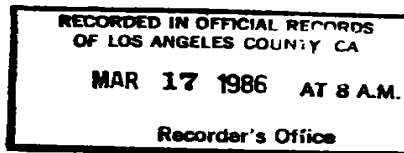


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Recording requested by, and
When recorded, mail to:

Ioren C. Phillips
Attorney at Law
P.O. Box 660
Duarte CA 91010



FEE \$ 159.00

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
ESTABLISHING A PLAN OF CONDOMINIUM OWNERSHIP

THIS DECLARATION is made as of the date set forth
below by the undersigned Declarant.

R E C I T A L S

1. Declarant is the owner of certain real property located in the County of Los Angeles, (hereinafter referred to as "said County"), State of California, described in Exhibit "A" attached hereto, as Lots 1 & 2 of Tract No. 43384, in the City of Glendora, as per map filed in Book 1058, Page(s) 74 THRU 76 of Maps, in the Office of the County Recorder of said County.

2. Said real property is to be improved as an Automatic Incremental Phased Development in the manner described in Exhibit "B" attached hereto, and pursuant hereto, Declarant intends to establish a plan of condominium ownership.

3. All of said real property, including all structures and other improvements thereon, is hereby defined as, and shall hereinafter be referred to as the "development".

4. The development of the real property described on this Exhibit "B" will be consistent with the overall development plan submitted to and approved by the Veterans Administration.

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5. Units 1 - 26, inclusive, consisting of 26 residential units together with Common Area Lot No. 1 is the first incremental phase of two (2) Automatic Incrementally Phased Residential Condominium Project. The second incremental phase is to be constructed on Condominium Units 27 - 48, inclusive, together with Common Area Lot No. 2 of Tract No. 43384 and to consist of 22 residential units. The owners of a condominium in the first incremental phase will receive title to the unit plus an undivided interest in said Lot 1. The owners of a unit in the second incremental phase will receive title to the unit plus an undivided interest in said Lot 2.

Each residential unit, as hereinafter defined, shall have as appurtenant to it a membership in the Glendora Garden Homes IV, Inc., a California Non-Profit Mutual Benefit Corporation which will be the governing body for both incremental phases of the residential condominium project.

Residential Unit sizes will vary from 1375 to 1488 square feet. The entire project will consist of 3.68 acres on which fourteen (14) buildings, each being comprised as follows:

- 3 buildings with (2) units to a building;
- 2 buildings with (3) units to a building; and
- 9 buildings with (4) units to a building.

The architecture will be traditional in tone.

DECLARATION

NOW, THEREFORE, Declarant hereby declares that the real property described in Recital 1 above is, and shall be conveyed, hypothecated, encumbered, leased, used and occupied subject to the following limitations, restrictions, easements, covenants, conditions, liens and charges, all of which are declared and agreed to be in furtherance of a plan of condominium ownership as described in Sections 1350 to 1359, inclusive, of the California Civil Code for the subdivision, improvement, protection, maintenance, and sale of condominiums, within the aforesaid real property and all of which are declared and agreed to be for the purpose of enhancing, maintaining, and protecting the value and attractiveness of the aforesaid real property. All of said limitations, restrictions, easements, covenants, conditions, liens and charges shall run with the land, and shall be binding upon and inure to the benefit of the successors in interest of such parties. Declarant hereby declares that it is the express purpose and intent hereof that this Declaration satisfy the requirements of Section 1355 of the California Civil Code.

ARTICLE I
DEFINITIONS

1. The "Association" shall mean and refer to Glendora Garden Homes IV, Inc., its successors and assigns..
2. The "Board" shall mean the Board of Directors of the Association.

3. The "Bylaws" shall mean the bylaws of the Association adopted by Declarant, as such bylaws may be amended from time to time.

4. The "Common Area" shall mean the entire development, excepting all units therein granted or reserved, subject to all easements and rights of use described herein and in the document of conveyance through which each owner acquires his condominium.

5. A "Condominium" shall mean a condominium as defined in Section 783 of the Civil Code, consisting of an undivided interest in common with others in a portion of a parcel of real property and the improvements thereon, together with a unit, defined below, which includes a separate interest in space in a residential building on such real property, and also easements appurtenant to said space, if any.

6. The "Condominium Plan" shall mean the condominium plan prepared, executed and recorded in connection with the project.

7. The "Declarant" shall mean Hix Development Corp., a California Corporation, their successors and assigns, if such successors and assigns acquire or hold title to all, or any portion of the development for development purposes.

8. A "Member" shall mean every person or entity who holds a membership in the Association.

9. A "Mortgage" shall mean a mortgage or deed of trust encumbering a condominium or other portion of the

development. A "Mortgage" shall also mean an installment sales contract as in a condominium or other portion of the development entered into under and pursuant to Article 3, Chapter 6, Division 4, of the California Military and Veterans Code whereunder the Department of Veterans Affairs of the State of California ("DVA") is seller (a "Cal-Vet" Contract). The term "mortgagee" shall also include the beneficiary under a deed of trust and the DVA under a Cal-Vet Contract.

10. An "Owner" shall mean each person and entity holding a record ownership interest in a condominium including the Declarant. The term "Owner" shall not include persons or entities who hold an interest in a condominium merely as security for the performance of an obligation.

11. "Subdivider" shall have the same meaning as "Declarant," defined above.

12. "Subdivision Interest" shall have the same meaning as "Condominium," defined above.

13. A "Unit" shall mean the elements of a condominium which are not owned in common with others or other condominiums in the project. The boundaries of the units are shown and defined on the condominium plan for this development recorded in connection with this Declaration. In interpreting deeds and plans, the existing physical boundaries of a unit, or of a unit reconstructed in substantial accordance with the original plans thereof, shall be conclusively presumed to be its boundaries rather than the description expressed in the deeds or plans, regardless of minor variances between boundaries shown on the plans or in the deed, and those of the building.

ARTICLE II
PROPERTY RIGHTS, RIGHTS OF
ENJOYMENT AND EASEMENTS

1. Ownership of Condominium; Exclusive Easements.
Ownership of each condominium within the development shall include a unit, the respective interest in the common area as specified in Exhibit "B" (which undivided interest may not be altered or changed so long as the prohibition against severability of component interests in a condominium remains in effect as hereinafter provided, and any exclusive easement or easements appurtenant to such unit over the common area as described herein, in the deed thereto or in the condominium plan, if any. Each condominium shall include an exclusive easement for the use and maintenance of air conditioners for the use of individual units which lie partly or wholly within the common area.

