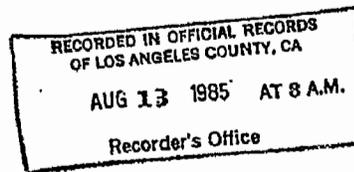


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DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS, AND
RESERVATION OF EASEMENTS FOR
CRYSTAL CANYON

A Residential Planned Development

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS, AND
RESERVATION OF EASEMENTS FOR
CRYSTAL CANYON

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS, AND RESERVATION OF EASEMENTS is made this 4th day of AUGUST, 1985, by 1st NATIONWIDE NETWORK MORTGAGE COMPANY, a California corporation (hereinafter referred to as the "Declarant").

W I T N E S S E T H:

A. Declarant is the owner of that certain real property located in the City of Azusa, County of Los Angeles, State of California, more particularly described as:

Lots 57 through 110, inclusive, Lot 112 and Lot 113 of Tract 43238, as shown on a Map recorded in Book 1040, Pages 40 to 43, inclusive, of Maps in the Office of the County Recorder for the County of Los Angeles, California

(hereinafter referred to as the "Property").

B. Declarant desires to develop the Property and any additional real property which is annexed thereto pursuant to that Article herein entitled "Annexation of Additional Property," as a residential planned development consisting of attached single-family homes and condominiums (hereinafter referred to as the "Project").

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C. Declarant deems it desirable to impose a general plan for the development, maintenance, improvement, protection, use, occupancy and enjoyment of the Project, and to establish, adopt and impose covenants, conditions and restrictions upon the Project for the purpose of enforcing, protecting and preserving the value, desirability and attractiveness of the Project.

D. Declarant deems it desirable for the efficient enforcement, protection and preservation of the value, desirability and attractiveness of the Project to create a corporation which shall be delegated and assigned the powers of administering and enforcing said covenants, conditions and restrictions.

E. CRYSTAL CANYON HOMEOWNERS ASSOCIATION, a California nonprofit, mutual benefit corporation, has been or will be incorporated under the laws of the State of California for the purpose of exercising the aforesaid powers.

F. Declarant intends to convey the Project, and any and all portions thereof, subject to the covenants, conditions and restrictions set forth hereinbelow.

NOW, THEREFORE, Declarant agrees and declares that it has established, and does hereby establish, a plan for the development, maintenance, protection, improvement, use, occupancy and enjoyment of the Project, and has fixed, and does hereby fix, the covenants, conditions, restrictions, easements, reservations, liens and charges (hereinafter collectively referred to as the "Covenants") upon the Project. Each and all of the Covenants

shall run with the land and shall inure to the benefit of and be binding upon Declarant, its successors and assigns, all subsequent owners of all or any portion of the Project, together with their grantees, successors, heirs, executors, administrators, devisees and assigns.

ARTICLE I

DEFINITIONS

Section 1. "Annexation Property" shall mean and refer to all of that certain real property located in the City of Azusa, County of Los Angeles, State of California, more particularly described on Exhibit "A" attached hereto and incorporated herein by this reference, and to all Improvements constructed thereon, all or any part of which may be annexed to the Property as set forth in that Article herein entitled "Annexation of Additional Property."

Section 2. "Association Property" shall mean all real and personal property and Improvements which are owned at any time by the Association for the use, operation, maintenance and repair thereof, for the common benefit and enjoyment of all of the Owners. The Association Property to be owned by the Association at the time of the conveyance of the first Lot in the Project shall be Lot 112 and Lot 113 of Tract 43238.

Section 3. "Assessments" shall be used as a generic term which shall mean and refer to the following:

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a. "Annual Assessment" shall mean and refer to the charge against each Owner and his respective Lot or Condominium representing a portion of the Common Expenses of the Association;

b. "Compliance Assessment" shall mean and refer to the charge against an Owner representing the costs incurred by the Association in the repair of any damage to the Association Property for which such Owner was responsible, the costs incurred by the Association in bringing such Owner and his Lot or Condominium into compliance with this Declaration, or any amount due the Association based upon disciplinary proceedings against an Owner in accordance with this Declaration; and

c. "Special Assessment" shall mean and refer to the charge against an Owner and his respective Lot or Condominium representing a portion of the cost of reconstructing any damaged or destroyed portion or portions of the Association Property, of constructing or installing any capital improvements to the Association Property, or of taking any extraordinary action for the benefit of the Association Property or the membership of the Association pursuant to the provisions of this Declaration.

Section 4. "Association" shall mean and refer to Crystal Canyon Homeowners Association, a California nonprofit, mutual benefit corporation, in which all Owners shall have a membership

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interest as more particularly described hereinbelow, provided that membership shall be limited to Owners.

Section 5. "Board" shall mean and refer to the Board of Directors of the Association, elected in accordance with the By-Laws of the Association and this Declaration.

Section 6. "By-Laws" shall mean and refer to the By-Laws of the Association which have been, or will be, adopted by the Board, as such By-Laws may be amended, from time to time.

Section 7. "City" shall mean and refer to the City of Azusa, California.

Section 8. "Common Area" shall mean and refer to any portion of the Project designated as Common Area for the primary benefit of Owners of Condominiums within the Project, which shall be owned by such Owners in undivided fractional fee interests as tenants in common.

Section 9. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Association for the following: (a) maintaining, managing, operating, painting, repairing and replacing the Association Property and the Common Area, as more fully set forth herein; (b) maintaining, repairing and replacing the exterior surfaces, including the roofs, of the Residences and Condominiums, as set forth herein; (c) managing and administering the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and any Association employees; (d) providing utilities and other services to the Association Property and the Common

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Area; (e) providing insurance as provided for herein; (f) paying that portion of any Assessment attributable to Common Expenses not paid by the Owner responsible for payment; (g) paying taxes for the Association; and (h) paying for all other goods and services designated by, or in accordance with, other expenses incurred by the Association for the benefit of all Owners.

Section 10. "Condominium" shall mean and refer to an estate in real property, as defined in Section 783 of the California Civil Code, consisting of an undivided fractional fee interest as tenants in common of the Common Area, a separate interest in a Condominium Unit, and such exclusive and nonexclusive easements as may be conveyed to an Owner.

Section 11. "Condominium Unit" shall mean and refer to the elements of a Condominium which are not owned in common with the Owners of other Condominiums constructed within the Project. Any Condominium Units constructed in the Project shall be more particularly shown and described in one (1) or more Condominium Plans recorded, or to be recorded, in the Official Records of Los Angeles County.

Section 12. "Declarant" shall mean and refer to 1st Nationwide Network Mortgage Company, a California corporation, and to any person or entity acquiring all of Declarant's interest in the Project (including all of Declarant's rights and obligations as created and established herein) pursuant to a written assignment from Declarant which is recorded in the Office of the County Recorder for Los Angeles County.

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Section 13. "Declaration" shall mean and refer to this Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements recorded on the Project, and to all amendments to this Declaration recorded in the Official Records of Los Angeles County, California.

Section 14. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind, including, but not limited to, Residences, buildings, garages, open parking areas, pavements, sidewalks, private streets, driveways, fences, Project perimeter walls, retaining walls, monument signs, if any, patios and patio fencing, decks and deck railing, irrigation equipment and all related facilities, and exterior air conditioning and soft water fixtures.

Section 15. "Lot" shall mean and refer to a plot of land as shown upon the recorded subdivision map of the Project, and to all Improvements, including the Residence, constructed thereon. Only those plots of land which are designed and intended for the construction of a Residence and ownership by an individual Owner shall be deemed "Lots." "Lot" shall further refer to a parcel of land developed as a rental apartment project containing one (1) or more apartment buildings. "Lot" shall not mean or refer to any Association Property, Common Area or Condominium in the Project.

Section 16. "Member" shall mean and refer to every person or entity who holds membership in the Association, as more particularly set forth in the Article herein entitled "The Association," and shall be synonymous with the term "Owner."

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Section 17. "Mortgage" shall mean and include a duly recorded deed of trust, as well as a Mortgage encumbering a Lot or Condominium.

Section 18. "Mortgagee" shall mean and refer to a person or entity to whom a Mortgage is made, and shall include the beneficiary of a deed of trust.

Section 19. "Mortgagor" shall mean and refer to a person or entity 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.

Section 20. "Owner" shall mean and refer to the record owner, or Owners if more than one (1), or the purchaser under a conditional sales contract of fee title to, or an undivided fractional fee interest in, any Lot or Condominium in the Project. The foregoing is not intended to include persons or entities who hold an interest in a Lot or Condominium merely as security for the performance of an obligation. The fee owner of a Lot on which apartment buildings are or may be constructed shall be deemed to be an "Owner," subject to the terms of this Declaration.

Section 21. "Phase" shall mean and refer to the Property or to one (1) or more Lots within the Annexation Property which are simultaneously annexed to the Project by the recordation of a Declaration of Annexation in the Office of the County Recorder of Los Angeles County, and for which a Final Public Report has been issued by the California Department of Real Estate.

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Section 22. "Project" shall mean and refer to the Property and to all Improvements, including the Residences, constructed thereon, and to all portions of the Annexation Property which are annexed to the Property in accordance with the provisions of this Declaration.

Section 23. "Property" shall mean and refer to all of that certain real property described in paragraph A of the recitals hereinabove.

Section 24. "Residence" shall mean and refer to the individual dwelling and the related Improvements which are constructed upon the same or a separate Lot, and which are designed and intended for use and occupancy by a single family, without regard to whether said dwelling is an attached single-family dwelling or a Condominium.

Section 25. "Rules and Regulations" shall mean and refer to the Rules and Regulations adopted by the Board pursuant to the By-Laws and this Declaration, as they may be amended, from time to time.

Section 26. "VA" shall mean and refer to the Veterans Administration.

Section 27. Application of Definitions. The aforesaid definitions shall be applicable to this Declaration and to any supplements or amendments hereto, filed or recorded pursuant to the provisions of this Declaration, unless the context shall prohibit such application.

ARTICLE II

GENERAL PLAN OF DEVELOPMENT

Section 1. Introduction to Crystal Canyon. Crystal Canyon is planned to be a mixed product residential planned development which, if developed as proposed, will consist of approximately three hundred sixty-five (365) Residences, and a mixture of "postage stamp" Lots consisting of attached Residences and Condominiums, together with real and personal property referred to herein as "Association Property," which will be owned, maintained and operated by the Crystal Canyon Homeowners Association for the common use and benefit of all Owners in the Project.

As presently planned, the first Phase of the Project will consist of fifty-four (54) Lots improved with Residences, and Common Area Lot 112 and Lot 113. Additional Phases of the Project will, if developed as proposed, be periodically annexed to the Project in accordance with the applicable provisions of the Article in this Declaration entitled "Annexation of Additional Property" and in conformity with the general plan of development reviewed and approved by the VA. Additional Phases of the Project may include the development of approximately one hundred forty-four (144) Condominium Units in a number of Condominium Buildings, together with additional attached single-family homes, each constructed upon its own respective Lot. Declarant, in its sole discretion, may develop apartments on those areas currently designated for Condominiums. In such event, the rights and obligations of the Owner(s) of such apartments shall be as set forth in

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this Declaration and in the Declaration of Annexation to be recorded in the Official Records of Los Angeles County.

There is no assurance, however, that the additional Phases of the Project will be developed as presently planned, and Declarant is and shall be under no duty or obligation whatsoever to complete such Phases or to annex them to the Project. The Association will hold title to the Association Property as it is annexed to the Project, will maintain all Common Area to be located in the Condominium Phases of the Project, and will be the management body for the Project. All Owners, their contract purchasers, tenants, lessees, family members and invitees will be entitled to the use and benefit of the Association Property, and Common Area, where appropriate, in accordance with the terms and provisions of this Declaration, and any Declarations of Annexation or Supplementary Declarations recorded in the Office of the County Recorder for Los Angeles County, which affect the Project.

Section 2. Ownership Interests. Each Owner will receive fee simple title to a Lot, including the Residence and other Improvements thereon, together with a nonexclusive easement appurtenant to his Lot over all Association Property in the Project. In the event that Declarant annexes Condominiums to the Project in succeeding Phases, the ownership interests for Condominium Owners shall be more particularly described in such Declarations of Annexation or Supplementary Declarations as may be recorded.

Section 3. Membership in the Crystal Canyon Homeowners Association. As more fully set forth in this Declaration, each

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Owner of a Lot or Condominium in the Project shall automatically become a Member of Crystal Canyon Homeowners Association (the "Association"), and shall be obligated for the payment of Assessments to the Association. In addition, each Owner, his family members, tenants and invitees will be entitled to the use and enjoyment of the Association Property of the Project, including that Association Property annexed to the Project pursuant to the provisions of this Declaration. The Association shall be responsible for the ownership, maintenance and operation of the Association Property of Crystal Canyon.

