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89

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EXHIBIT "ONE"
TO CERTIFICATE CONSENTING TO RECORDATION
OF CONDOMINIUM PLAN PURSUANT TO CALIFORNIA
CIVIL CODE SECTION 1351

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
WINDWOOD FOREST

ALLEN HOLSON,
DUNN & MITTRICK
ALLEN CORPORATION

TABLE OF CONTENTS
FOR
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
WINDWOOD FOREST

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
PREAMBLE	1
ARTICLE I DEFINITIONS	2
Section 1 Architectural Committee	2
Section 2 Architectural Committee Rules	2
Section 3 Articles	2
Section 4 Assessment, Annual	2
Section 5 Assessment, Capital Improvement	2
Section 6 Assessment, Reconstruction	2
Section 7 Assessment, Special	3
Section 8 Association	3
Section 9 Association Properties	3
Section 10 Beneficiary	3
Section 11 Board or Board of Directors	3
Section 12 By-Laws	3
Section 13 Close of Escrow	3
Section 14 Common Areas	3
Section 15 Common Expenses	4
Section 16 Condominium	4
Section 17 Condominium Plan	4
Section 18 Declaration	4
Section 19 Deed of Trust	4
Section 20 Family	4
Section 21 Grantor	5
Section 22 Improvements	5
Section 23 Manager	5
Section 24 Member	5
Section 25 Mortgage	5
Section 26 Mortgagee, Mortgagor	5
Section 27 Notice and Hearing	5
Section 28 Person	5
Section 29 Phase 1	5
Section 30 Property	5
Section 31 Project	6
Section 32 Record, Filed	6
Section 33 Residence	6
Section 34 Supplemental Declaration	6
Section 35 Unit	6
Section 36 Unit Owner	6
Section 37 Windwood Maintenance Funds	6
Section 38 Windwood Restrictions	7
Section 39 Windwood Rules and Regulations	7

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
ARTICLE II ANNEXATION OF ADDITIONAL PROPERTY	7
Section 1 Additions by Grantor	7
Section 2 Other Additions	7
Section 3 Title to Association Properties	7
Section 4 Notice of Addition of Territory	8
Section 5 Deannexation	8
ARTICLE III WINDWOOD FOREST HOMEOWNERS ASSOCIATION	8
Section 1 Organization of Association	8
Section 2 Duties and Powers	8
Section 3 Membership	9
Section 4 Transfer	9
Section 5 Classes of Membership	10
Section 6 Shares and Voting	10
Section 7 Repair and Maintenance Duties of Association	11
Section 8 Repair and Maintenance by Unit Owner	11
Section 9 Use of Agent	12
ARTICLE IV RIGHTS IN COMMON AREAS AND ASSOCIATION PROPERTIES	12
Section 1 Conveyance of Easements	12
Section 2 Partition	13
Section 3 Members' Easements of Use and Enjoyment of Association Properties	13
Section 4 Extent of Members' Easements	13
Section 5 Delegation of Use	14
Section 6 Waiver of Use	14
Section 7 Damage by Member	14
ARTICLE V ARCHITECTURAL REVIEW COMMITTEE	15
Section 1 Members of Committee	15
Section 2 Review of Plans and Specifications	15
Section 3 Meetings of the Committee	16
Section 4 No Waiver of Future Approvals	17
Section 5 Compensation of Members	17
Section 6 Correction of Defects	17
Section 7 Non-Liability of Committee Members	18
Section 8 Variances	18
ARTICLE VI ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS	19
Section 1 Creation of the Lien and Personal Obligation of Assessments	19
Section 2 Maintenance Funds of Association	19
Section 3 Purpose of Assessments	19
Section 4 Determination of Annual Assessments	20
Section 5 Collection of Annual Assessments	21
Section 6 Capital Improvement Assessments	22
Section 7 Delinquency and Acceleration	22
Section 8 Notice of Lien	23
Section 9 Liens, Enforcement	23

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
ARTICLE VII EASEMENTS AND RIGHTS OF ENTRY	24
Section 1 Easements	24
Section 2 Rights of Entry	25
ARTICLE VIII GRANTOR'S RIGHTS AND RESERVATIONS	26
ARTICLE IX RESIDENCE AND USE RESTRICTIONS	27
Section 1 Residential Use; Rentals	27
Section 2 Parking and Vehicular Restrictions	27
Section 3 Antennae	27
Section 4 Insurance Rates	27
Section 5 Further Subdivision	27
Section 6 Signs	28
Section 7 View Obstructions	28
Section 8 Animal and Insect Restriction	28
Section 9 Nuisances	29
Section 10 Inside and Outside Installations	29
Section 11 Rubbish Removal	30
Section 12 Drainage	30
Section 13 Water Supply Systems	31
Section 14 Violation of Windwood Restrictions	31
ARTICLE X INSURANCE	31
Section 1 Duty to Obtain Insurance; Types	31
Section 2 Waiver of Claims Against Association	32
Section 3 Rights and Duty of Unit Owner to Insure	32
Section 4 Notice of Expiration Requirements	32
Section 5 Insurance Premiums	33
Section 6 Trustee for Policies	33
Section 7 Actions as Trustee	33
Section 8 Annual Insurance Review	33
Section 9 Required Waiver	34
ARTICLE XI DESTRUCTION OF IMPROVEMENTS	34
Section 1 Restoration of Project	34
Section 2 Sale of Project	35
Section 3 Right to Partition	35
Section 4 Interior Damage	36
Section 5 Notice of Unit Owners and Listed Mortgagees	36
ARTICLE XII EMINENT DOMAIN	36
Section 1 Definitions; Total Taking, Partial Taking, Special Partial Taking	36
Section 2 Awards; Repair; Restoration and Replacement	37
Section 3 Awards for Unit Owners' Personal Property and Relocation Allowances	38
Section 4 Notice to Unit Owners and Listed Mortgagees	39
ARTICLE XIII RIGHTS OF MORTGAGEES	19

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
ARTICLE XIV DURATION AND AMENDMENT	42
Section 1 Duration	42
Section 2 Amendment	42
Section 3 Protection of Grantor	43
Section 4 Amendment by Grantor	43
Section 5 Protection of City	43
ARTICLE XV ENFORCEMENT OF CERTAIN BONDED OBLIGATIONS	43
Section 1 Consideration by Board of Directors	43
Section 2 Consideration by the Members	44
ARTICLE XVI GENERAL PROVISIONS	44
Section 1 Legal Proceedings	44
Section 2 Violation of Restrictions	44
Section 3 Severability	45
Section 4 Interpretation	45
Section 5 Mergers or Consolidations	45
Section 6 Use of Recreational Facilities	45
Section 7 No Public Right or Dedication	46
Section 8 No Representations or Warranties	46
Section 9 Nonliability and Indemnification	46
Section 10 Notices	46
Section 11 Priorities and Inconsistencies	47
EXHIBIT "A" - CONDOMINIUM PLAN FOR PHASE 1 OF THE PROJECT	
EXHIBIT "B" - LEGAL DESCRIPTION OF REAL PROPERTY WHICH MAY BE ANNEXED TO PHASE 1 OF THE PROPERTY	
EXHIBIT "C" - ARTICLES OF INCORPORATION OF WINDWOOD FOREST HOMEOWNERS ASSOCIATION	
EXHIBIT "D" - BY-LAWS OF WINDWOOD FOREST HOMEOWNERS ASSOCIATION	

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
WINDWOOD FOREST

THIS DECLARATION is made on MAY 9, 1977, by
THE WILLIAM LYON COMPANY, a California corporation ("Grantor").

P R E A M B L E:

A. Grantor is the owner of real property ("Phase 1") in the City of Santa Ana, County of Orange, State of California, described as:

Lots 6, 10 and 11 of Tract No. 9505, as shown on a Subdivision Map, recorded on April 1, 1977, in Book 401, Pages 37 to 39, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder.

B. It is the desire and intention of Grantor to subdivide Phase 1 and any real property which may be annexed thereto pursuant to this Declaration into condominium estates and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the condominium estates created.

C. Grantor hereby declares that all of Phase 1 and any real property which may be annexed thereto shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, easements, conditions and covenants, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Project (as hereinafter defined) for the purpose of enhancing the value, desirability and attractiveness of the Project. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Project. All of the limitations, restrictions, easements, conditions and covenants herein shall run with the land and shall be binding on and for the benefit of all of the Project and all parties having or acquiring any right, title or interest in the Project, or any part thereof, and their successors and assigns.

D. Grantor, its successors, assigns and grantees, covenant and agree that the undivided interest in the Common Areas, the membership in the Association, any easements conveyed therewith and the fee titles to the respective Units conveyed therewith shall

not be separated or separately conveyed, and each such undivided interest, membership and easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit; provided, however, that this restriction upon the severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Property is suspended in accordance with Section 1354(b) of the California Civil Code and the provisions of Article XI hereof. Any conveyance by a Unit Owner of a Condominium or a Unit, or any portion thereof, shall be presumed to convey the entire Condominium, together with a membership in the Association.

ARTICLE I

DEFINITIONS

Unless otherwise expressly provided, the following words and phrases when used in this Declaration shall have the meanings hereinafter specified.

Section 1. Architectural Committee. "Architectural Committee" shall mean the Architectural Review Committee created pursuant to Article V hereof.

Section 2. Architectural Committee Rules. "Architectural Committee Rules" shall mean the rules adopted by the Architectural Committee pursuant to Article V, Section 3 hereof.

