

Board shall not expend funds designated as reserves for any purposes other than as permitted by Section 1365.5 of the California Civil Code, as same may be amended from time to time.

Section 16. Offsets and Waiver Prohibited. No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Master Association Property or abandonment of his Lot or Condominium, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Master Association.

Section 17. Exempt Property. The following property subject to this Master Declaration shall be exempt from the Assessments herein:

(a) All property dedicated to and accepted by any Public Agency;

(b) All property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of California. However, no land or Improvements utilized for residential dwelling purposes shall be exempt from said Assessment;

(c) All Master Association Property; and

(d) All Common Area owned or controlled by a Sub-Association.

ARTICLE VII

NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE MASTER ASSOCIATION

Section 1. Non-Payment of Assessments: Remedies of the Master Association. Any installment of a Regular, Special or Special Benefit Assessment, and any Damage Reimbursement or Compliance Assessment not paid within fifteen (15) days after the due date shall be deemed delinquent, and the Owner shall be

obligated to pay: (a) reasonable costs of collection, including reasonable attorneys' fees; (b) a reasonable late charge not exceeding ten percent (10%) of the delinquent Assessment or Ten Dollars (\$10.00), whichever is greater, or as may, from time to time, be established by the Board in accordance with California law; and (c) interest on all sums imposed under this Section at an annual percentage rate not to exceed twelve percent (12%), commencing thirty (30) days after the Assessment was due. The Board, for and on behalf of the Master Association, may commence legal action against the Owner (or Sub-Association) obligated to pay the same, or, in the case of a Regular, Special, Special Benefit or Damage Reimbursement Assessment may foreclose the lien against his Lot or Condominium (or the Sub-Association's Common Area). Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California. In furtherance thereof, each Owner (and Sub-Association) hereby vests in the Master Association, its successors or assigns, the right and power to bring all actions at law or to pursue lien foreclosure for purposes of collecting such delinquent Assessments.

Section 2. Notice of Delinquent Assessments. No action shall be brought to foreclose a lien for delinquent Assessments, or to proceed under the power of sale herein, unless at least thirty (30) days has expired following the date a Notice of Delinquent Assessments is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said Lot or Condominium (or to the Sub-Association) and a copy thereof is recorded by the Master Association in the Office of the County Recorder for Orange County. Said Notice of Delinquent Assessments must recite a good and sufficient legal description of the subject Lot or Condominium, the name and street address of the record Owner, the total amount of the Assessment(s) and all other amounts due as provided for herein, and the name and address of the principal office of the Master Association, and, in the event of a

nonjudicial foreclosure as provided in Section 3 below, the name and address of the trustee authorized by the Master Association to enforce the lien by sale. The Notice shall be signed and acknowledged by the President, or Vice President, and the Secretary, or Assistant Secretary, of the Master Association. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale. Any foreclosure sale provided for above is to be conducted by the Board, its attorney or by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted by the Board pursuant to Section 2934(a) of the California Civil Code. Any sale by the trustee shall be conducted in accordance with the provisions of Sections 2924 et seq. of the California Civil Code, as same may be amended from time to time, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Master Association, through duly authorized agents, shall have the power to bid on the real property at a foreclosure sale, and to acquire, hold, lease, mortgage and convey the same. Any Owner, by acceptance of a deed for his Lot or Condominium (and any Sub-Association) hereby expressly waives any objection to the enforcement and foreclosure of the lien in this manner.

Section 4. Curing of Default. Upon the timely curing of any default for which a Notice of Delinquent Assessments or lien was filed by the Master Association, the officers thereof are hereby authorized to file or record, as the case may be, an appropriate release of such Notice upon payment by the defaulting Owner (or Sub-Association) of a reasonable fee to be determined by the Master Association to cover the costs of preparing and filing or recording such release.

Section 5. Cumulative Remedies. The Master Association's remedies for nonpayment of Assessments, including, but not limited to, an action to recover a money judgment, Assessment lien and right of foreclosure and sale, are cumulative and in addition to and not in substitution of any other rights and

remedies which the Master Association and its assigns may have hereunder or at law. Nothing herein shall prohibit the Master Association from taking a deed in lieu of foreclosure.

Section 6. Mortgage Protection. Notwithstanding all other provisions hereof, no lien created hereunder, nor any breach of the terms and provisions of this Master Declaration, nor the enforcement of any term or provision hereof, shall defeat or render invalid the rights of any Mortgagee under any recorded first Mortgage or deed of trust upon a Lot or Condominium made in good faith and for value; provided that after such Mortgagee or other person or entity obtains title to such Lot or Condominium by judicial or nonjudicial foreclosure, such Lot or Condominium shall remain subject to this Master Declaration and the payment of Assessments which become due subsequent to the date of taking title.

ARTICLE VIII

USE RESTRICTIONS

Save and except the Declarant (and each Merchant Builder) who shall be exempt from the use restrictions set forth herein, all real property within the Community shall be held, occupied, used and enjoyed, subject to the following use restrictions:

Section 1. Private Single Family Dwelling. Except as provided in the Article herein entitled "General Plan of Development," or as otherwise provided in this Article, each Dwelling shall be used as a private residence for a single family and for no other purpose, except such temporary uses as shall be permitted by Declarant while the Community is being developed and Declarant and/or any Merchant Builder is conducting its sales, leasing or other marketing program.

Section 2. Use of Master Association Property. Use of the Master Association Property shall be subject to the provisions of this Master Declaration, the Rules and Regulations and the