

ARTICLE VI

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

Section 1. Creation of the Lien and Personal Obligation of Assessments. Grantor, for each Condominium owned by it, hereby covenants and agrees to pay, and each Unit Owner, by acceptance of a deed of a Condominium whether or not it shall be so expressed in any such deed, is deemed to covenant and agree to pay to the Association all Annual Assessments for Common Expenses and all applicable Special Assessments, Reconstruction Assessments and Capital Improvement Assessments. Except as provided in Section 5 of this Article VI, all such assessments, together with interest, costs, and reasonable attorneys' fees, shall be a separate, distinct and personal obligation of the Person who was the Unit Owner of such Condominium at the time when the assessments fell due, and shall bind his heirs, devisees, personal representatives and assigns. This personal obligation cannot be avoided by abandonment of the Condominium or by an offer to waive use of the Common Areas or any portion of the Association Properties.

Section 2. Maintenance Funds of Association. The Board of Directors shall establish no fewer than two (2) separate accounts (the "Windwood Maintenance Funds"), into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. Each of the Windwood Maintenance Funds shall be established as separate trust savings or trust checking accounts at a banking or savings institution. The Windwood Maintenance Funds shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) a Reserve Fund for capital improvements, replacements, painting and repairs of the Common Areas and Association Properties (which cannot normally be expected to occur on an annual basis), and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. The Board of Directors shall not commingle any amounts deposited into any of the Windwood Maintenance Funds with one another. Nothing contained herein shall limit, preclude or impair the establishment of additional Windwood Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

Section 3. Purpose of Assessments. The assessments levied by the Board of Directors on behalf of the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Condominiums and for the operation, replacements, improvement and maintenance of the Project and the Association Properties. All amounts deposited into the Operating Fund must be used solely for the common benefit of all of the Unit Owners for purposes authorized by this Declaration, as may be amended from time to time. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as may be necessary for the discharge of its responsibilities herein for the common benefit of all of the Unit Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements

from the Reserve Fund shall be made by the Board of Directors for the respective purposes specified in this Article VI. Nothing in this Declaration shall be construed in such a way as to permit the Association to use any assessments to abate any annoyance or nuisance emanating from outside the physical boundaries of the Project, unless such annoyance or nuisance is emanating from any portion of the Association Properties.

Section 4. Determination of Annual Assessments. The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Unit, as provided herein, by majority vote of the Board. The initial Annual Assessment shall begin on all Condominiums located in any phase of development of the Project (including unsold Condominiums therein owned by Grantor) on the first day of the calendar month following Close of Escrow for the sale of the first Condominium in such phase of development of the Project. All Annual Assessments shall be assessed equally and uniformly against the Members and their Condominiums based upon the number of Condominiums owned by each Member. The initial maximum Annual Assessment shall be determined in accordance with the budget of the Association as approved by the California Department of Real Estate and reflected in the most recent Final Subdivision Public Report for the sale of Condominiums in a phase of development in the Project.

Should the Board of Directors determine that the initial maximum Annual Assessment is insufficient to meet the Common Expenses of the Association during the remainder of the Association's fiscal year, the Board of Directors may, by majority vote, increase that Annual Assessment by not more than ten percent (10%) above the maximum. Any proposed Annual Assessment in excess of ten percent (10%) above the maximum Annual Assessment prior to the first annual meeting of the Association shall be subject to approval by a majority vote of the membership of the Association and reported to the California Department of Real Estate.

Not later than sixty (60) days prior to the beginning of each fiscal year, the Board of Directors shall prepare and distribute to the membership of the Association, a written, itemized estimate (budget) of the total Common Expenses to be incurred by the Association during such year in performing its functions under this Declaration (including a reasonable provision for contingencies and deposits into the Reserve Fund, less any expected income and accounting for any surplus from the prior year's respective Windwood Maintenance Fund). Written notice of the Annual Assessments shall be sent to every Member subject thereto. The Board may increase the previous fiscal year's Annual Assessment upon each Unit by not more than ten percent (10%) without first receiving the approval of a majority of the voting power of both the Class A and Class B Members of the Association. Any such increase in excess of ten percent (10%) shall require prior approval by the vote or written consent of a majority of the voting power of both the Class A and Class B Members. Each Annual Assessment shall constitute an aggregate of separate assessments for each of the Windwood Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Reserve Fund and the Operating Fund.