Section 3. Articles. "Articles" shall mean the Articles of Incorporation of WINDWOOD FOREST HOMEOWNERS ASSOCIATION, as filed in the Office of the Secretary of State of the State of California, a true copy of which is attached hereto, marked Exhibit "C" and incorporated herein by this reference, as such Articles may be amended from time to time.

Section 4. Assessment, Annual. "Annual Assessment" shall mean a charge against a particular Unit Owner and his Condominium, representing a portion of the costs of maintaining, improving, repairing and managing the Project and all other Common Expenses, including operation costs for the Common Areas and the Association Properties, which are to be paid by each Unit Owner to the Association for Common Expenses as provided herein.

Section 5. Assessment, Capital Improvement. "Capital Improvement Assessment" shall mean a charge against each Unit Owner and his Condominium, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Areas or the Association Properties, which the Association may from time to time authorize. Such charge shall be levied among all of the Condominiums in the Project in the same proportion as Annual Assessments, as provided herein.

Section 6. Assessment, Reconstruction. "Reconstruction Assessment" shall mean a charge against a particular Unit Owner and his Condominium, representing a portion of the cost to the Association for reconstruction of any capital improvements on any

of the Common Areas or Association Properties which the Association may from time to time authorize, and which shall be levied among all of the Condominiums in the Project in the same proportion as Annual Assessments, as provided herein.

Section 7. Assessment Special. "Special Assessment" shall mean a charge against a particular Unit Owner and his Condominium, directly attributable to, or reimbursable by, the Unit Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of this Declaration plus interest and other charges thereon as provided for in this Declaration.

Section 8. Association. "Association" shall mean WINDWOOD FOREST HOMEOWNERS ASSOCIATION, a California corporation (formed pursuant to the General Nonprofit Corporation Law of the State of California), its successors and assigns.

Section 9. Association Properties. "Association Properties" shall mean all of the real property and Improvements, including without limitation, a swimming pool or pools, a tot lot, a multi-purpose court, a restroom building, open parking areas, landscaped areas and private driveways, all of which are owned by the Association for the common use and enjoyment of all of the Owners. The Association Properties to be so owned by the Association at the time of the conveyance of the first Lot in Phase 1 shall include that certain real property in the City of Santa Ana, County of Orange, State of California, described as follows:

Lots 7 and A of Tract No. 9505, as shown on a Subdivision Map, recorded on April 1, 1977, in Book 401, Pages 37 to 39, inclusive, of Miscellaneous Maps, in the Office of the Orange County Recorder.

Section 10. Beneficiary. "Beneficiary" shall mean a mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be, and the assignees of such mortgage or beneficiary.

Section 11. Board or Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

Section 12. By-Laws. "By-Laws" shall mean the By-Laws of the Association as adopted by the Board and approved by the membership of the Association initially in the form of Exhibit "D" attached hereto and incorporated herein by this reference, as such By-Laws may be amended from time to time.

Section 13. Close of Escrow. "Close of Escrow" shall mean the date on which a deed conveying a Condominium is Recorded.

Section 14. Common Areas. "Common Areas" shall mean all areas on the Property, except the Units, and shall further include, without limitation, for maintenance purposes of the Association, but not necessarily by way of fee title, all gas, water, and waste pipes, all sewers, all ducts, chutes, conduits, wires, and other utility installations of the structures wherever located (except the outlets thereof when located within the Units),

the lot upon which the structures are located and the airspace above the structures, all structural bearing walls, columns, floors, the roofs, slabs, party walls, utility walls, foundations, walkways, common stairways, open parking areas, recreation facilities and landscaping on those areas which are not defined as a part of the Units.

Section 15. Common Expenses. "Common Expenses" shall mean the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Areas and Association Properties (including unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments); the costs of any and all utilities metered to more than one Unit and other commonly metered charges for the Project or the Association Properties; the costs of trash collection and removal; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security and other services benefiting the Common Areas and the Association Properties; the costs of fire, casualty and liability insurance, workmen's compensation insurance, and other insurance covering the Project and the Association Properties; the costs of bonding of the members of the management body; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Association Properties, the entire Project, or portions thereof; and the costs of any other item or items designated by, or in accordance with other expenses incurred by the Association, for any reason whatsoever in connection with the Project and the Association Properties, for the common benefit of the Unit Owners.

Section 15. Condominium. "Condominium" shall mean an equal, undivided fee simple percentage ownership interest in the Common Areas, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto.

Section 17. Condominium Plan. "Condominium Plan" shall mean the engineering drawings and related materials showing the diagrammatic floor plans of the Units, the boundaries of the Units, the Common Areas and, where applicable, dimensions, specific alternative uses as authorized by this Declaration, and such other information reasonably necessary to identify a Condominium. The Condominium Plan for Phase 1 of the Project is attached hereto, marked Exhibit "A" and by this reference is incorporated herein.

Section 18. Declaration. "Declaration" shall mean the within Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as it may be amended from time to time as provided herein.

Section 19. Deed of Trust. "Deed of Trust" shall mean a mortgage or a deed of trust, as the case may be.

Section 20. Family. "Family" shall mean one or more Persons each related to the other by blood, marriage or adoption, or a group of not more than five (5) Persons not all so related, inclusive of their domestic servants, who maintain a common household in a Residence.

Section 21. Grantor. "Grantor" shall mean THE WILLIAM LYON COMPANY, a California corporation, its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment.

Section 22. Improvements. "Improvements" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, buildings, outbuildings, walkways, bicycle trails, sprinkler pipes, garages, swimming pools, roads, driveways, parking areas, fences, screening walls, retaining walls, patio covers, awnings, stairs, the exterior surfaces of any visible structure, planted trees and shrubs, poles, signs, exterior air conditioning and water softener fixtures or equipment.

Section 23. Manager. "Manager" shall mean the person, firm or corporation employed by the Association, pursuant to and limited by Article III, Section 9 hereof, and delegated the duties, powers or functions of the Association as limited by said section.

Section 24. Member. "Member" shall mean every Person holding a membership in the Association, pursuant to Article III, Section 3 hereof.

Section 25. Mortgage. "Mortgage" shall mean any mortgage or deed of trust or other conveyance of a Condominium or other portion of the Project to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used shall be synonymous with the term "Mortgage".

Section 26. Mortgagee, Mortgagor. "Mortgagee" shall mean a Person to whom a mortgage is made and shall include the beneficiary of a Deed of Trust; "Mortgagor" shall mean a Person who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor" and the term "Beneficiary" shall be synonymous with the term "Mortgagee".

Section 27. Notice and Hearing. "Notice and Hearing" shall mean written notice and a public hearing before the tribunal appointed by the Board, at which the Unit Owner concerned shall have an opportunity to be heard in person, or by counsel at the Unit Owner's expense, in the manner further provided in the By-Laws.

Section 28. Person. "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

Section 29. Phase 1. "Phase 1" shall mean all of the real property described in Paragraph A of the Preamble to this Declaration.

Section 30. Property. "Property" shall mean all of the real property described in Paragraph A of the Preamble to this Declaration, together with such portion of the real property described in Exhibit "B", with respect to which a Notice of Addition of Territory may hereafter be recorded subjecting such property to

this Declaration and to the jurisdiction of the Association as provided herein.

Section 31. Project. "Project" shall mean the entire Property divided into Condominiums, in accordance with Section 1350 of the California Civil Code, including the Common Areas and the Units within the Property. The term "Project", as used herein, may constitute more than one project as defined in Section 1350 of the California Civil Code.

Section 32. Record, File. "Record" or "File" shall mean, with respect to any document, the recordation or filing of such document in the Office of the County Recorder of the County of Orange, State of California.

Section 33. Residence. "Residence" shall mean a Unit, intended for use by a single Family.

Section 34. Supplemental Declaration. "Supplemental Declaration" shall mean any declaration of covenants, conditions, restrictions and reservation of easements or similar document which may be recorded pursuant to Article II of this Declaration.

Section 35. Unit. "Unit" shall mean the elements of a Condominium not owned in common with the Owners of other Condominiums in the Property. Each of the Units in the multi-family structures shall be a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan. Each such Unit consists of a living area space or spaces bounded by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows, and doors of each residential element, as shown and defined in the Condominium Plan; together with separately defined areas of space for garages, air conditioning compressors, patios and balconies, as assigned and described particularly in the Condominium Plan. In interpreting deeds, declarations and plans, the existing physical boundaries of the Unit or a Unit constructed or reconstructed in substantial accordance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed, Condominium Plan or declaration, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries, as shown on the Condominium Plan or defined in the deed and declaration, and the boundaries of a building as constructed or reconstructed.

Section 36. Unit Owner. "Unit Owner" shall mean the record owner, whether one or more Persons, of a fee simple interest in a Condominium, including Grantor with respect to each Condominium owned by Grantor, and including sellers under executory contracts of sale, but excluding those Persons holding title as security for the performance of an obligation.

Section 37. Windwood Maintenance Funds. "Windwood Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association pursuant to Article VI, Section 2 hereof.

Section 38. Windwood Restrictions. "Windwood Restrictions" shall mean this Declaration and the Windwood Rules and Regulations of the Association from time to time in effect.

Section 39. Windwood Rules and Regulations. "Windwood Rules and Regulations" shall mean the rules and regulations adopted by the Board pursuant to the By-Laws, as such rules and regulations may be amended from time to time.

