

liens, subject to reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

Section 4. Notice of Addition of Territory. The additions authorized under Sections 1 and 2 of this Article II shall be made by filing of record a Notice of Addition of Territory, or other similar instrument (which Notice or Instrument may contain the Supplemental Declaration, if any, affecting each such addition), with respect to the additional property which shall be executed by Grantor or the Owner thereof and shall extend the general plan and scheme of this Declaration to such Annexed Property. The filing of record of said Notice of Addition shall constitute and effectuate the annexation of the Annexed Property described therein, and thereupon said Annexed Property shall become and constitute a part of the Project, become subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Unit Owners of Condominiums in said Annexed Property shall automatically become Members of the Association. Such Notice of Addition may contain such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the Annexed Property, or as Grantor may deem appropriate in the development of the Annexed Property, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Notice of Addition revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same shall pertain to the real property originally covered by this Declaration. No addition of territory shall substantially increase assessments or substantially increase the burden upon the facilities of the Association Properties.

Section 5. Deannexation. Grantor may delete all or a portion of a phase of development of the Project from coverage of this Declaration and the jurisdiction of the Association, so long as Grantor is the owner of all of such Annexed Property, and provided that a Notice of Deletion of Territory is recorded in the Office of the Orange County Recorder in the same manner as the applicable Notice of Addition was recorded.

ARTICLE III

WINDWOOD FOREST HOMEOWNERS ASSOCIATION

Section 1. Organization of Association. The Association is or shall be incorporated under the name of WINDWOOD FOREST HOMEOWNERS ASSOCIATION, as a corporation not for profit under the General Nonprofit Corporation Law of the State of California.

Section 2. Duties and Powers. The duties and powers of the Association are those set forth in the Articles, together with its general and implied powers of a nonprofit corporation, generally to do any and all things that a corporation organized under the

laws of the State of California may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Articles, the By-Laws and in this Declaration. Transfer of control to the Association over the Common Areas and the Association Properties located in any phase of development of the Project shall take place upon the Close of Escrow for the sale of the first Condominium in that phase of the Project. From and after Close of Escrow for the sale of the first Condominium in any phase of development of the Project, the Association shall assume the payment of real property taxes assessed against such phase of development until taxes are assessed directly against the Unit Owners and their Condominiums located in such phase of development. Grantor shall furnish the Association with any and all tax statements in order to assist the Association in carrying out its obligations hereunder. The Association shall further have the right to install or construct capital Improvements on the Common Areas and the Association Properties as provided herein. The Association may at any time, and from time to time reconstruct, replace or refinish any Improvement or portion thereof upon the Common Areas and the Association Properties, replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Areas and the Association Properties, as further provided herein. The Association may employ personnel necessary for the effective operation and maintenance of the Common Areas and the Association Properties, including the employment of legal and accounting services, as provided in this Declaration and the By-Laws.

Section 3. Membership. Every Unit Owner shall automatically upon becoming the owner of a Condominium be a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. Ownership of a Condominium shall be the sole qualification for Membership in the Association. All memberships shall be appurtenant to the Condominium conveyed, and with the exception of Grantor, a Person shall be deemed a Unit Owner of a Condominium only upon Recordation of a deed conveying the Condominium to such Person. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be provided in this Declaration, in the By-Laws and in the Windwood Rules and Regulations.

Section 4. Transfer. The Membership held by any Unit Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Unit Owner's Condominium, and then only to the purchaser or Beneficiary of such Condominium. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Condominium to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his Membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments

attributable to this Condominium until fee title to the Condominium sold is transferred, as further provided in Article VI, Section 5 of this Declaration. In the event the Owner of any Condominium should fail or refuse to transfer the Membership registered in his name to the purchaser of such Condominium upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association."

Section 5. Classes of Membership. The Association shall have two (2) classes of voting Membership.

Class A. Class A Members shall be those Unit Owners described in Section 3 above, with the exception of Grantor for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned by such Class A Members, as shown on any recorded Condominium Plan. When more than one (1) Person holds such interest in any Condominium, all such Persons shall be Members. The vote of such Condominium shall be exercised as they among themselves determine in accordance with Section 6 of this Article III of this Declaration, but in no event shall more than one (1) vote be cast with respect to any Condominium.

Class B. The Class B Member shall be Grantor. The Class B Member shall be entitled to three (3) votes for each Condominium owned by Grantor, as shown on any recorded Condominium Plan; provided that the Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

(1) When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership, inclusive of any votes attributable to any Annexed Property described in Article II of this Declaration; or

(2) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a phase of the Project.

All voting rights shall be subject to the restrictions and limitations provided in this Declaration and in the Articles of Incorporation and By-Laws of the Association.