Each Member shall thereafter pay to the Association his Annual Assessment in installments at such frequency and in such amounts as established by the Board of Directors. Each Annual Assessment may be paid by the Member to the Association in one check or in separate checks as payments attributable to the deposits under the Operating Fund and the Reserve Fund. In the event that any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Windwood Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Unit Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

In the event that the Board of Directors shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all expenses of the Project for any reason, it shall immediately determine the approximate amount of such inadequacy. The Board of Directors shall have the authority to levy, at any time by a majority vote, a supplemental Annual Assessment, reflecting a revision of the total charges to be assessed against each Condominium, which shall not exceed: (1) ten percent (10%) of the then current Annual Assessment, provided that such current Annual Assessment has been previously approved by a majority of the voting power of both the Class A and Class B Members, or (2) in the event that the current Annual Assessment has not been so approved, ten percent (10%) of the previous year's Annual Assessment. To the extent that any supplemental Annual Assessment or the aggregate of any supplemental Annual Assessments in any fiscal year of the Association exceeds the foregoing, such excess shall require prior approval by the vote or written consent of a majority of the voting power of both the Class A and Class B Members. Written notice of any change in the amount of Annual Assessments levied by the Association through the Board of Directors shall be given to all Members not less than thirty (30) days prior to the effective date of such change.

Section 5. Collection of Annual Assessments. From and after the first day of the first month following the date of recordation of a deed to the first purchaser of a Condominium in the Project, the Board of Directors shall fix and collect monthly from each Member his pro rata share of the Annual Assessments. Annual Assessments for fractions of any month involved shall be prorated. Grantor shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums in the Project. The Board of Directors shall present to the Members, and to any and every institutional holder of a first mortgage on a Condominium in the Project who has filed a written request with the Board, a written financial statement, reflecting income and expenditures of the Association including deposits in and withdrawals from the Reserve Fund from the date of establishment thereof, as further provided in the By-Laws of the Association. The Board of Directors may cause such statement to be distributed to all Members in such greater frequency and at such further intervals as deemed appropriate by the Board of Directors of the Association.

At the end of any fiscal year of the Association, the Membership may determine that all excess funds in the Operating Fund may be returned to the Members proportionately, or may be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Project, any amounts remaining in any of the Windwood Maintenance Funds shall be distributed proportionately to or for the benefit of the Members as provided in this Declaration.

In any voluntary or involuntary conveyance of a Condominium, the new Unit Owner ("Purchaser") shall be jointly and severally liable with the previous Unit Owner ("Seller") for all unpaid assessments levied by the Board of Directors against the Seller for his share of the Common Expenses up to the time of the grant or conveyance, without prejudice to the right of the Purchaser to collect from the Seller therefor. However, any such Purchaser shall be entitled to a statement from the Board of Directors or the Manager of the Association, as the case may be, setting forth the amount of the unpaid assessments against the Seller due the Association; and such Purchaser shall not be liable for, nor shall the Condominium conveyed be liable for any unpaid assessments levied by the Board of Directors against the Seller in excess of the amount set forth in the statement; provided, however, that the Purchaser shall be liable for any such assessment becoming due after the date of any such statement. Notwithstanding the foregoing, any first Mortgagee or other Purchaser for value who obtains title to a Condominium pursuant to the remedies provided in the Mortgage or foreclosure of the Mortgage, shall not be liable for unpaid assessments or charges against the mortgaged Condominium which accrue prior to the time such Mortgagee acquires title to that Condominium.

Section 6. Capital Improvement Assessments. Should the Board of Directors determine the need for a capital improvement or other such expenditure, the cost of which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for the then current fiscal year, then the vote or written consent of at least a majority of the voting power of both the Class A and Class B Members, as provided herein, shall be required to approve and render effective a Capital Improvement Assessment levied by the Board of Directors to cover the cost of such expenditure.

Section 7. Delinquency and Acceleration. Any installment of an assessment provided for in this Declaration shall become delinquent if not paid on the due date as established by the Board of Directors of the Association. With respect to each installment of an assessment not paid within ten (10) days after its due date, the Board of Directors may, at its election, require the delinquent Unit Owner to pay a late charge of not to exceed Five Dollars (\$5.00) or five percent (5%) of the amount of the delinquent installment, whichever is greater, together with interest at the maximum rate permitted by law on such delinquent sums, calculated from the date of delinquency to and including the date full payment is received by the Association. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail a notice to the Unit Owner and to each first Mortgagee of a Condominium which has requested a copy of the notice.