ARTICLE II

ANNEXATION OF ADDITIONAL PROPERTY

Additional real property may be annexed to Phase 1 of the Project and such additional real property may become subject to this Declaration by any of the methods set forth hereinafter:

Section 1. Additions by Grantor. If Grantor, its successors or assigns, shall develop, or cause to be developed, additional real property ("Annexed Property") within the area located in the City of Santa Ana, County of Orange, State of California, which is more particularly described in Exhibit "B" which is attached hereto and by this reference incorporated herein, Grantor or its successors or assigns shall have the right from time to time to add such Annexed Property or any portion or portions thereof to the Project and to bring such Annexed Property within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members, provided that such a right of Grantor and its successors and assigns shall terminate on the third anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a phase of the development of the Project. As each phase of development is developed, Grantor may, with respect thereto, record a Supplemental Declaration which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Grantor may deem appropriate for that phase of development of the Project. A "phase of development" for purposes of this Declaration means a portion of subdivided real property for which a Notice of Addition of Territory shall be recorded and for which a Final Subdivision Public Report is sought by Grantor from the California Department of Real Estate, and Phase 1 shall consist of all of the real property described in Paragraph A of the Preamble of this Declaration.

Section 2. Other Additions. In addition to the provision for annexation specified in Section 1 above, additional real property may be annexed to the Project and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to no less than two-thirds (2/3rds) of the voting power of both Classes of Members.

Section 3. Title to Association Properties. Prior to the conveyance of any Condominium within the Annexed Property to a purchaser thereof pursuant to a Final Subdivision Public Report, whether such annexation was accomplished by either method set forth in Sections 1 and 2 above, title to the Association Properties, if any, within said Annexed Property shall be conveyed to the Association, free and clear of any and all encumbrances and

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

maintenance, operation, control and expenses associated with the Association Properties. The Association Properties shall be conveyed subject to (i) the lien of property taxes and assessments not delinquent, (ii) all restrictive covenants of record at the time of conveyance, including this Declaration, and (iii) all other matters of record at the time of conveyance except encumbrances securing loans made to Grantor.

Section 2. Partition. There shall be no judicial partition of the Association Properties, the Common Areas or any part thereof for the term of the easements described in Section 1 of this Article, nor shall Grantor, any Unit Owner or any other Person acquiring any interest in any Condominium in the Project seek any such judicial partition.

Section 3. Members' Easements of Use and Enjoyment of Association Properties. Subject to the provisions of Section 4 of this Article, every Member of the Association shall have, for himself and his family, a non-exclusive easement of use and enjoyment of, in and to the Association Properties, and such easements shall be appurtenant to and shall pass with title to every Condominium in the Project.

Section 4. Extent of Members' Easements. The rights and easements of use and enjoyment of the Common Areas and Association Properties created by this Declaration shall be subject to the following:

(a) The right of the Association, in accordance with the Articles and By-Laws, with the vote or written assent of at least two-thirds (2/3rds) of the voting power of each class of Members, to borrow money from any lender for the purpose of improving or maintaining the Association Properties and providing services relating thereto, and in aid thereof, to mortgage, pledge, deed in trust or hypothecate any or all of the Association Properties as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the use rights of the Members; and

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

(c) The right of the Board to suspend the rights and easements of use and enjoyment of the Association Properties of any Member, and the Persons deriving such rights and easements from any Member, for any period during which the payment of any Annual, Special, Capital Improvement or Reconstruction Assessment against such Member and his Condominium remains delinquent, and, after Notice and Hearing as provided in the By-Laws, to suspend such rights and easements for the period set forth in the By-Laws for any violation of the Windwood Restrictions, it being understood that any suspension for either non-payment of any Assessment or breach of the Windwood Restrictions shall not

constitute a waiver or discharge of the Member's obligation to pay Assessments as provided herein; and

(d) The right of the Association to construct additional Improvements on the Common Areas or Association Properties and to alter or remove any existing Improvements on the Common Areas or Association Properties for the benefit of the Members of the Association; and

(e) The right of the Association, acting through the Board, to grant or convey easements, licenses or rights-of-way in, on or over the Common Areas and Association Properties for purposes and in the manner authorized under this Declaration; and

(f) The right of the Association, subject to the provisions of Article XIII of this Declaration, to give or sell all or any part of the Association Properties to any public agency, authority, public service district, utility or private concern; provided that no such gift or sale shall be effective unless an instrument signed by at least two-thirds (2/3rds) of each class of Members of the Association agreeing to such alienation or transfer has been recorded; and

(g) The rights and reservations of Grantor as set forth in Article VIII of this Declaration.

Section 5. Delegation of Use. Any Member entitled to the right and easement of use and enjoyment of the Common Areas or Association Properties may delegate, in accordance with the By-Laws, his right of use and enjoyment of the Common Areas and Association Properties to his tenants, family, contract purchasers or subtenants who reside in his Condominium, subject to reasonable regulation by the Board.

Section 6. Waiver of Use. No Member may exempt himself from personal liability for Assessments duly levied by the Association, nor effect the release of his Condominium from the liens and charges thereof, by waiver of the use and enjoyment of the Association Properties or by abandonment of his Condominium.

Section 7. Damage by Member. Each Member shall be liable to the Association for any damage to the Common Areas or Association Properties not fully reimbursed to the Association by insurance which may be sustained by reason of the negligence or willful misconduct of said Member, or the Persons deriving their right and easement of use and enjoyment of the Common Areas or Association Properties from said Member, or his or their respective family and guests, both minor and adult. Notwithstanding the foregoing, the Association reserves the right, acting through the Board, to determine whether any claim shall be made upon the insurance maintained by the Association; and the Association further reserves the right, after Notice and Hearing as provided in the By-Laws, to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by such Member or the Persons for whom such Member may be liable as described above. In the case of joint ownership of a Condominium, the liability of such Unit Owners shall be joint and several, except to

the extent that the Association shall have previously contracted in writing with such joint Unit Owners to the contrary. After Notice and Hearing as provided in the By-Laws, the cost of correcting such damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against the Condominium, and may be enforced as provided herein for the enforcement of other Assessments.

ARTICLE V

ARCHITECTURAL REVIEW COMMITTEE

Section 1. Members of Committee. The Architectural Review Committee, sometimes referred to in this Declaration as the "Architectural Committee" or the "Committee", shall consist of three (3) members. The initial members of the Committee shall consist of representatives of Grantor, whose business address is 366 San Miguel Drive, Suite 201, Newport Beach, California 92660. Subject to the following provisions, Grantor shall have the right and power at all times to appoint or remove a majority of the members of the Architectural Committee or to fill any vacancy of such majority until the "turnover date" which shall be the date on which either (1) ninety percent (90%) of the Condominiums subject to this Declaration have been sold and the deeds recorded ("Close of Escrow"), including Condominiums which may be annexed to the Project pursuant to Article II of this Declaration, or (2) five years following the date of issuance of the Final Subdivision Public Report for the Project, whichever occurs earlier. Commencing one (1) year from the date of Close of Escrow for the sale of the first Condominium in the Project to a purchaser (other than a developer) from Grantor, the Board shall have the power to appoint one (1) member to the Architectural Committee, until the turnover date. Thereafter, the Board shall have the power to appoint and remove all of the members of the Architectural Committee. Members appointed to the Committee by the Board shall be from the membership of the Association, but Persons appointed to the Architectural Committee by Grantor need not be Members of the Association. The Committee may designate and appoint a representative who is a licensed architect and a majority of the members of said Committee may, from time to time, remove or replace such representative. The designated representative of the Committee may be, but need not be, a member of the Committee. Such representative must be consulted prior to disapproval of any plans by the Committee, but the decision of the Committee with respect to the approval or disapproval thereof shall be final.

Section 2. Review of Plans and Specifications. The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. No construction, alteration, addition, modification, decoration, redecoration or reconstruction of an Improvement in the Project or on the Association Properties shall be commenced or maintained until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Committee and approved in writing by the Committee. The Committee shall approve proposals

or plans and specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Project as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Areas and the Association Properties or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. The Committee may condition its approval of proposals or plans and specifications for any Improvement (1) on such changes therein as it deems appropriate, (2) upon the agreement by the Person (referred to in this Section 2 as "applicant") submitting the same to grant appropriate easements to the Association for the maintenance of the Improvements, or (3) upon the agreement of the applicant to reimburse the Association for the cost of maintenance, or all three, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee to accompany each application for approval, or additional factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of such fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Committee of any required plans and specifications, the Committee may postpone review of any plan submitted for approval. Decisions of the Committee and the reasons therefor shall be transmitted by the Committee to the applicant at the address set forth in the application for approval, within thirty (30) days after receipt by the Committee of all materials required by the Committee. Any application submitted pursuant to this Section 2 shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the applicant within thirty (30) days after the date of receipt by the Committee of all required materials.

Section 1. Meetings of the Committee. The Committee shall meet from time to time as necessary to perform its duties hereunder. The Committee may from time to time by resolution unanimously adopted in writing designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the Committee, except the granting of variances pursuant to Section 8 of this Article V. In the absence of such designation, the vote of any two (2) members of the Committee, or the written consent of any two (2) members of the Committee taken without a meeting, shall constitute an act of the Committee. The Committee shall promulgate reasonable standards within the Architectural Committee Rules against which to examine any request made pursuant to this Article.

Section 4. No Waiver of Future Approvals. The approval of the Committee to any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans and specifications, drawings or matter whatsoever subsequently or additionally submitted for approval or consent.

