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**SECOND AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS OF THE
PEPPERTREE BEND ASSOCIATION**

[This Second Amended and Restated Declaration is being recorded pursuant to Civil Code Section 4270, and restates in its entirety, subject to the restatement and amendments thereto where placed in context, the "Amended and Restated Declaration of Covenants, Conditions and Restrictions of the Peppertree Bend Association" recorded on November 1, 2002, as Document No. 20020963528 of the Official Records of the County Recorder of Orange County, California, which previously restated in its entirety, subject to the restatement and amendments thereto where placed in context, the "Declaration of Covenants, Conditions of Bear Brand Ranch" previously recorded on March 11, 1981 as Instrument No. 15709, in Book 13978 at Page 896 *et seq.*, to the extent that document specifically applied to the Peppertree Bend Association through that certain "First Amendment to Declaration of Covenants, Conditions and Restrictions of the Bear Brand Ranch and Division of Covenants, Conditions and Restrictions for Peppertree Bend" which was recorded on July 29, 1996 as Instrument No. 19960384210 of the Official Records of the County Recorder of Orange County, California. A list of properties for recordation, pursuant to California Government Code Section 27288.1, is attached hereto.]

******If this document contains any restriction based on race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.**

TABLE OF CONTENTS

ARTICLE 1	Definitions	4
ARTICLE 2	Membership and Voting Rights in the Association	9
ARTICLE 3	Property Rights in the Common Area	10
ARTICLE 4	Covenant for Assessments	12
ARTICLE 5	Non-Payment of Assessments	14
ARTICLE 6	Architectural and Landscaping Control	16
ARTICLE 7	General Restrictions	18
ARTICLE 8	Duties and Powers of the Association	21
ARTICLE 9	Easements	25
ARTICLE 10	Reservation of Easements by Declarant	26
ARTICLE 11	Insurance	27
ARTICLE 12	Destruction of Common Area Improvements	29
ARTICLE 13	Eminent Domain Common Area	29
ARTICLE 14	General Provisions	30
ARTICLE 15	Integrated Nature of the Covered Property	33
ARTICLE 16	Rights of Lenders	35
ARTICLE 17	Enforcement of Bonded Obligations	39

**SECOND AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS OF THE
PEPPERTREE BEND ASSOCIATION**

This Second Amended and Restated Declaration is made effective this 14th day of April, 2015, by the PEPPERTREE BEND ASSOCIATION, a California Non-Profit Mutual Benefit Corporation. This Second Amended and Restated Declaration is intended to apply to the Property within the Peppertree Bend Association as set forth in Exhibits A and B attached hereto.

RECITALS

A. On November 1, 2002, a certain "Amended and Restated Declaration of Covenants, Conditions, and Restrictions of The Peppertree Bend Association" was recorded with the Orange County Recorder's Office as Instrument No. 20020963528. ("Amended and Restated Declaration"). The Property within the Peppertree Bend Association was made subject to said Amended and Restated Declaration.

B. On March 11, 1981, a certain "Declaration of Covenants, Conditions and Restrictions of The Bear Brand Ranch" was recorded with the Orange County Recorder's Office as Instrument No. 15709 in Book 13978 at Page 896. ("Original Declaration"). The Property within the Peppertree Bend Association was made subject to said Original Declaration.

C. The Peppertree Bend Association was separated from the Bear Brand Ranch Association pursuant to an amendment to the Original Declaration entitled "First Amendment to Declaration of Covenants, Conditions and Restrictions of the Bear Brand Ranch and Division of Covenants, Conditions and Restrictions for Peppertree Bend" which was recorded on July 29, 1996 as Instrument Number 19960384210 of the Official Records of the County Recorder of Orange County, California ("First Amendment"). The First Amendment was approved by the Membership and the First Beneficiaries pursuant to the requirements of the Original Declaration. The First Amendment provided that the Peppertree Bend Association was thereafter a wholly separate Association, substituting the obligations, application and name of the Peppertree Bend Association for those previously assigned to Bear Brand Ranch Community Association. The two projects (Peppertree Bend and Bear Brand Ranch) were split, with the same governing documents equally, but separately, applying to each Association. Since 1996, the Peppertree Bend Association has operated under a wholly separate Board of Directors and Architectural-Design Committee, and has established its own budget and collection procedures.

D. However, to avoid further misapplication of terms and provisions in the Original Declaration, the First Amendment, and the Amended and Restated Declaration as applied to the Peppertree Bend Association, certain further amendments to the Original Declaration and First

Amendment were proposed to the Membership of the Peppertree Bend Association in an effort to reflect and clarify the Peppertree Bend Association's separate duties, obligations, and responsibilities.

E. In addition, certain identified Sections of the Original Declaration, as applied to the Peppertree Bend Association through the First Amendment, can only be amended with the additional requirement of obtaining the written consent of two-thirds (2/3) of the First Beneficiaries for each Lot.

F. As the Peppertree Bend Association obtained Membership approval for the amendments in 1997, it thereafter sought to obtain the approval of two-thirds (2/3) of the First Beneficiaries for those amendments to the identified Sections which require First Beneficiary approval.

G. Following numerous attempts, and after not receiving sufficient approvals from two-thirds of the First Beneficiaries, the Peppertree Bend Association filed a Petition with the Orange County Superior Court pursuant to California Civil Code Section 1356 seeking to have the Court deemed the proposed amendments approved by the First Beneficiaries. The Orange County Superior Court granted the Peppertree Bend Association's Petition, and Ordered that, by virtue of the Peppertree Bend Association's substantial compliance with the approval requirements set forth in Article 14, Section 14.2 and Article 16, Section 16.6 of the Original Declaration, as applied to the Peppertree Bend Association, the following amendments to the Original Declaration, as applied to the Peppertree Bend Association, be approved: (1) The Amendment to Article 3, Section 3.3(d); (2) Each of the Amendments to Article 4; (3) Each of the Amendments to Article 6; (4) The Amendment to Article 14, Section 14.10. The approved amendments also provide the Board of Directors for the Peppertree Bend Association the right and power to prepare and record with the County of Orange the Amended and Restated Declaration for Peppertree Bend, incorporating all approved amendments. The Court's Order deeming the amendments approved was subject to the requirement that the Amendments to the Original Declaration and the First Amendment be executed and acknowledged by Petitioner's President and Secretary, and subsequently recorded, with a copy of the Court's Order, in the office of the Orange County Recorder's Office, under California Civil Code §1356(f) [in effect at that time].

H. Pursuant to the approved amendment to Article 14, Section 14.6 of the Original Declaration, as applied to Peppertree Bend through the First Amendment, the Peppertree Bend Association's Board of Directors authorized the recording of the Amended and Restated Declaration."

I. Further, pursuant to the approved amendment to Article 14, Section 14.6 of the Original Declaration, as applied to Peppertree Bend through the First Amendment, and the Amended and Restated Declaration at Article 14, Section 14.2, Peppertree Bend Association's

Board of Directors is now authorized to record this Second Amended and Restated Declaration. This "Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Peppertree Bend" is intended to incorporate and restate, and is hereinafter set forth, the terms and provisions of the Original Declaration, and the First Amendment thereto, the 1997 amendments approved by the Peppertree Bend Association's Membership, and the Amended and Restated Declaration as approved by the Court, as a single document in order to preserve, enhance and perpetuate the common scheme and plan for the use, enjoyment, repair, maintenance, restoration and improvement of Peppertree Bend and the interests therein, conveyed or reserved, and for, without limitation, the payment of Assessments (as hereinafter defined), and other monetary obligations pertaining thereto. Accordingly, this Second Amended and Restated Declaration is expressly intended to continue the status of Peppertree Bend Association as a Common Interest Development.

J. WHEREAS, the rewrite of the Davis-Stirling Act ("The Act") occurred and The Act was placed into law with an effective date of January 1, 2014, the Board of Directors of the Peppertree Bend Association desired and hereby did update and bring into conformity with current law to the best of its ability, the Association's Amended and Restated Declaration.

NOW, THEREFORE, with reference to the foregoing Recitals, and in accordance with, and pursuant to, the provisions of the 1997 amendments, the attached Court Order and California Civil Code §4275, the Board of Directors of the Peppertree Bend Association does hereby declare that the Property, and any interest therein, are and shall remain to be held, conveyed, encumbered, leased and used subject to the following Second Amended and Restated Declaration of Covenants, Conditions and Restrictions for Peppertree Bend. This Second Amended and Restated Declaration does hereby establish and continue a general plan for the protection, maintenance, improvement, development, use, occupancy and enjoyment of the Property, and does hereby affix the covenants, conditions and restrictions, easements, reservations, liens and charges upon and subject to which all of the Property shall be held, used, leased, sold and conveyed, and each and all of which is and are declared hereby to be for the benefit of all the Property, and each present and each future Owner thereof. These covenants, conditions and restrictions, easements, reservations, liens and charges shall run with the Property and shall be binding upon all parties having or acquiring any right, title or interest in the Property and shall inure to the benefit of and bind each Owner thereof and his respective heirs, assigns and successors-in-interest, and are imposed upon said real property and each and every portion thereof as a servitude in favor of the Property and each and every portion thereof as the dominant tenement or tenements, all as follows:

ARTICLE 1

DEFINITIONS

1.1 "Articles and Bylaws" shall mean and refer to the Articles of Incorporation and Bylaws of the Association as the same may from time to time be amended.

1.2 "Assessment" shall mean and refer to any or all of the Assessments

hereinbelow defined:

(a) "Capital Improvement Assessment" Shall mean and refer to a charge against each Owner and his Lot representing a portion of the cost to the Association for the installation or construction of any capital improvements on any common Area or Maintenance Area as provided for in this Declaration.=

(b) "Reconstruction Assessment" shall mean and refer to a charge against each Owner and his Lot representing a portion of the cost to the Association for the reconstruction of any portion or portions of the Common Area as provided for in this Declaration.

(c) "Regular Assessment" shall mean and refer to a charge against each Owner and his Lot representing that portion of the Common Expenses attributable to such Owner and his Lot as provided for in this Declaration.

(d) "Special Assessment" shall mean and refer to a charge against a particular Owner and his Lot, directly attributable to such Owner, for certain costs incurred by the Association or Declarant as provided for in this Declaration.

1.3 "Association" shall mean and refer to the Peppertree Bend Association, a non-profit corporation, incorporated or to be incorporated under the laws of the State of California, and its successors and assigns.

1.4 "Association Rules" shall mean rules adopted by the Association pursuant to the Article of this Declaration entitled "Duties and Powers of the Association".

1.5 "Board" shall mean and refer to the Board of Directors of the Association.

1.6 "Common Area" shall mean and refer to the real property more particularly identified within Exhibit "B" attached hereto, and is incorporated herein, and all facilities and improvements thereon, if any, owned or leased by the Association or in which the Association has a possessory interest for the common use and enjoyment of the Owners. The Term "Common Area," as applied in the Original Declaration, shall mean and refer to the Bear Brand Common

Area and the term "Common Area," as applied in the Peppertree Bend Declaration, shall mean and refer to the Peppertree Bend Common Area.