Section 4. Description of Residence. Each of the Residences in the first Phase of the Project will consist of an attached residential dwelling, together with an attached two (2) car garage, and will be constructed upon its own separate Lot. The Residences will be of wood frame construction with masonite, wood siding and stucco exteriors and composition asphalt shingle roofs. The square footage of the Residences, exclusive of the garages and patios, will range from approximately one thousand, two hundred fifty (1,250) square feet to approximately one thousand, five hundred twenty (1,520) square feet.

Section 5. Description of Association Property. Fee title to the Association Property in each Phase of the Project, if any, will be conveyed to the Association free and clear of any liens or encumbrances prior to the close of escrow for the sale of the first Residence in such Phase. The Association Property will consist generally of a swimming pool, a hydrotherapy pool, a cabana

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with common restroom facilities and pavement, sidewalks, private streets, irrigation equipment and landscaping. Additional Association Property may be annexed to the Project in succeeding Phases. Each Owner of a Lot or Condominium in the Project will have a nonexclusive easement appurtenant to his Lot or Condominium for use and enjoyment of all Association Property within the Project in accordance with the terms and provisions of this Declaration. The Association will be responsible for the maintenance of all Association Property within the Project.

Section 6. Declarant's Control of Development. In order that the Project be completed and established as a residential community, Declarant shall have sole discretion and control over all aspects of designing and constructing the Residences and all other Improvements, in conformance with the plans and specifications approved by the VA and the Federal Housing Administration, and over the selling, leasing or other conveyancing of Residences. Further, Declarant shall have, subject to a concomitant obligation to restore, an easement of ingress and egress on, over and across the Project as necessary to construct the Residences and related Improvements, but only if access is not otherwise reasonably available. Declarant shall further have reasonable rights to maintain a sales office, model complex and reasonable signs on any portion of the Project owned or controlled by Declarant for a period of five (5) years from the date of recordation of this Declaration, in order to market the sale, lease or other conveyance of Residences in the Project.

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ARTICLE III
RESERVATION OF EASEMENTS AND
OTHER PROPERTY RIGHTS IN THE
ASSOCIATION PROPERTY

Section 1. Owners' Easements. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Association Property. Said right and easement shall be appurtenant to and shall pass with title to every lot or Condominium, subject to the limitations set forth in Section 2 below.

Section 2. Limitations on Owners' Easement Rights. The rights and easements of access, use and enjoyment set forth in Section 1 hereinabove shall be subject to the provisions of this Declaration, including, but not limited to, the following:

- a. The right of the Association to reasonably limit the number of guests of Owners;
- b. The right of the Association to establish and enforce reasonable Rules and Regulations pertaining to the use of the Association Property and the recreational facilities, if any, thereon;
- c. The right of the Association to suspend the voting rights and rights and easements of use and enjoyment of the Association Property of any Member, and the persons deriving such rights and easements from any Member for any period during which any Assessment against such Member's Lot or Condominium remains unpaid and delinquent; and after notice and hearing with an opportunity to be

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heard, to impose monetary penalties or suspend such use rights and easements for a period not to exceed thirty (30) days for any noncontinuing violation of this Declaration or Rules and Regulations, it being understood that any suspension for either non-payment of any Assessments or breach of such restrictions shall not constitute a waiver or discharge of the Member's obligations to pay Assessments as provided herein;

d. The right of the Association, in accordance with its Articles, By-Laws and this Declaration, to borrow money with the assent of sixty-seven percent (67%) of the voting power of the Association, excluding Declarant, and/or to mortgage, pledge, deed in trust or otherwise hypothecate any or all of its real or personal property, as security for money borrowed or debts incurred, for the purpose of improving or repairing the Association Property and related facilities;

e. The right of the Association to dedicate or transfer all or any part of the Association Property to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Owners. No such dedication or transfer shall be effective unless (1) an instrument approving said dedication or transfer is signed by Owners representing sixty-seven percent (67%) of the voting power of the Association, excluding Declarant, and recorded in the Office of the County Recorder

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for Los Angeles County, and (2) a written notice of the proposed dedication or transfer is sent to every Owner not less than fifteen (15) days nor more than thirty (30) days in advance; provided, however, that the dedication or transfer of easements for utilities or for other public purposes consistent with the intended use of the Association Property shall not require the prior approval of the Members of the Association;

f. The right of the Association to perform and exercise its duties and powers as set forth herein;

g. Other rights of the Association, the Architectural Control Committee, the Board, the Owners and Declarant with respect to the Association Property as may be provided for in this Declaration; and

h. Any limitations, restrictions or conditions affecting the use, enjoyment or maintenance of the Association Property imposed by Declarant or by the City or other governmental agency having jurisdiction to impose any such limitations, restrictions or conditions, including, but not limited to, the rights of the City or such other governmental agency having jurisdiction to use their vehicles or appropriate equipment over those portions of the Association Property designed for vehicular movement to perform municipal functions or emergency or essential public services.

Section 3. Delegation of Association Property Use Rights.

Any Owner who resides within the Project may delegate, in accor-

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dance with the Association By-Laws, his rights of use and enjoyment to the Association Property, and any recreational facilities thereon, to the members of his immediate family and any other persons residing within his Residence. In the event an Owner has rented or leased his Residence, his rights of use and enjoyment to the Association Property, and any recreational facilities thereon, shall be automatically delegated to his tenants or lessees for the duration of their tenancy, and the Owner shall forfeit any rights of use and enjoyment to the Association Property, and any recreational facilities thereon, for the duration of such tenancy. In the event of a conditional sales contract, the seller under the contract shall be deemed to delegate his rights of use and enjoyment to the Association Property, and any recreational facilities thereon, to the purchaser under the contract.

Section 4. Easements for Vehicular Traffic. In addition to the general right and easements for access, use and enjoyment granted herein, there shall be, and Declarant hereby covenants, for itself and its successors and assigns, that each and every Owner shall have a nonexclusive easement appurtenant to his Lot or Condominium for vehicular traffic over all private streets and drives, if any, within the Project.

Section 5. Easements for Unintentional Encroachments. In the event an Improvement to a Lot or Condominium is constructed, reconstructed or altered, in accordance with the terms and provisions of this Declaration, encroaches upon an adjacent Lot or Condominium by not more than two feet (2') due to unwillingful

placement, settling or shifting of the Improvement, there shall be an easement appurtenant to such Lot or Condominium on and over such adjacent Lot or Condominium for purposes of the encroachment.

Section 6. Easements for Utilities. The rights and duties of the Owners of Lots or Condominiums within the Project with respect to sanitary sewer, water, electricity, gas and telephone lines, and other facilities, shall be governed by the following:

a. Each respective utility company shall maintain all utility facilities and connections on the Project owned by such utility company; provided, however, that if any company shall fail to do so, it shall be the obligation of each Owner to maintain those facilities and connections located upon such Owner's Lot or Condominium and it shall be the obligation of the Association to maintain those facilities and connections located upon the Association Property.

b. Wherever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project and it becomes necessary to gain access to said connections, cables and/or lines through a Lot or Condominium owned by someone other than the Owner of the Lot or Condominium served by said connections, cables and/or lines, the Owner of the Lot or Condominium served by said connections, cables and/or lines shall have the right, and is hereby granted an easement to the full

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extent necessary therefor, to enter upon such other Lot or Condominium, or to have the utility companies enter upon such other Lot or Condominium, to repair, replace and generally maintain said connections, cables and/or lines.

c. Whenever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project, and said connections, cables and/or lines serve more than one (1) Lot or Condominium, the Owner of each Lot or Condominium served by said connections, cables and/or lines shall be entitled to the full use and enjoyment of such portions of same as service his Lot or Condominium.

d. In the event of a dispute between Owners respecting the repair or rebuilding of the aforesaid connections, cables and/or lines, or the sharing of the cost thereof, upon written request of one (1) of such Owners addressed to the Association, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

e. Easements over the Project for the installation and maintenance of electric and telephone lines, water, gas, drainage and sanitary sewer connections and facilities, and television antenna cables and facilities, all as shown on the recorded map of the Project and as may be hereafter required or needed to service the Project, are

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hereby reserved by Declarant, together with the right to grant and transfer the same.

Section 7. Easements for Maintenance of the Association Property. In the event it becomes necessary for the Association to enter upon any Lot or Condominium for purposes of (a) maintaining the Association Property; or (b) bringing an Owner and/or his Lot or Condominium into compliance with this Declaration in accordance with the provisions set forth herein, the Association, and its duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon such Owner's Lot or Condominium for the performance of such work. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by such entry, the Association shall repair the same at its expense. Notwithstanding the foregoing, in the event of an emergency, such right of entry shall be immediate.

Section 8. Easements for Clustered Mailboxes. In order to comply with the various requirements of the City and the U.S. Postal Service, mailboxes have been installed on certain Lots within the Project. Easements are hereby created on and over the affected Lots in favor of all Owners and the U.S. Postal Service for delivery and deposit of mail.

Section 9. Easements Over Sidewalks. Declarant hereby covenants for itself, its successors and assigns, that each and every Owner, his tenants and invitees shall have nonexclusive

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reciprocal easements appurtenant on and over all sidewalks located on Lots within the Project for pedestrian access, use and enjoyment.

Section 10. Easements for Drainage. There are hereby created and reserved over each Lot in the Project easements for drainage according to the patterns for drainage created by the approved grading plans for the Project, as well as according to the actual, natural and existing patterns for drainage. Each Owner covenants and agrees that he shall not obstruct or otherwise interfere with said drainage patterns of waters from adjacent Lots in the Project over his Lot, or in the alternative, that in the event it is necessary and essential to alter said drainage pattern for the protection and use of his Lot, he will make adequate provisions for proper drainage.

Section 11. Title to the Association Property. The Declarant hereby covenants for itself and its successors and assigns, that it will convey title to the Association Property in a Phase to the Association, free and clear of all encumbrances and liens, except property rights in and to the Association Property which are of record or created herein and current real property taxes, which taxes shall be prorated to the date of transfer. Said conveyance shall be made to the Association prior to or concurrently with the conveyance of the first Lot or Condominium in a Phase of the Project.

Section 12. Easements for Construction and Sales. Declarant hereby reserves, for a period of five (5) years from the recorda-

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tion of this Declaration or until all Lots or Condominiums in the Project are sold (and escrows closed), whichever occurs first, nonexclusive easements for access, ingress and egress on and over the Project to carry on normal sales activity, including the operation of a models complex and sales office, and the display of promotional signs and exhibits in connection with the sale or lease of Lots or Condominiums in the Project.

Section 13. Reservation of Construction Rights by Declarant. In order that the Project be completed and established as a planned residential community, nothing in this Declaration shall limit the right of Declarant to: (a) complete construction of any Improvements in the Project; (b) redesign or otherwise modify the Improvements owned by Declarant; (c) construct such additional Improvements on any portion of the Project owned by Declarant; or (d) otherwise control all aspects of constructing the Project or selling or leasing of Lots or Condominiums in the Project. Furthermore, nothing in this Declaration shall limit the right of Declarant to establish additional licenses, easements and rights-of-way in favor of Declarant, utility companies or others as may, from time to time, be reasonably necessary for the development of the Project. The foregoing rights established and reserved by Declarant shall be subject only to the applicable regulations and requirements of the City, the VA and the California Department of Real Estate. The foregoing rights of Declarant may be assigned to any successor to all or part of Declarant's interest in the Proj-

ect by an express assignment recorded with the County Recorder of Los Angeles County.

Section 14. Reservation of Association Property Easements. Declarant hereby reserves the right to grant nonexclusive easements over the Association Property in favor of Owners of any Annexation Property which is annexed to the Property pursuant to this Declaration, and upon the recordation of a Declaration of Annexation affecting the Annexation Property, the Owners described in this Declaration shall automatically obtain nonexclusive easements over all Association Property which is a part of said Annexation Property.

ARTICLE IV

THE ASSOCIATION

Section 1. Membership. Every person or entity who or which is an Owner as defined hereinabove shall be a Member of the Association. The foregoing is not intended to include persons or entities who hold an interest in a Lot or Condominium in the Project merely as security for the performance of an obligation.