Section 5. Compensation of Members. The members of the Committee shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

Section 6. Correction of Defects. Inspection of work and correction of defects therein shall proceed as follows:

(a) The Committee or its duly authorized representative may at any time inspect any Improvement for which approval of plans is required under this Article V; provided, however, that the Committee's right of inspection of the Improvement for which plans have been submitted and approved shall terminate sixty (60) days after such work of Improvement shall have been completed and the respective Unit Owner shall have given written notice to the Committee of such completion. The Committee's rights of inspection shall not terminate pursuant to this paragraph in the event that plans for the work of Improvement have not previously been submitted to and approved by the Committee. If, as a result of such inspection, the Committee finds that such Improvement was done without obtaining approval of the plans therefor or was not done in substantial compliance with the plans approved by the Committee, it shall notify the Unit Owner in writing of failure to comply with this Article V within sixty (60) days from the inspection, specifying the particulars of noncompliance. The Committee shall have the authority to require the Unit Owner to take such action as may be necessary to remedy the noncompliance.

(b) If upon the expiration of sixty (60) days from the date of such notification, the Unit Owner shall have failed to remedy such noncompliance, the Committee shall notify the Board in writing of such failure. Upon Notice and Hearing, as provided in the By-Laws, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Unit Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Unit Owner. If the Unit Owner does not comply with the Board ruling within such period, the Board, at its option, may record a notice of noncompliance in the Office of the County Recorder of Orange County and may peacefully remove the noncomplying Improvement or otherwise peacefully remedy the

noncompliance, and the Unit Owner shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Unit Owner to the Association, the Board shall levy a Special Assessment against such Unit Owner for reimbursement as provided in this Declaration. The right of the Association to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity or in this Declaration.

(c) If for any reason the Committee fails to notify the Unit Owner of any noncompliance with previously submitted and approved plans within sixty (60) days after receipt of said written notice of completion from the Unit Owner, the Improvement shall be deemed to be in accordance with said approved plans.

Section 7. Non-Liability of Committee Members. Neither Grantor, the Architectural Committee, nor any member of the Architectural Committee, the Board nor their duly authorized representative shall be liable to the Association, or to any Unit Owner for any loss, damage or injury arising out of or in any way connected with the performance of the duties hereunder, unless due to the willful misconduct or bad faith of any such Person. The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Project generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features. The Committee's approval or disapproval shall be based solely on the considerations set forth in this Article V, and the Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

Section 8. Variances. The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by at least two (2) members of the Committee, and shall become effective upon recordation in the Office of the County Recorder of Orange County. If any such variance is granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Unit Owner's obligation to comply with all governmental laws and regulations affecting his use of the Residence.

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

provisions of this Declaration. Such easements over the Common Areas and rights over the Association Properties shall be appurtenant to and shall pass with the title to every Condominium conveyed. Grantor expressly reserves for the benefit of the Association the right of Grantor to grant additional easements and rights-of-way over the Project and the Association Properties to utility companies and public agencies, as necessary, for the proper development and disposal of the Project, until Close of Escrow for the sale of the last Condominium in the Project from Grantor to a purchaser pursuant to a Final Subdivision Public Report issued by the California Department of Real Estate. The Board of Directors of the Association, with a vote or written consent of a majority of the Class A and Class B Members, shall have the right to grant easements and rights-of-way over the Common Areas and Association Properties to any Person after the Close of Escrow for the sale of the first Condominium from Grantor in the Project. Grantor, the Association and Unit Owners of contiguous Residences shall have a reciprocal easement appurtenant to each of the Residences over the Residences, the Common Areas and the Association Properties for the purposes of (1) accommodating any existing encroachment of any wall of the building, (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the Improvements housing their respective Units, and (3) maintaining drainage in accordance with the drainage pattern existing at the time of conveyance of the respective Residence to a purchaser from Grantor or in accordance with such drainage pattern as altered with the prior consent of the Architectural Committee. There are specifically reserved for the benefit of the Unit Owners easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Common Areas and the Association Properties. Such easements shall be as not to unreasonably interfere with the use and enjoyment by the Unit Owners of adjoining Residences. No portion of the Common Areas or Association Properties, including, without limitation, parking spaces and other amenities contemplated as a part of the Project, are proposed to be leased by Grantor to the Unit Owners or to the Association; provided, however, that the Association, in accordance with the Windwood Rules and Regulations, may regulate use of the Common Areas and Association Properties.

Section 2. Rights of Entry. The Board of Directors shall have a limited right of entry in and upon the Common Areas, the exterior of all Units and over the Association Properties for the purpose of inspecting the Project, and taking whatever corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property to be maintained or repaired by the Unit Owner. Nothing in this Article VII shall in any manner limit the right of the Unit Owner to exclusive occupancy and control over the interior of the garage and living elements of his Unit. However, a Unit Owner shall permit a right of entry to the Board of Directors or any other Person authorized by the Board of Directors, as reasonably necessary, such as for maintenance or in case of any emergency originating in or threatening his Unit, whether the Unit Owner is present or not. Furthermore, a Unit Owner shall permit other Unit Owners, or their

representatives, to enter his Residence for the purpose of performing required installation, alterations or repair to the mechanical or electrical services to a Residence, provided that such requests for entry are made in advance and that entry is at a time reasonably convenient to the Unit Owner whose Unit is to be entered and provided further that the entered Unit is left in substantially the same condition as existed immediately preceding such entry. In case of an emergency, such right of entry shall be immediate.

ARTICLE VIII

GRANTOR'S RIGHTS AND RESERVATIONS

Nothing in the Windwood Restrictions shall limit, and no Unit Owner or the Association shall do anything to interfere with, the right of Grantor to subdivide or resubdivide any portion of the Project, or to complete excavation and grading and construction of Improvements to and on the Association Properties or any other portion of the Project owned solely or partially by Grantor, or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Grantor deems advisable in the course of development of the Project so long as any Condominium in the Project is owned by Grantor. Such right shall include, but shall not be limited to, erecting, constructing and maintaining on the Project such structures and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. Each Unit Owner by accepting a deed to a Condominium hereby acknowledges that any construction by Grantor may impair the view of such Owner and hereby consents to such impairment. This Declaration shall not limit the right of Grantor at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Grantor to establish on that Condominium additional licenses, easements, reservations and rights of way to itself, to utility companies, or to other Persons as may from time to time be reasonably necessary to the proper development and disposal of the Project. Grantor may use any Condominiums owned by Grantor in the Project as model home complexes or real estate sales or leasing offices. Grantor need not seek or obtain Architectural Committee approval of any Improvement constructed or placed by Grantor on any portion of the Project owned by Grantor. All or any part of the rights of Grantor hereunder and elsewhere in these Windwood Restrictions may be assigned by Grantor to any successor in interest to any portion of Grantor's interest in any portion of the Project by an express written assignment recorded in the Office of the Orange County Recorder. Notwithstanding any other provision of this Declaration, the prior written approval of Grantor, as developer of the Project, will be required before any amendment to this Article shall be effective. Each Unit Owner hereby grants, upon acceptance of his deed to his Unit, an irrevocable, special power of attorney to Grantor to execute and record all documents and maps necessary to allow Grantor to exercise its rights under this Article. Grantor and its purchasers shall be entitled to the nonexclusive use of the Association Properties and the Common Areas and the recreational facilities thereon, without further cost for access, ingress, egress, use and enjoyment, in order to dispose of the Project as provided herein, until Close of Escrow for the sale of all of the Units in the Project; provided, however,

that such use shall not unreasonably interfere with the rights of enjoyment of the other Unit Owners as provided herein.

ARTICLE IX

RESIDENCE AND USE RESTRICTIONS

Section 1. Residential Use; Rentals. No living element of any Residence shall be used for any purpose other than single-family residential purposes. No gainful occupation, profession, trade or other non-residential use shall be conducted within the Project or the Association Properties; provided, however, that nothing in this Declaration shall prevent the rental of a Condominium by the Unit Owner thereof for Residential purposes, subject to all the provisions of the Windwood Restrictions.

Section 2. Parking and Vehicular Restrictions. No trailer, motor home, truck, camper, or boat shall be kept or maintained anywhere on the Project or the Association Properties, including any street (public or private), in such a manner as to be visible from neighboring property. No vehicle or boat shall be constructed or repaired upon the Project or the Association Properties, including any street (public or private), in such a manner as to be visible from neighboring property. No inoperable vehicle shall be stored or allowed to remain on the Project or the Association Properties, including any street (public or private), in such a manner as to be visible from neighboring property. There must be space available in every two-car garage in the Project for the parking of at least two (2) automobiles, and there must be space available in every one-car garage in the Project for the parking of at least one (1) automobile. The garages shall be used for parking vehicles only and shall not be converted for storage, living, recreational or business purposes.

Section 3. Antennae. No exterior radio antenna, television antenna, or other antennae of any type shall be erected or maintained in the Project. A master antenna or cable television antenna or antennae may, but need not, be provided for use of all Unit Owners, and Grantor may grant easements for such purposes.

Section 4. Insurance Rates. Nothing shall be done or kept in the Project or on the Association Properties which will increase the rate of insurance on any property insured by the Association without the approval of the Board, nor shall anything be done or kept in the Project or on the Association Properties which would result in the cancellation of insurance on any property maintained by the Association or which would be in violation of any law.