2. Owners Non-Exclusive Easements of Enjoyment.
Every owner of a condominium shall have a non-exclusive easement of use and enjoyment in and to and throughout the common area of the development as well as a non-exclusive easement for ingress, egress and support over and through the common area; provided, however, such non-exclusive easements shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to units over the common area, if any. Owners in the First Incremental Phase will not have said non-exclusive easement over Common Area Lot 2 until the Association is responsible for maintenance therein, as described in Article XVII, Section 2, below.

a) The right of the Association to limit the number of guests, and to adopt Association rules and regulations regulating the use and enjoyment of the common area.

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b) The right of the Association to borrow money for the purpose of improving the common area and any recreational areas therein, subject to the approval, of the majority of the total voting power of the membership residing in members other than the developer, whenever such borrowed monies would exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

c) The right of Declarant or its designees to enter upon the development for purposes of construction of the development and for purposes of making repairs and remedying construction defects.

d) The right of the Association, or its agents, to enter any of the units in order to perform its obligations hereunder, which right shall be immediate in case of an emergency originating in or threatening such unit, whether the owner is present or not.

e) The right of any owner, or his representative, to enter the unit of any other owner for purposes of performing permissible installations, alterations or repairs to mechanical or electrical services, including installations of television antennae and related cables, provided requests for entry are made in advance and that such entry is at a time convenient to the owner whose unit is being entered; and in the case of emergency such right of entry shall be immediate. Any damage caused by an entry into a unit shall be repaired by the entering party.

f) The right of access and entry to the development, all buildings and structures for any other official charged with carrying out the laws of the City, State of California, or the United States of America.

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3 Delegation of Use. Any owner may delegate his rights of enjoyment in the development, including any recreational facilities thereof, to the members of his family, his guests, and invitees, and to such other persons as may be permitted by the bylaws and the Association rules and regulations, subject however, to said bylaws and said Association rules and regulations; provided, however, that neither an owner of a condominium who has sold same to a contract purchaser thereof or has leased or rented same, nor members of his family, his guests and invitees shall be entitled to use and enjoy the recreational facilities of the development while such owner's condominium is occupied by such contract purchaser, lessee or renter; the aforementioned while occupying such condominium, shall be entitled to use and enjoy the recreational facilities of the development and to delegate the rights of enjoyment in the same manner as if such contract purchaser, lessee or renter were the owner of such condominium during the period of his occupancy of such condominium. Each owner shall notify the secretary of the Association of the names of any contract purchaser, lessee or renter and shall also notify the secretary of the Association of the names of all persons to whom such owner, contract purchaser, lessee or renter has delegated any rights of enjoyment in the development and the relationship which each person bears to such owner, contract purchaser, lessee or renter. Any rights of enjoyment delegated pursuant hereto are subject to suspension to the same extent that rights of owners are subject thereto. With exception of a lender in possession of a condominium unit following a default in a first mortgage, a foreclosure proceeding or any deed or other arrangement in lieu of foreclosure, no unit owner shall be permitted to lease his unit for transient or hotel purposes. No unit owner may lease less than the entire unit. Any lease agreement shall be

required to provide that the terms of the lease shall be subject in all respects to the provisions of the Declaration and the Bylaws and that any failure by the lessee to comply with the terms of such documents shall be a default under the lease. All leases shall be required to be in writing.

4. Minor Encroachments. If any portion of the common area encroaches upon any of the units, a valid easement for such encroachment and for the maintenance of same as long as it remains shall and does exist, and, pursuant to this Declaration, all units are made subject to such easements. In the event that any structure containing a unit is partially or totally destroyed and then rebuilt and minor encroachments result, a valid easement for such minor encroachments, and for the maintenance of same so long as same shall remain, shall and does exist, and, pursuant to this Declaration, all units and the common area are made subject to such easements for minor encroachments.

5. Easements Granted by Association. The Association shall have the power of attorney to grant and convey to any third party, on behalf of any owner of a condominium, with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America, easements and rights-of-way in, on, over and under the common area for the purpose of constructing, erecting, operating or maintaining thereon, therein, or thereunder, overhead or underground lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to his condominium expressly consents hereto; provided, however, that no such easements may be granted if same would

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interfere with the use, occupancy or enjoyment by any owner of his unit, any exclusive easements over the common area appurtenant thereto, if any, or the recreational facilities of the development.

ARTICLE III
USE RESTRICTIONS

1. Residential Use. Units shall be used for residential purposes only, provided, however, that for a period of three (3) years from and after the date of recordation of this Declaration or whenever all units have been sold, whichever occurs first, units owned by Declarant may be used by Declarant or its designees as models, sales offices and construction offices for the purpose of developing, improving, and selling condominiums in the development. Nothing herein shall prevent an owner from leasing or renting his condominium, provided, however, any lessee or renter thereof shall abide by and be subject to all terms and provisions of this Declaration, Bylaws and the Association rules.

2. Commercial Use. Excepting as otherwise expressly provided in this Declaration, no part of the development shall ever be used or caused, allowed or authorized to be used in any way, directly or indirectly for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purposes.

3. Interior Maintenance. Each owner of a condominium shall be responsible for maintaining his unit, including the equipment and fixtures therein and the interior

walls, ceilings, windows and doors thereof, in a clean, sanitary, workable and attractive condition, reserving to each owner; however, complete discretion as to the choice of furniture, furnishings, and interior decorating; provided, however, windows may only be covered by drapes or shades and may not be painted or covered by foil, cardboard, or other similar materials. Each owner shall also be responsible for repair, replacement and cleaning of the windows and glass of his unit both exterior and interior. Unless otherwise specifically provided in this Declaration, the owners shall clean and maintain exclusive easements appurtenant to any of the units over the common area, if any, and shall maintain air-conditioners for the use of individual condominiums which lie partly or wholly within the common area, if any.

4. Oil Drilling. No Oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind, shall be permitted upon or in the development; nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of the development. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the development.