1.7 "Common Expenses" shall mean and refer to the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Area (unless the cost of such repair and replacement is otherwise provided for in the Article hereof entitled "Destruction of Common Area Improvements") and Maintenance Area; unpaid Assessments; management and administration of the Association, including but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees, utilities, trash pick-up and disposal, gardening and other services benefiting the Common Area and Maintenance Area; fire, casualty, liability, worker's compensation and other insurance covering the Common Area and Maintenance Area; reasonable reserves as appropriate; bonding of the members of the management body; taxes paid by the Association; amounts paid by the Association for the discharge of any lien or encumbrance levied against the Common Area or any portion thereof; amounts paid or incurred by the Association in collecting Assessments, including but not limited to, amounts expended to purchase a Lot in connection with the foreclosure of an Assessment lien against such Lot; maintenance by the Association of areas within the public right-of-way of public streets in the vicinity of the Property as may be provided for in this Declaration or pursuant to agreements with the County; and expenses incurred by the Association for any reason whatsoever in connection with the Common Area or Maintenance Area, this Declaration, the Articles or Bylaws or any other agreement in furtherance of the purposes of the Association or in the discharge of any obligations imposed on the Association or the Board by this Declaration, any Supplementary Declaration, the Articles or Bylaws, or any such agreement.

1.8 "Declarant" shall mean and refer to the Bear Brand Ranch-Peppertree Bend Project, a limited partnership, such of its successors or assigns as shall be named in the Original Declaration or in any Supplemental Declaration. Persons or entities acquiring less than all of the Lots owned by the Declarant or purposes of development or residential use shall not be successors of the Declarant for the purposes of this Declaration, but rather shall be Owners.

1.9 "Declaration" as used in the Original Declaration, shall refer to the Original Declaration as amended, supplemented and modified by the First Amendment thereto, the Amended and Restated Declaration, and by this Second Amended and Restated Declaration. From and after the "Effective Date," as defined herein, the term "Declaration," as used in connection with the Bear Brand Property or Bear Brand Common Area shall be replaced with the term "Bear Brand Declaration" and shall be deemed to apply only to the Bear Brand Property and the Bear Brand Common Area. Similarly, from and after the Effective Date, the term "Declaration," as used in connection with the Peppertree Bend Property or the Peppertree Common Area shall be replaced with the term "Peppertree Bend Declaration" and shall be deemed to apply only to Peppertree Bend Property and the Peppertree Bend Common Area.

1.10 "Deed of Trust" when referred to in this Declaration shall be deemed to include a mortgage; "beneficiary" shall be deemed to include the mortgages of the mortgage; and "trustor" shall be deemed to include the mortgagor of the mortgage.

1.11 Intentionally Omitted.

1.12 "First Beneficiary" shall mean and refer to the first beneficiary under a deed of trust of record or the first mortgagee under a mortgage of record covering a Lot; provided, however, that for purposes hereof, there shall be no more than one First Beneficiary per Lot.

1.13 "Lot" shall mean and refer to any numbered or lettered plot of land shown upon any subdivision map recorded on the Property or any portion thereof, with the exception of the Common Area as hereinabove defined. A description of the Peppertree Bend Property Residential Lots is attached hereto as Exhibit "A".

1.14 "Maintenance Area" shall mean and refer to any area within the Property (other than Common Area) which the Association is obligated or elects to maintain.

1.15 "Member" shall mean and refer to every person or entity who holds membership in the Association as provided in Article 2.1 hereof.

1.16 "Owner" The term "Owner," as applied to the Peppertree Bend Declaration, shall mean and refer to an Owner of the Peppertree Bend Property. The term, Owner shall mean and refer to one (1) or more persons or entities who are the record owner, or the record vendee under an installment sales contract, of the fee simple title to any Lot, but shall not mean or refer to those having such interest merely as security for the performance of an obligation.

1.17 "Property" The term Property shall mean and refer to all the Lots and Common Area. Following the Effective Date, the Peppertree Bend Declaration shall be deemed to refer only to the Peppertree Bend Property and the Peppertree Bend Common Areas.

1.18 "Residence" shall mean and refer to any one (1) single family residential dwelling located on a Lot and designed for occupation by not more than one (1) single family unit and/or residential household.

1.19 "Architectural — Design Committee" shall mean and refer to the committee empowered with those duties and responsibilities more particularly described in Article 6 hereof.

1.20 Application of Second Amendment to First Amendment and to Original Declaration:

Association and Architectural Committee.

1.20.1 Peppertree Bend. The Peppertree Bend Association shall constitute the "Association" for the purposes of the Peppertree Bend Declaration. The term "Articles and

Bylaws," as applied to the Peppertree Bend Declaration, shall mean and refer to the Articles of Incorporation and Bylaws for the Peppertree Bend Association. The term "Member" shall mean only the Owner of a Lot in the Peppertree Bend Property. The Peppertree Bend Association previously established an "Architectural — Design Committee" empowered with those duties and responsibilities under the Peppertree Bend Declaration. The provisions of Article VIII of the Original Declaration regarding architectural and landscaping control will continue to apply to the Peppertree Bend Property but shall be subject to enforcement, interpretation and implementation by the Peppertree Bend Association and the Architectural — Design Committee established thereby.

Prior Implementation of First Amendment.

1.20.2 Effective Date of First Amendment. The first day of the first calendar month after the date ninety (90) days from the Recordation Date of the First Amendment, which was recorded on July 29, 1996, was deemed to be effective for all purposes of the First Amendment (the "Effective Date").

1.20.3 Bear Brand Community Association. Upon the Recordation Date, and prior to the Effective Date, the Bear Brand Community Association was to take the following actions:

- (a) Amend its Bylaws to conform to the terms of this First Amendment;
 - 1. Execute and record a Grant Deed in a form sufficient to convey to the Peppertree Bend Association the Peppertree Bend Common Areas;
 - 2. Continue to maintain the Bear Brand Common Areas and Peppertree Bend Common Areas, pay Common Expenses and collect Assessments;
 - 3. Transfer to the Peppertree Bend Association an amount equal to seventeen percent (17%) of all reserves and operating cash of the Bear Brand Ranch Community Association;
- (b) Cause to be created the Peppertree Bend Association; and
- (c) Fill, in the manner provided in its bylaws, any vacancies on its Board that will be created on the Effective Date as a result of this First Amendment.

1.20.4 Peppertree Bend Association. Upon formation, the Peppertree Bend Association conducted a meeting of the Owners of the Peppertree Bend Property and elected a Board of Directors. The Board of Directors was to, within thirty (30) days, appoint an

Architectural — Design Committee for the Peppertree Bend Association, establish a budget, implement procedures for the maintenance of the Peppertree Bend Common Areas and implement procedures for the collection of Assessments for the Peppertree Bend Association.

Indemnification.

1.20.5 After the Effective Date. The Bear Brand Ranch Community Association previously agreed to indemnify, defend and hold the Peppertree Bend Association and its respective directors officers, employees, agents and the Owners of the Peppertree Bend Property free and harmless from and against any and all losses, damages, liabilities, claims, penalty or other cost or expense (including, without limitation, reasonable attorneys' fees and disbursements) arising in any manner from, or relating in any manner to, the Bear Brand Property or the Bear Brand Common Area for the period from and after the Effective Date (such agreement remains in full force and effect), The Peppertree Bend Association previously agreed to indemnify, defend and hold the Bear Brand Ranch Community Association and its respective directors, officers, employees, agents, and the Owners of the Bear Brand Property free and harmless from and against any and all losses, damages, liabilities, claims, penalty or other cost or expense (including, without limitation, reasonable attorneys' fees and disbursements) arising in any manner from, or relating in any manner to, the Peppertree Bend Property or the Peppertree Bend Common Area, for the period from and after the Effective Date (such agreement remains in full force and effect).

1.20.6 Prior To The Effective Date. Nothing herein shall be deemed to limit the rights, duties and obligations of the Bear Brand Ranch Community Association or any Owner under the Original Declaration with respect to any claim or liability arising prior to the Effective Date. The Bear Brand Ranch Community Association and all Owners, including the Owners of the Peppertree Bend Property; shall continue to be liable for such claims or liability to the same extent that they would have been liable had the First Amendment not been executed. Specifically, the Bear Brand Ranch Community Association shall retain the right to impose Assessments on the Owners of the Peppertree Bend Property to satisfy such claims or liability related to the period prior to the Effective Date, but only to the extent that such Assessments are imposed on the same basis on the Owners of the Bear Brand Property.

Miscellaneous.

1.20.7 Compliance With Section 1468. The provisions of this First Amendment are intended to satisfy the provisions of Section 1468 of the California Civil Code and thereby establish covenants running with the land binding upon the Owners of the Bear Brand Property and the Owners of the Peppertree Bend Property and their respective successors, assignees and transferees. The successors and assigns of the Bear Brand Property, as Owners of the Bear Brand Property, are bound and benefited, and the successors and assigns of the Peppertree Bend

Property, as Owners of the Peppertree Bend Property, are bound and benefited, as applicable, by this First Amendment.

1.20.8 Defined Terms. All defined terms as used herein and designated by initial capital letters shall have the same meaning as set forth in the Original Declaration, unless otherwise expressly provided herein.

1.20.9 Conflicts or Inconsistencies. In the event of any conflict or inconsistency between the provisions of the First Amendment, the Amended and Restated Declaration, this Second Amended and Restated Declaration, and the provisions of the Original Declaration, then the provisions of this Second Amended and Restated Declaration shall control,

1.20.10 Construction. All the covenants, conditions and restrictions of the First Amendment, the First Amended and Restated Declaration, and this Second Amended and Restated Declaration shall be liberally construed together to provide and effectuate the fundamental concepts set forth in the Recitals of the First Amendment, the First Amended and Restated Declaration, and this Second Amended and Restated Declaration.

ARTICLE 2

MEMBERSHIP AND VOTING

RIGHTS IN THE ASSOCIATION

2.1 "Membership" Every person or entity who is a record Owner of a fee or undivided interest in any Lot which is subject by these covenants to Assessment by the Association shall be a Member of the Association. Any person or entity having such interest merely as security for the performance of an obligation shall not be a Member. Membership and the right to vote shall be appurtenant to, and may not be separated from, the fee ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

2.2 "Transfer" The membership held by any record Owner of a Lot shall not be transferred, pledged or alienated in any way, except upon the sale or assignment of such Lot and then only to the purchaser or assignee thereof. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event any Owner shall fail or refuse to transfer the membership registered in his name to the purchaser of his Lot, the Association shall have the right to record and transfer upon the books of the Association.

2.3 Voting Rights.

(a) Members shall be entitled to one (1) vote for each Lot in which they hold the interest required for membership by Section 2.1. When more than one (1) person holds such interest in any Lot, all such persons shall be members, and the vote for such Lot shall be

exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respects to any such Lot. Any votes cast with regard to any such Lot in violation of this provision shall be null and void.

(b) The voting rights of the membership shall be subject to the restrictions and limitations provided in this Declaration and in the Articles and Bylaws.

