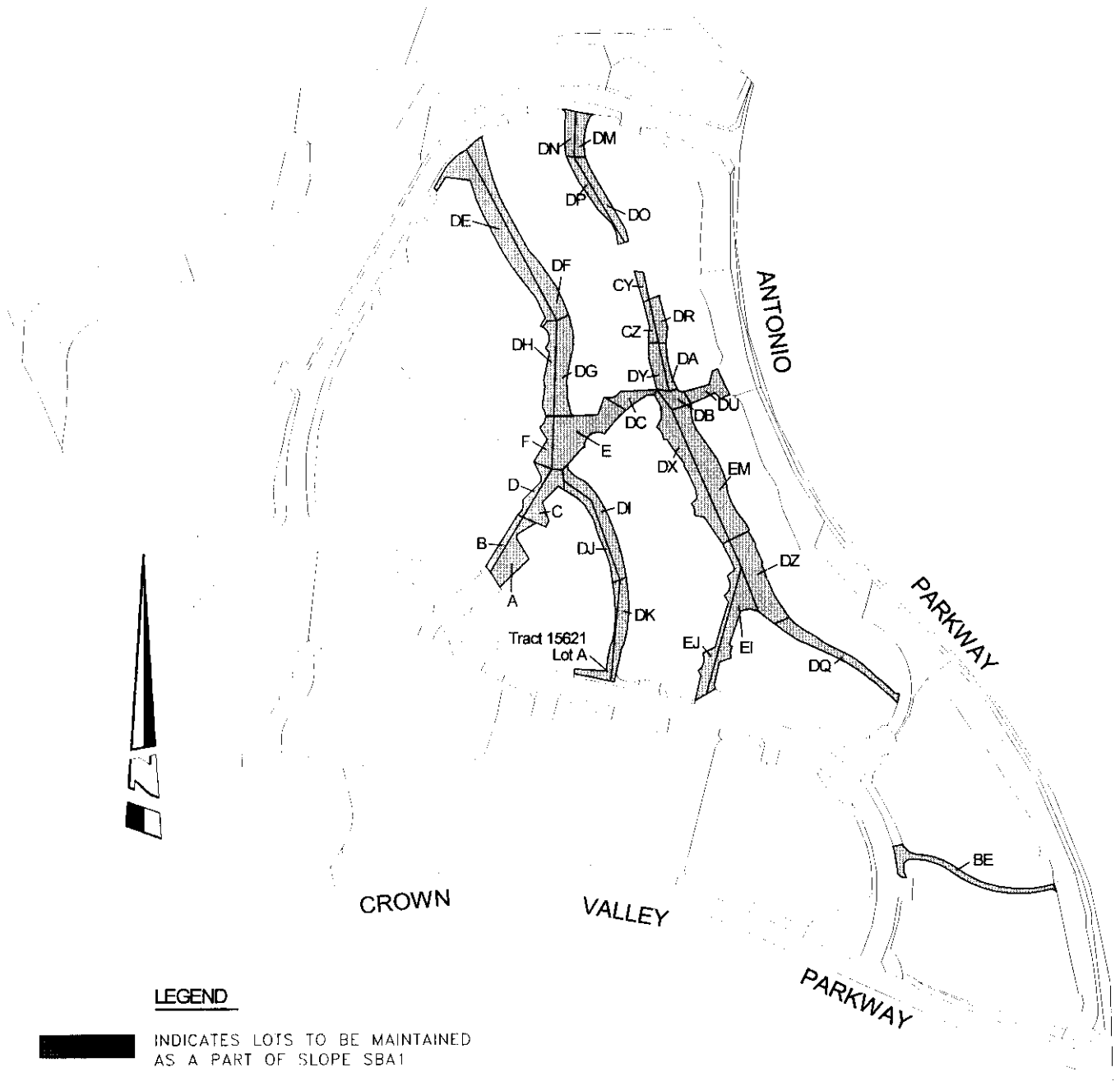
TRACT NO. 15615

MAINTENANCE AREAS WITHIN PUBLIC RIGHTS OF WAY

SHEET 12

EXHIBIT "SBA"

SLOPE SBA1 BENEFIT AREA



LEGEND

INDICATES LOTS TO BE MAINTAINED AS A PART OF SLOPE SBA1

Lots A to F, BE, CY, DA, DB, DC, DE to DK, DM to DR, DU, DX, DY, DZ, EI, EJ, EM, inclusive, of Tract 15615, in the Unincorporated Territory of Orange County, State of California, as shown on a map recorded on December 11, 1998, in Book 777, Pages 14 to 31, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County. Also, Lot A of Tract 15621, in the Unincorporated Territory of Orange County, State of California, as shown on a map recorded March 30, 1999, in Book 781, Pages 14 to 16, inclusive, of Miscellaneous Maps, in the Office of the County Recorder of said County.