5. Offensive Conduct; Nuisance. No noxious or offensive activities, including but not limited to, the repair of automobiles or other motorized vehicles, shall be carried on, upon or within the development, nor shall anything be done thereon which may be or become an annoyance or nuisance to the residents of the development, or which shall in any way interfere with the quiet enjoyment of occupants of the condominiums. Unless otherwise permitted by the Association, no owner shall serve food or beverages, cook, barbecue, or engage in similar activities excepting within

such owner's unit and excepting within those portions of the common area subject to exclusive easements appurtenant to such owner's unit, if any.

6. Parking Restrictions; Use of Garages.

Unless otherwise permitted by the Association, no automobile shall be parked or left on any property subject to this Declaration other than on or within a garage, carport or assigned or appurtenant parking stall or space. No boat, trailer, recreational vehicle, camper, truck or commercial vehicle shall be parked or left on any part of the development other than in the parking area, if any, designated by the Condominium Plan for the parking and storage of all or any of such vehicles by the owners of the units adjacent to such designated parking areas; provided, however, parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Association rules. Garages shall be used for the parking of automobiles only and shall not be converted for living or recreational activities. Garage doors, if any, shall remain closed at all times excepting when entering or exiting.

7. Signs. No sign of any kind shall be displayed to the public view on or from any condominium or on or from the common area without the approval of the Association, excepting such signs as may be used by the Declarant or its designees for the purpose of developing, selling and improving condominiums within the development. All of Declarant's signs are to be removed when the last unit closes escrow or three (3) years after the date the Declaration is recorded, whichever occurs first. Notwithstanding the foregoing, one

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sign of customary and reasonable dimensions advertising a condominium for sale or for rent may be placed within each unit or within the common area immediately adjacent thereto by the owner thereof, the location and design thereof to be subject to approval by the Association.

8. Antennae, External Fixtures, Etc. No television or radio poles, antennae, flag poles, clothesline or other external fixtures other than those originally installed by Declarant or approved by the Association, and any replacements thereof, shall be constructed, erected or maintained on or within the common area, including any structures thereof. No wiring, insulation, air-conditioning or other machinery or equipment other than that originally installed by Declarant or approved by the Association, and any replacements thereof, shall be constructed, erected or maintained on or within the common area, including any structures thereof. Each owner shall have the right to maintain television or radio antennae within completely enclosed portions of his unit; provided, however, that if cable television is or becomes available to such owner his right to maintain television antennae within completely enclosed portions of his unit shall forthwith terminate unless the Association continues to authorize the maintenance thereof.

9. Fences, Etc. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the development except such as are installed in accordance with the original construction

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of the development, and any replacement thereof, or as are authorized and approved by the Association.

10. Animals. No animals, reptiles, rodents, livestock or poultry shall be kept in any condominium or elsewhere within the project, except each unit may maintain one (1) domestic dog and/or one (1) domestic cat not to exceed 20 lbs in weight. In any event, the Association shall have the absolute right to prohibit the maintenance of any animals or pets which constitute, in the sole and exclusive opinion of the Board, a nuisance to any owner or occupant of the development. Each person bringing or keeping a pet upon the development shall be absolutely liable to each and all other owners, their family members, guests, invitees, lessees, renters and contract purchasers, and their respective family members, guests, and invitees for any damage brought upon or kept upon the development by such person or by members of his family, his guests or invitees.

11. Restricted Use of Recreational Vehicles, Etc. No boat, truck, trailer, camper, recreational vehicle or tent shall be used as a living area while located on the development, provided, however, trailers or temporary structures for use incidental to the initial construction of the development or the initial sales of units therein or incidental to the initial construction on property owned by Declarant or Declarant's designees and situated in the vicinity of the development or the initial sales therein may be maintained within the development, but shall be promptly removed upon completion of all such initial construction and all such initial sales.

12. Trash Disposal. Trash, garbage, or other waste shall be kept only in sanitary containers. No owner of a condominium shall permit or cause any trash or refuse to be kept on any portion of the development subject to this Declaration other than in the receptacles customarily used therefor, and placed or maintained as required by the codes and/or ordinances of the jurisdiction specified in Article XVII.

13. Outside Drying and Laundering. No exterior clothesline shall be erected or maintained and there shall be no exterior drying or laundering of clothes on balconies, patios, porches or other areas.

14. Structural Alteration. No structural alterations to the interior of any unit shall be made and no plumbing or electrical work within any bearing or common walls shall be made by any owner without the prior written consent of the Association.

15. Exterior Alterations. No owner shall, at his expense or otherwise, make any alterations or modifications to the exterior of the buildings, fences, railings or walls situated within the development without the prior written consent of the Association.

16. Compliance with Laws, Etc. Nothing shall be done or kept in any unit or in the common area which might increase the rate of, or cause the cancellation of, insurance on the development, or any portion thereof, without the prior written consent of the Association.

17. Indemnification. Each owner shall be liable to the remaining owners for any damage to the common area which may be sustained by reason of negligence of said owner, members of his family, his contract purchasers, lessees, renters, guests or invitees, to the extent that any such damage shall not be covered by insurance. Each owner does further, by acceptance of his deed, agree for himself, and for the members of his family, his contract purchasers, lessees, renters, guests or invitees, to indemnify each and every other owner, and to hold him or her harmless from, and to defend him or her against, any claim of any person or persons for personal injury or property damage occurring within the unit of that particular owner and any exclusive easements over the common area appurtenant thereto, if any, unless said injury or damage occurred by reason of the negligence of any other owner or person temporarily visiting in said condominium or portion of the common area subject to an exclusive easement appurtenant thereto, if any.

18. Owner's Obligation for Taxes. Each owner shall be obligated to pay any taxes or assessments by the County Assessor of said County against his condominium and against his personal property.

19. Age Restrictions. There are no restrictions on the age of the residents or visitors within any condominium.

ARTICLE IV
THE ASSOCIATION

1. Formation. The Association shall be an unincorporated association formed under the laws of the State of California, and upon the close of the first condominium sale to an owner, shall be and become charged with the duties and invested with the powers set forth in the Bylaws and this Declaration, including, but not limited to, control of the common area. The Bylaws shall not, for any reason, be amended or otherwise changed or interpreted so as to be inconsistent with this Declaration. In the event of any such inconsistency, the provisions of this Declaration shall prevail.