ARTICLE 3

PROPERTY RIGHTS IN THE COMMON AREA

3.1 Members' Easements of Enjoyment. Subject to the provisions of Section 3.3 hereinbelow, every Member shall have a right and easement of access, use and enjoyment in and to the Common Area and such easement shall be appurtenant to and shall pass with the title to every Lot subject to Assessment.

3.2 Title to Common Area. At any time prior to the conveyance of the first Lot, Declarant shall Convey or cause to be conveyed to the Association fee simple title to the Common Area free and clear of all liens and encumbrances, except current real property taxes, which taxes shall be prorated to the date of the transfer, and reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

3.3 Extent of Members' Easements. The rights and easements of access, use and enjoyment created thereby shall be subject to the following:

(a) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and facilities thereon, if any, and in aid thereof, to deed in trust said Common Area; provided, however, that the rights of any beneficiary under such deed of trust shall be subordinate to the rights of the Members; provided, further, that the Association shall not be authorized to deed in trust said areas without the prior written approval of two-thirds (2/3) of the First Beneficiaries; and

(b) The right of the Association to take such steps as are reasonably necessary to protect the Common Area against foreclosure; and

(c) The right of the Association, as provided in its Bylaws, to suspend the voting rights and/or the use or enjoyment rights to recreational or social facilities within the Common Area of any Member for any period during which any Assessment against his Lot remains unpaid and delinquent, and for a period not to exceed thirty (30) days for any infraction of the Association Rules; and

(d) The right of the Association to dedicate or transfer all or any part of the Common Area to any service area, public agency, authority or utility or any master homeowners association, if any, for the Peppertree Bend Association; provided, however that no such dedication or transfer shall be effective unless approved by (i) the vote or written consent of

Members entitled to exercise not less than two-thirds (2/3) of the voting power of the Membership, and (ii) an instrument in writing is recorded and signed by the Secretary of the Association certifying that such dedication or transfer has been approved by the required vote and/or written consent; provided, further, the granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area shall not require the prior written consent of Members.

(e) The right of the Association to establish and enforce reasonable rules and regulations pertaining to the use and enjoyment of the Common Area and the facilities thereon; and

(f) The right of the Association to limit the number of guests of Members and to limit the use of the Common Area by persons not in possession of a Lot, but owning a portion of the interest in a Lot required for membership; and

(g) The right of the Association to charge reasonable admission and other fees for the use of any facility situated upon the Common Area; and

(h) The right of the Association to perform its duties and exercise its powers under Article 8 hereof, including the power to grant easements on the Common Area as provided in said Article; and

(i) Other rights of the Association, the Architectural — Design Committee, the Board, the Owners and Declarant with respect to the Common Area, as may be provided for in this Declaration; and

(j) Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of Common Area imposed by Declarant, the County, or any other governmental agency having jurisdiction to impose any such limitations, restrictions or conditions, and whether by agreement with the Association or Declarant or otherwise.

3.4 Delegation of Use. Subject to the limitations of Section 3.3 above, any Member may delegate, in accordance with the Bylaws, his right of use and enjoyment to the Common Area and facilities to the members of his or her family, his tenants and contract purchasers who reside on his Lot.

3.5 First Beneficiary Approval. Except as otherwise permitted in Section 3.3 (d) and Section 14.14 hereof, neither the Common Area or facilities thereon, nor any portion thereof, shall be abandoned, partitioned, subdivided, sold, transferred, alienated, released, hypothecated, or otherwise encumbered without the approval of two-thirds (2/3) of the First Beneficiaries.

3.6 Streets. The California Vehicle Code shall be enforced on the streets within the Property. The appropriate local authorities and agencies are hereby declared to have a right of

access over such streets for purposes of police and fire protection, trash collection and utility maintenance.

ARTICLE 4

COVENANT FOR ASSESSMENTS

4.1 Creation of the Lien and Personal Obligation of Assessments. Declarant for each Lot owned by it hereby covenants and each Owner of any Lot by acceptance of a deed or other conveyance therefore, whether or not it shall be so expressed in any such deed of conveyance, is and shall be deemed to covenant and agree to pay to the Association: (a) Regular Assessments, (b) Special Assessments, (c) Capital Improvement Assessments, (d) Reconstruction Assessments, and (e) Cable Television Service Assessments, if any, such Assessments to be fixed, established and collected from time to time as hereinbelow provided. The Assessments, together with such interest thereon and costs of collection thereof as provided hereinbelow, in Section 5.1, shall be a charge on the real property and shall be a continuing lien upon the Lot against which each Assessment is made. The lien shall become effective upon recordation of a Notice of Delinquent Assessment and Lien in accordance with Section 5.2 of this Declaration. Each such Assessment, together with such interest and costs, shall also be the personal obligation of the person or entity who was the Owner of such Lot at the time when the Assessment, or any portion thereof, fell due, and shall bind his heirs, devisees, personal representatives, successors and assigns. However, the personal obligation shall not pass to his successors in title unless expressly assumed by them.

4.2 Purpose of Assessments. The Regular Assessments levied by the Association shall be collected, accumulated and used exclusively for the purpose of providing for and promoting the pleasure, recreation, health, safety and social welfare of the Members, including the enhancement of the value, desirability, and attractiveness of the Property, the improvement and maintenance of the Common Area and facilities thereon, the creation of reasonable and adequate, reserves therefore, and the improvement and maintenance of Maintenance Areas and the discharge of any obligations or duties imposed on the Association or the Board by this Declaration. Special, Capital Improvement, and Reconstruction Assessments shall be used exclusively for the purposes for which such Assessments were levied as provided for in this Declaration.

4.3 Regular Assessments.

(a) Amount and Time of Payment. Regular Assessments shall be levied on a calendar year basis ("Assessment Period") and the amount and time of payment of Regular Assessments shall be determined by the Board after giving due consideration to the Common Expenses of the Association. In the event the amount budgeted to meet the Common Expenses

for an Assessment Period proves to be excessive in light of the actual Common Expenses, the Board in its discretion may, by resolution, reduce the amount of the Regular Assessments.

(b) Date of Commencement of Regular Assessments. The Regular Assessments provided for herein shall commence as to all Lots within the Property described in Exhibit "A" on the first day of the month following the conveyance of the first Lot within such property to an Owner.

(c) Assessment Procedures. At least thirty (30) days in advance of each Assessment Period, the Board shall estimate the total Common Expenses to be incurred by the Association for such forthcoming Assessment Period and shall at that time determine and fix the amount of the Regular Assessment against each Lot subject thereto for such Assessment Period. Written notice of such Regular Assessment shall be sent to every Owner subject thereto at least fifteen (15) days in advance of each Assessment Period. Each Owner shall thereafter pay to the Association his Regular Assessment in installments as established by the Board. In the event the Board shall determine at any time that the Regular Assessments levied for a current Assessment Period are, or will become, inadequate to meet all Common Expenses for any reason, it shall immediately determine the approximate amount of such inadequacy, issue a supplemental estimate of the total Common Expenses and revise and fix the amount of Regular Assessments against each Owner.

(d) Regular Assessment Limitations. No Regular Assessment for an Assessment Period shall be in an amount which is more than the maximum amount permissible pursuant to Civil Code Section 5605 or any direct successor statute. Civil Code Section 5605 currently provides for a maximum increase of no more than twenty percent (20%) greater than the Regular Assessment for the immediately preceding Assessment Period without the approval by vote or written consent of a majority of the Members.

4.4 Capital Improvement Assessments. In addition to Regular Assessments, the Association may levy for any Assessment Period, Capital Improvement Assessments applicable to that Assessment Period only for the purpose of defraying in whole or part, the cost of any construction or reconstruction, unexpected repair or replacement of a capital improvement upon the Common Area, to the extent the same is not covered by the provision for Reconstruction Assessments set forth in Article 12 hereof, or any unexpected improvement to or maintenance of any Maintenance Area, including the necessary fixtures and personal property related thereto; provided that any such Capital Improvement Assessments which in the aggregate exceeds more than the maximum amount permissible pursuant to Civil Code Section 5605 or any direct successor statute [currently five percent (5%)] of the budgeted common Expense for such Assessment Period shall have the approval by vote or written consent of a majority of the Members. Capital Improvement Assessments shall be due and payable at the times and in the amounts fixed by the Board.

4.5 Special Assessments. Special Assessments may be levied (a) by the Board from time to time against Lots with respect to which particular costs or expenses have been incurred by the Association for materials or services furnished at the request, or with the consent, or the Owner of any such Lot, (b) in accordance with Section 8.1 hereof.

4.6 Certificate of Payment. Upon demand, the Association shall furnish to any Owner liable for Assessments a certificate in writing signed by an officer or authorized agent of the Association setting forth whether said Assessments or portions thereof therein stated to have been paid. Such certificate shall be conclusive evidence of payment of any Assessments or portions thereof therein stated to have been paid. A reasonable charge may be made by the Board for the issuance of such certificate.

4.7 Nonuse and Abandonment. No Owner may waive or escape personal liability for the Assessments provided for herein, nor release the Lot owned by him from the liens and charges hereof, by nonuse of the Common Area or abandonment of his Lot.

4.8 Uniform Rate of Assessment. All Regular, Capital Improvement, Special (except with respect to those assessed against a member as a remedy in bringing a member into compliance with the Declaration, the Rules and Regulations or Bylaws of the Association) and Reconstruction (except as otherwise provided in Section 11.2 hereof) Assessments shall be fixed at a uniform rate for all Lots.

4.9 Exempt Property. The following property subject to this Declaration shall be exempt from the Assessments, charges and liens created herein: (a) all properties dedicated to and accepted by a public authority and (b) all Common Area. Notwithstanding any provision in this Section, no real property or improvements devoted to residential dwelling use shall be exempt from said Assessments, charges or liens.

4.10 Offsets. All Assessments shall be payable in the amount specified in the Assessment levied by the Association or Declarant and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that the Association is not properly exercising its duties of maintenances or enforcement.

ARTICLE 5

NON-PAYMENT OF ASSESSMENTS

5.1 Delinquency and Remedies of Association. If any Assessment, or any portion thereof, is not paid on the date when due, then such Assessment or portion thereof shall become delinquent and shall, together with interest and costs of collection as provided for hereinbelow, thereupon become a continuing lien on the Lot against which such Assessment was made as more particularly described in Section 4.1 hereinabove. If the Assessment, or any portion thereof, is not paid within thirty (30) days after the delinquency date, a late charge of ten percent

(10%) of the amount of the Assessment may be levied by the Board and the Assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and, in addition to all other legal and equitable rights or remedies, the Association, may, at its option, bring an action at law against the Owner personally obligated to pay the same, and/or, upon compliance with the notice provisions set forth in Section 5.2 hereinbelow, to foreclose the lien against the Lot, and there shall be added to the amount of such Assessment, or any portion thereof, and interest thereon, the late charge and all costs and expenses, including reasonable attorneys' fees, incurred by the Association in collecting the delinquent Assessment. Each Owner vests in the Association, its successors and assigns, the right and power to bring all actions at law or lien foreclosure against such Owner or other Owners for purposes of collecting delinquent Assessments.