Section 5. Further Subdivision. No Unit Owner shall further subdivide his Unit (physically or legally), without the prior written consent of a majority of the voting power of the Association and without first having complied with all applicable laws and regulations; provided, however, that this provision shall not be construed to limit the right of a Unit Owner to rent or lease all of his Unit by means of a written lease or rental agreement subject to the restrictions of this Declaration. With the exception of a lender in possession of a Condominium Unit following a default in a first mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no Unit Owner shall be permitted to lease or rent his Unit for transient or hotel purposes.

The terms of any such lease or rental agreement shall be subject in all respects to the provisions of this Declaration and the By-Laws of the Association and any failure by the lessee of such Unit to comply with the terms of this Declaration or the By-Laws of the Association shall constitute a default under the lease or rental agreement. Notwithstanding the foregoing, no Condominium or Unit in the Project may be partitioned or subdivided without the prior written approval of the holder of any first Mortgage lien on such Unit; and this Section may not be amended without the prior written approval of at least seventy-five percent (75%) of the first Mortgagees of Condominiums in the Project.

Section 6. Signs. No sign, poster, billboard, advertising device or other display of any kind shall be displayed to the public view without the approval of the Architectural Committee, except such signs as may be used by Grantor in connection with the development of the Project and the Association Properties and sale of Condominiums and except such signs of customary and reasonable dimensions as prescribed by the Architectural Committee as may be displayed on or from a Condominium advertising the residence for sale. Any "for sale" or "for lease" signs not more than six (6) square feet shall not require Architectural Committee approval. Any sign stating that the Unit is for rent may be placed within a Unit but not upon any portion of the Common Areas or the Association Properties. The Board of Directors shall erect within the Common Areas a master directory of Units which are for lease or rent. Address, identification signs and mail boxes shall be maintained by the Board of Directors.

Section 7. View Obstructions. No vegetation or other obstruction shall be planted or maintained upon any balcony or patio in such location or of such height as to unreasonably obstruct the view from any other Residence in the vicinity thereof. In the event of a dispute between Unit Owners as to the obstruction of a view from a Residence, such dispute shall be submitted to the Architectural Committee, whose decision in such matters shall be binding. Any such obstruction shall, upon request of the Architectural Committee, be removed or otherwise altered to the satisfaction of the Architectural Committee, by the Unit Owner of the Residence upon which said obstruction is located. Any item or vegetation maintained upon any balcony or patio which item or vegetation is exposed to the view of any Unit Owner, shall be removed or otherwise altered to the satisfaction of the Architectural Committee, if such Committee determines that the maintenance of such item or vegetation in its then existing state is contrary to the purposes or provisions of this Declaration. The Architectural Committee shall ensure that the vegetation on the Common Areas maintained by the Association is cut frequently, so that the view of any Unit Owner is not unreasonably obstructed.

Section 8. Animal and Insect Restriction. No livestock, reptiles, insects, poultry or other animals of any kind shall be raised, bred or kept anywhere on the Project or the Association Properties, except domestic dogs, cats, fish, birds and other household pets may be kept within any Residence, provided that they are not kept, bred or maintained for commercial purposes or in unreasonable quantities or sizes. As used in this Declaration, "unreasonable quantities" shall ordinarily mean more than two (2)

pets per Residence; provided, however, that the Architectural Committee may determine that a reasonable number in any instance may be more or less. The Architectural Committee shall have the right to prohibit maintenance of any animal which in its opinion constitutes a nuisance to any other Unit Owner. Animals belonging to Unit Owners, occupants or their licensees, tenants or invitees within the Project must be either kept within an enclosure, an enclosed patio or on a leash being held by a person capable of controlling the animal. Furthermore, any Unit Owner shall be absolutely liable to each and all remaining Unit Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Project or the Association Properties by a Unit Owner or by members of his family, his tenants or his guests; and it shall be the duty and responsibility of each such Unit Owner to clean up after such animals which have used any portion of the Common Areas or the Association Properties.

Section 9. Nuisances. No rubbish or debris of any kind shall be placed or permitted to accumulate anywhere upon the Project or the Association Properties, and no odor shall be permitted to arise therefrom so as to render the Project, the Association Properties or any portion thereof unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. No activity shall be permitted to exist or operate upon any portion of the Project or the Association Properties, so as to be offensive, hazardous or detrimental to any other property in the vicinity thereof or to its occupants, and the Board shall have the right to determine if any noise, odor or activity producing same constitutes a nuisance. Without limiting the generality of any of the foregoing provisions, no exterior speakers, horns, whistles, bells or other sound devices (other than security devices used exclusively for security purposes), noisy or smoky vehicles, large power equipment or large power tools, unlicensed offroad motor vehicles or other items which may unreasonably interfere with television or radio reception of any Unit Owner in the Project, shall be located, used or placed on any portion of the Project or the Association Properties, without the prior written approval of the Architectural Committee. Each Unit Owner shall be accountable to the Association and other Unit Owners for the conduct and behavior of children visiting his Unit and other family members or persons residing in or visiting his Unit; and any damage to the Common Areas, the Association Properties, or property of another Unit Owner, caused by such children or other family members, shall be repaired at the sole expense of the Unit Owner with whom said children or other family members or persons are residing or visiting.

Section 10. Inside and Outside Installations. No outside installation of any type, including but not limited to a television or radio pole, antenna or clothesline shall be constructed, erected or maintained on any Residence, or the Association Properties, excepting antennae installed by Grantor as a part of the initial construction of the Project and except as may be installed by, or with the prior consent of the Architectural Committee. No patio or balcony covers, wiring, or installation of air conditioning, water softeners, or other machines shall be installed on the

exterior of the buildings of the Project, or the Association Properties or be allowed to protrude through the walls or roof of the buildings, unless the prior written approval of the Architectural Committee is secured. Outdoor patio or lounge furniture, plants and barbecue equipment may be maintained pursuant to the Windwood Rules and Regulations. No basketball standards or fixed sports apparatus shall be attached to any Residence without the prior written approval of the Architectural Committee. Notwithstanding the specificity of the foregoing, no exterior addition, change or alteration to any Residence or the Association Properties shall be commenced without the prior written approval of the Architectural Committee. Nothing shall be done in any Unit or in, on or to the Common Areas or the Association Properties which will or may tend to impair the structural integrity of any building in the Project or which would structurally alter any such building except as otherwise expressly provided herein. There shall be no alteration, repair or replacement of wall coverings within Units which may diminish the effectiveness of the sound control engineering within the buildings in the Project. There shall be no destruction of any part of the Common Areas or the Association Properties, except by the Association in accordance with the Windwood Restrictions. No utility bearing or structural interior wall in any of the Improvements of the Project shall be pierced or otherwise altered in any way, without the prior approval of the Architectural Committee and a structural engineering analysis. No Unit Owner shall cause or permit any mechanic's lien to be filed against any portion of the Project or the Association Properties for labor or materials alleged to have been furnished or delivered to the Project, the Association Properties or any Condominium Unit for such Unit Owner. Any such Unit Owner shall immediately cause such lien to be discharged within five (5) days after notice to the Unit Owner from the Board; the Board may discharge the lien and charge the Unit Owner a Special Assessment for such cost of discharge after Notice and Hearing.

Section 11. Rubbish Removal. Trash, garbage, or other waste shall be disposed of only by depositing same into a designated trash container. No portion of the Project or the Association Properties shall be used for the storage of building materials, refuse or any other materials, other than in connection with approved construction. There shall be no exterior fires whatsoever except barbecue fires contained with receptacles therefor. The cost of trash collection and removal shall be borne by the Association and shall constitute a portion of the Common Expenses. No clothing, household fabrics or other unsightly articles shall be hung, dried or aired in any Residence or the Association Properties nor inside Residences in such a way as to be visible from other Residences. No lumber, grass, shrub or tree clippings or plant waste, metals, bulk materials or scrap or refuse or trash shall be kept, stored or allowed to accumulate in any Residence or the Association Properties except within an enclosed structure or appropriately screened from view.

Section 12. Drainage. There shall be no interference with the established drainage pattern over the Project, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Architectural Committee. For the purpose hereof, "established" drainage is defined as the drainage

which exists at the time the overall grading of the Project is completed by Grantor, or that which is shown on any plans approved by the Architectural Committee.

Section 13. Water Supply Systems. No individual water supply or water softener system shall be permitted in any Condominium Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, the Orange County Health Department, and all other applicable governmental authorities. Any sewage disposal system shall be installed only after approval by the Architectural Committee and any governmental health authority having jurisdiction.

Section 14. Violation of Windwood Restrictions. There shall be no violation of the Windwood Restrictions, including without limitation the Windwood Rules and Regulations, once adopted by the Board. If any Member, his family, guest, or any licensee, lessee or invitee violates the Windwood Restrictions, the Board may impose a reasonable Special Assessment upon such Owner for each violation and may suspend or condition such Member's right to use the recreational facilities on the Common Areas and the Association Properties. Before invoking any such measure, the Board shall give such Member Notice and an opportunity for a formal Hearing, as further provided in the By-Laws. Any such suspension or conditional suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent), may be imposed for so long as the violation continues.