2. Association Action; Board of Directors and Officers. Except as to matters expressly requiring the approval of members as set forth in this Declaration or the Bylaws, the affairs of the Association shall in all instances be conducted by the Board and such officers as the Board may elect or appoint, such election or appointment to be in accordance with the Bylaws, as the same may be amended from time to time.

3. Powers and Duties of Association.

a) Powers. The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done by the Association under this Declaration and the Bylaws, and to do and perform any and all acts which may be necessary or proper for or incidental to the exercise of any of the express powers of the Association, including, without limitation to the following:

(i) Assessments. The Association shall have the power to establish, fix and levy assessments against the owners of condominiums and to enforce payment of such assessments, all in accordance with the provisions of this Declaration.

(ii) Right of Enforcement. The Association shall have the power and authority from time to time, in its own name and on its own behalf, or on behalf of any owner or owners who consent thereto, to commence and maintain actions and suits at law for damages or in equity to restrain and enjoin any breach or threatened breach of any provisions of this Declaration or the Bylaws, or of the Association rules adopted pursuant to Section 3 of this Article IV, or any resolutions of the Board, and to enforce by mandatory injunction, or otherwise, all of said provisions. In addition to the foregoing remedies, the Association shall have the right to suspend the voting rights, suspend use privileges of the common area, or assess monetary penalties against any owner or other persons entitled to exercise such rights or privileges by reason of any violation of this Declaration or the Bylaws, Association rules or Board resolution, provided, however, that:

- a. Any such suspension of use privileges may not exceed a period of thirty (30) days for any one violation, and

- b. Any such monetary penalty shall not exceed twenty-five dollars (\$25.00) for any one violation; and
- c. Ten (10) days written notice of the Board meeting at which such action is to be imposed shall be provided, such notice shall contain the time, date, place and subject matter of the meeting.

No such action by the Board shall be imposed until the owner or such person being fined or suspended has been given the right to appear, to be represented by counsel, and heard thereat, in accordance with the minimum requirements of Section 7341 of the California Corporations Code, regarding the charges by the Board. The meeting at which the action by the Board is contemplated, and at which the charged owner or other person shall be given the right to appear and be heard, shall be a duly called regular or special meeting of the Board whereat all Board Members shall be present.

(iii) Delegation of Powers. The Association, acting by and through the Board, shall have the authority to delegate its powers, duties and responsibilities to committees or employees, including a professional managing agent (sometimes hereinafter referred to as the "manager").

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(iv) Association Rules. The Association shall have the power to adopt, amend and repeal such rules and regulations as it deems reasonable (hereinafter sometimes referred to as the "Association rules"). The Association rules shall govern the use of the common area, including, but not limited to, any recreational facilities, by an owner, the family members of an owner, or by any guest, invitee, contract purchaser, lessee or renter of an owner, or their respective family members, guests or invitees, provided, however, that the Association rules shall not be inconsistent with or materially alter any other provisions of this Declaration or the Bylaws. A copy of the Association rules as the same may from time to time be adopted, amended or repealed shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the development. In the event of any conflict between any such Association rules and any other provisions of this Declaration or the Bylaws, the provisions of this Association rules shall be deemed to be superseded by the provisions of this Declaration or the Bylaws to the extent of any such inconsistency.

b) Powers and Limitations of the Board of Directors. The powers and duties of the Board of Directors shall normally include, but shall not be limited to, the following:

(i) Enforcement of applicable provisions of the Declaration, Bylaws, and other instruments for the ownership, management and control of the subdivision.

(ii) Payment of taxes and assessments which are, or could become, a lien on the common area or a portion thereof.

(iii) Contracting for casualty, liability and other insurance on behalf of the Association.

(iv) Contracting for goods and/or services for the common areas, facilities and interests or for the Association, subject to the limitations set forth below.

(v) Delegation of its powers to committees, officers or employees of the Association as expressly authorized by the governing instruments.

(vi) Preparation of budgets and financial statements for the Association as prescribed in the governing instruments.

(vii) Formulation of rules of operation of the common areas and facilities owned or controlled by the Association.

(viii) Initiation and execution of disciplinary proceedings against members of the Association for violations of provisions of the governing instruments in accordance with procedures set forth in the governing instruments.

(ix) Entering upon any privately owned subdivision interest as necessary in connection with

construction, maintenance or emergency repair for the benefit of the common area, or the owners in common.

(x) Election of officers of the governing body.

(xi) Filing vacancies on the governing body except for a vacancy created by the removal of a governing body member.

(xii) Make available to any prospective purchaser of a condominium, any owner of a condominium, any first mortgagee, and the holders, insurers and guarantors of a first mortgage on any condominium, current copies of the Declaration, the Articles of Incorporation, the Bylaws, rules governing the condominium and all other books, records and financial statements of the Association.

c) The governing body of the Association shall ordinarily be prohibited from taking any of the following actions, except with the affirmative vote or written assent of both: a majority of the total voting power of the Association, and a majority of the votes of members other than the subdivider:

(i) Entering into a contract with a third person or entity wherein said person or entity will furnish goods or services for the common area, or for the Association, for a term of longer than one (1) year, with the following exceptions:

- a. A management contract, the terms of which have been approved by the Federal housing Administration or the Veterans Administration.

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

(ii) Incurring aggregate expenditures for capital improvements to 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.

(iii) 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.

(iv) Paying compensation to members of the governing body or to officers of the Association for services performed in the conduct of the Association's business provided, however, that the governing body may cause

a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(v) Filling of a vacancy on the governing body created by the removal of a governing body member.

d) Duties of the Association. In addition to powers delegated to it in the Bylaws, and without limiting the generality thereof, the Association, acting by and through the Board, or by and through persons or entities described in paragraph a) (iii), above, if applicable, shall have the obligation to conduct all business affairs of common interest to all owners, and to perform each of the following duties:

(i) Operation and Maintenance of the Common Area. Operate, maintain and otherwise manage or provide for the operation, maintenance and management of, the common area, and all facilities, improvements and landscaping thereon and thereof, subject to the provisions of Article XVI, "Automatic Incremental Phasing", including all private driveways and private streets thereto, if any, and all other property acquired by the Association, including personal property, in a first-class condition and in a good state of repair. In this connection, the Association may employ a managing agent and may enter into contract for services or materials for the benefit of the Association or the common area, provided, however, that the term of any such service contract shall not exceed one (1) year unless approved by members as provided in Section 3 of this Article IV.