Section 2. Voting Rights. The Association shall initially have three (3) classes of voting membership, as follows:

Class A. Class A Members shall be all Owners, with the exception of the Declarant, and the Owner of a multi-family Lot within the Project, and shall be entitled to one (1) vote for each Lot or Condominium owned. When more than one (1) person holds an interest in any Lot or Condo-

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minium, all such persons shall be Members. The vote for such Lot or Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot or Condominium.

Class B. The Class B Member shall be the Declarant, and shall be entitled to three (3) votes for each Lot or Condominium owned in the Project upon which Declarant is then paying the appropriate monthly Assessments provided for hereinbelow. The Class B membership shall cease and be converted to Class A membership upon the happening of any of the following events, whichever occurs earliest:

a. The second anniversary of the original Public Report for a Phase of the Project;

b. On the fourth anniversary of the original issuance of the Final Subdivision Public Report for the first Phase of the Project; or

c. December 31, 1988.

Class C. In the event that those Phases of the Project which are planned to be developed as Condominiums are rented by Declarant, or its designee or successor, as apartments, the Owner of the Lot(s) improved with apartments shall be deemed to be a Class C member of the Association. Such Owner(s) shall be entitled to cast one (1) vote for

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every three (3) apartment units included within any such multi-family Lot subject to this Declaration.

Any action by the Association which must have the approval of the membership of the Association before being undertaken, shall require the vote or written assent of both a majority of the Class B membership as well as a majority of the Class A and Class C memberships so long as there are three (3) outstanding classes of membership, unless a specific provision of this Declaration or the By-Laws or Articles of the Association requires the approval of a greater percentage of the voting membership. Notwithstanding the foregoing, any action by the Association pursuant to the Article contained herein entitled "Enforcement of Bonded Obligations" shall only require a majority of the voting power of the Owners, other than Declarant.

Section 3. Vesting of Voting Rights. The voting rights attributable to any given Lot or Condominium in the Project as provided for herein shall not vest until the Assessments provided for hereinbelow have been levied by the Association against said Lot or Condominium.

Section 4. Transfer. The Association membership held by any Owner of a Lot or Condominium shall not be transferred, pledged or alienated in any way, except as incidental to the sale of such Lot or Condominium. In the event of such sale, the Association membership may only be transferred, pledged or alienated to the bona fide purchaser or purchasers of the Lot or Condominium, or to the Mortgagee (or third party purchaser) of such Lot or

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Condominium upon a foreclosure sale. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association.

Section 5. Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time for each meeting. Every proxy shall be revocable and shall automatically terminate upon the earlier of either (a) the conveyance by the Owner of his Lot or Condominium, or (b) eleven (11) months from the date of issuance of the proxy.

ARTICLE V

POWERS AND DUTIES OF THE ASSOCIATION

Section 1. Management Body. The Association is hereby designated as the management body of the Project. The Members of the Association shall be the Owners in the Project as provided herein, and the affairs of the Association shall be managed by a Board of Directors, as more particularly set forth in the By-Laws of the Association. The initial Board shall be appointed by the incorporator or its successor. Thereafter, the Board shall be elected as provided in said By-Laws.

Section 2. Powers. The Board, for and on behalf of the Association, shall have the right and power to do all things necessary to conduct, manage and control the affairs and business of the Association. Subject to the provisions of the Articles of Incorporation, the By-Laws and this Declaration, the Board shall have all general powers authorized under the California Corpora-

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tions Code for nonprofit, mutual benefit corporations, and shall have the following specific powers:

- a. Enforce the provisions of this Declaration;
- b. Hold title to the Association Property, as the same may be conveyed to the Association, from time to time;
- c. Maintain fire, casualty, liability and worker's compensation coverage, fidelity bond coverage and other insurance coverage pursuant to the terms of that Article herein entitled "Insurance";
- d. Obtain maintenance, utility, gardening and other services benefiting the Association Property and the Common Area, and to employ personnel necessary for the operation of the Project and for legal and accounting services;
- e. Purchase materials, supplies and the like for the maintenance, painting and repair of the Association Property and the Common Area, and all improvements located thereon;
- f. Pay all taxes and special assessments which would be a lien upon the entire Project, the Association Property or the Common Area, and to discharge any lien or encumbrance levied against the entire Project, the Association Property or the Common Area;
- g. Pay for reconstruction of any portion of

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the Association Property or the Common Area damaged or destroyed;

h. Delegate its powers;

i. Enter into any Lot or Condominium when necessary in connection with maintenance or construction for which the Board is responsible; and

j. Perform any and all other acts and things that a nonprofit, mutual benefit corporation is empowered to do, which may be necessary, convenient or appropriate in the administration of its affairs for the specific purposes of meeting its duties as set forth in this Declaration.

Section 3. Duties. The Board shall perform and execute the following duties for and on behalf of the Association:

a. Maintain the Project perimeter block wall, if any, located along the boundaries of the Project in a neat, clean, safe, sanitary and attractive condition at all times;

b. Provide, water, sewer, gas, electricity, garbage and trash collection, and other necessary utility services for the Association Property and the Common Area and, if not separately metered, for the Lots and Condominiums;

c. Provide insurance for the Association and its Members, in accordance with the provisions of the Article hereinbelow entitled "Insurance";

d. Maintain and repair all portions of the

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Association Property and the Common Area in a neat, clean, safe, attractive, sanitary and orderly condition at all times. In the event any maintenance or repairs to the Association Property or the Common Area are required due to the willful or negligent acts or omissions of an Owner or Owners, the Association shall levy the cost of such maintenance and repair as a Compliance Assessment against the Lot(s) or Condominium(s) of the responsible Owner(s);

e. In addition to all other provisions set forth herein respecting the maintenance of the Association Property and the Common Area, maintain all private sewers, storm drains, private streets, and street, sidewalk and Association Property and Common Area lighting facilities, in a condition comparable to the condition initially approved by the City;

f. Pay all real and personal property taxes and assessments which the Association is required to pay for pursuant to the terms and provisions of this Declaration or by law, unless separately assessed to Owners; provided, however, that it shall be the obligation of each Owner to pay his respective share of the tax assessment levied on the Project prior to separate assessments by the Tax Assessor pursuant to the applicable provisions of the California Revenue and Taxation Code;

g. Contract for any other material, supplies, furniture, labor, services, maintenance, repairs, structural

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alterations and insurance which the Association is required to pay for pursuant to the terms and provisions of this Declaration or by law;

h. Cause financial statements for the Association to be regularly prepared and copies distributed to each Member of the Association, regardless of the number of Members or the amount of assets of the Association:

(1) A pro forma operating statement (budget) for each fiscal year shall be distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year, and shall contain the following information:

(i) An itemized estimate of the Association's revenue and expenses, determined on an accrual basis;

(ii) The amount of the total cash reserves of the Association which are then currently available for the major repair or replacement of Association Property and Common Area Improvements, and for other contingencies;

(iii) An itemized estimate of the remaining useful life of the Association Property and Common Area Improvements, together with an explanation of the methods of funding being utilized by the Association to defray the costs of future repairs, replacements or addi-

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tions to the Association Property and the Common Area Improvements; and

(iv) A general statement setting forth the procedures utilized by the Association to calculate and establish reserves to defray the costs of future repairs, replacements or additions to the Association Property and the Common Area Improvements.

(2) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of closing for the first sale of a Lot or Condominium, and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date. This operating statement shall include a schedule of Assessments received, and receivable, identified by the number of the Lot or Condominium and the name of the person or entity assessed;

(3) An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(i) A balance sheet as of the last day of the Association's fiscal year;

(ii) An operating (income) statement for the fiscal year;

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(iii) A statement of changes in financial position for the fiscal year; and

(iv) Any information required to be reported pursuant to Section 8322 of the California Corporations Code.

This annual report shall ordinarily be prepared by an independent certified public accountant for any fiscal year. However, if for any reason the report is not prepared by an independent certified public accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association; and

(4) A statement of the Association's policies and practices in enforcing its remedies against Members for non-payment of Assessments, as set forth in the Article herein entitled "Effect of Non-Payment of Assessments: Remedies of the Association," which shall be distributed within sixty (60) days prior to the beginning of the fiscal year.

i. Assume and pay out of the Assessments provided for hereinbelow all costs and expenses incurred by the Association in connection with the performance and execution of all of the aforesaid powers and duties, and any other powers and duties the Association may assume as provided for in Section 4 hereinbelow;

j. Formulate, adopt and enforce such Rules

and Regulations as it may deem proper for the operation of the Association Property and the Common Area. Notice of adoption of any such Rules and Regulations and of any change, amendment or repeal thereof, shall be given in writing to each Member and shall be posted in a prominent place within the Association Property and the Common Area. In the event of any conflict between such Rules and Regulations and this Declaration, this Declaration shall prevail;

k. Enforce all applicable provisions of this Declaration, the Articles of Incorporation, By-Laws and such rules and regulations of the Association and of all other documents pertaining to the ownership, use, management and control of the Project;

l. Give notices in writing to the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA) and the Government National Mortgage Association (GNMA), and other lenders and investors participating in the financing of the sale of Lots or Condominiums in the Project, as required herein; and

m. Within ten (10) days of the mailing or delivery of a written request from an Owner, provide said Owner with a copy of this Declaration and the By-Laws and Articles of Incorporation for the Association, together with a true statement in writing as to the amount of any delinquent Assessments, penalties, attorneys' fees and other charges therein as provided by this Declaration or other

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management documents of the Board as of the date of such request. The Board may impose a fee for providing the foregoing, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

Section 4. Discretionary Powers. The Board, at its option, may assume, perform and execute the following powers and duties for and on behalf of the Association:

a. Retain the services of a manager for the Project and provide such other personnel as the Association deems necessary and proper to assist in the operation of the Association and/or management of the Association Property or the Common Area, regardless of whether such other personnel are employed directly by the Association or otherwise;

b. Remove or replace any Improvement that extends into the Association Property or the Common Area under authority of an easement when access to a utility line underneath such Improvement is requested by any utility company; provided, however, that the cost shall be assessed against the Owner of the Lot or Condominium involved as a Compliance Assessment if said Owner caused the Improvement to be so placed in the Association Property or the Common Area without legal right to do so;

c. Incur any liability or pay any costs or expenses for a single Lot or Condominium, or Owner thereof; provided, however, that in the event the Association does incur any such liability or pay any such costs or expenses,

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the amount thereof shall be specially assessed to the Owner of such Lot or Condominium as a Compliance Assessment; provided further, however, that nothing herein shall permit the Association to assess the Owners for any new Improvements to the Association Property or the Common Area, except as otherwise provided in this Declaration; and

d. Subject to the limitations set forth in this Article, contract for any other material, furniture, labor, services, maintenance, repairs, structural alterations or insurance, or pay any taxes or Assessments which, in the opinion of the Board, shall be necessary or proper for the operation of the Association Property and the Common Area for the benefit of the Owners or for the enforcement of this Declaration.

Section 5. Repair of Willful Damage to the Association Property or the Common Area. Notwithstanding the Association's duty to maintain the Association Property and the Common Area, in the event that the maintenance, repair or replacement of any element of the Association Property or the Common Area becomes necessary due to the willful or negligent acts or omissions of any Owner, his family, guests or invitees, after prior notice and hearing, the Board shall assess the cost of such maintenance, repair and/or replacement as a Compliance Assessment against the Lot or Condominium owned by such Owner.

Section 6. Limitations on Contracts. Except as otherwise provided herein, no contract entered into by the Association or

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Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the Association shall repair the same at its expense.

Section 10. Limitations on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the voting power of the Association, and a majority of the votes residing in Members, other than the Declarant:

a. Entering into a contract with a third person wherein the third person will furnish goods or services for the Association Property or the Common Area, or the Association for a term longer than one (1) year, with the following exceptions:

(1) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; and

(2) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the policy permits for short-rate cancellation by the insured.

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b. Incurring aggregate expenditures for capital improvements to the Association Property or the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

c. Selling during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year;

d. Paying compensation to Directors or to officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a Director or officer to be reimbursed for expenses incurred in carrying on the business of the Association; or

e. Filling a vacancy on the Board created by the removal of a Director.

Section 11. Licenses, Easements and Rights of Way. The Board, for and on behalf of the Association, is authorized and empowered to grant such licenses, easements and rights-of-way for sewer lines, water lines, underground conduits, storm drains and other public utility purposes over those portions of the Association Property and the Common Area upon which no building or other structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Association Property and the Common Area or for the preservation

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of the health, safety, convenience and welfare of the Owners. Such licenses, easements and rights-of-way may be granted at any time prior to twenty-one (21) years after the death of the individuals who have signed this Declaration and their issue who are in being as of the date hereof, and the right to grant such licenses, easements and rights-of-way is hereby expressly reserved.