ARTICLE X

INSURANCE

Section 1. Duty to Obtain Insurance; Types. The Board shall obtain and continue in effect adequate blanket public liability insurance (including medical payments), with such limits as may be considered acceptable to the Federal National Mortgage Association (not less than \$1 million covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Association and its Members, with respect to the Common Areas, the Association Properties and any other property under its jurisdiction. The Board shall also obtain and continue in effect fire and casualty insurance with extended coverage in an amount as near as possible to the full replacement value of the Common Areas (including, without limitation, all Improvements, built-in appliances, cabinets and initial basic floor coverings, all as provided in the plans and specifications for the Project) and the Association Properties, without deduction for depreciation. Such insurance shall be maintained by the Board of Directors for the benefit of the Association, the Unit Owners, and the Mortgagees, as their interests may appear as named insureds, subject, however, to loss payment requirements as set forth herein. The Board of Directors shall purchase such other insurance, as necessary, including but not limited to, errors and omissions, plate glass insurance, medical payments, malicious

mischief, liquor liability and vandalism insurance, fidelity bonds and workmen's compensation, and such other risks as shall customarily be covered with respect to condominium projects similar in construction, location and use. Fidelity bond coverage must be obtained by the Association for any Person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees and employees of the Association and employees of the professional managing agent of the Association. Notwithstanding any other provisions herein, 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 condominium projects established by Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), so long as any of which is a Mortgagee or Owner of a Condominium within the Project, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

Section 2. Waiver of Claims Against Association. As to all policies of insurance maintained by the Association and the Unit Owners, the Association and the Unit Owners hereby waive and release all claims against one another, the Board of Directors and Grantor, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said Persons.

Section 3. Rights and Duty of Unit Owner to Insure. Each Unit Owner shall provide insurance on his personal property and upon all other property within his Unit which is not insured by the Association's blanket policy. Nothing herein shall preclude any Unit Owner from carrying any public liability insurance as he may deem desirable to cover his individual liability for damage to Person or property occurring inside his individual Unit or elsewhere upon the Project or the Association Properties. All such other policies as may be carried by Unit Owners shall contain waivers of subrogation of claims against Grantor, the Association, the Board, the officers of the Association and all other Unit Owners. Such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association, and duplicate copies of such other policies shall be deposited with the Board. If any loss intended to be covered by insurance carried by the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Unit Owner, such Unit Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 4. Notice of Expiration Requirements. All of the policies of insurance described herein shall contain a provision that said policy or policies shall not be cancelled or terminated, or expired by their terms, without sixty (60) days' prior written notice to the Board, Grantor, Unit Owners and their respective first Mortgagees (provided that such Unit Owners or Mortgagees have filed written requests with the carrier for such notice) and every other Person in interest who shall have requested such notice of the insurer.

Section 5. Insurance Premiums. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association, collected from the Unit Owners; and the portion of such payments necessary for the required insurance premiums shall be separately accounted for by the Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

Section 6. Trustee for Policies. The Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Section 1 of this Article shall be paid to the Board of Directors as Trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. 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 Article XI of this Declaration. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation, to the extent they desire, by first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction as provided in Article XI, Section 5 of this Declaration. Any two Directors 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 all the named insureds.

Section 7. Actions as Trustee. Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all Unit Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance, in a manner satisfactory to seventy-five percent (75%) of the first Mortgagees of Condominiums who have filed requests under Section 4 of this Article to the extent such first Mortgagees desire to participate. Duplicate originals or certificates of all policies of fire and casualty insurance carried by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Mortgagees who have requested the same in writing.

Section 8. Annual Insurance Review. The Board shall review the insurance carried by the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 1 above. The Board shall obtain a current appraisal of the full replacement value of the Improvements in the Project and the Association Properties except for foundations and footings, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such annual review.

Section 9. Required Waiver. All policies of physical damage insurance shall provide, if reasonably possible, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

(a) subrogation of claims against the tenants of the Unit Owners;

(b) any defense based on co-insurance;

(c) any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Unit Owner or any tenant of any Unit Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured;

(e) any right of the insurer to repair, rebuild or replace, and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured or the fair market value thereof;

(f) notice of the assignment of any Unit Owner of his interest in the insurance by virtue of a conveyance of any Condominium; and

(g) any right to require any assignment of any mortgage to the insurer.

ARTICLE XI

DESTRUCTION OF IMPROVEMENTS

Section 1. Restoration of Project. Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Project or the Association Properties, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article X hereof shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Project shall be reconstructed or rebuilt substantially in accordance with the Condominium Plans and the original construction plans if they are available, unless changes recommended by the Architectural Committee shall have been approved in writing by seventy-five percent (75%) of the Unit Owners and by all of the holders of record of first Mortgages upon the Condominiums of the approving Unit Owners. 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 of the Unit

Owners, with each Unit Owner contributing in the same proportion that Annual Assessments are levied among the Unit Owners, shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, 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 Unit Owners by the vote of not less than seventy-five percent (75%) of the Unit Owners present and entitled to vote, in person or by proxy, at a duly constituted meeting of the Members of the Association, together with the approval of at least seventy-five percent (75%) of the first Mortgagees of record of the Condominiums in the Project, shall determine whether the Association shall be authorized to levy a Reconstruction Assessment and proceed with such restoration and repair. In the event of a determination by the Unit Owners and their Mortgagees as provided above that the cost of such restoration and repair would be substantial and that it would not be in their best interests to proceed with the same, the Unit Owners may, at their discretion, proceed as provided in Section 2 below.

Section 2. Sale of Project. In the event that the amount available from the proceeds of the insurance policies maintained by the Association shall be less than eighty-five percent (85%) of the cost of reconstruction, a certificate of the resolution authorizing such reconstruction shall be filed with the Orange County Recorder within six (6) months from the date of such destruction and in the event of a failure to record such certificate within said period, it shall be conclusively presumed that the Unit Owners have determined not to rebuild said Improvements. In the event of a determination not to rebuild, the Association, acting through the Board of Directors as provided in Section 1355(b) of the California Civil Code, shall be authorized to have prepared and to file, as promptly as practical, a corrected subdivision map, converting the Property into an unimproved parcel of land, which shall be offered for sale at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among Unit Owners, such proportions to be based upon the relative initial base sales prices of the Units if such information is available or upon the relative square footage floor area of the respective Units as shown in the Condominium Plans, if the initial base sales prices are not available; provided that the balance then due on any valid encumbrance of record shall be first paid in order of priority, before the distribution of any proceeds to a Unit Owner whose Condominium is so encumbered.

Section 3. Right to Partition. No Unit Owner shall have the right to partition of his interest in the Condominium and there shall be no judicial partition of the Project, or any part thereof; except that in the event that a certificate of a resolution to rebuild or restore has not been recorded as provided above, within six (6) months from the date of any partial or total destruction, or if restoration has not actually commenced within said period, then conditions for partition as set forth in Subdivision (4) of Section 1354(b) of the California Civil Code shall be deemed to have been satisfied. Nothing herein shall be deemed to prevent

partition of a cotenancy in any Condominium. Except as provided above, each Unit Owner and the successors of each Unit Owner, whether by deed, gift, devise, or by operation of law, for their own benefit and for the Units and for the benefit of all other Unit Owners, specifically waive and abandon all rights, interests and causes of action for a judicial partition of the tenancy in common ownership of the Project and the Association Properties and do further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment.

Section 4. Interior Damage. Restoration and repair of any damage to the interior of any individual Residence, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Unit Owner of the Residence so damaged. In the event of a determination to rebuild the Project after partial or total destruction, as provided in this Article XI, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee as provided herein.

Section 5. Notice to Unit Owners and Listed Mortgagees. The Board, immediately upon having knowledge of any damage or destruction (1) to the Common Areas, or the Association Properties, or any portion thereof, which damage or destruction is substantial or may be restored only at a cost exceeding Ten Thousand Dollars (\$10,000), or (2) to any individual Unit which damage or destruction may only be restored at a cost exceeding One Thousand Dollars (\$1,000.00), shall promptly notify all Unit Owners, all institutional holders of first Mortgages on Condominiums in the Project, and all other Mortgagees who have filed a written request for such notice with the Board.

ARTICLE XII

EMINENT DOMAIN

Section 1. Definitions; Total Taking, Partial Taking, Special Partial Taking. The term "taking" as used in this Article shall mean condemnation by exercise of the power of eminent domain or by sale under threat of the exercise of the power of eminent domain. A "Total Taking" shall occur if there is a permanent taking by eminent domain of an interest in all or part of the Common Areas or of all or part of one or more Units, such that the ownership, operation and use of the Project in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking the Unit Owners of any Units (i) not taken, or (ii) only partially taken and capable of being restored to at least ninety-five percent (95%) of their floor area and to substantially their condition prior to the taking (collectively the "Remaining Units") do not by affirmative vote of a majority of their entire voting interest (without adjustment among such Units for relative voting rights because of such partial taking) approve the continuation of the Project and the repair, restoration and replacement to the extent feasible of the Common Areas and the Remaining Units. A "Partial Taking" shall occur if there is any other permanent taking

of the Property. A Partial Taking shall include, without limitation, a "Special Partial Taking" which is described herein as a taking of all or part of one or more Units, as Units, subject to all of the provisions of this Declaration, without involving any taking of the Common Areas except to the extent of the proportionate interest therein of the Units taken, so that the taking authority becomes a successor in title to the Unit Owner or Unit Owners of the Condominium or Condominiums so taken with the same effect as if such Units were purchased by the taking authority. Following any taking which in the opinion of the Board of Directors would constitute a Total Taking in the absence of the affirmative vote of the Remaining Unit Owners as required by the foregoing provisions, the Board of Directors shall call a special meeting of the Remaining Unit Owners to be held promptly, and in any event within sixty (60) days after the effective date of such taking, to determine if such Remaining Unit Owners will, or will not, decide to continue the Project as provided herein.