(ii) Taxes and Assessments. Pay all real and personal property taxes and assessments and all other

taxes levied against the common area, personal property owned by the Association, or against the Association. Such taxes and assessments may be contested or compromised by the Association; provided, however, that they are paid or a bond insuring payment is posted prior to sale, or the disposition of any property to satisfy the payment to such taxes.

(iii) Water and Other Utilities. Acquire, provide and/or pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone and gas and other necessary utility services for the common area and for condominiums when the condominiums are not separately billed therefor. The Association shall guarantee payment to the jurisdiction stated in Article XVII for all proper invoices for water, sewer service charges, garbage, trash or rubbish charges.

(iv) Insurance. Obtain, from reputable insurance companies, and maintain in effect, the insurance described in Article VIII hereof.

(v) Enforcement of Restrictions and Rules. Perform such other acts, whether or not expressly authorized by this Declaration, as may be reasonably necessary to enforce any of the provisions of this Declaration, the Bylaws, the Association rules and any Board resolutions.

e) Absolute Limitations on Association.
The Association shall have no power to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of his individually-owned subdivision interest on account of the failure by the owner to comply with provisions of the governing instruments or of duly enacted Association Rules for operation of the common areas and facilities except by

judgment of a court, or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the owner to pay assessments duly levied by the Association. This limitation shall not apply to charges against an owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred, including attorneys' fees, in its efforts to collect delinquent assessments.

A monetary penalty imposed by the Association as disciplinary measure for failure of a member to comply with the governing instruments, or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the member was allegedly responsible or in bringing the member and his subdivision interest into compliance with the governing instruments may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the member's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Section 2924, 2924(b), and 2924(c) of the Civil Code.

4. Personal Liability. No member of the Board, or any committee of the Association, or any officer of the Association, or the manager, if any, or Declarant, or any agent of Declarant, shall be personally liable to any owner, or to any party, including the Association, for any damage, loss or prejudice suffered or claimed on the account of any act, omission, error or negligence of any such person or entity, provided that such person or entity has, upon the basis of such information as may be possessed by him or it, acted in good faith without willful or intentional misconduct.

5. Annual Meeting and Notice. An organizational meeting shall be held as soon as practicable following issuance by the California Department of Real Estate of the first Final Public Report covering the development, and the directors elected thereat shall hold office until the first annual meeting. Until the first annual meeting, representatives of Declarant may act as directors and officers of the Association. The first election of a governing body for the Association shall be conducted at the first meeting of the Association. All positions on the governing body shall be filled at that election. The first annual meeting of members of the Association shall be held not later than six (6) months after the closing of the sale of the first condominium within the development, or forty-five (45) days after the closing of the sale comprising at least fifty-one percent (51%) of the units, whichever occurs first. Thereafter, annual meetings of the Association shall be held within one week before or after the anniversary date of said first annual meeting on a day to be determined by the Board which day shall not be a legal holiday. Special meetings may be called as provided for in the Bylaws. Notice of all members meetings, annual or special, shall be given by regular mail or telegrams and shall be given not less than ten (10) days nor more than ninety (90) days prior to the time of said meeting and shall set forth the place, date and hour of the meeting, and the nature of business to be undertaken. All such meetings shall be held within the development or as close thereto as practicable, at a reasonable place selected by the Board. The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. In the absence of a quorum at a members' meeting a majority of those present in person or by

proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum by those in attendance shall be to a date not less than five (5) days and not more than thirty (30) days from the original meeting date at which adjourned meeting the quorum requirements shall be twenty-five percent (25%) of said total votes. If a time and place for the adjourned meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings. Any meeting of members whereat a quorum is present may be adjourned for any reason to a time not less than five (5) days nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present thereat in person or by proxy.

6. Audit and Annual Operating Statement. Financial statements for the Association shall be regularly prepared and distributed to all members regardless of the number of members or the amount of assets of the Association as follows:

a) A budget for each fiscal year shall be distributed not less than forty-five (45) days nor more than 60 days prior to beginning of the fiscal year in accordance with Article VI, Section 4.

b) 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 of the first sale of an interest in the subdivision and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed within sixty (60) days after the accounting date in accordance with Article VI, Section 4.

Other financial information shall be provided in accordance with said Section 4.

7. Action Without a Meeting. The governing body may take actions without a meeting if all of its members consent in writing to the actions to be taken. Where the governing body resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three (3) days after the written consents of all governing body members have been obtained.

ARTICLE V
MEMBERSHIP AND VOTING RIGHTS

1. Membership.

a) Qualifications. Each owner of a condominium, including Declarant, shall be a member of the Association. Ownership of a condominium or interest therein shall be the sole qualification for and entitlement to membership in the Association. Each owner shall remain a member of the Association until such time as his ownership or ownership interest in all condominiums in the development ceases for any reason, at which time his membership in the Association shall automatically cease. A member is not intended to include persons or entities who hold an interest in a condominium merely as security for performance of an obligation.

b) Members' Rights and Duties. Each member shall have the rights, duties and obligations set forth in this Declaration, the Bylaws and the Association rules, as the same may from time to time be amended.

c) Transfer of Membership. The Association membership of each person or entity who owns, or owns an interest in, a condominium shall be appurtenant to such condominium, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except upon a transfer of title to each such condominium or interest therein and then only to the transferee thereof. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a condominium or interest therein shall operate automatically to transfer the membership rights in the Association appurtenant thereto to the new owner thereof.

2. Voting.

a) Classes of Voting Members. The Association shall have two (2) classes of voting membership.

Class A. Class A members shall be all the owners with the exception of Declarant. Each Class A member shall be entitled to one (1) vote for each condominium in which such Class A member owns an interest; provided, however, when more than one Class A member owns an interest in a Condominium, the vote of such 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 one such condominium (except in the case of cumulative voting as hereinafter described).

Class B. The Class B member(s) shall be the Declarant, who shall be entitled to three (3) votes for each condominium owned (except in the case of cumulative voting as hereinafter described). The Class B membership shall forever cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

(i) When the total votes outstanding in the Class A membership equal the total votes outstanding in Class B membership; or

(ii) Not later than the second anniversary of the original issuance by the California Department of Real Estate of the Subdivision Public Report for the development.