Section 12. New Improvements. Except as otherwise provided in this Declaration, the Association may construct new Improvements or additions to the Association Property and the Common Area or demolish existing Improvements, provided that in the case of any Improvement, addition or demolition involving a total expenditure in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, the written consent or vote of a majority of the Owners (other than the Declarant) in the Project as to the maximum total cost therefor shall first be obtained, and provided that no Lot or Condominium shall be altered or damaged by any such demolition or construction without the consent of the Owner thereof. The Board shall levy a Special Assessment on all Owners in the Project for the cost of such work.

ARTICLE VI

ASSESSMENTS

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Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot or Condominium owned within the Project, hereby covenants, and each Owner of any Lot or Condominium, by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (a) Annual Assessments; (b) Special Assessments for capital improvements and such other purposes set forth herein; (c) Compliance Assessments, including, but not limited to, costs incurred by the Association in the repair of damage to the Association Property or the Common Area for which such Owner was responsible and costs incurred by the Association in bringing such Owner and his Lot or Condominium into compliance with this Declaration; and (d) such other assessments as the Association may periodically establish. The Annual and Special Assessments, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the land and shall be a continuing lien upon the Lot or Condominium against which each such Assessment is made. Each Annual Assessment and each Special Assessment, together with interest, costs and reasonable attorneys' fees for the collection thereof, shall also be the personal obligation of the Owner of such property at the time when the Assessment fell due. Each Compliance Assessment levied against an Owner, together with interest, costs and reasonable attorneys' fees for the collection

thereof, shall be the personal obligation of the Owner of the property at the time of the Assessment. The personal obligation for delinquent Assessments shall not pass to his successors in title unless expressly assumed by them.

Section 2. Purpose of Annual Assessments; Levy and Collection. The Annual Assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents in the Project and to maintain and improve the Association Property and the Common Area. The Association, by and through the Board, shall levy and collect Assessments from the Owner of each Lot or Condominium in the Project in an amount sufficient to cover all of the Common Expenses incurred by the Association in connection with the performance and execution of its powers and duties set forth in this Declaration, the By-Laws and the Articles of Incorporation. Annual Assessments shall be collected on a monthly installment basis.

Section 3. Annual Assessments - Basis. Annual Assessments payable to the Association shall be assessed equally against all Owners of Lots or Condominiums. Each Owner's proportionate share of the Annual Assessments shall be a fraction, the numerator of which shall be the number of Lots or Condominiums owned by such Owner, and the denominator of which shall be the total number of Lots or Condominiums in the Project which are subject to Assessment. Until the first day of the fiscal year immediately following the close of escrow for the sale of the first Lot or Condominium in the Project to an Owner, the maximum monthly Assessment

under this Article shall be as set forth in the Association Budget, as reviewed and approved by the California Department of Real Estate. From and after the first day of the fiscal year immediately following the conveyance of the first Lot or Condominium to an Owner, the maximum Annual Assessment may be increased each fiscal year by the greater of either: (a) ten percent (10%), or (b) the percentage increase in the Consumer Price Index for All Urban Consumers (Long Beach/Los Angeles Metropolitan Area - All Items) or other comparable index, but not to exceed twenty percent (20%) above the maximum Assessment for the previous year without the vote or written assent of a majority of the voting power of the Association residing in Members, other than the Declarant. From and after the first day of the fiscal year immediately following the conveyance of the first Lot or Condominium to an Owner, the maximum Annual Assessment may be increased by more than provided above only with the vote or written assent of a majority of the voting power of the Association and a majority of the voting power residing in Members, other than the Declarant. The Board may fix the Annual Assessment at an amount not in excess of the maximum Annual Assessment. Notwithstanding the foregoing, following the annexation of any subsequent Phase to the Project pursuant to the provisions set forth in this Declaration, the maximum Annual Assessment shall be automatically increased (or decreased) for all Lots or Condominiums in the Project on the first day of the month following the first close of an escrow for the sale of a Lot or Condominium in said subsequent Phase without

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any approval of the Members of the Association to the amount mutually recommended by the California Department of Real Estate in connection with its review and processing of the Association budget for such Phase. The Association may, upon ratification by a majority of the Board, enter into an agreement with Declarant, its successors or assigns, to reduce or abate Assessments, upon such terms and conditions as may be agreed to by the parties.

Section 4. Special Assessments for Capital Improvements.

In any fiscal year, the Board may not, without the vote or written assent of a majority of the voting power of the Association and a majority of the votes residing in Members, other than the Declarant, levy Special Assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Every Special Assessment shall be levied upon the same basis as that prescribed for the levying of Annual Assessments.

Section 5. Notice and Quorum For Any Action Authorized Under Section 4. Any action authorized under Section 4 should be taken at a special meeting of the Association called for that purpose, written notice of which shall be sent to all Members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. The notice shall specify the place, day and hour of the meeting and the nature of the business to be undertaken. Said special meeting shall be conducted in accordance with the

provisions of the By-Laws of the Association concerning special meetings of the Members of the Association.

Section 6. Date of Commencement of Annual Assessments: Due Dates. The Annual Assessments provided for herein shall commence as to all Lots or Condominiums within each Phase of the Project on the first day of the month following: (a) the first conveyance of any Lot or Condominium to a bona fide purchaser; or (b) the conveyance of the Association Property in such Phase to the Association, whichever shall first occur. The first Annual Assessments shall be adjusted according to the number of months remaining in the fiscal year as set forth in the By-Laws. The Board shall fix the amount of the Annual Assessment against each Lot or Condominium at least thirty (30) days in advance of each Annual Assessment period. Written notice of the Annual Assessment shall be sent to every Owner subject thereto at least thirty (30) days in advance of each Assessment period. The due dates shall be established by the Board. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association, setting forth whether the Assessments on a specified Lot or Condominium have been paid. If a certificate states that Assessments have been paid, such certificate shall be conclusive evidence of such payment.

Section 7. Offsets and Waiver Prohibited. No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Association Property or the Common Area, or

abandonment of his Lot or Condominium, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Association.

Section 8. Exempt Property. The following property subject to this Declaration shall be exempt from the Assessments herein:

a. All property dedicated to and accepted by a local public authority;

b. All property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of California. However, no land or Improvements devoted to dwelling use shall be exempt from said Assessment;

c. All property owned by any public authority; and

d. All Association Property and all Common Area.

Section 9. Capitalization of Association. Each first purchaser of a Lot or Condominium in a Phase of the Project shall contribute to the capital of the Association an amount equal to one/sixth (1/6) the amount of the then Annual Assessment for his respective Lot or Condominium as determined by the Board. Said amount shall be deposited by said Owner into the escrow for the purchase of his Lot or Condominium from Declarant and shall be

disbursed by the escrow holder to the Association at the close of escrow for the sale of the Lot or Condominium to said Owner.

ARTICLE VII

EFFECT OF NON-PAYMENT OF ASSESSMENTS:

REMEDIES OF THE ASSOCIATION

Section 1. Effect of Non-Payment of Assessments: Remedies of the Association. Any Annual, Special or Compliance Assessment not paid within thirty (30) days after the due date shall be deemed delinquent, shall be subject to reasonable late charges as may, from time to time, be established by the Board in accordance with Section 1725 of the California Civil Code, as the same may be amended, from time to time, and shall bear interest from the due date at ten percent (10%) per annum. The Board, for and on behalf of the Association, may commence legal action against the Owner personally obligated to pay the same, or, in the case of an Annual or Special Assessment, may foreclose the lien against his Lot or Condominium. Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California.

Section 2. Notice of Lien. No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein provided less than thirty (30) days after the date a notice of claim of lien is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said Lot or Condominium, and a copy thereof is recorded by the Assoc-

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ation in the Office of the County Recorder of Los Angeles County. Said notice of claim must recite a good and sufficient legal description of any such Lot or Condominium, the record Owner or reputed Owner thereof, the amount claimed (which may, at the Association's option, include reasonable late charges as may, from time to time, be established by the Board in accordance with California law, interest on the unpaid Assessment at ten percent [10%] per annum, plus reasonable attorneys' fees and expenses of collection incurred in connection with the debt secured by said lien), and the name and address of the claimant. The notice shall be signed and acknowledged by the President, or Vice President, and the Secretary, or assistant Secretary, of the Association. The lien shall continue until fully paid or otherwise satisfied.

Section 3. Foreclosure Sale. Any foreclosure sale provided for above is to be conducted by the Board, its attorney or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b and 2924c of the California Civil Code, applicable to the exercise of powers of sale in Mortgages and deeds of trust, or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Lot or Condominium at a foreclosure sale, and to acquire, hold, lease, mortgage and convey the same.

Section 4. Curing of Default. Upon the timely curing of any default for which a notice of claim or lien was filed by the Association, the officers thereof are hereby authorized to file or record, as the case may be, an appropriate release of such

notice upon payment by the defaulting Owner of a fee to be determined by the Association but not to exceed Twenty-Five Dollars (\$25.00) to cover the costs of preparing and filing or recording such release.

Section 5. Cumulative Remedies. The Association's remedies for non-payment of Assessments, including, but not limited to, an action to recover a money judgment, Assessment lien and right of foreclosure and sale, are cumulative and in addition to and not in substitution of any other rights and remedies which the Association and its assigns may have hereunder or at law.

ARTICLE VIII

USE RESTRICTIONS

The Lots or Condominiums, and Association Property or Common Area shall be occupied and used only as follows:

Section 1. Private Single Family Dwelling. With the exception of a Lot improved with apartments, Each Lot or Condominium shall be used as a private dwelling for a single family and for no other purpose, except such temporary uses as shall be permitted by Declarant while the Project is being developed and Lots or Condominiums are being sold by Declarant; provided, however, that Declarant reserves the right, for a period of five (5) years from recordation hereof or until all Lots or Condominiums in the Project are sold (and escrows closed), whichever shall first occur, to carry on normal sales activity on the Project, including the operation of models and a sales office, provided Declarant shall

not unreasonably interfere with any other Owner's use of the Association Property or the Common Area.

Section 2. Association Property and Common Area Use. Use of the Association Property and the Common Area shall be subject to the provisions of this Declaration and to any additional limitations imposed by the Association.

Section 3. Conduct Affecting Insurance. Nothing shall be done or kept in any Lot or Condominium, or in the Association Property or the Common Area which will increase the rate of insurance on the Association Property or the Common Area without the approval of the Association. No Owner shall permit anything to be done or kept in his Lot or Condominium, or in the Association Property or the Common Area which will result in the cancellation of insurance on the Association Property or the Common Area, or which would be in violation of any law. If, by reason of the occupancy or use of said premises by the Owner, the rate of insurance to the Association Property or the Common Area shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 4. Liability for Damage to the Association Property and Common Area. Each Owner shall be liable to the Association, pursuant to the laws of the State of California, for any and all costs and expenses which may be incurred by the Association to repair any damage to the Association Property and the Common Area which may be sustained by reason of the negligence or willful misconduct of said Owner or of his family, tenants, less-

ees or contract purchasers, or their respective guests or invitees, whether minor or adult. After approval by a majority of the Board, any such costs and expenses shall be levied by the Board as a Compliance Assessment against such Owner's Lot or Condominium.

Section 5. Signs. Subject to the provisions of California Civil Code, Section 712, no sign of any kind shall be displayed to the public view on or from any Lot or Condominium, or the Association Property or the Common Area without the approval of the Association or the Architectural Control Committee, except such signs as may be used by Declarant for a period of time not to exceed five (5) years from recordation hereof in connection with the development of the Project and sale of Lots or Condominiums, and except one (1) "for sale" or "for lease" sign of reasonable size on any Lot or Condominium. All signs permitted under this Section shall conform with the City's sign ordinance, if any, and with all applicable governmental regulations.

Section 6. Maintenance of Animals Within the Project. No animals of any kind shall be raised, bred or kept in any Lot or Condominium, or in the Association Property or the Common Area, except that common household pets, including dogs, cats or birds, may be kept in each Lot or Condominium; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose. Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal on the Association Property or the Common Area. All ani-

mals maintained in a Lot or Condominium must be kept either within an enclosure, yard or patio, or on a leash being held by a person capable of controlling the animal. The Association, upon the approval of two-thirds (2/3) of the Board, shall have the right to prohibit maintenance of any animal within the Project which, in the opinion of the Board, constitutes a private nuisance to any other person. Every person bringing an animal upon or keeping an animal in the Project shall be liable pursuant to the laws of the State of California to each and all persons for any injury or damage to persons or property caused by such animal.