Section 2. Awards; Repair; Restoration and Replacement.

(a) In the event of a Total Taking, the Board of Directors shall: (i) except as provided in Section 3 of this Article, represent all of the Unit Owners in an action to recover any and all awards, subject to the right of all first Mortgagees of record upon request, to join in the proceedings, and (ii) proceed with the sale of that portion of the Project and Association Properties which was not included in the condemnation proceedings and distribution of the net proceeds of such sale and any condemnation award, after deducting any incidental fees and expenses, in the same proportion and in the same manner as provided in Article XI, Section 2.

(b) In the event of a Partial Taking, other than a Special Partial Taking, the provisions of Section 2(a)(i) of this Article shall be applicable. The net proceeds of the Partial Taking awards shall be held by the Board of Directors, after deducting related fees and expenses and the portions of the awards allotted in the taking proceedings or, failing such allotment, allotted by the Board of Directors to (i) Units totally taken or partially taken and not capable of being restored to at least ninety-five percent (95%) of their floor area and substantially their condition prior to the taking, and (ii) Units taken in the same manner as in a Special Partial Taking except that the taking is made subject to only some or to none of the By-Laws and Windwood Rules and Regulations (collectively the "Taken Units").

The proceeds of the Partial Taking award allotted to the Taken Units shall be paid to the Unit Owners respectively entitled thereto; provided, however, that such proceeds shall be first applied to the balance then due on any Mortgages of Record in order of priority before the distribution of any such proceeds to any Unit Owner whose Condominium is subject to any such Mortgage. First Mortgagees of Record with respect to the Remaining Units affected by such Partial Taking shall be entitled

to severance damages payable out of the award proceeds held by the Board of Directors to the extent that such Mortgagees can prove that their security has been impaired by such taking. The balance of the net proceeds shall then be applied to the repair, restoration and replacement of the Common Areas and the Remaining Units (but not Unit Owners' personal property nor those portions of the Units which the Unit Owners are obligated to restore) to as nearly their condition prior to the taking as may be feasible, in the same manner and under the same provisions applicable to the proceeds of insurance as set forth in Article XI, Section 1 hereof, except for any provisions relating to Unit Owners' personal property. Any funds held for restoration by the Board of Directors following completion thereof shall be disposed of, in each case in the same manner as provided in Article XI, Section 2, except that the total amount of the award payable to any Member and his Mortgagee or Mortgagees for a destroyed Unit or Units shall not exceed the value of said Member's Condominium interest.

In the event that the funds held for restoration by the Board of Directors are less than the cost of restoration and repair, a Reconstruction Assessment of the Remaining Unit Owners, with each Remaining Unit Owner contributing a sum in the same proportion as Annual Assessments paid by such Unit Owner, may be levied by the Board of Directors to provide the necessary additional funds for such reconstruction. In no event shall the Board of Directors be required to undertake any repair or restoration work or make any payment with respect to any Unit in excess of that portion of the awards reasonably attributable to the loss to that Unit. Following any Partial Taking, the Association and the Project shall continue, subject to and with the benefit of all the provisions of this Declaration, so far as applicable to the Remaining Units, and the voting interests of the Unit Owners shall be the same.

(c) In the event of a Special Partial Taking or a temporary taking of any Condominium, the Unit Owner of the Condominium taken, together with his Mortgagees, shall have exclusive rights to prosecute the proceedings for the respective taking awards and to retain the proceeds thereof. In the event of a temporary taking of Common Areas, the Board of Directors shall have exclusive rights to prosecute the proceedings for the respective taking awards and shall apply the proceeds thereof to reduce Common Expenses.

Section 3. Awards for Unit Owners' Personal Property and Relocation Allowances. Where all or part of the Project is taken by eminent domain, each Unit Owner shall have the exclusive right to claim all of the awards made for such Unit Owner's personal property, and any relocation, moving expense, or other allowance of a similar nature, designed to facilitate relocation. Notwithstanding the foregoing provisions, however, or the provisions of Sections 1 and 2, the Board of Directors, except in the case of a Special

Partial Taking, shall represent each Unit Owner in an action to recover all awards with respect to such portion, if any, of a Unit Owner's personal property which is at the time of any taking, as a matter of law, part of the real estate comprising any Unit, and shall allocate to such Unit Owner so much of any awards as is allotted in the taking proceedings or, failing such allotment, allotted by the Board of Directors to such Unit Owner's personal property. The amount so allocated shall be paid to the Unit Owner entitled thereto, whether or not the Unit in which such Unit Owner's personal property was located is to be restored by the Board of Directors. Notwithstanding restoration of the Unit, the Board of Directors shall have no responsibility for restoration of such Unit Owner's personal property.

Section 4. Notice to Unit Owners and Listed Mortgagees. The Board of Directors immediately upon having knowledge of any taking by eminent domain of the Project, the Association Properties, or any portion thereof, or any threat thereof, shall promptly notify all Unit Owners, all institutional holders of first Mortgages on Condominiums in the Project and those Mortgagees who have filed a written request for such notice with the Board.

ARTICLE XIII

RIGHTS OF MORTGAGEES

Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Beneficiary under any Deed of Trust upon a Condominium made in good faith and for value.

provided that after the foreclosure of any such Deed of Trust such Condominium shall remain subject to this Declaration, as amended. Notwithstanding any and all provisions of this Declaration to the contrary, in order to induce the Federal Home Loan Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA") to participate in the financing of the sale of Condominiums within the Project, the following provisions are added hereto (and to the extent these added provisions, pertaining to the rights of Mortgagees, FHLMC, FNMA, GNMA, VA and FHA, conflict with any other provisions of this Declaration or any other of the Windwood Restrictions, these added restrictions shall control):

(a) Each first Mortgagee of a Mortgage encumbering any Condominium, upon filing a written request for notification with the Board, is entitled to written notification from the Association of any default by the Mortgagor of such Condominium in the performance of such Mortgagor's obligations under the Windwood Restrictions, the Articles or the By-Laws (collectively referred to as the "Project Documents"), which default is not cured within thirty (30) days after the Association learns of such default.

(b) Every Unit Owner, including every first Mortgagee of a Mortgage encumbering any Condominium, which

obtains title to such Condominium pursuant to the remedies provided in such Mortgage, or pursuant to foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal".

(c) Each first Mortgagee of a Mortgage encumbering any Condominium, which obtains title to such Condominium, pursuant to judicial foreclosure or the powers provided in such Mortgage, shall take title to such Condominium free and clear of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time such Mortgagee acquired title to such Condominium.

(d) Unless at least seventy-five percent (75%) of the first Mortgagees (based upon one vote for each Mortgage owned), or seventy-five percent (75%) of the Unit Owners (other than Grantor), have given their prior written approval, neither the Association nor the Unit Owners shall:

(1) subject to any provisions of the California General Nonprofit Corporation Law to the contrary, by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Association Properties or the Improvements thereon which are owned, directly or indirectly, by the Association (the granting of easements for public utilities or for other public purposes or the renting of boat slips, consistent with the intended use of such property by the Association as provided in this Declaration, shall not be deemed a transfer within the meaning of this clause);

(2) change the method of determining the obligations, assessment dues or other charges [other than Special Assessments or late charges imposed by the Board in accordance with the provisions of this Declaration] which may be levied against any Unit Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the Association Properties or the Common Areas of the Project;

(4) fail to maintain Fire and Extended Coverage on insurable Association Properties or the Common Areas as provided in Article X of this Declaration; or

(5) use hazard insurance proceeds for losses to Improvements on any Association Properties or Common Areas for other than the repair, replacement or reconstruction of such Improvements, subject to the provisions of Article XI of this Declaration.

(e) First Mortgagees, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) require from the Association the submission of audited annual financial reports and other financial data, (3) receive written notice of all meetings of the Unit Owners, and (4) designate in writing a representative to attend all such meetings.

(f) All institutional first Mortgagees shall be given thirty (30) days' written notice prior to the effective date of any proposed, material amendment to the Windwood Restrictions or the Articles or By-Laws, and prior to the effective date of any termination of an agreement for professional management of the Project following any decision of the Unit Owners to assume self-management of the Project.

(g) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any of the Association Properties and may pay any overdue premiums on hazard insurance policies covering such property, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

(h) The Common Area Reserve Fund described in Article VI of this Declaration must be funded by regular scheduled monthly, quarterly, semi-annual or annual payments rather than by large Special Assessments.

(i) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of the professional Manager.

(j) In addition to the foregoing, the Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the VA, the FHA, the FHLMC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first Mortgages encumbering Condominiums. Each Unit Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their residential Condominiums, if such agencies approve the Project as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Mortgagees

are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Condominium.

(k) Each Unit Owner hereby authorizes the first Mortgagee of a first Mortgage on his Condominium to furnish information to the Board concerning the status of such first Mortgage and the loan which it secures.

ARTICLE XIV

DURATION AND AMENDMENT

Section 1. Duration. This Declaration shall continue in full force for a term of Fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination is recorded in the public records, Orange County, California, meeting the requirements of an amendment to this Declaration as set forth in Section 2 of this Article. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Unit from the concomitant Membership in the Association, as long as this Declaration shall continue in full force and effect. The provisions of this Article are subject to the provisions of Article XI, Section 3 of this Declaration.