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Any portion in the governing instrument calling for membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligation of the subdivider under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each Class of membership during the time that there are two (2) outstanding classes of membership.

b) Joint Owner Votes. The voting rights for each condominium may not be cast on a fractional basis. In the event that the joint owners of a condominium are unable to agree among themselves as to how their voting rights shall be cast, they shall forfeit same to the matter in question. If any owner or owners cast the voting rights of a particular condominium, it will thereafter be conclusively presumed for purposes that he or they were acting with the authority and consent of all other owners of the same condominium. In the event more than one (1) person or entity cast the voting rights for particular condominium, said voting rights shall not be counted and shall be deemed void.

c) Cumulative Voting. Voting for the governing body shall be by secret written ballot. Cumulative voting in the elections in which more than two (2) positions on the governing body are to be filled. No member shall be entitled to cumulative votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting, and the member has given notice at the meeting prior to the voting of the member's intention to cumulate votes. If any one member has given such notice, all may cumulate their votes for candidates in nomination.

(i) Unless the entire Governing Body is removed from office by the votes of Association members, no individual governing body member shall be removed prior to the expiration of his term of office if the number of votes cast against his removal would be sufficient to elect the governing body member if voted cumulatively at an election at which the same total number of votes were cast and the entire number of governing body members authorized at the time of the most recent election of the governing body member were then being elected.

(ii) a. One representative of the governing body shall be elected solely by the votes of owners other than the subdivider. At any election of a governing body member or members, the votes cast by the subdivider shall be segregated from those cast by owners other than the subdivider. The votes of said other owners shall then be counted for each candidate. The candidate receiving the greatest number of these votes shall be declared elected to the governing body unless there is already a representative on the governing body who was elected by votes of owners other than the subdivider. The votes cast by the subdivider shall then be counted and the candidates with the greatest number of total votes shall be declared elected to the vacancies of the governing body with the condition that the candidate having been declared elected by votes of members other than the subdivider shall in any case be a member of the governing body.

b. A governing body member who has been elected to office solely by the votes of members of the Association other than the Subdivider may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in members other than the Subdivider.

ARTICLE VI
ASSESSMENTS

1. Agreement to Pay. The Declarant, for each condominium owned by it in the development which is expressly made subject to assessments as set forth in this Declaration, hereby covenants and agrees and each purchaser of a condominium by his acceptance of a deed therefor, whether or not it is so expressed in such deed, is deemed to covenant and agree, for each condominium owned, to pay to the Association regular assessments and special assessments, such assessments to be established, made and collected as hereinafter provided, subject to the provisions of Article XVIII, "Automatic Incremental Phasing."

a) Commencement of Assessments. Assessments shall commence on the first day of the first month following the closing of the first sale of a condominium unit, and shall be assessed to all units, including those belonging to the subdivider, subject to the provisions of Article XVIII, "Automatic Incremental Phasing".

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2. Personal Obligation. Each such assessment, or installment thereof, together with any late charge, interest thereon, collection costs and reasonable attorney's fees, shall also be the personal obligation of the person or entity who was an owner at the time such assessment, or installments thereof, become due and payable. In the event more than one person or entity was the owner of a condominium, the personal obligation to pay such assessment, or installment thereof, respecting such condominium shall be both joint and several. No owner of a condominium may exempt himself from payment of assessments, or installments thereof, by a waiver of the use or enjoyment of all or any portion of the common area or by waiver of the use or enjoyment of, or by abandonment of his condominium. The personal obligation for delinquent assessments shall not pass to an owner's successors in title unless expressly assumed by them.

3. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health safety and welfare of the members of the Association, for the improvement, operation and maintenance of the common area, and for the performance of the duties of the Association as set forth in this Declaration.

4. Budgets and Financial Statements. Budgets and financial statements for the Association shall be prepared regularly and copies shall be distributed to each member of the Association as follows:

a) The following financial information shall be regularly prepared and distributed by the governing body to all members regardless of the number of members or the amount of assets of the Association:

(i) A budget for each fiscal year consisting of at least the following information shall be

distributed not less than 45 days nor more than 60 days prior to the beginning of the fiscal year.

a. Estimated revenue and expenses on an accrual basis.

b. The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

c. An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

d. A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(ii) A balance sheet - as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the subdivision - and an operating statement for the period from the date of the first closing to the said accounting

date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name of the entity assessed.

(iii) A report consisting of the following shall be distributed within 120 days after the close of the fiscal year.

- a. A balance sheet as of the end of the fiscal year.
- b. An operating (income) statement for the fiscal year.
- c. A statement of changes in financial position for the fiscal year.
- d. For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

b) If the report referred to in a.(iii) above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review.

c) In addition to financial statements, the governing body shall annually distribute within 60 days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against members for default in the payment of regular and special assessments including the recording and foreclosing of liens against members' subdivision interests.

5. Assessments.

a) Regular Assessments. At least sixty (60) days prior to the beginning of each calendar year the Board shall estimate the total amount of funds necessary to defray the common expenses of the Association for that year, distribute the budget as provided in Article VI, Section 4(a), above, and if said amount is approved by the Board, the same shall become the regular assessments for such year. Said assessments shall be determined as provided in Section 6 hereof. The governing body of the Association may not, without the vote or written assent of both classes of memberships of the Association and, a majority of the votes of members other than the subdivider, impose regular assessments per subdivision interest which are more than ten percent (10%) greater than the regular assessment for the immediately preceding fiscal year. Any increase in excess of ten percent (10%) shall require the approval of fifty-one percent (51%) of both classes of membership of the Association.

b) Special Assessments. In the event the Board shall determine that the theretofore estimated total amount of funds necessary to defray the common expenses of the Association for a given calendar year is, or will become, inadequate to meet such expenses for any reason, including, but not limited to, unanticipated delinquencies, cost of

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construction or re-construction, unexpected repairs or replacement of capital improvements upon the common area, or otherwise, the Board shall determine the approximate amount necessary to defray such expenses. The Board may, in its discretion, pro-rate such special assessment over the remaining months of the calendar year, or levy such assessment immediately against such condominium.

c) Limitation Respecting Special Assessments.