Section 7. Quiet Enjoyment. No Owner shall permit or suffer anything to be done or kept upon such Owner's Lot or Condominium which will obstruct or interfere with the rights of quiet enjoyment of the other occupants, or annoy them by unreasonable noises or otherwise, nor will any Owner commit or permit any nuisance on the premises or commit or suffer any immoral or illegal act to be committed thereon. Each Owner shall comply with all of the requirements of the Board of Health and of all other governmental authorities with respect to said premises, and shall remove all rubbish, trash and garbage from his Lot or Condominium. All clotheslines, refuse containers, woodpiles, storage boxes, tools and equipment shall be prohibited from any Lot or Condominium unless obscured from view by a fence or appropriate screen approved by the Architectural Control Committee provided for hereinbelow.

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Section 8. Structural Changes. There shall be no structural alteration, construction or removal of any Residence, fence or other structure whatsoever in the Project without the prior written approval of the Board or its designated Architectural Control Committee, as required herein, except such works of construction by Declarant during the development of the Project.

Section 9. Improvements. There shall be no construction, alteration or removal of any Improvement in the Project (other than those repairs or rebuilding permitted under the Article entitled "Damage or Destruction to the Association Property") without the approval of the Architectural Control Committee as set forth hereinbelow. No Improvement shall be constructed upon any portion of any Association Property or the Common Area other than such Improvements as shall be constructed (a) by the Declarant (or a person or entity to whom Declarant assigns its rights as developer), or (b) by the Association as provided herein.

Section 10. Windows. No window in any Residence shall be covered in whole or in part, inside or outside, with aluminum foil, newspaper, paint, tint or any other material reasonably deemed inappropriate for such use by the Association.

Section 11. Commercial Activity. No professional, commercial or industrial operations of any kind shall be conducted in or upon any Lot or Condominium, or the Association Property or the Common Area, except such temporary operations as may be approved by a majority of a quorum of the Association, and such temporary uses as shall be permitted by Declarant while the Proj-

ect is being constructed and Lots or Condominium are being sold by the Declarant.

Section 12. Parking. Except in such areas as designated by Declarant and the Board, no Owner of a Lot or Condominium in the Project shall park, store or keep any vehicle except wholly within his garage. No Owner shall park, store or keep any large commercial type vehicle, any recreational vehicle (including, but not limited to, any camper, motorhome, trailer, boat trailer, mobile home or other similar vehicle, boat or aircraft) or any vehicle other than a private passenger vehicle on any portion of the Project. No Owner shall conduct major repairs or major restorations of any motor vehicle of any kind whatsoever in his garage, or upon the Association Property or the Common Area, except for emergency repairs thereto and then only to the extent necessary to enable movement thereof to a proper repair facility. Each Owner shall maintain his garage such that it is readily available for parking. In any event, all vehicles shall be parked in compliance with applicable City ordinances.

Section 13. Guest Parking. Subject to the provisions of this Declaration and the Rules and Regulations of the Association, all open parking spaces within the Association Property and the Common Area shall be permanently maintained and available on a first-come, first-served basis to all guests and invitees of Owners.

Section 14. Compliance With Management Documents. All Owners shall be Members of the Association and shall comply with the

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terms and conditions as set forth herein and in the Articles of Incorporation and the By-Laws, and any Rule or Regulation of the Association. No Owner shall transfer any membership or interest in the Association, except upon the transfer of the Lot or Condominium to which it is appurtenant.

Section 15. Declarant's Improvements. Nothing in this Article or elsewhere in this Declaration shall limit the right of Declarant to complete construction of any Improvements to the Association Property or the Common Area, and/or to any Lot or Condominium owned by Declarant, or to alter the foregoing or to construct such additional Improvements as Declarant deems advisable prior to completion and sale of the entire Project. The rights of Declarant under this Declaration may be assigned by Declarant to any successor to all or any part of Declarant's interest in the Project, as developer, by an express assignment incorporated in a recorded deed transferring such interest to such successor.

Section 16. Air Conditioners. No Owner shall install an air conditioning unit or replace the existing unit without the prior written approval of the Architectural Control Committee, which shall have the right to approve or disapprove the size, shape, noise level and proposed location of such air conditioning unit.

Section 17. Solar Heating. No Owner shall install any solar energy collection panels or similar equipment without the prior written approval of the Architectural Control Committee, which shall have the right to approve or disapprove the size, shape,

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color, materials, construction or location of such panels or equipment.

Section 18. Antennas. No Owner shall install, or cause to be installed, any television, radio, "Citizens Band" (C.B.) antenna or other similar electronic receiving or broadcasting device on any portion of the exterior of any Residence.

Section 19. Leasing. With the exception of a lender in possession of a Lot or Condominium following (a) a default in a first Mortgage, (b) a foreclosure proceeding, or (c) a conveyance or other arrangement in lieu of foreclosure, no Owner shall be permitted to rent or lease his Lot or Condominium for transient or hotel purposes or for a period of less than thirty (30) days. No Owner may rent or lease less than the entire Lot or Condominium. All rental and lease agreements shall be in writing and shall provide that the terms of such agreement shall be subject in all respects to the provisions of this Declaration, By-Laws and Articles of Incorporation, and that any failure by the tenant or lessee to comply with the terms of such documents shall constitute a default under such agreement. Other than the foregoing, there are no restrictions on the right of an Owner to rent or lease his Lot or Condominium.

Section 20. Drilling. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Lot or Condominium, or the Association Property or the Common Area, nor shall oil wells, tanks, tunnels or mineral excavations be permitted upon or in any

Lot or Condominium, or the Association Property or the Common Area. No derrick or other structure designed for use in boring for oil, water or natural gas shall be erected, maintained or permitted upon any Lot or Condominium.

Section 21. Trash. No rubbish, trash, garbage or other waste material shall be kept or permitted upon any portion of the Project, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Project, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Lots or Condominiums only when set out for a reasonable period of time (not to exceed twenty-four [24] hours before and after scheduled trash collection hours). If trash bins are located in the trash areas on the Association Property or the Common Area, all Owners shall utilize such trash bins for the disposal of their trash.

ARTICLE IX

ARCHITECTURAL CONTROL - APPROVAL

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Section 1. Exemptions From Architectural Control. Except as otherwise provided herein, all Improvements to the Project shall be subject to architectural approval by the Association in accordance with the provisions of this Declaration. Notwithstanding the foregoing, Declarant shall not be required to comply with any of the provisions of this Article as they may relate to the original construction and development of the Project by Declarant in accordance with the plans approved by the City and VA; provided, however, if Declarant shall desire to construct any Improvements to the exterior of a Residence after such Residence has been completed and approved by the City and VA, Declarant shall obtain approval for such Improvements from the City and VA; and, provided further, if Declarant shall retain a Residence for personal use, any Improvements to the exterior of such Residence shall be subject to architectural approval pursuant to this Article.

Section 2. Architectural Control. Except for the purposes of proper maintenance and repair and except as otherwise permitted hereunder, no person shall install any Improvement, including, without limitation, solar heating panels, lighting, shades, screens, awnings, patio covers, decorations, fences, screen doors, aerials, antennas, radio or television broadcasting or receiving devices, air conditioning units, or change or otherwise alter the exterior of any Residence. For the purposes of this

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Section, the term "exterior" shall mean any outside wall, outside surface, roof, outside door, patio, garage, or other outside structure of said Residence which is visible to others in the Project and/or to the public.

Section 3. Architectural Control Committee. The Architectural Control Committee is hereby authorized with the rights and powers set forth in this Article. Said Committee shall consist of three (3) members and each member shall serve for a term of one (1) year. In the event of the failure or inability of any member of the Committee to act, the remaining members shall designate a successor who shall serve for the remainder of the term of the member he replaces. The Declarant shall appoint all of the original members of the Committee and all replacements thereto until the first anniversary of the issuance of the Final Subdivision Public Report for the first Phase of the Project, and further, Declarant reserves the power to appoint a majority of the members of the Committee until ninety percent (90%) of the Lots or Condominiums in the Project have been sold (and escrows closed) or until the fifth anniversary of the issuance of the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. After one (1) year from the date of the issuance of the Final Subdivision Public Report for the first Phase of the Project, the Board shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of the Lots or Condominiums in the Project have been sold or until the fifth anniversary date of the issuance of

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the Final Subdivision Public Report for the first Phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. All members appointed to the Architectural Control Committee by the Board shall be from the membership of the Association. Members appointed to the Committee by the Declarant, however, need not be members of the Association. No member of the Committee shall be liable to any person for his decisions or failure to act in making decisions as a member of the Committee. Declarant may, in its discretion and at any time, assign to the Association by written assignment its powers of removal and appointment with respect to the Committee, subject to such terms and conditions regarding the exercise thereof as Declarant may impose.

Section 4. Architectural Approval. No action described in Section 2 above may be taken by an Owner, or caused by an Owner to be taken, until all requirements which may be imposed by the City have been satisfied and the plans and specifications showing the nature, kind, color, shape, dimensions, materials and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and to topography by the Architectural Control Committee provided for in Section 2 hereinabove. In the event said Committee or its designated representatives fails to approve or disapprove such design and location in writing within

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thirty (30) days after said plans and specifications have been submitted to it, approval by said Committee will not be required.

Section 5. Criteria. Approval of the plans and specifications for any action described in Section 2 as required herein may be withheld because of noncompliance with any of the specific covenants, conditions and restrictions contained in this Declaration; because of the reasonable dissatisfaction of the Committee with the plan, color scheme, finish, design, proportions, architectural style, shape, dimensions, materials to be used therein, pitch or type of roof proposed to be placed thereon, and/or appropriateness of the proposed action; or because of the reasonable dissatisfaction of the Committee with any aspect of the proposed action which, in the reasonable judgment of the Committee, would render the completed action inharmonious or out of keeping with the general plan of development for the Project or with the Improvements constructed on neighboring Lots or Condominiums. The approval of any such action shall be deemed conditional upon the commencement of work within ninety (90) days after such approval. Thereafter, the work must be prosecuted diligently to completion within a reasonable time.

Section 6. No Liability. Declarant, the Association, the Board, the Architectural Control Committee or the members or designated representatives thereof shall not be liable in damages to anyone submitting plans or specifications to them for approval, or to any Owner in the Project affected by this Declaration by reason of mistake in judgment, negligence, or nonfeasance

arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications, or for any defect in any structure constructed from such plans and specifications. Such plans and specifications are expressly not approved for engineering design nor compliance with applicable municipal codes.

Section 7. Rules and Regulations. The Board or an Architectural Control Committee appointed by the Board may, from time to time, adopt, amend and repeal reasonable Rules and Regulations, interpreting and implementing the provisions hereof and establishing reasonable architectural standards for the Project.

Section 8. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require it, the Board or an Architectural Control Committee appointed by the Board, by the vote or written consent of a majority of the members thereof, may allow reasonable variances as to any of the covenants contained in this Declaration under the jurisdiction of the Board or the Architectural Control Committee appointed by the Board, on such terms and conditions as it shall require; provided, however, that all such variances shall be in keeping with the residential plan development conditions for the Project.

Section 9. Delegation of Responsibilities. The Board, or an Architectural Control Committee appointed by the Board, may, by a majority of the members thereof, delegate any of its rights or responsibilities hereunder to one (1) or more duly licensed

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architects who shall have full authority to act on behalf of the Board or its appointed Architectural Control Committee on all matters delegated.

Section 10. Review Fee. All plans and specifications required by Section 2 hereof shall be submitted in writing for approval, together with a reasonable processing fee, to the Board or the Architectural Control Committee appointed by the Board.

Section 11. Inspection. Upon consent of the Owner, which consent shall not be unreasonably withheld, any member or agent of the Board or its designated Architectural Control Committee may, at any reasonable hour and upon reasonable notice, enter and inspect any property subject to the jurisdiction of the Board or its appointed Architectural Control Committee as to its improvement or maintenance in compliance with the provisions hereof.

Section 12. Prohibited Activities. The Board, or its designated Architectural Control Committee, shall not approve, and no person shall install any exterior lighting system which would illuminate any portion of the Association Property or the Common Area.

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ARTICLE X

COMMON WALLS

Section 1. Introduction. The provisions set forth herein apply to Lots only, and shall be inapplicable to Condominiums. Each Owner has a vested interest in the continued maintenance and repair of the system of "Common Walls" within the Project. For purposes of this Article, "Common Wall" shall mean and refer to any fence or wall, or portion thereof, which is located substantially parallel to and within approximately two feet (2') of the boundary line separating two (2) Lots and which serves as the boundary between said Lots, including, but not limited to, a wall, or portion thereof, which comprises a part of any Residence or garage. "Common Wall" shall not, however, mean or refer to any fence or wall, or portion thereof, which serves as a boundary between a Lot and any Common Area Lot. Each Owner's rights and obligations with respect to the Common Walls is set forth hereinbelow.