In lieu of judicially foreclosing the lien, the Association, at its option, may foreclose such lien by proceeding under a power of sale as provided hereinbelow in Section 5.3, such a power of sale being given to the Association as to each and every Lot for the purpose of collecting delinquent Assessments.

5.2 Notice of Delinquent Assessment and Lien. No action shall be brought to foreclose the lien, or to proceed under the power of sale, sooner than thirty (30) days after the date that a Notice of Delinquent Assessment and Lien executed by a duly authorized representative of the Association, is recorded with the Orange County Recorder, said notice stating the amount claimed (which may include the late charge, interest and costs of collection, including reasonable attorneys' fees), a good and sufficient legal description of the Lot being assessed, the name and address of the Association as claimant. A copy of said Notice of Claim shall be deposited in the United States mail, certified or registered and postage prepaid to the Owner of said Lot.

5.3 Foreclosure Sale. Any such sale under the power of sale provided for above shall be conducted in accordance with the provisions of Section 2924, 2924B and 2924C of the Civil Code of the State of California, applicable to the exercise of powers of sale in deeds of trust, or in any other manner permitted or provided for by law. The Association, through its duly authorized agents, shall have the power to bid on the Lot at the foreclosure sale, using Association funds or funds borrowed for such purpose, and to acquire, hold, lease, mortgage, and convey the same.

5.4 Curing of Default. Upon the timely curing of any default for which a Notice of Delinquent Assessment and Lien was recorded by the Association, any officer of the Association is hereby authorized to file or record, as the case may be, an appropriate release of such notice, upon payment by the defaulting Owner of a fee to be determined by the Association but not to exceed a reasonable fee, to cover the costs of preparing and filing or recording such release

together with the payment of such other charges, costs, interest or fees as shall have been incurred.

5.5 Cumulative Remedies. The Assessment lien and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for, all other rights and remedies which the Association and its successors and assigns may have hereunder by law.

5.6 Subordination of the Lien to Deeds of Trust. The lien of the Assessments provided for herein shall be subordinate to the lien of any first deed of trust now or hereafter placed upon any of the Lots within the Property subject to the Assessment; provided, however, that such subordination shall apply only to Assessments which have become due and payable prior to a sale or transfer of the Lot pursuant to a decree of foreclosure, sale under a power of sale included in any such first deed of trust, or any other proceeding in lieu of foreclosure. Such sale or transfer shall not relieve such Lot from liability for any Assessment thereafter becoming due, or from the lien of any such subsequent Assessment. Nothing in this Section shall be construed to release any Owner from his obligation to pay any Assessment levied pursuant to this Declaration.

ARTICLE 6

ARCHITECTURAL AND LANDSCAPING CONTROLS

6.1 Architectural Approval. No fence, wall, building, sign or other structure (including mailboxes, tennis courts and basketball standards), or exterior addition to or change or alteration thereof (including painting) or landscaping, shall be commenced, constructed, erected, placed, altered, maintained or permitted to remain on a Lot, or any portion thereof, until plans and specifications shall have been submitted to an architectural design committee, initially to be appointed by the Board of Directors (the "Architectural Design Committee"). Said plans and specifications shall be prepared by a duly licensed architect or other person approved by the Architectural Design Committee and comply with the requirements of the "Peppertree Bend Association Design Guidelines" as may be revised from time to time as proposed by the Architectural Design Committee and approved by the Board of Directors. All such plans and specifications shall be submitted in writing over the signature of Owner of the Property or such Owner's authorized agent. Approval or disapproval shall be based, among other things, on conformance with the aforesaid Design Guidelines. All improvement work approved by the Board of Directors shall be diligently completed and constructed in accordance with approved plans and specifications. Notwithstanding the above, the Board of Directors shall have the right, but not the obligation; to require any Member to remove, trim, top or prune any shrub, tree, bush, plant or hedge which violates this Second Amended and Restated Declaration or other current governing document(s) of the Association.

6.2 Number of Members and Term of Architectural Design Committee. The Architectural — Design Committee shall consist of not less than three (3) nor more than five (5) members.

6.3 Failure to Approve or Disapprove Plans and Specifications. In the event the Board of Directors, or its representatives designated in accordance with Section 6.7 hereinbelow, fails to either approve or disapprove such plans and specifications within thirty (30) days after the same have been submitted to it, it shall be conclusively presumed that the Board of Directors has disapproved such plans and specifications.

6.4 No Liability. Neither the Association, the Board of Directors, the Architectural — Design Committee or the Members or designated representatives thereof shall be liable in damages to anyone submitting plans or specifications to them for approval, or to any Owner of Property affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications, or for any defect in any structure constructed from such plans and specification. Such plans and specifications are not approved for engineering design. Every person who submits plans or specifications to the Architectural — Design Committee for approval agrees, by submission of such plans and specifications, and every owner of any of Property agrees that he will not bring any action or suit against the Association, the Board of Directors, the Architectural — Design Committee or any of the members or designated representatives thereof to recover any such damages.

6.5 Rules, Procedures, and Guidelines. The Board of Directors may from time to time, in its sole discretion, adopt, amend and repeal reasonable rules, procedures and guidelines interpretation and implementing the provisions hereof and establishing architectural and design guidelines as may or may not be proposed by the Architectural — Design Committee.

6.6 Variances. Where circumstances such as topography, location of property lines, location of trees, configuration of Lots, or other matters require, the Board of Directors, by the vote or written consent of a majority of the members thereof, may allow reasonable variances as to any of covenants, conditions, or restrictions contained in this Declaration under the jurisdiction of such Board, on such terms and conditions as it shall require; provided, however, that all such variances shall be in keeping with the overall plan of improvement and development of the Property.

6.7 Appointment and Designation. The Architectural — Design Committee may from time to time, by a majority of the members thereof, and with the approval of the Board of Directors, delegate any of its rights or responsibilities hereunder to one or more duly licensed architect or other qualified persons who shall have full authority to act on behalf of said Architectural — Design Committee in all matters delegated.

6.8 Review Fee and Address. All plans and specifications shall be submitted in writing for approval, together with a reasonable processing fee set forth in the "Peppertree Bend Association Design Guidelines." The address of the Architectural — Design Committee shall be at such place or places as may from time to time be designated by the Architectural — Design Committee by a written instrument recorded in the office of the County Recorder of Orange County, California. The last instrument so recorded shall be deemed the Architectural — Design Committee's proper address. Such address shall be the place for the submittal of plans and specifications and the place where the current rules, procedures, and guidelines of the Architectural Design Committee shall be kept.

6.9 Inspection. Any member or agent of the Architectural — Design Committee may from time to time at any reasonable hour or hours and upon reasonable notice enter and inspect any property subject to the jurisdiction of said Architectural — Design Committee as to its improvement or maintenance in compliance with the provisions hereof.

6.10 Completion Bond. The Board of Directors may, as a condition to its approval of any Owner-proposed plans and specifications on any improvements to be constructed, require the Owner to post a completion bond (or other form of assurance satisfactory to the Board of Directors) in favor of the Association to insure the completion of the construction of the improvements in compliance with the plans and specifications so conditionally approved.

ARTICLE 7

GENERAL RESTRICTIONS

7.1 Occupancy of Residences. Except as provided in Section 14.10 hereof, no building, structure, or improvement shall be constructed, erected, altered, placed or permitted to remain on any of the Lots other than a residential dwelling and customary appurtenances designed for single-family residential occupancy, and by not more than one (1) single family residential household.

7.2 Nuisance. The Property shall not be used for any purpose tending to injure the reputation thereof, or to disturb the neighborhood or occupants of adjoining property, or to constitute a nuisance, or in violation of any public law, ordinance, or regulation in anyway applicable thereto. However, Owners shall have the right to carry on ordinary activities relating to the use of equestrian facilities in a residential development

7.3 No Commercial Uses. None of the Lots shall be used or caused to be used or allowed or authorized in any way, for any business, commercial, manufacturing, mercantile, storing, vending or other nonresidential purposes which is outwardly apparent to other Owner/Members within the Association. Moreover, no such activities are permitted that (a) are not in conformity with all applicable governmental ordinances; (b) cause any additional traffic, activity and/or overburdening of the streets, parking, and/or Common Areas of the community

and Property, considering all such areas, lots and the community are part of a single family residential community; and (c) the existence or operation of produces sounds, odors, materials, activities, waste, or other tangential effects outside the boundaries of a Lot or within the Property that are excessive or not in conformity with a single family residential community. However, horticulture normally associated with "Gentleman Farming" such as cultivation of a vineyard, citrus grove, or avocado grove planted in accordance with the prior approval of the Architectural — Design Committee and maintained in accordance with the Association Rules will be allowed on Lots of one (1) acre in size or larger.

7.4 Common Area. Subject to the provisions of Section 3.3, the Common Area shall be used for recreational, social, pedestrian, equestrian, and vehicular movement and other purposes authorized under this Declaration. The Board may from time to time designate parking areas within the Common Area to accommodate the parking of automobiles and other vehicles of Owners and their guests.

7.5 Antennas. Except as permissible pursuant to Civil Code Section 4725 and/or any direct successor statute, no outside television or radio pole or antenna or other electronic device shall be constructed, erected or maintained within the Property.

7.6 Temporary Structures. No shed, tent, or temporary building shall be erected, maintained or used on the Property; provided, however, that temporary buildings for use and used only for purposes incidental to the construction of improvements and Residences on any portion of the Property may be erected, maintained, and used, provided that such temporary buildings shall be promptly removed upon completion of such construction work or upon the request of the Architectural — Design Committee.

7.7 Garage Use. When garages are not in use, garage doors shall be closed. Garages shall be used only for the purpose of parking automobiles and storing an Owner's household goods. No open carport, if any, shall be used for the storage of any item other than an automobile.

7.8 Vehicles. No mobile home, boat, truck, trailer, recreational vehicle, of any kind or similar equipment shall be kept, stored, parked, (other than temporarily) maintained, constructed or repaired on the Property, in such a manner as to be visible from any neighboring property; provided, however, that the provisions of this Section shall not apply to emergency vehicle repairs. Temporary parking shall mean parking of vehicles belonging to guests of Owners, delivery trucks, service vehicles and other commercial vehicles being used in the furnishing of services to the Association or the Owners and parking of vehicles belonging to or being used by Owners for loading or unloading purposes.

7.9 Animals. No animals, fowl, reptiles, insects or poultry shall be kept on the Property, except that domestic dogs, cats, birds, fish may be kept as household pets pursuant to the Custom Lot Standards and rules adopted by the Board, and except as specifically permissible

as set forth below with respect to horses and chickens. All dogs permitted to be kept by this Section or by rule adopted by the Board shall be kept on a leash when not within an enclosed area of a Lot. Horses may only be kept on Lots one (1) acre in size or larger and in accordance with the Association Rules; provided, however, a maximum of three (3) adult horses may be kept on a Lot between one (1) acre and two (2) acres in size, and a maximum of five (5) adult horses may be kept on Lots over two (2) acres in size. The offspring of a horse shall be considered an adult when twelve (12) months old. In any event, all horses shall be maintained in a barn located on the Lot with a stall for each horse. With respect to chickens, all local municipal and county ordinances must be strictly adhered to and followed, including, without limitation all City of San Juan Capistrano requirements relating to obtaining and maintaining conditional use permits for chickens. Notwithstanding the foregoing, in no event shall more than (6) hens be permissible, and roosters are strictly prohibited.