In any fiscal year, the Board may not, without the vote or written assent of a majority of the total voting power of the Association and a majority of the votes of members other than the subdividing, levy any special assessments to defray the costs of any action or undertaking on behalf of the Association. This limitation on special assessments does not apply where the levy is a remedy to bring the member into compliance with the governing instruments. A special assessment against the owners of the development to raise funds for the rebuilding or major repair of the structural common area housing units of the project shall be levied upon the basis of the ratio of the square footage floor area of the unit to be assessed, to the total square footage floor area of all the units to be assessed.

6. Uniform Rate of Assessments. Except as otherwise specifically provided, regular and special assessments must be fixed at a uniform rate for all condominiums within the development. Where it is reasonable to anticipate that any

owner will derive as much as ten percent (10%) more than any other owner in the value of common services supplied by the Association, the assessment against each owner may be determined according to a formula or schedule under which the assessments against the various subdivision interest bears a relationship which is equitably proportionate to the value of the common services furnished to the respective subdivision interests as determined by the Board of Directors.

7. Assessment Period. The regular assessment period shall commence on January 1 of each year, and shall terminate on December 31 of such year, and the regular assessments shall be payable in equal monthly installments unless the Board adopts some other basis for collection; provided, however, that the initial regular assessment period shall commence on the first day of the first month following the close of the first sale of a condominium to a purchaser (hereinafter referred to as the "initial date") and shall terminate on December 31 of the year in which the initial sale is consummated. The Board, at its discretion, may pro rate the first regular assessment and all subsequent regular and special assessments over the remaining month of the year or levy such assessment immediately against each condominium.

8. Notice and Assessment; Installment Due Dates. A single ten (10) days prior written notice of each annual regular assessment and each special assessment shall be sent to the owner or owners of every condominium subject thereto wherein the due dates for the payments of installments thereof shall be specified. The due dates for the payment of installments of regular assessments and special assessments shall normally be the first day of each month unless some other due date is established by the Board. Each installment of regular assessments and special assessments shall become

delinquent if not paid within thirty (30) days after its due date. There shall accrue with each delinquent installment a late charge consisting of interest calculated at a monthly rate of one and one-half percent (1½%) on so much of the outstanding balance which does not exceed one thousand dollars (\$1,000.00) and one percent (1%) on any excess over one thousand dollars (\$1,000.00), from the due date to and including the date full payment is received by the Association.

9. Estoppel Certificate. The Board or manager shall upon not less than twenty (20) days prior written request, execute, acknowledge and deliver to any party making such request, a written statement stating whether or not to the knowledge of the Association, a particular owner is in default as to any assessments on said owner's condominium under the provisions of this Declaration. Said written statement shall further state the dates to which such installments and assessments, regular or special have been paid, it being intended that any certificate delivered pursuant to this Section 9 may be relied upon by a prospective purchaser or mortgagee of said condominium. Reliance on such certificate may not extend to any default not involving the payment of assessments as to which the signer had no actual knowledge.

10. Capitalization of Association. Upon acquisition of record title to a unit from Declarant, each owner shall contribute to the capital of the Association an amount equal to one-sixth (1/6th) the amount of the then annual assessment for that unit as determined by the Board. This amount shall be deposited by the buyer into the purchase and sales escrow and disbursed therefrom to the Association. Declarant shall be obligated to contribute to the capital of the Association one-sixth (1/6th) the amount of the then annual assessment for each unit to which he retains title to each of the two Incremental Phases six months after the close of the first sale of a unit in each respective Incremental Phase. Developer, at the end of each such six month period, shall forthwith deposit each of these amounts into the purchase and sales escrow from which it shall be disbursed to the Association.

ARTICLE VII
COLLECTION OF ASSESSMENTS; LIENS

1. Right to Enforce. The right to collect and enforce assessments is hereby vested in the Board acting by and on behalf of the Association. The Board or its authorized representatives, including the manager, if any, may enforce the obligations of the owners to pay assessments provided for in this Declaration by commencement and maintenance of a suit at law or in equity or the Board may foreclose by judicial proceedings or through the exercise of the power of sale pursuant to Section 2 hereof to enforce the lien rights created hereby. Suit to recover a money judgement for unpaid assessments together with all other amounts described in Section 2 of Article VI hereof shall be maintainable without foreclosing or waiving said lien rights.

2. Creation of Lien. In the event of a delinquency in the payment of any assessment, or installment thereof, respecting a condominium, as such assessment is described in Section 8 of Article VI hereof, such amounts as may be delinquent, together with the late charge described in said Section 8, and all costs which may be incurred by the Board or its representatives in the collection of said amounts, including reasonable attorney's fees and court costs, shall be and become a lien against such condominium upon the recordation in the Office of the County Recorder of said County of a Notice of Assessment as provided in Section 1356 of the California Civil Code.

The Notice of Assessment shall not be recorded until fifteen (15) days after the Board or its authorized representative has delivered to the delinquent owner or owners of such condominium, a copy of the Notice of Default. Said lien shall expire and be null and void unless within one (1) year after recordation of said Notice of Assessment, the Board or its authorized representative records a Notice of Default as hereinafter provided or institutes Judicial Foreclosure Proceedings.

3. Notice of Default; Foreclosure. Not less than ten (10) days nor more than one (1) year after the recording of said Notice of Assessment, the Board or its authorized representative may record a Notice of Default and thereafter may cause such condominium to be sold in the same manner as a sale is conducted as provided by Section 2924 et seq. of the California Civil Code, or through Judicial Foreclosure; provided, however, that as a condition precedent to the holding of any such sale, appropriate publication shall be made; and provided, further, that in connection with any sale pursuant thereto the Board is hereby authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in California as Trustee for purpose of conducting such sale. If any such delinquency is cured prior to sale, or prior to completing a judicial foreclosure, the Board or its authorized representative shall cause to be recorded in the Office of the County Recorder of said County a certificate setting forth the satisfaction of such claim

and release of such lien upon payment of actual expenses incurred, including reasonable attorney's fees, by such delinquent owner or owners. The Association acting on behalf of the owners, shall have the power to bid in the condominium at foreclosure sale and to acquire, hold, lease, mortgage and convey the same.

4. Waiver of Exemptions. Each owner does hereby waive, to the extent of any lien created pursuant to this Article VII, the benefit of any homestead or exemption laws of the State of California in effect at the time any assessment, or installment thereof, becomes delinquent or any lien is imposed pursuant to the terms hereof.

