

4.6. Meadowood Association Delegate Districts and Delegates.

This Declaration is a "Project Declaration" and the Association is a "Project Association" as defined in the Meadowood Declaration. Nevertheless, this Declaration and the Association shall be disregarded for purposes of (i) establishing the Meadowood Declaration Delegate Districts within the Properties and (ii) appointing "Delegates" pursuant to the Meadowood Declaration to represent the Meadowood Association voting power attributable to the Owners of Lots and Condominiums in the Properties.

ARTICLE V

5. Functions of Association.

5.1. Permitted Functions.

The Association is formed exclusively for those social welfare purposes and activities which are specifically and directly related to (i) equipping, maintaining, operating and utilizing the Association Property, including the social, recreational and other Improvements thereon, and pruning and maintaining the Parkway Trees as specified herein, (ii) collecting assessments to finance the maintenance and utilization of the Association Property and Parkway Trees, and (iii) administering and enforcing the Restrictions (collectively, the "Permitted Functions"). Notwithstanding the foregoing, Permitted Functions do *not* include (1) those activities prohibited by Section 5.4 below, and (2) Federal, State and local political activities or activities intended to influence a governmental action affecting areas outside the boundaries of the Properties (*e.g.* endorsement or support of (a) legislative or administrative actions by a Local Governmental Agency which affect persons or property outside the Properties, (b) candidates for elected or appointed office, and (c) ballot proposals. The Association is prohibited from conducting, sponsoring, participating in or expending funds or resources on any activity, campaign or event, including without limitation any social or political campaign, event or activity, which does not directly and exclusively pertain to a Permitted Function. The funds and resources of the Association shall be utilized solely and exclusively for the direct costs of Permitted Functions. Nothing in this Subsection 5.1 shall be deemed to preclude the use of the Association Property facilities by Declarant or the Merchant Builders for promotional special events and other purposes as authorized by Section 3.1.8.

5.2. Powers and Duties.

The Association has all of the powers of a California nonprofit mutual benefit corporation, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Restrictions. Subject to the Restrictions, the Association has the power to perform any and all lawful acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association. Subject to the foregoing provisions, the Association, acting through the Board, has:

5.2.1. Assessments. The power and duty to levy assessments on the Owners of Lots or Condominiums in Phases of Development in which assessments have

commenced and to collect and enforce payment of such assessments in accordance with the provisions of Article VI hereof.

5.2.2. Repair and Maintenance. The power and duty to (i) accept title to and to paint, plant, maintain and repair in a neat and attractive condition, all Association Property and all private streets, trails and drives, streetscape architecture, landscaping, utilities, recreational facilities, entry gates, Association Property Walls, fences or other Improvements thereon, in a safe, sanitary and attractive condition and in good order and repair, (ii) to pay for utilities, gardening and other necessary services for the Association Property, and (iii) to prune (including root pruning), treat for infection and disease and remove and replace, as necessary or desirable, the Parkway Trees located on the individual Lots. Subject to the Restrictions, all of the foregoing obligations of the Association shall be discharged when and in such manner as the Board determines in its judgment to be appropriate, provided that the Association shall (i) comply with the Maintenance Guidelines and any NPDES (as defined below) requirements applicable to the Properties, and (ii) conform with the requirements of any agreements entered into between Declarant or any Merchant Builder and a Local Governmental Agency pertaining to the Properties including, without limitation, any agreements providing for maintenance of Public Property by the Association.

(i) Exclusions from Maintenance. Notwithstanding the immediately preceding paragraph, the Association shall have no responsibility to provide the services referred to in this Section 5.2.2 with respect to (a) any Dedicated Association Property which is accepted by a Local Governmental Agency for maintenance or access and use by the general public, (b) any other Improvement (including without limitation parkway areas, median strips, trails and sidewalks) which is accepted for maintenance by any state or Local Governmental Agency, (c) any Improvement which is the maintenance responsibility of the Meadowood Association pursuant to the Meadowood Declaration or any Project Association pursuant to a Project Declaration, or (d) the exposed surface (including stucco repairs and painting) of any Association Property Wall (other than wrought iron) which immediately adjoins and faces any Lot, Condominium or Common Area, regardless of whether such wall is (1) located on the common property line separating the Association Property or Public Property from the Lot, Condominium or Common Area, or (2) located wholly or partially within the Association Property, Public Property, Lot or Common Area immediately adjacent to such common property line. Such responsibility shall be that of the applicable agency, entity, Owner or Project Association. The Association shall be responsible for maintaining any wrought iron comprising part of an Association Property Wall, including the exposed surfaces which immediately adjoin and face any Lot, Condominium or Common Area.