Section 6. Shares and Voting. At any meeting of the Association, each Unit Owner, except as otherwise provided in Section 5 of this Article III with respect to the voting power of Grantor, shall be entitled to cast no more than one (1) vote for each Condominium owned as shown on the Condominium Plan. Where there is more than one (1) record Unit Owner of a Condominium ("co-owners"), any or all of such co-owners shall be Members and may attend any meeting of the Association, but only one (1) of such co-owners shall be entitled to exercise the single vote to which the Condominium is entitled. Such co-owners shall from time to time all designate in writing one of their number to vote. Fractional votes shall not be allowed, and the vote for each Condominium shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such

unit shall be exercised as the majority of the co-owners of the unit mutually agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Condominium where the majority of the co-owners present in person or by proxy and representing such Condominium cannot agree to said vote or other action. The non-voting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Condominium and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the By-Laws of the Association, shall be deemed to be binding on all Unit Owners, their successors and assigns.

Section 7. Repair and Maintenance Duties of Association. Subject to Article XII pertaining to eminent domain, subject to Article XI pertaining to destruction of Improvements, and subject to Section 8 of this Article III, the Association shall paint, maintain, repair and make necessary Improvements to the Common Areas and the Association Properties, or shall contract for such maintenance, repair and Improvements, to assure the maintenance of the Common Areas and the Association Properties, as well as the exteriors of the garage, carport, patio and balcony elements of the Units, in first-class condition and repair. Such maintenance, repairs and Improvements shall include, without limitation, all corrective architectural, janitorial, landscaping and repair work within any Residence, if the Unit Owner fails to repair such Residence which is subject to his duty to maintain; repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Common Areas and the Association Properties; payment of all charges for any and all utilities which serve individual Units but which are subject to a common meter; payment of all Common Expenses and charges for water and utilities serving recreational amenities; and repair and maintenance of all walks and other means of ingress and egress within the Project and the Association Properties. All such maintenance, repairs and Improvements to the Common Areas and the Association Properties shall be paid for as Common Expenses out of the Windwood Maintenance Funds as provided in this Declaration. All work performed for and on behalf of a Unit Owner shall be charged to such Unit Owner as a Special Assessment, as herein provided. To the extent not assessed to or paid by the Unit Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Common Areas and the Association Properties. It shall further be the affirmative duty of the Board of Directors to require strict compliance with all provisions of this Declaration and to cause the Project and the Association Properties to be inspected by the Architectural Committee for any violations thereof.

Section 8. Repair and Maintenance by Unit Owner. Each Unit Owner shall maintain, repair, replace, paint, paper, plaster, tile, finish and restore or cause to be so maintained, repaired, replaced and restored, at his sole cost and expense, the interior living and garage elements of his Unit, including the interior surfaces of the walls, ceilings, windows, floors, doors and permanent

fixtures, in a clean, sanitary and attractive condition, in accordance with the Condominium Plan and the original construction design of the Improvements in the Project, subject to control and approval of the Architectural Committee. Unit Owners who have airconditioning compressors servicing their Units shall repair and maintain such compressors, even where they are located in the Common Areas with the approval of the Architectural Committee. Notwithstanding the foregoing, no interior walls, ceilings, floors or other structural or utility bearing portions of the Improvements housing the Units shall be pierced or otherwise altered or repaired, without the prior written approval of the plans for such alteration or repair by the Architectural Committee. It shall further be the duty of each Unit Owner to keep those portions of the Unit which are visible from the Common Areas free from debris. No Unit Owner shall be responsible for the resurfacing, replacing or structural repairing of his Unit, so long as the damage is not caused by the willful or negligent acts of the Unit Owner or his Family. It shall further be the duty of each Unit Owner to pay when due any and all charges for all utility services which services are not centrally metered but are separately metered to his Unit. Each Unit Owner shall be responsible for maintaining those portions of any heating and cooling equipment and other utilities which are located within his respective Unit. Notwithstanding the foregoing, there shall be no addition to, piercing of or alteration of the patio or balcony elements of the Units by any Person other than the Association through its duly authorized agents; and there shall be no addition to, piercing of or alteration of the common structural or utility bearing walls of the garage or living elements of the Units without the prior written approval of the Architectural Committee as provided in Article V of this Declaration.

Section 9. Use of Agent. On or before the date of the first annual meeting of the membership of the Association, the Board of Directors, on behalf of the Association, shall contract with a professional Manager for the performance of maintenance and repair and for conducting other activities on behalf of the Association. The term of such contract, or any contract with Grantor for the furnishing of services to the Association, shall not exceed one (1) year, renewable by agreement of the parties for successive one-year periods, and such contract shall be terminable by the Association at any time (1) for cause upon thirty (30) days' written notice thereof, and (2) without cause nor the payment of a termination fee upon ninety (90) days' written notice.

ARTICLE IV

RIGHTS IN COMMON AREAS AND ASSOCIATION PROPERTIES

Section 1. Conveyance of Easements. Grantor covenants for itself, its successors and assigns that it shall, prior to Close of Escrow for the sale of the first Condominium in the Project to a purchaser, pursuant to a Final Subdivision Public Report issued by the California Department of Real Estate, convey by grant deed to the Association, at no cost thereto, the Association Properties which are described in Article I, Section 9 of this Declaration. Upon conveyance of the Association Properties to the Association, the Association shall immediately become responsible for all