7.10 Signs. Real estate signs must be built per the "Design Guidelines" standards. Only one (1) political or other similar sign per lot is permitted. Vulgar or obscene language is prohibited. No commercial signs are permitted.

7.11 Debris. No weeds, rubbish, debris, objects or materials of any kind shall be placed or permitted to accumulate upon the Property which shall render the Property unsanitary, unsightly, offensive or detrimental to any property in the vicinity thereof or to the occupants of any such property in such vicinity. Trash, garbage, rubbish and other waste shall be kept only in sanitary containers. All service yards or service areas, clotheslines areas, sanitary containers and storage piles on any Lot shall be enclosed or fenced in such a manner that such yards, areas, containers and piles will not be visible from any neighboring property or street. Covered sanitary containers may be set out for a reasonable period of time before and after scheduled trash pick-ups times.

7.12 Plants. No Plants or seeds infected with noxious insects or plant diseases shall be brought upon, grown or maintained upon any part of the Property.

7.13 Maintenance of Improvements. All improvements upon a Lot and each portion thereof shall at all times be maintained in good condition and repair and, where appropriate, will and properly painted.

7.14 Maintenance of Landscaping. All landscaping of every kind and character, including shrubs, trees, grass and other plantings shall be neatly trimmed, properly cultivated, and maintained continuously by the Owner thereof, other than such landscaping within a Lot maintained by the Association, in a neat and orderly condition and in a manner to enhance its appearance.

7.15 Inspection. During reasonable hours and after reasonable notice, Declarant or any agent thereof, so long as Declarant is Owner of at least twenty-five percent (25%) of the Lots, or the Association, shall have the right to enter upon and inspect a Lot or any portion thereof and

the improvements thereon for the purpose of ascertaining whether or not the provisions of this Declaration are being complied with and shall not be liable for or deemed guilty of trespass by reason thereof.

7.16 Damage to Common Area. Each Member shall be liable to the Association for any damage to the Common Area or to the Maintenance Area or to any of the equipment or improvements thereon which may be sustained by reason of the negligence or willful misconduct of said Member or of his family, relatives, guests, tenants, occupants, or invitees, both minor and adult.

7.17 Drilling. No portion of the Property shall be used in any manner to explore for or to remove any water oil or other hydrocarbon minerals of any kind, gravel, earth or any earth substance or any other mineral of any kind unless the prior approval in writing by the Declarant is obtained. No machinery or equipment of any kind shall be placed, operated or maintained upon any Lot, except such machinery or equipment as is usual and customary in connection with the use or maintenance of a private residence or as is approved by the Board.

7.18 Rights of Declarant. None of the restrictions contained within this Article shall limit or be deemed to limit the rights of Declarant provided for in Section 14.10 hereof.

ARTICLE 8

DUTIES AND POWERS OF THE ASSOCIATION

8.1 General. In addition to the duties and powers enumerated in its Articles and Bylaws, or elsewhere provided for herein, and without limiting the generalities thereof, the Association shall, except as provided in Section 8.2 (c) hereinbelow:

(a) Enforce the provisions of this Declaration, the Articles and the Bylaws by appropriate means and carry out the obligations of the Association hereunder, including without limitation, the expenditure of funds of the Association, the employment of legal counsel, the commencement of actions, the promulgation of the Association Rules as provided in the Bylaws and a Section of this Article, which shall include the establishment of a system of reasonable disciplinary proceedings, including, without limitation, fines or penalties, enforceable as Special Assessments, also as provided for in the Bylaws;

(b) Pay taxes and Assessments which are or could become a lien on the Common Area or some portion thereof;

(c) Contract for and maintain such policy or policies of insurance as may be required by the Declaration or as the Board deems necessary or desirable in furthering the purposes of and protecting the interest of the Association and its Members, and review the effectiveness and adequacy of such policies on an annual basis;

(d) Contract for materials and/or services for the Common Area or the Association, provided that any contract with a person or firm appointed as a manager or managing agent be terminable for cause on not more than thirty (30) days written notice by the Association or on not more than ninety (90) days written notice without cause or payment of a termination fee;

(e) Delegate its powers to committees, officers, or employees as expressly authorized in the Declaration, Articles, and Bylaws;

(f) Prepare budgets and financial statements of the Association on an annual basis;

(g) Formulate rules of operation of the Common Area for adoption by the Association;

(h) Initiate and carry out disciplinary proceedings against Members for violations of provisions of the Declaration, Articles and Bylaws in accordance with procedures set forth in the Declaration, Articles and Bylaws;

(i) Enter upon any privately owned Lot where necessary in connection with construction, maintenance or repair for the benefit of the Common Area or Owners;

(j) Obtain, for the benefit of the Common Area, all water, gas and electric and other services;

(k) Grant easements where necessary for utilities and sewer facilities over Common Area to serve the Property;

(l) Establish and maintain a working capital and contingency fund in an amount to be determined by the Board;

(m) Have the duty to maintain Architectural Control over the Property and appoint an Architectural — Design Committee in connection therewith, pursuant to this Declaration;

(n) Contract and pay for refuse collections and disposal service for the benefit of Members;

(o) Delegate its powers to committees, officers, or employees as provided in the Bylaws, employ a manager other persons and contract with independent contractors or managing agents who have professional experience in the management of planned unit developments to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a person or firm appointed as a manager or managing agent be terminable for cause on not more than thirty (30) days written notice by the Association and shall

have a term of not more than one (1) year with successive one (1) year renewal periods upon mutual agreement of the parties;

(p) Fix and levy from time to time pursuant to this Declaration and the Bylaws, Assessments upon the Members; determine and fix the due date for the payment of such Assessments, and the date upon which the same shall become delinquent; provided, however, such Assessments shall be fixed and levied as authorized in the Declaration and in performing or causing to be performed any of the purposes of the Association for the general welfare of its Members, and the Board is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide adequate reserves for replacements as it shall be deemed to be necessary or advisable in the interest of the Association or welfare of its Members.

(q) Subject to Article 16 hereof, borrow money and incur indebtedness for the purposes of the Association and cause to be executed and delivered therefore, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges or other evidence of debt and security therefore;

(r) Negotiate and enter into contracts with First Beneficiaries and mortgage insurers and guarantors as may be necessary or desirable to facilitate the availability of loans secured by Deeds of Trust upon the Lots.

(s) Maintain, or cause to be maintained the Maintenance Areas, and the Common Area (including any drainage or irrigation facilities or systems located thereon), in a neat, orderly, safe and sanitary condition (including the repair and replacement of landscaping and improvements when necessary or appropriate) and in such a manner as to enhance their appearance, maintain and preserve established slope ratios, prevent erosion or sliding problems and to facilitate the orderly discharge of water through established drainage systems and patterns. Any natural slope areas within the Common Area or Maintenance Area shall be maintained in a natural condition and in such a manner as to prevent noxious or dangerous weeds, sage brush, chaparral or any other brush or weeds from attaining such growth as to become, when dry, a fire menace or public nuisance.

8.2 General Limitations and Restrictions on the Powers of the Board. In addition to the limitations and restrictions enumerated in the Articles and Bylaws or elsewhere provided for herein, and without limiting the generality thereof, the Board shall be prohibited from taking any of the following actions without the approval of a majority of the Class A members of the Association:

(a) Contract for materials or services for the Common Area or the Association for a term in excess of one (1) year, with the following exceptions:

(i) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that

the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate.

(ii) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the applicable policy permits for short rate cancellation by the insured.

(b) Incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for the fiscal year.

(c) Sell any real or personal property of the Association with an aggregate fair market value in excess of five percent (5%) of said estimated Common Expenses during any fiscal year;

8.3 Association Rules. The Association shall also have the power, as provided in the Bylaws, to adopt, amend, and repeal such rules and regulations as it deems reasonable. The Association Rules shall govern such matters in furtherance of the purposes of the Association, as the Board shall deem appropriate, including, but not limited to, the use of the Common Area; provided, however, that the Association Rules may not discriminate among the Owners, and shall not be inconsistent with this Declaration, the Articles, or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner in the same manner established in this Declaration for the delivery of notices and a copy shall be posted in a conspicuous place within the Common Area. Upon such mailing or delivery and posting, said Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner, and Institutional Mortgagee upon request. In the event of any conflict between any such Association Rules and any other provisions of this Declaration, or the Articles or Bylaws the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or Bylaws to the extent of any such inconsistency.

8.4 Entry and Emergency Powers. The Association or any person authorized by the Association may enter any Lot in the event of any emergency involving illness or potential danger to life or property, or in any nonemergency situations, after reasonable notice and at reasonable hours, for the purpose of performing its duties and exercising its powers as set forth in this Declaration, including entry when necessary in connection with construction, maintenance, or repair for the benefit of the Common Area, Maintenance Area, or the Owners in common. Any damage caused by said entry shall be repaired at the cost of the Association.

8.5 Notice to First Beneficiaries. The Association shall, at the written request of First Beneficiaries, give written notification to such beneficiaries of any default by an Owner in the

performance of said Owner's obligations under this Declaration, provided the performance of such obligation has been in default at least sixty (60) days. Any First Beneficiary shall, upon written request to the Association, be entitled to (1) receive annual audited financial statements of the Association ninety (90) days following the end of the Association's fiscal year and (ii) receive written notice of all annual and special meeting of the Members and, further, First Beneficiaries shall be entitled to designate a representative to attend all such meetings. Thirty (30) days prior to the effectuation of any of the following matters, the Association shall give written notice thereof to each First Beneficiary: (a) abandonment or termination of the Association, (b) any amendment to the Declaration, Bylaws or Articles requiring the consent of such First Beneficiary; and (c) any decision by the Association to terminate any managing agent and the assumption by the Association of self-management of the Property. The Association shall give timely written notice to First Beneficiaries of any substantial damage to or destruction of, and of any eminent domain or condemnation proceeding affecting any Lot or any part of the Common Area and facilities thereon.

8.6 Books and Records. The Association shall allow the First Beneficiaries to examine the books and records of the Association at all reasonable times during normal business hours.

8.7 Delegation of Powers. The Association shall have the right to delegate any of its powers according to law under this Declaration, the Articles and Bylaws; provided, however, no such delegation, whether to a professional management company or otherwise, shall relieve the Association or its obligations to perform such delegated duty.

8.8 Acts of Association. All lawful agreements and determinations made by the Association in accordance with the applicable statutes of the State of California and the provisions of this Declaration, the Articles and the Bylaws shall be binding on all Owners, their successors and assigns.