(ii) Parkway Trees. The Association's maintenance responsibility for the Parkway Trees is limited to pruning (including root pruning), treatment for infection and disease and removal and replacement as deemed necessary or desirable by the Association. The Owners shall be responsible for all other maintenance of the Parkway Trees located on their respective Lots including, without limitation, all irrigation and fertilization.

(iii) Compliance with NPDES. The Properties are subject to all Federal, State and local requirements of the National Pollutant Discharge Elimination System ("NPDES") adopted pursuant to the Federal Clean Water Act. Pursuant to NPDES General Permit No. CA8000180 adopted by the State Water Resources Control Board and the Orange County NPDES Storm Water Permit Program, Drainage Area Management Plan ("DAMP"), the County has adopted a Water Quality Management Plan for the Properties ("Water Management Plan") which identifies certain Best Management Practices ("BMP") to reduce the discharge of pollutants to storm water facilities. In performing its maintenance obligations pursuant to the Restrictions, the Association shall comply with all DAMP and Water Management Plan BMP requirements, as amended.

(iv) Modifications by Owners and Project Associations. No Owner or Project Association shall place or install any sign or other Improvement or alter or remove the Improvements on the Association Property (including, without limitation, any Association Property Wall adjacent to a Lot, Condominium or Common Area) unless such placement, installation or alteration is first approved in writing by the Board. No Owner or Project Association shall affix any object or device to any Association Property Wall, pierce the stucco surface or otherwise expose the interior portion of such wall to the elements or install landscaping, irrigation systems or other Improvements on the Owner's Lot or the Common Area in such proximity or manner so as to undermine or otherwise impair the structural integrity of any Association Property Wall or impair the weather resistant finish thereon. No Owner shall alter, remove or replace any Parkway Tree without the prior written approval of the Board, which approval the Board may withhold in its sole discretion, regardless of whether the request by the Owner is reasonable.

5.2.3. Utility Services. The power and duty to obtain for the benefit of the Association Property, commonly metered water, gas, electric or other utility services necessary for the maintenance of the Association Property.

5.2.4. Easements and Rights-of-Way. Subject to the provisions of Section 10.3 of this Declaration, the power but not the duty to grant and convey to any Person easements, licenses or rights-of-way in, on, over or under the Association Property and fee title to parcels or strips of land which comprise a portion of the Association Property with a value of Ten Thousand Dollars (\$10,000.00) or less, for purposes consistent with the terms of this Declaration, including without limitation constructing, installing, erecting, operating, maintaining or conducting thereon, therein and thereunder: (i) roads, streets, walks, trails, driveways, parkways, landscaping, park areas, open space areas and slope areas; (ii) overhead or underground lines, cables, wires, conduits, or other devices for the transmission of power or signals for lighting, heating, television, telephone and other similar purposes; (iii) sewers, storm water drains, retention basins and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes; and (iv) any similar Improvements, facilities or uses not inconsistent with the use of such property pursuant to this Declaration.

5.2.5. Manager. Subject to Section 5.4, the power and duty to contract with a professional Manager for the Association. Except as otherwise approved by the DRE and as otherwise provided in this Declaration, any such management agreement, or any agreement providing for services by Declarant to the Association, shall be for a term not in excess of one (1) year, renewable by agreement of the parties for successive one (1) year periods, and any such agreement shall be terminable by the Association, acting through the Board, at any time (i) for cause upon not more than thirty (30) days' written notice, and (ii) without cause or the payment of a penalty or termination fee upon not more than ninety (90) days' written notice.