Section 2. Amendment. Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered. A resolution adopting a proposed amendment may be proposed by a Unit Owner at a meeting of Members of the Association. The resolution shall be adopted by the vote, in person or by proxy, or written consent of seventy-five percent (75%) of the voting power of both the Class A and Class B Members. A copy of each amendment shall be certified by at least two (2) officers of the Association and the amendment shall be effective when the Certificate of Amendment is recorded in the public records, Orange County, California. Notwithstanding the foregoing, any of the following amendments, to be effective, must be approved in writing by the record holders of seventy-five percent (75%) of the first Mortgages on all of the Condominiums in the Project at the time of such amendment, based upon one vote for each Mortgage owned:

(a) Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protection granted to encumbrancers as provided in Articles VI, X, XI, XII, XIII and XIV hereof.

(b) Any amendment which would necessitate an encumbrancer after it has acquired a Condominium through foreclosure to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(c) Any amendment which would or could result in an encumbrance being cancelled by forfeiture, or in the individual Condominium not being separately assessed for tax purposes.

(d) Any amendment which would or could result in termination or abandonment of the Project or partition or subdivision of a Condominium Unit, in any manner inconsistent with the provisions of this Declaration.

(e) Any amendment which would permit the Association to terminate professional management and assume self-management of the Project.

(f) Any amendment which would subject any Unit Owner to a right of first refusal or other such restriction in favor of the Association, in the event such Unit Owner exercises his right to sell, transfer or otherwise convey his Condominium.

A Certificate, signed and sworn to by two (2) officers of the Association that the record owners of seventy-five percent (75%) of the Condominiums have either voted for or consented in writing to any amendment adopted as above provided, when recorded, shall be conclusive evidence of such fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. The Certificate reflecting any amendment which requires the written consent of any of the record holders of first Mortgages shall be signed and sworn to by such first Mortgagees. When such Certificate is recorded, it shall be noted that such amendment has been so approved.

Section 3. Protection of Grantor. Notwithstanding any other provision in this Declaration, the prior written approval of Grantor, as developer of the Project, will be required before any amendment which would impair or diminish the rights of Grantor to complete the Project or the Association Properties in accordance with this Declaration shall become effective.

Section 4. Amendment by Grantor. Notwithstanding the foregoing, until the Close of Escrow for the sale of the first Condominium in the Project, Grantor shall have the right to terminate or modify this Declaration by recordation of a supplement hereto setting forth such termination or modification.

Section 5. Protection of City. Notwithstanding any other provision of this Declaration, this Declaration may not be amended or terminated prior to the expiration of the term set forth in Section 1 above unless prior thereto the City of Santa Ana shall have given its written consent thereto with respect to any termination or amendment which substantially affects any rights of the City hereunder.

ARTICLE XV

ENFORCEMENT OF CERTAIN BONDED OBLIGATIONS

Section 1. Consideration by Board of Directors. In the event that (1) the Improvements to be located on the Common Areas or the Association Properties are not completed prior to the issuance of a Final Subdivision Public Report by the California Department of Real Estate ("DRE") for the sale of Condominiums in the Project,

and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Grantor to complete the Improvements, the Board of Directors of the Association ("Board") shall consider and vote on the question of action by the Association to enforce the obligations under the Bond, with respect to any such Improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Improvement on the Common Areas or the Association Properties, the Board shall be directed to consider and vote on the aforesaid question (if a Notice of Completion has not been filed), within thirty (30) days after the expiration of the extension.

Section 2. Consideration by the Members. A special meeting of Members, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held no fewer than fifteen (15) days nor more than thirty (30) days after receipt by the Board of a petition for such a meeting signed by Members representing ten percent (10%) of the total voting power of the Association. A vote by Members of the Association other than Grantor shall be taken at such special meeting. A vote of a majority of the voting power of the Association residing in Members other than Grantor 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 this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XVI

GENERAL PROVISIONS

Section 1. Legal Proceedings. The failure of any Unit Owner, his family, guests, employees, invitees or tenants to comply with any of the Windwood Restrictions, after Notice and Hearing as set forth in the By-Laws of the Association (except for the non-payment of any Assessments provided for herein), shall be grounds for relief which may include, without limiting same, an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision, or any other provision hereof. The Board, the City of Santa Ana, any Unit Owner (not at the time in default hereunder), or Grantor shall be entitled to bring an action for damages against any defaulting Unit Owner, and in addition may enjoin any violation of this Declaration. Any judgment rendered in any action or proceeding pursuant thereto shall include a sum for attorneys' fees in such amount as the Court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive.

Section 2. Violation of Restrictions. Without in any way limiting the generality of the foregoing, in the event that the Architectural Committee determines that an Improvement is in need of repair, restoration or painting, or that landscaping is in need of installation, repair, or restoration, or the Board of Directors determines that there is a violation of any provision of the

Windwood Restrictions, then the Board shall give written Notice to the Unit Owner of the condition or violation complained of. Unless the Architectural Committee has approved in writing corrective plans proposed by the Unit Owner to remedy the condition complained of within such period of time as may be determined reasonable by the Architectural Committee after it has given said written notice, and such corrective work so approved is completed thereafter within the time allotted by the Board, the Board, after giving such Unit Owner an opportunity for a Hearing as provided in the By-Laws, shall undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Unit Owner and his Condominium whose Residence is the subject matter of the corrective work. Such cost shall be deemed to be a Special Assessment to such Unit Owner, and his Condominium, and shall be subject to levy, enforcement and collection by the Board in accordance with the assessment lien procedure provided for in this Declaration.

Section 3. Severability. The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provisions hereof.

Section 4. Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential condominium development and for the maintenance of Common Areas, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings, titles and captions have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the masculine, feminine and neuter shall mean the same.

Section 5. Mergers or Consolidations. Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another 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 governing the Project and the Association Properties, together with the covenants and restrictions established upon any other property, as one plan.

Section 6. Use of Recreational Facilities. The Board of Directors shall have the right to limit the number of guests that a Unit Owner may permit to use the parking and recreational facilities on the Common Areas and the Association Properties, and the Board shall have the right to set further reasonable restrictions on the time and manner of use of said parking spaces and other recreational facilities, in accordance with the Windwood Rules and Regulations.

Section 7. No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property or the Project to the public, or for any public use.

Section 8. No Representations or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Grantor, or its agents or employees in connection with the Project, the Association Properties, or any portion thereof, their physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a Condominium Project, except as specifically and expressly set forth in this Declaration and except as may be filed by Grantor from time to time with the California Department of Real Estate.

Section 9. Nonliability and Indemnification. No right or power conferred on the Board or the Architectural Committee by virtue of this Declaration or by the Articles or By-Laws shall be construed as a duty, obligation or disability charged upon the Board of Directors, the Architectural Committee, or upon any director or member thereof, and except for injuries arising out of their malicious acts, no member of the Board or the Architectural Committee, shall be liable to any Person for his decisions or failure to act in making decisions as a member of the Board or the Committee. The Association shall pay all expenses incurred by, and satisfy any judgment or fine rendered or levied against, any Person who is or has been a director, officer, employee or committee member of the Association in any action brought by a third party or the Association against such Person (whether or not the Association is joined as a party defendant) to impose a liability or penalty on such Person while a director, officer, employee, or committee member; provided, that the Board determines in good faith that such director, officer, employee or committee member was acting in good faith within what he reasonably believed to be the scope of his employment or authority and for a purpose which he reasonably believed to be in the best interests of the Association or its Members. Payments include amounts paid and expenses incurred in settling any such action or threatened action. This provision shall be construed to provide for such payments and indemnification to the fullest extent permitted by the provisions of the applicable laws.

Section 10. Notices. Except as otherwise provided in this Declaration, in each instance in which notice is to be given to a Unit Owner, the same shall be in writing and may be delivered personally to the Unit Owner, in which case personal delivery of such notice to one or more co-owners of a Condominium or to any general partner of a partnership owning a Condominium shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Unit Owner at the most recent address furnished by such Unit Owner to the Association or, if no such address shall have been furnished, to the street address of such Unit. Such

notice shall be deemed delivered seventy-two (72) hours after the time of such mailing, except for notice of a meeting of Members or of the Board of Directors in which case the notice provisions of the By-Laws of the Association shall control. Any notice to be given to the Association may be delivered personally to any Member of the Board, or sent by United States mail, postage prepaid, addressed to the Association at such address as shall be fixed from time to time and circulated to all Unit Owners.

Section 11. Priorities and Inconsistencies. If there are conflicts or inconsistencies between this Declaration and either the Articles of Incorporation or the By-Laws of the Association, the terms and provisions of this Declaration shall prevail.

THIS DECLARATION has been executed on the date first written above.

THE WILLIAM LYON COMPANY,
A California corporation

By: James E. McManis
Its VICE PRESIDENT

(SEAL)

By: James E. Bradley
Its ASSISTANT SECRETARY

Approved by City of Santa Ana:

By: [Signature]
City Manager

Approved as to Form:

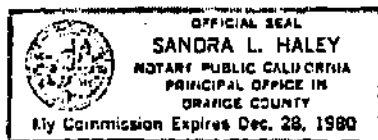
By: [Signature]
City Attorney

By: [Signature]
Planning Director

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On MAY 9, 1977, before me, the undersigned, a Notary Public in and for said State, personally appeared JAMES E. MCNAMARA, known to me to be the VICE PRESIDENT, and TOYCE E. GRIGSBY, known to me to be the ASSISTANT SECRETARY, of THE WILLIAM LYON COMPANY, the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its By-Laws or a resolution of its Board of Directors.

WITNESS my hand and official seal.



Sandra L. Haley
Notary Public in and for said State
SANDRA L. HALEY