ARTICLE 9

EASEMENTS

9.1 Common Area. There shall be granted to the Association over the Common Areas an easement or easements for purposes of maintenance thereof, together with a license in favor of the Association, its agents and representatives, to traverse upon such additional continuous property as shall be necessary to gain access to such Areas, over which said easement or easements have been granted and to gain access to any Common Area. Each Owner agrees, for himself and his heirs, successors, executors, administrators and assigns, that he will permit free access by the Association and its authorized agents and representatives for the purpose of exercising its rights and duties with respect to the Common Area. The Association shall have the right to alter, trim and otherwise modify and to maintain trees, plants, shrubs and other landscaping on the Common Area.

9.2 Maintenance Area. There shall be granted to the Association over certain Lots an easement or easements for purposes of maintenance thereof, together with a license in favor of the Association, its agents and representatives to traverse upon such additional continuous property as shall be necessary to gain access to such Maintenance Area, over which said easement or easements have been granted. Each Owner agrees, for himself and his heirs, successors, executors, administrators and assigns, that he will permit free access by the Association and its authorized agents and representatives for the purposes of exercising its rights and duties hereunder.

9.3 Encroachments. Declarant shall grant to each Owner of a Lot an easement over all the Property (including Lots and Common Area) for the purpose of

(a) Accommodating minor encroachments due to original engineering or surveying errors.

(b) Accepting water from the drainage system on the Property.

(c) Accommodating minor encroachments of fences and perimeter walls (including retaining walls); and

(d) Constructing, maintaining, repairing and reconstructing such fences and perimeter walls (including retaining walls). Each Owner agrees, for himself and his heirs, successors, executors, administrators, and assigns, and the Association agrees, for itself and its successors and assigns, that each will permit free access, at reasonable times and upon reasonable notice, by each Owner for whose benefit an easement shall be granted hereunder for the purpose of exercising his rights with respect to such construction, maintenance, repair and/or reconstruction.

ARTICLE 10

RESERVATIONS OF EASEMENTS BY DECLARANT

10.1 Utilities. Easements over the Property for the installation, maintenance, service, repair, reconstruction and replacement of electric, telephone, cable television, water, gas, sanitary sewer lines, and drainage facilities as shown on the recorded tract maps are hereby reserved by Declarant together with the right to grant and transfer same.

10.2 Common Area. There is hereby reserved by Declarant, including without limitation, its sales agents and representatives and prospective purchasers of Lots, together with the right in Declarant to grant and transfer same, over the Common Area as the same may from time to time exist, easements for construction, display, sales offices and incidental parking and exhibit purposes in connection with the construction, development and sale of Residences and Lots within the Property and for such other purposes; provided, however, that such use by

Declarant and others shall not unreasonably interfere with the reasonable use and enjoyment of the Common Area by the Members.

10.3 Discharge of Rights and Obligations. There is hereby reserved by Declarant, together with the right to transfer the same, easements over the Property for the purpose of permitting the Association, their Board, the Architectural — Design Committee, Declarant and others to discharge their rights and obligations as described in this Declaration.

10.4 Cable Television. There is hereby reserved to Declarant over the Property, the right to place on, under or across same, transmission lines and other facilities for a community antenna system together with the right to grant and transfer said right and such lines and facilities and together with the right to enter upon the Property to service, maintain, repair, and reconstruct and/or replace said lines or facilities; provided, however, that the exercise of such rights does not unreasonably interfere with any Owners reasonable use and enjoyment of his Lot.

10.5 Trail Easement. There is hereby reserved to Declarant over the Common Area, the right to grant an easement or easements for riding or hiking purposes to any homeowners association within the Bear Brand Ranch or any member thereof, or to any public or private entity.

ARTICLE 11

INSURANCE

11.1 Types. The Association, to the extent available, shall obtain and continue in effect in its own name the following types of insurance so long as such amounts or type of insurance coverage are not, in the good faith judgment of the Board, prohibitively expensive or no longer necessary or appropriate for the protection of the Property, the Association and the Members:

(a) A Comprehensive policy of public liability insurance covering the Common Area with a limit of not less than One Million Dollars (\$1,000,000) for claims for personal injury and/or property damage arising out of a single occurrence, such coverage to include protection against water damage liability, liability for nonowned and hired automobile and liability for property of others, and such other risks as shall customarily be covered with respect to similar planned unit developments in the area of the Property, and shall contain a "severability of interest" endorsement or the equivalent which shall preclude the insurer from denying the claim of an Owner because of negligent acts or omissions of the Association or other Owners;

(b) A policy of fire and casualty insurance with extended coverage for the full insurable replacement value of the Common Area and landscaping and improvements (including any and all building service equipment and the like) thereon, without deduction for depreciation,

with an "agreed amount endorsement" or its equivalent and clauses waiving subrogation against Members and the Association and persons upon the Property with the permission of a Member, such insurance to afford protection against at least loss or damage by fire and other hazards covered by the standard extended coverage endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm, water damage, and such other risks as shall customarily be covered with respect to similar planned unit developments in the area of the Property.

11.2 Waiver by Members. As to each of said policies which will not be voided or impaired thereby, the Members hereby waive and release all claims against the Association, the Board, the Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

11.3 Other Insurance; Annual Review. The Association may purchase such other insurance as it may deem necessary, including, but not limited to, plate-glass insurance, workmen's compensation, officers' and directors' liability, and errors and omission insurance. The Board shall annually determine whether the amounts and types of insurance it has obtained provide adequate coverage for the Common Area in light of increased construction costs, inflation, practice in the area in which the Property is located, or any other factor which tends, to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interests of the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

11.4 Premiums, Proceeds and Settlement. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Casualty insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Common Area Improvements." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) officers of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and the Members.

11.5 Abandonment of Replacement Cost Insurance. Unless at least two-thirds (2/3) of the First Beneficiaries, based on one (1) vote for each first mortgage, have given their prior written approval, the Association shall not be entitled to fail to maintain the extended coverage fire and casualty insurance required by this Article on less than the one hundred percent (100%) current replacement cost basis.

11.6 Federal Requirements. Notwithstanding the foregoing provisions of this Article, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for planned unit development projects established by FNMA, GNMA, FHLMC, FHA and VA, so long as any of the foregoing is a First Beneficiary or Owner within the Property, or insures or guarantees a mortgage, as the case may be, except to the extent such coverage is not available or has been waived in writing by the foregoing entities.

ARTICLE 12

DESTRUCTION OF COMMON AREA IMPROVEMENTS

In the event of partial or total destruction or improvements upon any Common Area, it shall be the duty of the Association to restore and repair the same to their former condition as promptly as is practical and in a lawful and workmanlike manner. The proceeds of any insurance maintained pursuant hereto shall be used for such purpose, subject to the prior rights of beneficiaries of deeds of trust whose interests may be protected by said policies. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Reconstruction Assessment, with each Owner contributing a like sum, may be levied by the Association to provide the necessary funds for such reconstruction and repair, over and above the amount of any insurance proceeds available for such purpose. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be less than eighty-five percent (85%) of the estimated cost of restoration and repair, the improvements shall not be replaced or restored unless approved by the vote or written consent of Members entitled to exercise two-thirds (2/3) of the voting power of the membership of the Association. In the event of a determination not to replace or restore the improvements on the Common Area, and provided that in the event of such determination the Association shall obtain the additional written consent of two-thirds (2/3) of the First Beneficiaries, the Common Area shall be cleared and landscaped for community park use; provided, however, that there shall exist in such Common Area adequate vehicular and pedestrian rights-of-way for the Owners of Lots to insure legal access thereto, and the costs together of shall be paid for with the insurance proceeds, and any deficiency may be raised by the levy of uniform Reconstruction Assessments in any amount determined by the Board. Reconstruction Assessments shall be due and payable at the times and in the amounts determined by the Board. In the event any excess insurance proceeds remain, the Board shall retain such sums in the general funds of the Association..

ARTICLE 13

EMINENT DOMAIN COMMON AREA

The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation. In the event of a threatened taking of all or any portion of the

Common Area, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemnor in lieu of engaging in a condemnation action. Awards received on account of the takings shall be paid to the Association and shall be retained in the general funds of the Association or, at the election of the Board, distributed in whole or in part on a pro rata basis to the Owners; provided, however, that the rights of an Owner and the mortgagee of his Lot as to any such distributions shall be governed by the provisions of the mortgage encumbering such Lot. In the event of a taking of less than all of the Common Area and the improvements thereon shall apply as in the case of destruction of improvements upon the Common Area.

ARTICLE 14

GENERAL PROVISIONS

14.1 **Duration.** The covenants, conditions, restrictions, easements, reservations, liens and charges of this Declaration shall run with the Property and shall inure to the benefit of and be enforceable as provided herein by the Association, or the Owner, including Declarant, of any Lot subject to this Declaration, their respective legal representatives heirs, successors, and assigns, and are imposed upon the Property as a servitude in favor of each and every parcel of land therein as a dominant tenement, for a term of sixty (60) years from the date this Declaration is recorded, after which time said covenants, conditions, restrictions, easements, reservations, liens and charges shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by a majority of the then Owners of the Lots, has been recorded with the Orange County Recorder, agreeing to change said covenants, conditions and restrictions in whole or in part. In the event a Lot is owned by more than one Owner, any one of the co-Owners may sign such instrument in writing on the behalf of all co-Owners.

14.2 **Amendment.** This Declaration may be amended only by an instrument in writing signed by not less than two-thirds (2/3) of the Owners of the Lots; provided, however, that Section 3.3(a), 3.3(d) and 3.5; Article 4; Section 5.6; Section 6,1 and 6.4; Section 8.1(q), 8.5, and 8.6; Section 9.3; Section 10.2; Article 11; Article 12; Article 13; and Sections 14.2, 14.3, 14.4(a), 14.4(c), 14,6, 14.10 and 14.12 shall not be amended without the written consent of two-thirds (2/3) of the First Beneficiaries. Any amendment must be properly recorded. In the event of a Lot is owned by more than one Owner, any one of the co-Owners may sign such instrument in writing on behalf of all co-Owners.

14.3 **Notices.** Any notice required to be sent to any Member or Owner or First Beneficiary under the provisions of this Declaration shall be in writing and shall be deemed to have been properly sent when delivered personally or mailed, postage prepaid, if to an Owner or Member, to the last known address of the person who appears as a Member of Owner on the

records of the Association at the time of such mailing and if to a First Beneficiary to the address furnished to the Association by such beneficiary for purposes of notice or if no such address is furnished to any office of the First Beneficiary in the County of Orange, or if no such office is located in said County, to any office of the First Beneficiary. In the case of Co-Owners, any such notice may be delivered or sent to any one (1) of the Co-Owners.

