

than all of the Association Property, the rules as to restoration and replacement of the Association Property and the improvements thereon shall apply as in the case of destruction of improvements upon the Association Property.

Section 13.3 Distribution of Award. In the event of a total taking or a partial taking where all of the net condemnation award is not used for restoration of the remaining Association Property, the Association shall in its discretion deal with, use and/or distribute any such net condemnation award in accordance with the same alternatives as are available under the provisions of Section 12.1(c)(ii) above. Notwithstanding anything to the contrary in this Article XIII, the distribution of any award or awards for a taking of all or any portion of the Association Property shall be subject to the prior rights of mortgagees under deeds of trust of record.

ARTICLE XIV.

ANNEXATION

Section 14.1 Annexation of Additional Property. Additional Property may be from time to time annexed to the Original Property initially covered by this Declaration and may become subject to this Declaration by any of the methods set forth hereinafter:

(a) Declarant may at any time, and from time to time, add to the Property which is covered by this Declaration all or any portion of the Additional Property, without the approval of the Owners, the Association, and/or its Board; provided, however, that the proposed annexation of Adjacent Property is in substantial conformance with a detailed plan of phased development submitted to the Commissioner of the DRE with the application of a public report for the Original Property. Such plan for phased development must include, but not be limited to, the following:

(i) Proof satisfactory to the Commissioner that no proposed annexation will result in an overburdening of common facilities.

(ii) Proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in assessments against existing owners which was not disclosed in subdivision public reports under which pre-existing owners purchased their interest.

(iii) Identification of the land proposed to be annexed and the total number of residential units then contemplated by the subdivider for the overall subdivision development.

(iv) Provisions requiring that annexation of a new phase be effected prior to the third anniversary of the issuance of the original public report for the immediately preceding phase.

(v) A written commitment by the subdivider to pay to the Association, concurrently with the recordation of a grant deed conveying the first Lot in an annexed phase, appropriate amounts for reserves for replacement or deferred maintenance of any common area improvements in the annexed phase (if any) necessitated by or arising out of the use and occupancy of residential units under a rental program conducted by the subdivider which has been in effect for a period of at least one year as of the date of recordation of a grant deed conveying the first Lot in the annexed phase.

(b) In addition to the provisions for annexation specified in Section 14.1(a) above, additional real property may be annexed to become a part of the overall development and be brought within the general plan and scheme of this Declaration upon approval by vote or written consent of not less than two-thirds (2/3rds) of the voting power of the Association residing in Members other than Declarant, in accordance with Section 5.6 of this Declaration.

Upon the recording of a Notice of Addition of Territory containing the provisions set forth herein (which Notice may be contained within a Supplemental Declaration affecting such property), the covenants, conditions and restrictions contained in this Declaration (or such portion thereof as may be reasonably specified in the Notice and Supplemental Declaration) shall apply to the added land in the same manner as if it were originally covered by this Declaration; and thereafter the rights, privileges and duties and liabilities of Declarant with respect to the added land shall be the same as with respect to the Original Property. The project on the Original Property and each subsequent project shall be deemed for real property title purposes to be a separate and distinct project unless otherwise specifically stated in some other section of this Declaration or in the Supplemental Declaration(s).

Section 14.2 Contents of Notice of Addition of Territory and Supplemental Declaration. The Notice of Addition of Territory and Supplemental Declaration referred to herein shall contain the following provisions:

(a) Reference to this Declaration, which reference shall state the date of recordation and recording information pertaining to this instrument as contained in the Official Records of the Orange County Recorder.

(b) A statement that provisions of this Declaration (or such portions thereof as may be specified therein) shall apply to the annexed real property.

(c) An exact description of the portion of the real property to comprise the annexed real property.

(d) The Supplemental Declaration may contain such additions to and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property, or as Declarant may deem appropriate in its sole discretion for the development of such property, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Supplemental Declaration revoke, modify or add to the covenants and restrictions established by this Declaration as the same shall pertain to the Original Property, except as herein otherwise provided.

Section 14.3 Declarant Under No Obligation to Continue Development; Effect of Annexation. Declarant shall be under no obligation to develop and/or annex additional real property to the Property. Upon annexation of additional real property to the overall development as provided for in this Article XIV above, the Supplemental Declaration for such area shall provide that upon the recordation of a grant deed conveying the first Lot within such annexed property to a third party purchaser, the Owners of Lots located in the area so annexed shall become Members of the Association, and the Association shall then manage, administer, operate and maintain any additional property within the annexed area conveyed to the Association by the Declarant to the extent provided for in this Declaration and in any applicable Supplemental Declaration. On becoming a member of the Association, as aforesaid, each Owner of a Lot located within the area so annexed shall thereafter be assessed his pro rata share of the Association's aggregate Common Expenses pertaining to all projects within the Property then being administered by the Association and arising during and/or applicable to periods following the commencement of such membership.

Section 14.4 Declarant's Termination Rights. Declarant expressly reserves the absolute right in its complete and sole discretion to, at any time and from time to time, terminate the effect of this Declaration as to all or any portion of the Additional Property not then subject to a recorded Supplemental Declaration of Covenants, Conditions and Restrictions of the nature contemplated in the annexation provisions of this Declaration, by recording a Notice of Termination executed by Declarant therein specifically describing the portion or portions of the Additional Property to be affected by such termination.

Following any such termination, any portion or portions of the Additional Property described in such Notice of Termination and so

affected thereby, shall from and after the date of recordation thereof be free and clear for all purposes of the effect of this Declaration, and more specifically, such real property shall be free and clear from the effect of any and all easements, rights, licenses and/or rights-of-way of every kind and nature in any way arising in connection with or as a result of this Declaration.

Section 14.5 Association's Merger or Consolidation. Upon the merger or consolidation of the Association with another homeowners' association as permitted by law and upon approval by vote or written assent of Owners entitled to exercise not less than two-thirds (2/3rds) of the voting power of the Association residing in Members other than Declarant in accordance with Section 5.6, the real properties, rights and obligations of the Association may be transferred to another surviving or consolidated homeowners' association or alternatively, the properties, rights and obligations of another homeowners' association may be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association shall then administer, to the extent reasonably possible, the easements, covenants, conditions, and restrictions established by this Declaration within the existing Property together with the easements, covenants, conditions, and restrictions established on any other property as a uniform plan.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration on the day and year first above written.

PACIFIC BAY PROPERTIES,
a California corporation

By: 

Its: 

 Vice President

"Declarant"

STATE OF CALIFORNIA)
COUNTY OF Orange) ss.

On March 20, 1998, before me, Linda J. Smith,
Notary Public, personally appeared KARIN T-KROEGLUS,
personally known to me (or proved to
me on the basis of satisfactory evidence) to be the person ~~(s)~~ whose
name ~~(s)~~ is/~~are~~ subscribed to the within instrument and acknowledged
to me that ~~he/she/they~~ executed the same in ~~his/her/their~~
authorized capacity ~~(ies)~~, and that by ~~his/her/their~~ signature ~~(s)~~ on
the instrument the person ~~(s)~~, or the entity upon behalf of which
the person ~~(s)~~ acted, executed the instrument.

WITNESS my hand and official seal.

Linda J. Smith
Notary Public

(SEAL)