Section 2. Ownership of Common Walls. Ownership of each Common Wall, or portion thereof, shall be vested in the Owner of the Lot upon which the Common Wall, or portion thereof, is located. Notwithstanding said vesting of ownership, the rights and obligations of the Owners with respect to the use, enjoyment, maintenance and repair of the Common Walls shall be as set forth hereinbelow.

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Section 3. Maintenance of Common Wall Surfaces. The Association shall be responsible for painting and maintaining the exterior of all Residences located on Lots in the Project, as more fully set forth in that Article herein entitled "Obligation to Maintain." Each Owner shall maintain the side of any fence or wall, or portion thereof, which faces his Lot in a neat, clean, safe, sanitary and attractive condition at all times, and shall bear all costs thereof. Each Owner may landscape, in a neat and attractive way, the side of any exterior Common Wall, or portion thereof, which faces his Lot, and may paint, wallpaper, panel or similarly decorate the interior of any Common Wall, or portion thereof, which comprises a portion of such Owner's Residence or garage. No Owner shall drive nails, screws, bolts or other objects more than half way through any Common Wall, interfere with the adjacent Owner's use and enjoyment of the Common Wall, or impair in any way the structural integrity of the Common Wall.

Section 4. Structural Maintenance of Common Walls. The structural maintenance of Common Walls shall include, but not be limited to, such repair, restoration and/or periodic replacement as is reasonably necessary to maintain the Common Walls in a neat, safe and structurally sound condition at all times. Where a Common Wall, or portion thereof, comprises a portion of one (1) Residence or garage only, it shall be the obligation of the Owner of such Residence or garage to structurally maintain such Wall, or portion thereof, and to bear all costs thereof. Where a Common Wall, or portion thereof, comprises a portion of two (2) Resi-

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dences or garages, it shall be the mutual obligation of the Owners of each such Residence or garage to structurally maintain such Wall, or portion thereof, and to share equally in the costs thereof. Where a Common Wall, or portion thereof, does not comprise a portion of any Residence or garage, it shall be the mutual obligation of the Owners of each of the adjacent Lots to structurally maintain such Wall, or portion thereof, and to share equally in the costs thereof. Notwithstanding the foregoing, in the event any structural maintenance is required due to the willful or negligent acts or omissions of any Owner, such Owner shall bear the cost thereof.

Section 5. Easements Regarding Placement of Common Walls.

There shall be a permanent easement appurtenant to the Land for the placement of all Common Walls, where such Walls were originally installed by Declarant, regardless of whether such Walls are located precisely upon the boundary separating two (2) Lots. In addition, in the event a Common Wall, or portion thereof, is not located upon the actual boundary line, but is located substantially parallel to and within two feet (2') of the boundary line separating two (2) Lots, such that a portion of one (1) Owner's Lot is located upon an adjacent Owner's side of the Common Wall, there shall be a permanent easement appurtenant to the adjacent Lot on, over and across the surface of that portion of the first Owner's Lot which is located between the boundary line and the Common Wall.

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ARTICLE XI

OBLIGATION TO MAINTAIN

Section 1. Repair and Maintenance by Association. Without limiting the generality of the statement of powers and duties contained in this Declaration, the Articles, By-Laws or any Association rules, upon the commencement of Regular Assessments on Lots in a Phase of the Project, the Association shall have the duty to accomplish the following upon the Project or other land in such manner and at such times as the Board shall prescribe:

a. Maintain, landscape, repair, restore and replace Improvements on the Association Property and the Common Area in a neat, clean, safe, attractive and orderly condition at all times, including, without limitation, the following:

(1) Private streets and driveways, and adjacent streetscapes and perimeter Project walls, if any, in a condition comparable to the condition initially approved by the City;

(2) Walkways or other pedestrian paths;

(3) Private sewer and drainage facilities and easements in accordance with requirements of the City;

(4) All Association Property and all Common Area lighting facilities required by the City for the purpose of illuminating the Association Property and the Common Area;

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Section 6. Easements for Repair of Common Walls. Each Owner of a Lot shall have an easement over each adjacent Lot as reasonably necessary to allow such Owner to maintain the Common Walls in accordance with the provisions set forth herein. Such Owner shall give the Owner of the adjacent Lot twenty-four (24) hours prior notice of the work to be done, and shall perform such work during reasonable daytime hours, except in case of emergency, in which case such work may be performed at any time and without prior notice. The Owner performing the work shall use best efforts to minimize the inconvenience to the Owners of the adjacent Lots when performing the work.

Section 7. Right to Contribution. The right of any Owner to contribution from any other Owner for work performed pursuant to this Article shall be appurtenant to and shall run with the land, and shall be binding upon the Owners and their successors, assigns and grantees.

Section 8. Disputes. In the event of a dispute between the Owners of adjacent Lots with respect to any of the matters set forth in this Article, the Owner of either Lot may submit the matter to the Board, whose decision shall be binding upon the Owners of both Lots.

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(5) Monument signs, if any, located on the Association Property or the Common Area and all mailbox structures in a condition comparable to that condition initially approved by the City; and

(6) Subject to the terms and provisions of the Article herein entitled "Common Walls," all perimeter walls and decorative fences installed, or to be installed, by Declarant on the Project, including patio fences and any other perimeter walls and fences designated in any Declaration of Annexation.

b. Paint, maintain and repair the exterior surfaces of all Residences in the Project, including the garages, the exterior surfaces of patio fencing and deck railing as may be installed by Declarant;

c. Maintain, repair and replace the roofs of the Residences, together with such subsurface roofing materials as are consistent with good roofing maintenance practice;

d. Maintain all other areas, facilities, furniture, equipment, services or aesthetic components of whatsoever nature as may, from time to time, be requested by the vote or written consent of three-fourths (3/4) of the voting power of the Members; and

e. Except as otherwise herein specified as

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being paid by individual Owners, the costs of maintenance, repair, restoration and replacement as provided in this Article, shall be Common Expenses and shall be paid out of the general fund of the Association.

Section 2. Repair and Maintenance by Owner. Except as the Association shall be obligated to maintain and repair as may be provided in this Declaration, every Owner shall:

a. Maintain his Residence in a clean, safe and attractive condition. Such maintenance shall include, without limitation, all window glass and screens, interior building surfaces, interior walls, interior floors and flooring, all doors (including locks, latches, weather stripping and thresholds), all interior lighting fixtures of the Residence, stoppage of drains when attributable to such Owner's Residence, forced air heating and air conditioning units, air conditioning compressor and hot water heating unit serving his Residence.

b. In the event the Board shall determine that a wall or fence, or Association Property or Common Area, or the equipment or Improvements thereon, have been damaged by reason of negligence or willful misconduct of an Owner or his family members, tenants, guests or invitees, either minor or adult, repair or replacement shall be done at such Owner's expense or, after notice and hearing, a Compliance Assessment therefor shall be made by the Board against his Lot or Condominium.

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Section 3. Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities or public utilities which are located within easements in the Association Property or Common Area owned by such public utilities. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 4. Damage and Destruction Affecting a Residence - Duty to Rebuild. In the event any Lot or Residence located thereon is damaged or destroyed by fire or other casualty, it shall be the duty of the Owner of such Lot or Residence to repair or reconstruct said Residence in a manner which will restore it to its condition and appearance immediately prior in time to such damage or destruction, or as otherwise approved by the Architectural Control Committee. The affected Owner shall be obligated to proceed with all due diligence hereunder, and shall be responsible for commencing reconstruction within three (3) months after the damage occurs, and completion of such reconstruction as soon as reasonably possible.

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ARTICLE XII

DAMAGE OR DESTRUCTION TO
THE ASSOCIATION PROPERTY

Section 1. Restoration of Damaged Association Property.

Except as otherwise provided in Section 2 hereinbelow, damage to or destruction of all or any portion of the Association Property shall be handled in the following manner:

a. In the event of damage to or destruction of the Association Property, and the insurance proceeds are sufficient to effect total restoration, the Association shall, as promptly as is practical, cause the Association Property to be repaired and reconstructed in a good workmanlike manner to its condition prior to such damage or destruction.

b. If the insurance proceeds available are at least ninety percent (90%) of the estimated cost of total repair and reconstruction to the Association Property, the Association shall, as promptly as practical, cause such Association Property to be repaired and reconstructed in a good workmanlike manner to its condition prior to the damage or destruction, and the difference between the insurance proceeds and the actual cost shall be levied by the Association as a Special Assessment against each of the Lots or Condominiums on an equal basis.

c. If the insurance proceeds available are less than ninety percent (90%) of the estimated cost of

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total repair and reconstruction to the Association Property, the Owners shall, by the written consent or vote of a majority of the Owners, determine whether (1) to restore the Association Property as promptly as practical to its condition prior to the damage or destruction, and to raise the necessary funds over and above the insurance proceeds available by levying Assessments against each of the Lots or Condominiums on an equal basis; or (2) to restore the Association Property in a way which utilizes all available proceeds and an additional amount not in excess of ten percent (10%) of the estimated cost of total reconstruction and repair to the Association Property, and which is assessable as provided above to all Lots or Condominiums, but which is less expensive than restoring the Association Property to its condition prior to the damage or destruction.

Section 2. Election by Owners Not to Restore Damaged Association Property.

a. Notwithstanding the provisions set forth in Section 1 hereinabove, in the event sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, the Owners may not elect to rebuild or restore the Association Property and to disburse the available insurance proceeds to the general fund of the Association.

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b. In the event the Owners shall have so voted not to rebuild the Association Property, the Association Property shall be cleared and landscaped and the cost thereof shall be paid for out of the available insurance proceeds prior to their distribution to the general fund of the Association.

c. In the event the Owners shall have so voted not to rebuild the Association Property, unless the City shall agree to the contrary, it shall be the obligation of the Association and each of the Owners to rebuild the private streets, utilities and open spaces, at least to the extent said streets, utilities and open spaces were accepted initially by the City in lieu of payment of fees due pursuant to law.

Section 3. Retention of Excess Insurance Proceeds in General Fund. In the event any excess insurance proceeds remain after restoring the destroyed Association Property, pursuant to this Article, the Board shall retain such sums in the general fund of the Association.

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ARTICLE XIII

CONDEMNATION

Section 1. Distribution of Awards - Association Property.

A condemnation award affecting all or any portion of the Association Property shall be remitted to the general fund of the Association.

Section 2. Board of Directors as Attorney-in-Fact.

All Owners, with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America, hereby appoint the Board as their special attorney-in-fact to handle the negotiations, settlements and agreements pertaining to any condemnation affecting only the Association Property.

ARTICLE XIV

COVENANT AGAINST PARTITION

Section 1. Covenant Against Partition.

By acceptance of his deed, each Owner shall be deemed to covenant for himself, and for his heirs, representatives, successors and assigns, that he will not institute legal proceedings to effect judicial partition of his interest in the Project, unless the Project (a) has been in existence in excess of fifty (50) years, (b) is obsolete and uneconomical, and (c) the Owners of fifty percent (50%) of the total of all Lots or Condominiums in the Project join in such action for partition.

ARTICLE XV

INSURANCE

Section 1. Required Insurance Coverage. The Association, acting by and through the Board, shall obtain for the Association and shall maintain and pay the premiums for the following insurance coverages:

a. Casualty and Fire Insurance. A policy or policies of casualty and fire insurance with extended coverage endorsement for the full replacement value (without deduction for depreciation) of the Association Property and the Common Area, and the Lots or Condominiums, together with all Improvements, including, without limitation, the Residences constructed thereon, but excluding the Owners' personal property. Said policies shall be maintained for the benefit of the Association, the Owners and their respective Mortgagees, as their interests may appear.

b. Public Liability Insurance. A policy or policies of full coverage public liability insurance (with cross-liability endorsement, if obtainable) insuring the Association, the Board, the Owners, the Declarant, and the agents and employees of each of the foregoing against any liability to the public or to any Owner, his family, invitees and/or tenants, arising from or incident to the ownership, occupation, use, maintenance and/or repair of the Association Property, the Common Area and the Lots or Condominiums. The limits of liability under this Section shall be

set by the Board and shall be reviewed at least annually by the Board, and increased or decreased at the discretion of the Board; provided, however, that said limits shall not be less than One Million Dollars (\$1,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence; and provided further, that if the Federal Home Loan Mortgage Company (FHLMC) and/or the Federal National Mortgage Association (FNMA) participate in the financing of Lots or Condominiums in the Project, said limits shall not be less than the minimum limits required under the then current FHLMC and/or FNMA regulations.

c. Fidelity Bonds. Officers' and Directors' errors and omissions insurance, and fidelity bonds naming all persons signing checks or otherwise possessing fiscal responsibilities on behalf of the Association, including, but not limited to, officers, the Board, trustees and employees of the Association, and officers, employees and agents of any management company employed by the Association who handle or are responsible for the administration of Association funds. Such coverage shall be in an amount deemed reasonably appropriate by the Association, but shall not be less than the estimated maximum funds, including reserves in the custody of the Association, or one hundred twenty-five percent (25%) of the estimated annual operating expenses of the Project, including reserves, whichever is greater.