5.2.6. Rights of Entry and Enforcement. The power but not the duty, after Notice and Hearing, to enter any Lot or Common Area without being liable to any Owner or Project Association, except for physical damage caused by such entry, for the purpose of enforcing by peaceful means the provisions of this Declaration, or for the purpose of maintaining or repairing any such Lot or Common Area if for any reason whatsoever the responsible Owner or Project Association fails to maintain and repair any such area as required by the Restrictions; provided that no items of construction on any such Lot or Common Area may be altered or demolished except pursuant to judicial proceedings. The cost of any enforcement action or any maintenance and repair completed in compliance with these provisions is the responsibility of the Owner or Project Association and may be assessed against the responsible Owner or Project Association, as a Special Assessment. The responsible Owner or Project Association shall pay promptly all amounts due for such work, and the costs and expenses of collection. Any physical damage caused by entry upon any Lot or Common Area shall be repaired by the entering party. The Association may also commence and maintain actions and suits to restrain and enjoin any breach or threatened breach of the Restrictions and to enforce, by mandatory injunctions or otherwise, all of the provisions of the Restrictions. If an action is brought by the Association, the prevailing party is entitled to recover reasonable attorneys' fees.

5.2.7. Legal, Accounting and Security Services. Subject to Sections 5.2.10 and 10.9.3, the power but not the duty, if deemed appropriate by the Board, to retain and pay for legal, accounting and security services necessary or proper in operating the Association Property, staffing Association Property entry gates, patrolling and safeguarding the Properties, enforcing the Restrictions, and performing any of the other Association duties or rights.

5.2.8. Contracts. Except as otherwise approved by the DRE and as provided in this Declaration, neither Declarant nor any of its agents shall enter any contract which would bind the Association or the Board for a period in excess of one (1) year.

5.2.9. Audit. The power and duty to permit any Owner, who may be accompanied by an accountant or other consultant, at said Owner's sole expense to audit or inspect the Association's books and records; provided that such audit or inspection is made during normal business hours and without unnecessary interference with the operations of the Manager or the Association.

5.2.10. Litigation. Subject to Section 10.5, the power but not the duty to initiate, defend, settle or intervene in mediation, arbitration, judicial or administrative proceedings on behalf of the Association in matters pertaining to (a) the application or enforcement of the Restrictions, (b) damage to the Association Property, and (c) damage to the Lots or Condominiums which arises out of, or is integrally related to, damage to the Association Property. Any recovery by the Association with respect to any damage to or defect in the Association Property shall be utilized solely for the purpose of paying for the costs of obtaining the recovery and for correcting such Association Property damage or defect.

5.3. Rules and Regulations.

The Board may adopt such Rules and Regulations as it deems proper for the use and occupancy of the Properties. To be effective, a copy of the Rules and Regulations, as adopted, amended or repealed, must be posted in a conspicuous place in the Association Property or must be mailed or otherwise delivered to each Owner. When mailed, delivered or posted, the Rules and Regulations shall have the same force and effect as if they were set forth herein; provided, however, that the Rules and Regulations shall be enforceable only to the extent that they are consistent with this Declaration, any applicable Supplemental Declaration, the Articles and the Bylaws, and may not be used to amend any of such documents.

5.4. Prohibited Activities.

Notwithstanding any other provisions of this Declaration or the other Restrictions, the Association is expressly prohibited from undertaking or performing any of the following activities, or expending or otherwise utilizing Association funds or resources therefor, and the following activities shall not constitute Permitted Functions of the Association:

5.4.1. Property Manager. The Association shall not hire any full time employee(s); rent, lease or otherwise furnish offices, personnel or other facilities, whether located within the Properties or off-site; nor utilize any Association Property as office space or other facilities for an "on-site" Manager or for performing other Association day-to-day administrative activities. The Association Manager shall at all times be a professional manager employed as an independent contractor officed at its own place of business.

5.4.2. Offsite Nuisances. The Association shall not use any assessments or expend Association funds or resources to abate any annoyance or nuisance emanating from outside the physical boundaries of Phases of Development in which Common Assessments have commenced.