14.4 Enforcement.

(a) The Association or the Owner of any Lot, including Declarant, shall have the right to enforce by proceedings at law or in equity all covenants, conditions, restrictions, easements, reservations, liens and charges now or hereafter imposed by this Declaration, as amended and supplemented, the Articles and Bylaws, including without limitation the right to prosecute a proceeding at law or in equity against the person or persons who have violated or are attempting to violate any of these covenants, conditions, restrictions, easements, reservations, liens or charges to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

(b) Should any Owner fail to comply with the provisions of Article 6 or Article 7 hereof and should any such failure continue for a period of thirty (30) days following written notice of such failure from the Association to the Owner, the Association shall have the right, but not the duty, to correct any such noncompliance, and the cost thereof shall be borne by such Owner. In the event such costs are not paid to the Association within thirty (30) days after the Association has furnished a statement therefore, the Association shall have the right, but not the duty, to levy a Special Assessment against such Owner to cover the costs of correction, if any, of such noncompliance. No one or more failures or refusals by the Association to accomplish such compliance which an Owner shall have failed to perform shall be deemed a waiver of the right in the Association to perform such work at a later time as to the same or different work or compliance.

(c) The result of every action or omission whereby any covenant, condition, restriction, easement, reservation, lien or charge herein contained is violated in whole or in part is hereby declared to be and to constitute a nuisance, and every remedy allowed by law or equity against an Owner, either public or private, shall be applicable against every such result and may be exercised by the Association or any Owner, including Declarant, subject to these restrictions.

(d) In any legal or equitable proceeding or the enforcement or to restrain the violation of these covenants, conditions, restrictions, easements, reservations, liens, or charges or any provisions hereof, the losing party or parties shall pay the attorneys' fees of the prevailing party or parties in such amount as may be fixed by the court in such proceedings. All remedies provided herein or at law or in equity shall be cumulative and not exclusive,

(e) Failure by the Association or by any Owner to enforce any covenant, condition or restriction, easement, reservation, lien or charge herein contained shall in no event be deemed to be a waiver of the right to do so thereafter.

(f) Nothing contained herein shall be deemed to require Declarant to enforce any covenant, condition, restriction, easement, reservation, lien, charge or provision hereof.

14.5 Severability. Invalidation of any one of these covenants, conditions, restrictions, easements, reservations, liens or charges by judgment or court order shall not in any way affect any other provisions, which shall remain in full force and effect. Declarant makes no warranties or representations express or implied, as to the binding effect or enforceability of all or any portion of this Declaration.

14.6 Breach of Restrictions, Easements, Conditions, Covenants and Reservations. A breach of any of the restrictions, easements, conditions, covenants, reservations, liens or charges herein contained shall not defeat or render invalid the lien of any deed of trust made in good faith and for value as to any Lot in the Property by said restrictions, easements, conditions, covenants, and reservations, liens and charges shall be binding upon and effective against any Owner thereof whose title thereto is acquired by foreclosure, trustee's sale or otherwise.

14.7 Headings. Section headings are inserted for convenience only and are not intended to be a part of this document or in any way to define, limit or describe the scope or intent of the particular section to which they refer.

14.8 Singular Includes Plural. Whenever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine.

14.9 Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose or creating a uniform plan for the development of a residential community with private, social and recreational areas and for the maintenance of such areas.

14.10 Nonliability of Officials. To the fullest extent permitted by law, neither the Board, any committees of the Association nor any member thereof shall be liable to any Member or Owner or the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

14.11 Obligations of Owners and Members. The terms and provisions set forth in this Declaration are binding upon all Owners of all Lots, the Association and all Members of the Association. In addition, both the Member and the Lot owned shall be subject to the terms and provisions of the Articles and Bylaws as the same may from time to time be amended. Each

Member shall cause the Association to perform all of the duties and obligations of the Association as set forth in this Declaration, the Articles and Bylaws of the Association.

14.12 Leases of Lots. Any Owner who shall lease his Lot to any person or entity shall be responsible for assuring compliance by such person or entity with all of the covenants, conditions, restrictions, easements, reservations, liens and charges of this Declaration, as amended and supplemented. Any lease agreement between an Owner and a lessee must provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration, the Articles and Bylaws, and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All such leases shall not be for a term less than six (6) months, shall be in writing, and a copy thereof shall be provided to the Association, within thirty (30) days of execution of the lease. No Lots shall be utilized for transient, hotel, hospitality, or such other similar short-term uses or commercial purposes.

14.13 Mergers and Consolidations. Upon the merger or consolidation of the Association with another association, its properties, rights and obligations may be transferred to the surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants, conditions, restrictions, easements, reservation, liens and charges established by this Declaration, as supplemented and amended, with respect to the Property together with the covenants, conditions, restrictions, easements, reservations, liens and charges established upon any other property, as one general plan and scheme or in such other plan of administration as the surviving or consolidated corporation deems reasonable.

14.14 Assignment of Rights and/or Duties. Any or all of the rights and/or duties, if any, of Declarant herein may be assigned to any other person or entity and upon any such assignment any such person or entity shall, to the extent of such assignment, have the same rights and/or duties as are given to and/or assumed by Declarant herein, and thereupon, Declarant shall be relieved of the performance of any further duty, if any, hereunder.

ARTICLE 15

INTEGRATED NATURE OF THE COVERED PROPERTY

The real property described on Exhibit "C" (hereinafter in this Article referred to as the "Annexation Property") and/or any other real property may be annexed to and become subject to this Declaration by any of the methods set forth hereinafter in this Article, as follows:

15.1 Development of the Property. Declarant intends to sequentially develop or cause the development of the Annexation Property on a phased basis; however, Declarant may elect not to develop all or any part of such real property, to annex or accept the annexation of the Annexation Property to this Declaration in increments of any size whatsoever, or to develop or

cause to be developed more than one such increment at any given time and in any given order. Moreover, Declarant reserves the right to subject or cause to be subjected all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said Property to the jurisdiction and powers of a homeowners association or other entity with powers and obligations similar to the Association and which is not subject to provisions of this Declaration. Although Declarant shall have the ability to annex or accept the annexation of the Annexation Property as provided in this Article, Declarant shall not be obligated to annex or accept for annexation all or any portion of such property and such property shall not become subject to this Declaration unless and until a Supplementary Declaration shall have been properly executed and recorded.

15.2 Supplementary Declarations. A Supplementary Declaration shall be a writing in recordable form which annexes real property to the plan of this Declaration and which incorporates by reference the covenants, conditions, restrictions, easements and other provisions of this Declaration and shall contain such other provisions as set forth in this Declaration relating to Supplementary Declarations. Such Supplementary Declarations contemplated above may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the development of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, or any merger or consolidation, revoke, modify or add to the covenants established by this Declaration with respect to the existing Property.

15.3 Annexation Without Approval and Pursuant to General Plan. Notwithstanding the provisions of Section 15.4 below, all or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the Association or its Members, provided that a Supplementary Declaration covering the portion of the Annexation Property to be annexed shall be executed and recorded by Declarant and, if applicable, the fee owner of such property; provided, however, no Supplementary Declaration shall be so executed and recorded pursuant to this Section more than three (3) years subsequent to the date of the original issuance of the most recently issued final subdivision public report for a phase of development of the Property or any of the Annexation Property. The recordation of said Supplementary Declaration shall constitute and effectuate the annexation of such property described therein making such property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter such annexed property shall be part of the Property and all of the Owners in such annexed property shall automatically be Members.

15.4 Annexation Pursuant to Approval. Upon approval in writing of the Association, pursuant to a two-thirds (2/3) majority of the voting power of each class of its Members, or the written assent of such Members, excluding the voting power or written assent of the owner of any of the real property sought to be annexed, any person who desires to add real property, other

than the Annexation Property, to the plan of this Declaration and to subject such property to the jurisdiction of the Association, may file of record a Supplementary Declaration. The provisions of this Section shall also apply to the Annexation Property subsequent to the expiration of the power of Declarant to annex such property without the approval of the Members as provided in this Article. The certificate of the President and the Secretary of the Association attached to any Supplementary Declaration recorded pursuant to this Section certifying that the required two-thirds (2/3) majority of the voting power of each class of Members has approved the recordation of such Supplementary Declaration shall be deemed convulsive proof thereof.

15.5 Mergers or Consolidations. Upon a merger or consolidation of the Association with another association, which merger or consolidation must be approved by two-thirds (2/3) of each class of Members, the Association's properties, rights and obligations may, by operation of law, be transferred to the surviving or consolidated association, or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants, conditions and restrictions established by this Declaration within the Property, together with the covenants and restrictions established upon any other property as one plan.

ARTICLE 16

RIGHTS OF LENDERS

16.1 Filing Notice; Notices and Approvals. A mortgagee shall not be entitled to receive any notice which this Declaration requires the Association to deliver to mortgagees unless and until such mortgagee, or its mortgage servicing contractor, has delivered to the Board a written notice stating that such mortgagee is the holder of a mortgage encumbering a lot within the Property. Such notice need not state which lot or lots are encumbered by such mortgage but shall state whether such mortgagee is a First Beneficiary. Wherever the approval of all or a specified percentage of mortgagees is required pursuant to this Declaration, it shall be deemed to mean the vote or approval of all or a specified percentage only of those mortgagees which have delivered such notice to the Board. Notwithstanding the foregoing, if any right of a mortgagee under this Declaration is conditioned on a specific written request to the Association, in addition to having delivered the notice provided in this Section, a mortgagee must also make such request, either in a separate writing delivered to the Association or in the notice provided above in this Section, in order to be entitled to such right. Except as provided in this Section, a mortgagee's rights pursuant to this Declaration, including, without limitation, the priority of the lien of mortgagees over the lien of Assessments levied by the Association hereunder shall not be affected by the failure to deliver a notice to the Board. Any notice or request delivered to the Board by a mortgagee shall remain effective without any further action by such mortgagee for so long the facts set forth in such notice or request remain unchanged.

16.2 Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein, shall affect, impair, defeat or render invalid the lien or charge of any first mortgage made in good faith and for value encumbering any Lot, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Lot, except as otherwise provided in this Article.

16.3 Curing Defaults. A mortgagee, or the immediate transferee of such mortgagee, who acquires title by judicial foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all mortgagees.

16.4 Resale. It is intended that any loan to facilitate the resale of any Lot after judicial foreclosure or trustee's sale is a loan made in good faith and for value and entitled to all of the rights and protections afforded to other mortgagees.

16.5 Relationship with Assessment Liens.

(a) The lien provided for in the Section of Article 4 hereof entitled "Creation of the Lien and Personal Obligation of Assessments" for the payment of Assessments shall be subordinate to the lien of any first mortgage which was recorded prior to the date any such Assessment becomes due.

(b) If any Lot subject to a monetary lien created by any provision hereof shall be subject to the lien of a first mortgage: (1) the foreclosure of any lien created by anything set forth in this Declaration shall not operate to affect or impair the lien of such first mortgage; and (2) the foreclosure of the lien of said first mortgage or sale under a power of sale included in such first mortgage (such events being hereinafter referred to as "Events of Foreclosure") shall not operate to affect or impair the lien hereof, except that any persons who obtain an interest through any of the Events of Foreclosure, and their successors in interest, shall take title free of the lien hereof or any personal obligation for said charges as shall have accrued up to the time of any of the Events of Foreclosure, but subject to the lien hereof for all said charges that shall accrue subsequent to the Events of Foreclosure.