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Section 2. Optional Insurance Coverage. The Association, acting at its option and by and through the Board, may purchase such other insurance as it may deem necessary or appropriate, including, but not limited to, earthquake insurance, flood insurance, workers' compensation insurance and plate glass insurance.

Section 3. Notice of Cancellation of Insurance. All policies of insurance maintained by the Association pursuant to this Article shall contain a provision that coverage under said policies may not be cancelled, terminated, allowed to expire by their own terms, or be substantially modified by any party without at least thirty (30) days' prior written notice to the Board, to each Owner, and to such first Mortgagees who have filed written requests with the Association for such notice. A list of the Owners and such first Mortgagees shall be made available by the Association to the insurance carrier upon request.

Section 4. Review of Coverage. The Board shall annually determine whether the amounts and types of insurance coverage that it has obtained pursuant to this Article shall provide adequate coverage for the Project, based upon the then current construction costs, insurance practices in the area in which the Project is located, and all other factors which may indicate that either additional insurance coverage or increased coverage under the existing policies is necessary or desirable to protect the interests of the Association, the Owners and their respective Mortgagees. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain same.

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Section 5. Waiver by Owners. As to all policies of insurance maintained by the Association which will not be voided or impaired thereby, each Owner hereby waives and releases all claims against the Association, the Board, the Declarant, and the agents and employees of each of the foregoing, and all other Owners with respect to any loss covered by such insurance, whether or not caused by the negligence of, or breach of, any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss.

Section 6. Premiums, Proceeds and Settlement. Insurance premiums for all blanket insurance coverage and any other insurance coverage which the Board has determined is necessary to protect the interests of the Association, the Owners and their respective Mortgagees, shall be a Common Expense to be included in the Annual Assessments levied by the Association. All insurance proceeds paid to the Association shall be disbursed as follows: (a) in the event of any damage or destruction to the Association Property, such proceeds shall be disbursed in accordance with the provisions of the Article herein entitled "Damage or Destruction to the Association Property"; and (b) in the event of any other loss, the proceeds shall be disbursed as the Board shall deem appropriate subject to the limitations set forth in the Article herein entitled "Mortgagee Protection." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. A majority of the Board must sign a loss claim form and release form in connection

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with the settlement of a loss claim, and such signatures shall be binding on the Association and its Members.

Section 7. Rights and Duties of Owners to Insure. Each Owner may obtain insurance on his personal property and all other Improvements located on his Lot or Condominium. Nothing herein shall preclude any 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 Lot or Condominium, or elsewhere upon the Project. If obtainable, such liability insurance coverage carried by an Owner shall contain a waiver of subrogation of claims against the Declarant, the Association, the Board, their agents and employees and all other Owners. Such other policies shall not adversely affect or diminish any liability under insurance obtained by the Association. 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 Owner, such 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 8. Trustee for Policies. The Association is hereby appointed and shall be deemed trustee for the interests of all insureds under the policies of insurance maintained by the Association. All insurance proceeds under such policies shall be paid to the Board, as trustees, and the Board shall have full power to

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receive such funds on behalf of the Association, the Owners and their respective Mortgagees, and to deal therewith as provided for in this Declaration.

ARTICLE XVI

MORTGAGEE PROTECTION

Section 1. Mortgagee Protection Provisions. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce the Federal Home Loan Mortgage Corporation (FHLMC) and the Federal National Mortgage Association (FNMA), and other lenders and investors, to participate in the financing of the sale of Lots or Condominiums in the Project, the following provisions contained within this Article are added hereto, and to the extent these added provisions conflict with any other provisions in this Declaration, these added provisions shall control. The Declaration, the Articles of Incorporation and the By-Laws for the Association are hereinafter collectively referred to in this Article as the "constituent documents."

a. The right of an Owner to sell, transfer or otherwise convey his Lot or Condominium shall not be subject to any right of first refusal or any similar restriction in favor of the Association.

b. The lien of the Assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter recorded upon any Lot or Condominium. The sale or transfer of any Lot or Condominium shall not

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affect the Assessment lien; however, the sale or transfer of any Lot or Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage or pursuant to any remedies provided for in the Mortgage shall extinguish the lien of such Assessments as to payments which became due prior thereto. No sale or transfer shall relieve such Lot or Condominium from liability for Assessments due thereafter. Any first Mortgagee who obtains title to a Lot or Condominium pursuant to the remedies provided in the Mortgage, or foreclosure of the Mortgage, or any purchaser at a foreclosure sale of a first Mortgage will not be liable for more than six (6) months' unpaid Assessments or charges which accrue prior to the acquisition of title to such Lot or Condominium by the Mortgagee (except for claims for a share of such Assessments or charges resulting from a reallocation of such Assessments or charges to all Lots or Condominium, including the mortgaged Lot or Condominium).

c. Except as provided by statute in case of condemnation or substantial loss to the Lots or Condominiums, and/or Association Property or Common Area, unless sixty-seven percent (67%) of the Owners, other than Declarant, and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) have given their prior written approval, the Association shall not be entitled to:

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(1) Change the method of determining the obligations, Assessments, dues or other charges which may be levied against an Owner's Lot or Condominium;

(2) By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer all or any portion of the Association Property or the Common Area. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Association Property or the Common Area shall not be deemed a transfer within the meaning of this clause;

(3) Use hazard insurance proceeds for losses to the Association Property or the Common Area for other than repair, replacement or reconstruction;

(4) Effect any decision of the Association to terminate professional management and assume self-management of the Project, where such professional management was previously a requirement of a holder, insurer or guarantor of any first Mortgage;

(5) By act or omission, change, waive or abandon any provisions of this Declaration, or enforcement thereof, pertaining to architec-

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tural design of the Residences situated on a Lot, or the maintenance and operation of the Common Area and Association Property within the Project, including, without limitation, sidewalks, fences, driveways and landscaping within the Project;

(6) Fail to maintain fire and extended coverage on the insurable Common Area and Association Property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value thereof; and

(7) Abandon or terminate the Association, except for abandonment, partition or termination as may be provided by law.

d. All taxes, Assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Lots or Condominiums, and not to the Project as a whole.

e. No provision of the constituent documents shall be interpreted to give any Owner or any other party priority over any rights of the first Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of all or any portion of the Association Property or the Common Area, or such Owner's Lot or Condominium.

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f. The Assessments provided for in the constituent documents shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the Association Property and the Common Area that must be replaced on a periodic basis, and shall be payable in regular installments rather than by Special Assessments.

g. Each holder, insurer or guarantor of a first Mortgage who has filed with the Association a written request for notice shall be entitled to timely written notice of: (1) any condemnation or eminent domain proceeding, and any loss or taking resulting from such proceeding which affects the Project, or any portion thereof; (2) any substantial damage or destruction to the Project, or any portion thereof, when such loss exceeds Ten Thousand Dollars (\$10,000.00); (3) any default in the performance by an individual Owner of any obligation under the constituent documents which is not cured within sixty (60) days after the Association learns of such default; (4) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and (5) any abandonment or termination of the Project.

h. Any agreement for professional management of the Project, or any contract providing for services of the Declarant, may not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods. Any such agreement must provide for termination by

either party without cause and without payment of a termination fee on thirty (30) days' written notice.

i. First Mortgagees of Lots or Condominiums may, jointly or singly, pay taxes or other charges which are in default and which may have become a lien on the Association Property or the Common Area, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for the Association Property or the Common Area, and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. Upon demand by any first Mortgagee, the Board shall execute, on behalf of the Association, an agreement establishing the right of all first Mortgagees to such reimbursement.

j. A first Mortgagee of a Lot or Condominium in the Project will, upon request, be entitled to (1) examine the books and records of the Association during normal business hours; (2) receive an annual audited financial statement of the Project within ninety (90) days following the end of any fiscal year of the Project, if such statement has been prepared for the Association; and (3) receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

k. Each Owner shall notify the Association in writing within ten (10) days after the close of escrow for

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the purchase of his Lot or Condominium of the name and address of his first Mortgagee, and thereafter, each Owner shall promptly notify the Association of any changes of name or address for his first Mortgagee.

l. If any Lot or Condominium (or portion thereof) or the Association Property or the Common Area (or portion thereof) is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institutional holder of any first Mortgage on such Lot or Condominium will be entitled to timely written notice of any such proceeding or proposed acquisition.

m. In the event any portion of the Association Property or the Common Area encroaches upon any Lot, or any Lot encroaches upon the Association Property or the Common Area 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.

Section 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 re-entry whatsoever, but in the event that any one (1) or more of these covenants shall be violated, the Declarant, its successors and assigns, the Association, or any Owner in the Project may com-

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mence 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 XVII

ANNEXATION OF ADDITIONAL PROPERTY

Additional property may be annexed to and become subject to this Declaration as set forth in this Article.

Section 1. Annexation Pursuant to Approval. Upon obtaining the approval in writing of the Association pursuant to the vote or written assent of sixty-seven percent (67%) of the total votes residing in the Association Members, other than the Declarant, the owner of any property who desires to annex said property to the scheme of this Declaration and to subject it to the jurisdiction of the Association may file or record a Declaration of Annexation, as described in Section 3 of this Article.

Section 2. Annexation Pursuant to General Plan. All or any part of the real property described as Annexation Property in the Article herein entitled "Definitions," may be annexed to the Property and added to the scheme of this Declaration and be subjected to the jurisdiction of the Association without the assent

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of the Association or its Members, provided and on condition that:

a. Any annexation pursuant to this Section shall be made prior to three (3) years from the date of the original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a Phase of the Project;

b. The development of the Annexation Property shall be in substantial conformance with the overall general plan of development for the Project originally submitted to and approved by the City, the California Department of Real Estate, the VA and the Federal Housing Administration, with the processing papers for the Project; further, detailed plans for the development of each Phase shall have been submitted to and approved by the VA and Federal Housing Administration, prior to its annexation; and

c. A Declaration of Annexation, as described in Section 3 of this Article, shall be recorded covering the Annexation Property.

Section 3. Declaration of Annexation. The annexation of additional property authorized under this Article shall be made by filing of record a Declaration of Annexation, or similar instrument, covering said additional property, and the Declaration of Annexation shall expressly provide that the scheme of this Declaration shall extend to such additional property. The Declaration of Annexation may contain such complementary additions to

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and modifications of the covenants set forth in this Declaration which are necessary to reflect the different character, if any, of the Annexation Property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Section, no Declaration of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Declaration.

Section 4. Effective Date of Annexation. Notwithstanding anything to the contrary herein, any annexation pursuant to the provisions of this Article shall be effective only upon the close of escrow for the sale of the first Lot or Condominium in a Phase of the Project which has been annexed.

Section 5. Right of De-Annexation. Declarant hereby reserves the right to de-annex any property which may be annexed to the Property pursuant to this Declaration and to delete said property from the scheme of this Declaration and from the jurisdiction of the Association, provided and on condition that the de-annexation shall be made prior to the closing of the sale of the first Lot or Condominium in the Phase to be de-annexed, and a draft of the Revocation of Declaration of Annexation has been submitted to and approved by the VA and Federal Housing Administration.

ARTICLE XVIII

ENFORCEMENT OF BONDED OBLIGATIONS

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Section 1. Enforcement of Bonded Obligations. In the event that the improvements of the Association Property or the Common Area have not been completed prior to the issuance of a Final Subdivision Public Report by the California Department of Real Estate, 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 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 Association Property or the Common Area 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

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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. A vote at such meeting of a majority of the voting power of such Members, other than the Declarant, 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 XIX

APARTMENT OWNERSHIP

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Section 1. Delegation of Vote. In the event that Condominiums are not developed in a succeeding Phase or Phases of the Project, as presently planned, Declarant hereby reserves the right to construct and market apartments on such Phases. The Owner of such apartments, in its sole discretion, may, from time to time, delegate its votes in the Association to the tenants of its apartment units in whatever manner it deems advisable, provided that the Owner of the apartments shall notify the Board of such delegation. Any fractional votes created by such a delegation may be rounded off by the Owner of the apartments, so long as the total vote delegated does not exceed the amount such Owner is entitled, pursuant to the Article herein entitled "Owners' Association."

