

institutional holder of any first Mortgage on such Lot will be entitled to timely written notice of any such proceeding or proposed acquisition; and

m. In the event any portion of the Common Property encroaches upon any Lot, or any Lot encroaches upon the Common Property as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and for the maintenance of the same shall exist so long as the encroachment exists.

**14.2 Violation of Mortgagee Protection Provisions.** No breach of any of the foregoing Covenants shall cause any forfeiture of title or reversion or bestow any right of reentry whatsoever, but in the event that any one or more of these Covenants shall be violated, the Declarant, its successors and assigns, the Association or any Owner in the Project may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation and/or to recover damages; provided, however, that any such violation shall not defeat or render invalid the lien of any Mortgage or deed of trust made in good faith and for value. Said Covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee sale or otherwise.

## ARTICLE 15

### ENFORCEMENT OF BONDED OBLIGATIONS

**15.1 Enforcement of Bonded Obligations.** In the event that the improvements to the Common Property have not been completed prior to the issuance of a Final Subdivision Public Report by the DRE for the Project, and the Association is obligee under a bond or other arrangement (hereinafter referred to as the "Bond") to secure a performance of the commitment of Declarant or any Merchant Builders to complete such improvements, the following provisions shall apply:

a. The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such improvements in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Property improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

b. In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the By-Laws dealing with

meetings of the Members, but in any event, such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

c. The only Members entitled to vote at such meeting of Members shall be the Owners, other than Declarant and Merchant Builders. A vote at such meeting of a majority of the voting power of such Members, other than the Declarant and Merchant Builders, 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 such decision by initiating and pursuing appropriate action in the name of the Association.

## ARTICLE 16

### DECLARANT AND MERCHANT BUILDERS EXEMPTIONS

16.1 **Interest of Declarant.** As provided in Article 2, Declarant is developing the Project as a master planned community and, in cooperation with the County of Los Angeles, has created a comprehensive plan for the development of Lots within the Project and maintenance of the Common Property. Consequently, Declarant has a substantial interest in ensuring compliance with and enforcement of the protective covenants contained in this Declaration, and any amendments hereto.

16.2 **Exemptions.** Nothing in this Declaration shall limit, and neither any Owner, nor the Association, shall interfere with the right of Declarant and Merchant Builders, either directly, or through their respective agents and representatives, to subdivide, resubdivide, market, sell, lease or dispose of any portion of the Project, or the right of Declarant or a Merchant Builder to complete the grading, construction and installation Improvements or other development activities on any portion of the Project owned by Declarant or a Merchant Builder, or to construct such additional Improvements as Declarant or a Merchant Builder deems advisable in the course of developing the Project, so long as any Lot in the Project or any portion of the Annexation Properties owned by Declarant or Merchant Builder. Such rights shall include, but not be limited to, grading work as may be approved by any agency having jurisdiction, and erecting, constructing and maintaining on the Project such structures, signs and displays as may be reasonably necessary for the conduct of its business of completing the work and selling the same.

This Declaration shall not limit the right of Declarant or a Merchant Builder, at any time prior to acquisition of title on a Lot by a purchaser from Declarant or a Merchant Builder, to establish on that Lot additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may, from time to time, be reasonably necessary to the proper development of the Project. Declarant and Merchant Builders shall have the right to use all and any portion of the Common Property for access to the sales office of Declarant and Merchant Builders, provided that such use shall not unreasonably interfere with the rights of Members to use and enjoy the Common Property. Declarant and Merchant Builders may install structures on