(c) Any first mortgagee who obtains title to a Lot by reason of any of the Events of Foreclosure, or any purchaser at a judicial foreclosure sale, shall take title to such lot free of any lien or claim for unpaid Assessments against such lot which accrue prior to the time such first mortgagee or purchaser comes into title of the lot, except for liens or claims for a share of such Assessments resulting from a pro rata reallocation of such Assessments to all lots within the Property.

(d) Nothing in this Section shall be construed to release any Owner from his obligation to pay for any Assessment levied pursuant to this Declaration.

16.6 Two-Thirds Vote of First Beneficiaries. Except upon the prior written approval of at least two-thirds (2/3) of the First Beneficiaries (based upon one (1) vote for each first mortgage held) or Owners (other than the Declarant), neither the Association nor the Members shall be entitled to do any of the following:

(a) Dissolve the Association or abandon or terminate the maintenance of the Common Area by the Association; or

(b) Amend the provisions of the Articles hereof entitled "Property Rights in the Common Area", "Covenant for Assessments", "Architectural and Landscaping Control", "Insurance", this Article, or any provision of this Declaration, the Articles, or Bylaws which is a requirement of FNMA, GNMA, FHLMC, FHA or VA; or

(c) Effectuate any decision to terminate professional management, if any, and assume self-management of the Property.

(d) Abandon, partition, sell, alienate, subdivide, release, transfer, hypothecate or otherwise encumber the Common Area, provided, however, the granting of easements for public utilities or other public purposes consistent with the intended use of the Common Area shall not require such approval.

16.7 Other Rights of First Beneficiaries. Any First Beneficiary, or its mortgage servicing contractor, shall, upon written request to the Association, be entitled to:

(a) Inspect the books and records of the Association during normal business hours; and

(b) Receive the annual audited financial statement of the Association ninety (90) days following the end of the Association's fiscal year;

(c) Receive written notice of all annual and special meetings of the Members or of the Board, and First Beneficiaries shall further be entitled to designate a representative to attend all such meetings in order to, among other things, draw attention to violations of this Declaration which have not been corrected or made the subject of remedial action by the Association; provided, however, nothing contained in this Section shall give a First Beneficiary the right to call a meeting of the Board or of the Members for any purpose or to vote at any such meeting.

(d) Receive written notification from the Association of any default in the performance of the obligations imposed by this Declaration by the Owner whose lot is encumbered by such First Beneficiary's mortgage, which default has not been cured within sixty

(60) days of a request therefore by the Association; provided, however, the Association shall only be obligated to provide such notice to First Beneficiaries who have delivered a written request therefore to the association specifying the Lot or Lots to which such request relates.

16.8 Mortgagees Furnishing Information. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any mortgage.

16.9 Right of First Refusal. In the event this Declaration is amended to provide for any right of first refusal to purchase or lease a Lot in the Association, a mortgagee who comes into possession of a Lot pursuant to a judicial foreclosure or a trustee's sale shall be exempt therefrom. In addition, conveyances to and from third party foreclosure purchasers and mortgage insurers and guarantors shall also be exempt.

16.10 Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of this Declaration, the provisions of this Article shall control.

16.11 Notice of Destruction or Taking. In the event that the Common Area, or any portion thereof, is substantially damaged or is made the subject to any condemnation proceeding in eminent domain or is otherwise sought to be acquired by a condemning authority, the Board shall promptly notify any First Beneficiary affected by such destruction, taking or threatened taking. As used herein, "substantially damaged: shall mean damage exceeding Ten Thousand Dollars (\$10,000). If requested in writing by an Institutional Lender, the Association shall evidence its obligations under this Section in a written agreement in favor of such First Beneficiary.

16.12 Payment of Taxes or Premiums by First Beneficiaries. First Beneficiaries may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area, unless such taxes or charges are separately assessed against the Owners, in which case the rights of First Beneficiaries shall be governed by the provisions of their mortgages. First Beneficiaries may, jointly or singly, also pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area and First Beneficiaries making such payments shall be owed immediate reimbursement therefore from the Association. Entitlement to such reimbursement shall be reflected in an agreement in favor of any First Beneficiaries which request the same to be executed by the Association.

16.13 Priority Over Proceeds or Awards. Notwithstanding anything to the contrary in this Declaration or in the Articles or Bylaws, no Owner or other person shall be deemed to have a priority over any rights of the First Beneficiary pursuant to its mortgage in the case of a distribution to such Owner of any insurance proceeds or condemnation awards for losses to or a taking of the Common Area or any portion thereof.

ARTICLE 17

ENFORCEMENT OF BONDED OBLIGATIONS

In the event that the improvements to the Common Area of the Property have not been completed prior to the issuance of a Final Subdivision Public Report covering such Property by the Department of Real Estate of the State of California, and the Association is obligee under a bond or other arrangement (hereinafter called "Bond") to secure performance of the commitment of the Declarant to complete such improvements, the following provisions shall apply:

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

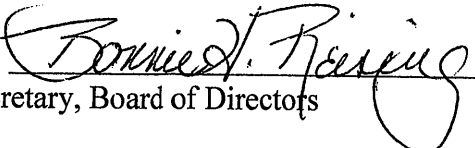
(b) In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the Bylaws dealing with meeting of the Members, but in any event, such meeting shall be held not less than thirty-five (35) days or more than forty-five (45) days after receipt by the Board of a petition for such meeting, signed by Members representing not less than five percent (5%) of the total voting power of the Association.

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

IT WITNESS WHEREOF, the designated representatives of the Association's Board of Directors have executed this Second Amended and Restated Declaration of Covenants, Conditions, and Restrictions of the Peppertree Bend Association on the day and year indicated.

PEPPERTREE BEND ASSOCIATION
Board of Directors

DATE: November 13, 2015

By: 
Secretary, Board of Directors

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

CIVIL CODE § 1189

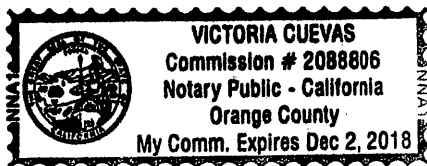
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California)
County of ORANGE)
On Nov. 13, 2015 before me, Victoria Cuevas, Notary Public
Date Here Insert Name and Title of the Officer
personally appeared BONNIE H. REISING
Name(s) of Signer(s)

who 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.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature [Handwritten Signature]
Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though this section is optional, completing this information can deter alteration of the document or fraudulent reattachment of this form to an unintended document.

Description of Attached Document

Title or Type of Document: Document Date:

Number of Pages: Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer(s)

Signer's Name:

- Corporate Officer -- Title(s):
Partner -- Limited General
Individual Attorney in Fact
Trustee Guardian or Conservator
Other:

Signer Is Representing:

Signer's Name:

- Corporate Officer -- Title(s):
Partner -- Limited General
Individual Attorney in Fact
Trustee Guardian or Conservator
Other:

Signer Is Representing:

EXHIBIT "A"

**PEPPERTREE BEND PROPERTY
RESIDENTIAL LOTS**

Lots 1 through 40, inclusive, of Tract No. 10593, as shown on a Map recorded in Book 466, pages 19 through 24, inclusive, of Miscellaneous Maps, Records of Orange County, California.

Parcel 3 of Parcel Map No. 85-128, as shown on a Map recorded in Book 223, Pages 30 through 31, inclusive, of Miscellaneous Maps, Records of Orange County, California (APN 121-100-57).

Parcel 1 of Parcel Maps recorded in Book 115, Pages 14 and 15 of Parcel Maps (APN 121-090-09).

Parcel 2 of Parcel Map No. 80-114 as shown on Parcel Map recorded in Book 146, Page 45 (APN 121-090-12).

Parcel 4 of Parcel Map No. 81-154, as shown on Parcel Map recorded in Book 175, pages 44 through 46, inclusive (APN 121-090-18).

EXHIBIT "B"

COMMON AREA

1. Lots A, B and C of Tract No. 10593 as shown on a Map recorded in Book 466, Pages 19 through 24, inclusive, of Miscellaneous Maps, in the Official Records of the County of Orange, State of California.

List of Properties for Recordation Pursuant to Government Code Section 27288.1

31531 Peppertree Bend	Faroq & Rizwana Bajwa
31541 Peppertree Bend	Jacqueline Sprovieri Revocable Trust 4/12/10
31545 Peppertree Bend	Ross & April Pake
31551 Peppertree Bend	Hoa Duong
31555 Peppertree Bend	Shang-Li & Betty Eu Huang
31561 Peppertree Bend	Stephen & Judy Lindsay
31571 Peppertree Bend	Thomas & Jill Wyckoff
31591 Peppertree Bend	Edward & Tricia Raymund
31601 Peppertree Bend	Lawrence & Jennifer Cancellieri
31621 Peppertree Bend	Mark & Evonne Morton
31631 Peppertree Bend	Bruce E. & Ann Fettel
31641 Peppertree Bend	Thomas & Margaritz Solazzo
31645 Peppertree Bend	Matasco Enterprises Inc. & Quicken Mortgage Corporation
31651 Peppertree Bend	Glen & Mareen Fouret
31661 Peppertree Bend	William E. Reising
31681 Peppertree Bend	Dr. Frank Arguello
31701 Peppertree Bend	Daniel Khalili & Adeshi Mitra
31721 Peppertree Bend	David & Amy Hahn
31741 Peppertree Bend	Jerry & Ruth Jacobson,
31761 Peppertree Bend	Qian Huang
31781 Peppertree Bend	Maxwell Zhaohua Chang
31801 Peppertree Bend	Stanley R. & Janette Braden
31831 Peppertree Bend	Stephen K. & Mandy L. Catto
31851 Peppertree Bend	Gregory & Deborah Stapley
31861 Peppertree Bend	Sten E. & Elizabeth W. Kramer
31881 Peppertree Bend	Kenneth & Tammy Tsunoda
31891 Peppertree Bend	Kenneth & Tammy Tsunoda
31931 Peppertree Bend	Richard Gale & Chery Roberts
31951 Peppertree Bend	Tony Morcos
31971 Peppertree Bend	William & Joan Cvengros
31975 Peppertree Bend	William Cvengros
31991 Peppertree Bend	Harold E. Barkate & Krystal Coop
32031 Peppertree Bend	Farid Chahla
32071 Peppertree Bend	John & Michelle Williams
32101 Peppertree Bend	Dr. Nasre & Susan Nabil
32121 Peppertree Bend	Timothy & Wendy Ballard Family Trust
32171 Peppertree Bend	Charles & Joan Kaminskas
32201 Peppertree Bend	Robert O. Young & Lisa L. Goodall
32221 Peppertree Bend	Scott McGregor & Laurie Girand
32241 Peppertree Bend	David & Ellen Edington
32251 Peppertree Bend	Steve & Elizabeth Williams
32271 Peppertree Bend	Lanaland, LLC
32275 Peppertree Bend	SJC Peppertree, LLC
32281 Peppertree Bend	Donald Bunker