Section 2. Applicability of Declaration. The Owner of the apartments shall be considered an Owner, as defined in this Declaration, and the real property upon which said apartments are located shall be considered a Lot with respect to the provisions of this Declaration.

Section 3. Payment of Assessments. Each Owner of apartments in the Project shall pay a fraction of all Assessments equal to said Assessments as levied against a Class A member owning a single Lot or Condominium, times the number of votes to which such Owner is entitled.

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Section 4. Delegation of Use. The Owner of such apartments may delegate his right of enjoyment in and to the Association Property to tenants of its apartment units, and such tenants may further delegate such rights of enjoyment to the members of the tenants' families and the tenants' bona fide guests (subject to the Rules and Regulations pertaining to guests as are applied to other Members).

Section 5. Conversion to Condominiums. The Owner of the apartment units, in its sole discretion, may elect to convert its apartments to a Condominium, pursuant to the applicable provisions of the California Civil Code. In such event, the Owners of Condominiums in such converted apartment buildings shall all be "Owners," as defined in this Declaration, and shall be assessed at the same rate as other Owners, shall have the same voting rights as other Class A members of the Association, and shall be subject to all other terms and provisions of this Declaration in the same manner as other Members.

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ARTICLE XX

GENERAL PROVISIONS

Section 1. Enforcement.

a. The Association or the Owner of any Lot or Condominium in the Project, including the Declarant, shall have the right to enforce, by proceedings at law or in equity, all of the covenants now or hereafter imposed by this Declaration and the By-Laws, respectively (and the Rules and Regulations duly adopted by the Association), including, without limitation, the right to prosecute a proceeding at law or in equity against the person or persons who have violated or are attempting to violate any of said covenants, to enjoin or prevent them from doing so, to cause said violation to be remedied and/or to recover damages for said violation.

b. The result of every act or omission whereby any of the covenants contained in this Declaration or the provisions of the By-Laws are violated, in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance shall be applicable against every such result and may be exercised by any Owner, by the Association or by its successors in interest.

c. The remedies herein provided for breach of the covenants contained in this Declaration or the provi-

sions of the By-Laws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

d. The failure of the Association or any Owner to enforce any of the covenants contained in this Declaration or the provisions of the By-Laws shall not constitute a waiver of the right to enforce the same thereafter.

e. A breach of the covenants contained in this Declaration or of the provisions of the By-Laws shall not affect or impair the lien or charge of any bona fide Mortgage or deed of trust made in good faith and for value on any Lot or Condominium; provided, however, that any subsequent Owner of such property shall be bound by said covenants, whether or not such Owner's title was acquired by foreclosure, a trustee's sale or otherwise.

f. The Board, for and on behalf of the Association, may assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend said Owner's voting rights and right to use the recreational facilities, if any, for the period during which any Assessment against said Owner's Lot or Condominium remains unpaid; provided, however, the due process requirements set forth in Section 7341 of the California Corporations Code shall be followed with respect to the accused Owner before a decision to impose discipline is reached (to wit, the accused Owner shall be given fifteen [15] days' prior notice sent by first

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class or registered mail, and the notice shall specify the reasons for the proposed penalty or suspension and shall provide an opportunity for the Owner to be heard, orally or in writing, not less than five [5] days before such penalty or suspension is imposed by the Board).

g. The Board, for and on behalf of the Association, may temporarily suspend an Owner's voting rights and right to use the recreational facilities for a period not to exceed thirty (30) days for any infraction of the Association's published Rules and Regulations; provided, however, the due process requirements set forth in Section 7341 of the California Corporations Code shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

h. In addition to the above general rights of enforcement, the City shall have the right, through its agents and employees, to enter upon any part of the Project for the purpose of enforcing the California Vehicle Code and its local ordinances, and is hereby granted an easement over the Project for that purpose.

Section 2. Severability. Invalidation of any one of these covenants by judgment or court order shall in no way affect any other provisions hereof, which shall remain in full force and effect.

Section 3. Term. The covenants set forth in this Declaration shall run with and bind the Project, and shall inure to the

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benefit of the Association and be enforceable by the Board or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of fifty (50) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by sixty-seven percent (67%) of the then Owners, agreeing to terminate said covenants and restrictions in whole or in part, has been recorded within one (1) year prior to the termination of the initial fifty (50) year term or within one (1) year prior to the termination of any successive ten (10) year period.

Section 4. Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and maintenance of the Project. The Article and Section headings have been inserted for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 5. Singular Includes Plural. Whenever the context of this Declaration may so require, the singular shall include the plural, and the masculine shall include the feminine and neuter.

Section 6. Amendments. This Declaration may be amended only by an affirmative vote of not less than sixty-seven percent (67%) of each class of Members. As long as there is Class B membership, any amendments to this Declaration shall require the prior approval of the VA or Federal Housing Administration. At

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such time when the Class B and Class C memberships shall cease and be converted to Class A membership, any and all amendments to this Declaration shall be enacted by requiring the vote or written assent of Members representing both: (a) sixty-seven percent (67%) of the total voting power of the Association, and (b) sixty-seven percent (67%) of the votes of Members, other than the Declarant; provided, however, that the percentage of the voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision. In addition, in the event that FNMA participates in the financing of Lots or Condominiums in the Project, the written consent of not less than sixty-seven percent (67%) of the first Mortgagees shall be required for any amendment which affects or purports to affect any of the following:

- a. The legal status of the Project as a planned development;
- b. Voting;
- c. Assessments;
- d. Responsibility for Association Property or Common Area maintenance;
- e. Reserves for maintenance, repair and replacement of Association Property or Common Area;
- f. Insurance or fidelity bonds;
- g. Association Property or Common Area use rights;
- h. Boundaries of any Lot or Condominium;

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i. Ownership interest in Association Property or Common Area;

j. Encroachment by Improvements into Association Property or Common Area, or by Association Property or Common Area into individual Lots or Condominiums;

k. Leasing of Lots or Condominiums;

l. Restrictions on alienation, including, but not limited to, rights of first refusal;

m. Mortgagee protection provisions as set forth in that Article hereinabove entitled "Mortgagee Protection," and such other provisions in this Declaration for which the consent of Mortgagees shall be required or which are expressly for the benefit of Mortgagees, insurers or guarantors of Mortgages; and

n. Annexation or de-annexation of additional property to or from the Project.

Notwithstanding the foregoing, in the event any first Mortgagee receives a written request from the Board to approve any amendment to the Declaration, and such first Mortgagee does not deliver a negative response in writing to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved such proposed amendment. This amendment provision shall not be amended to allow amendments by less than the percentages set forth hereinabove. An amendment made in accordance with the provisions set forth hereinabove shall be effective when executed by the President and

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Secretary of the Association who shall certify that the amendment has been approved by the Membership and, where appropriate, by the first Mortgages, in the percentages set forth hereinabove and recorded in the Office of the County Recorder for Los Angeles County. Upon such recordation, the amendment shall be effective and binding upon all Owners and all Mortgagees, regardless of whether such Owner or such Mortgagee consented to such amendment.

Section 7. Encroachments. None of the rights and obligations of the Owners created herein or by the deed shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful conduct of said Owner.

Section 8. Notices. Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by registered or certified mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the Lot or Condominium of such person if no address has been given to the Association. If such notice is not sent by regular mail, it shall be deemed to have been delivered when received. Such ad-

dress may be changed, from time to time, by notice in writing to the Association.

Section 9. Attorneys' Fees. If any Owner defaults in making a payment of Assessments or in the performance or observance of any provision of this Declaration, and the Association has obtained the services of an attorney in connection therewith, the Owner covenants and agrees to pay to the Association any costs or fees incurred, including reasonable attorneys' fees, regardless of whether legal proceedings are instituted. In case a suit is instituted, the prevailing party shall recover the cost of the suit, in addition to the aforesaid costs and fees.

Section 10. Property Exemption. All public property within the Project shall be exempt from the provisions of this Declaration.

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ARTICLE XXI

RIGHT OF CITY TO COMPEL PERFORMANCE

Section 1. Rights of City. Each Owner of a Lot or Condominium in the Project acknowledges and understands that the Project is being developed in accordance with the guidelines and criteria established and adopted by the City. The City has a continuing right and interest in the maintenance, preservation and repair of the Association Property and the Common Area by the Association in a neat, clean, safe and sanitary condition. Furthermore, the City has an interest in the maintenance, preservation and repair of the exterior of any Improvements, including Residences or related structures, located in the Project. As a consequence, in the event that the Association or any Owner fails or refuses to satisfy those architectural standards as established by the Association, by and through its Board or Architectural Control Committee, for the maintenance, preservation and repair of the Association Property or the Common Area, or exterior maintenance of any Improvements, including Residences or related structures, located in the Project, the City shall have the right, but not the obligation, to cause the necessary maintenance and repair to be performed in accordance with such architectural standards. The City shall have the right to assess the costs thereof against the Association or an Owner(s), as the case may be, in accordance with the City's ordinances regarding repair of substandard dwellings, as such ordinances may be amended or adopted, from time to time. Nothing herein shall in any way di-

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minish or abridge the rights of the Association or any Owner under such ordinances or as provided by law to notice and hearing, to the opportunity to be heard and to present evidence on its behalf, and to appeal.

Section 2. Mortgagee Protection. Any lien of Assessment levied by the City pursuant to the provisions of Section 1 above shall be subordinate and junior to the lien of any first Mortgage or deed of trust upon any Lot or Condominium in the Project, and shall be likewise subordinate to the lien of any Assessment as may, from time to time, be levied by the Association pursuant to the applicable provisions of this Declaration against an Owner and his Lot or Condominium.

Section 3. Liability to City. The failure or refusal of the City to exercise any of the rights or powers conferred by this Article will not result in any liability to the City.

Section 4. Amendment to Declaration - Prior Approval by City. The City shall have the right to review and approve any amendment, modification or revocation of this Declaration, or any part hereof, which would materially affect the rights of the City respecting the Project or which would have a detrimental and adverse affect upon the maintenance, preservation, and repair of the Association Property or the Common Area, or any such other Improvements, including the Residences or related structures, subject to the provisions of this Declaration. The Association shall cause any such amendment or revocation to the Declaration to be forwarded to the City Attorney prior to recordation there-

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of. In the event that the City shall fail to give written notice to the Association of its approval or disapproval of any such amendment or revocation within fifteen (15) days after receipt thereof, the amendment or revocation shall be deemed to be approved by the City, and the Association shall cause such amendment or revocation to be recorded in the Office of the County Recorder of Los Angeles County.

Section 5. Amendment to Article. No amendment or revocation of this Article may be made without the prior express written consent of the City Attorney.

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

"DECLARANT"

1st NATIONWIDE NETWORK MORTGAGE COMPANY, a California corporation

BY: James J. Pasca
Its: _____

BY: Isabel M. Garcia
Its: Assistant Secretary

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CORPORATE ACKNOWLEDGMENT

NO. 202

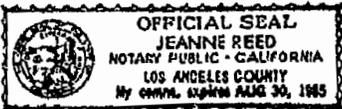
State of California }
County of Los Angeles } ss.

On this the 9th day of August, 1985, before me,

Jeanne Reed
the undersigned Notary Public, personally appeared

James J. Lascari and Isabel M. Garcia

personally known to me
 proved to me on the basis of satisfactory evidence
(to be the person(s) who executed the within instrument as Vice
Pres. & Asst. Sec. or on behalf of the corporation therein
named, and acknowledged to me that the corporation executed it.
WITNESS my hand and official seal.



Jeanne Reed
Notary's Signature

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EXHIBIT "A"

ANNEXATION PROPERTY

All of that certain real property located in the City of Azusa, County of Los Angeles, State of California, more particularly described as:

Lots 1 through 56, inclusive, and Lot 111 of Tract 43238, as shown on a Map recorded in Book 1040, Pages 40 to 43, inclusive, of Maps in the Office of the County Recorder for the County of Los Angeles, California;

Tract No. 44104, as shown on a Map recorded in Book 1053, Pages 97 and 98, of Maps in the Office of the County Recorder for the County of Los Angeles, California; and

Tract No. 42902, in the City of Azusa, to be recorded.