Such notice shall specify (1) the fact that the installment is delinquent; (2) the action required to cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Unit Owner, by which such default must be cured; and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of the Annual Assessment for the then current fiscal year and sale of the Condominium. The notice shall further inform the Unit Owner of his right to cure after acceleration and to bring a court action to assert the nonexistence of a default or any defense of the Unit Owner to acceleration and sale. If the delinquent installments of the Annual Assessment and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment for the then current fiscal year, attributable to that Unit Owner and his Condominium, to be immediately due and payable without further demand and may enforce the collection of the full Annual Assessment and all charges thereon in any manner authorized by law and this Declaration.

Section 8. Notice of Lien. The Board of Directors may cause to be recorded in the Office of the County Recorder of Orange County a Notice of Delinquent Assessment ("Notice of Lien") securing the payment of any assessment or installment thereof, levied by the Association against any Condominium Owner as provided in Section 1356 of the Civil Code. Such Notice of Lien shall state (1) the amount of such delinquent assessment or installment, as the case may be, and other authorized charges and interest, including without limitation the cost of preparing and recording such Notice of Lien, (2) the expenses of collection in connection with any delinquent installments, including without limitation reasonable attorneys' fees, (3) a sufficient description of the Condominium against which the same has been assessed, (4) the name of the Unit Owner thereof, and (5) the name and address of the Association. Such Notice of Lien shall be signed by an authorized representative of the Association. Upon payment to the Association of the full amount claimed in the Notice of Lien, or other satisfaction thereof, the Board of Directors shall cause to be recorded a Notice of Satisfaction and Release of Lien ("Notice of Release") stating the satisfaction and release of such amount claimed. The Board of Directors may demand and receive from the applicable Unit Owner a reasonable charge for the preparation and recordation of such Notice of Release before recording the same. Any purchaser or encumbrancer, who has acted in good faith and extended value may rely upon such Notice of Release, as conclusive evidence of the full satisfaction of the sums stated in the Notice of Lien.

Section 9. Liens, Enforcement. All sums assessed in accordance with the provisions of this Declaration shall constitute a lien on the respective Condominium prior and superior to all other liens, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage or Deed of Trust with first priority or seniority over other Mortgages or Deeds of Trust) made in good faith and for value and recorded prior to the date on which the lien became effective, subject to the provisions of Article VI, Section 5 and Article XIII of the Declaration. Notwithstanding the foregoing, any assessment lien provided for hereunder shall be prior and superior

to any declaration of homestead recorded after the recordation of this Declaration. Said lien shall become effective upon recordation of the Notice of Lien in the manner provided in Section 8 of this Article. Such lien shall relate only to the individual Condominium against which the assessment was levied and not to the Project as a whole. It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one or more of the alternative means of relief afforded by this Declaration. Such lien may be enforced by sale of the Condominium by the Association, its attorney or other persons authorized to make the sale, after failure of the Unit Owner to pay an assessment, or installment thereof, as provided herein. Such sale shall be conducted in accordance with the provisions of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any manner permitted by law. An action may be brought to foreclose the lien of the Association by the Board, or by any Unit Owner if the Board fails or refuses to act, after the expiration of at least thirty (30) days from the date on which the Notice of Lien was recorded; provided that at least ten (10) days have expired since a copy of the Notice of Lien was mailed to the Unit Owner affected thereby, and subject to the provisions of Section 7 of this Article in the event that the Board accelerates the due date of any Annual Assessment installments. In any such foreclosure, the Unit Owner shall be required to pay a reasonable rental for the Condominium, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Association, through its agents, shall have the power to bid on the Condominium at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosing or waiving the lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit in law or equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

ARTICLE VII

EASEMENTS AND RIGHTS OF ENTRY

Section 1. Easements. Grantor expressly reserves for the benefit of the Unit Owners in the Project reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Areas and the Association Properties, which easements may be conveyed by Grantor to Unit Owners and to the Association for so long as Grantor owns any interest in the Project. Subject to the provisions of this Declaration governing use and enjoyment thereof, such easements may be used by Grantor, its successors, purchasers and all Unit Owners, their guests, tenants and invitees, residing on or temporarily visiting the Project, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Condominium in the Project. Grantor expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association nonexclusive easements over the Common Areas and the Association Properties as necessary to maintain and repair the Common Areas and the Association Properties, and to perform all other tasks in accordance with the