ARTICLE VIII
INSURANCE

1. Liability Insurance. The Association shall obtain and maintain in force comprehensive public liability insurance insuring the Association, the manager, if any, the Declarant and the owners and occupants of condominiums, and their respective family members, guests, and invitees, and the agents and employees of each, against any liability incident to the ownership or use of the common area and including, if obtainable, a cross-liability to each other insured. The limits of such insurance shall not be less than \$1,000,000.00 for death of or injury to any one person

in any one occurrence, \$1,000,000.00 for death or injury to more than one person in any one occurrence, and \$1,000,000.00 for property damage in any one occurrence.

2. Fire and Extended Coverage Insurance. The Association shall also obtain and maintain in force a master or blanket policy of fire insurance for the full insurable value of all of the improvements within the development. Such policy and any endorsements thereon shall be in the form and content, for such term and in such company as may be satisfactory to any first mortgagee; and, if more than one mortgagee has a loan of record against the development, or any part thereof, such policy and endorsements shall meet the maximum standards of the various mortgagees represented in the development. Such policy shall contain extended coverage and replacement cost endorsements, if available, and may also contain vandalism and malicious mischief coverage, special form endorsement, stipulated amount clause, and a determinable cash settlement clause, or a similar clause to permit cash settlement covering full value of the improvements in the event of partial destruction and a decision not to rebuild. Such policy shall be in such amounts as shall be determined from time to time by the Board, shall name as insured the Association, the owners and Declarant, so long as Declarant, is the owner of any of the condominiums and all mortgagees as their respective interests may appear, and may contain a loss payable endorsement in favor of the trustee hereinafter described.

3. Individual Fire Insurance. If available, underlying fire insurance coverage for individual condominiums shall be written as a part of, or in conjunction with, said master policy, where necessary to protect individual lenders. If such coverage is not available, each owner or owners of each condominium shall purchase at his or their expense and maintain such fire and casualty

coverage as may be required by his or their individual mortgage. Any such underlying insurance shall contain a replacement cost endorsement, if available, and to the extent available, such other endorsements as may be a part of the master policy. Such insurance shall likewise name as insured all of the owners and Declarant, so long as Declarant is the owner of any of the condominiums, and all mortgagees, as their respective interests may appear, and may contain a loss payable endorsement in favor of the trustee hereinafter described.

4. Trustee. All insurance proceeds payable under Sections 2 and 3, above, and subject to the rights of the mortgagees under Section 7, may be paid to a trustee, to be held and expended for the benefit of the owners, mortgagees and others, as their respective interests shall appear. Such trustee shall be a commercial bank, or branch thereof, in said County, which has agreed in writing to accept such trust. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work as provided for herein.

5. Fidelity Bonds and Other Insurance. The Board may purchase and maintain in force demolition insurance in adequate amounts to cover demolition in the event of total or partial destruction and a decision not to rebuild. The Board shall also purchase and maintain Workers Compensation Insurance, to the extent that the same shall be required by law, for all employees of the development. The Board may also purchase and maintain insurance on personal property owned by the Association and such other insurance as it deems necessary.

The Association shall also obtain and maintain a fidelity bond or fidelity insurance insuring the Association against

dishonest acts on the part of directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the condominium association of owners. The fidelity bond or insurance must name the condominium association of owners as the named insured and shall be written in an amount sufficient to provide protection which is in no event less than one and one-half times the insured's estimated annual operating expenses and reserves. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

6. Owner's Insurance. An owner may carry such personal liability and property damage insurance respecting his condominium as he may desire; provided, however, any such policy shall include a waiver of subrogation clause.

7. Distribution of Mortgagees. With respect to insurance coverage under Sections 2 and 3, above, any mortgagee shall have the option to apply insurance proceeds payable thereunder to such mortgagee in reduction of the obligation secured by the mortgage of such mortgagee, provided, however, that any decision by the Association and seventy-five percent (75%) of said first mortgagees to rebuild shall be binding on all said mortgagees.

8. Loss Payable Clause. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses naming the mortgagees, as their interest may appear.

ARTICLE IX
DESTRUCTION OF IMPROVEMENTS

1. Destruction; Proceeds Exceed 85% of Reconstruction Costs. In the event of a total or partial destruction of the improvements in the development, and if the available proceeds of the insurance carried pursuant to Article VIII are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction thereof, the same shall be promptly rebuilt unless, within ninety (90) days from such destruction, members then holding at least seventy-five percent (75%) of the total voting power present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Board shall be required to execute, acknowledge and record in the office of the County Recorder of said County, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

2. Destruction; Proceeds Less than 85% of Reconstruction Costs. If the proceeds of such insurance are less than eighty-five percent (85%) of the costs of repair and reconstruction, such repair and reconstruction may nevertheless take place if, within ninety (90) days from the date of said destruction, members then holding at least fifty-one percent (51%) of the total voting power present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall take place. If repair and reconstruction

is to take place, the Board shall be required to execute, acknowledge and record in the office of the County Recorder of said County, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

3. Procedures Respecting Rebuilding. If the members determine to rebuild, pursuant to Sections 1 or 2, above, the owner or owners of each condominium shall be obligated to contribute such funds as shall be necessary to pay his or their proportionate share of the cost of reconstruction, over and above the available insurance proceeds, and the proportionate share of each owner shall be determined on the basis of the ratio of the square footage of the floor area of the unit to be assessed to the total square footage of floor area of all units to be assessed. In the event of the failure or refusal of such owner or owners to pay his or their proportionate share, the Board may levy a special assessment against the condominium of such owner or owners which may be enforced under the lien provisions contained in Article VII hereof or in any other manner provided in this Declaration. For purposes hereof, the "proportionate share of an owner or owners for the cost of reconstruction" shall be increased as to such owner or owners by the amount of insurance proceeds paid to the mortgagees of the condominium of such owner or owners in respect to such condominium pursuant to Section 7 of Article VIII hereof.

4. Contract Rebuilding. If members determine to rebuild, the Board or its authorized representatives shall obtain bids from at least two (2) reputable contractors, and shall award the repair and reconstruction work to the lowest bidder. The Board shall have the authority to enter into a written contract with said contractor for such repair and reconstruction, and the insurance proceeds held by the trustee or the Association shall be disbursed to said contractor according to the terms of the agreement. It shall be the obligation of the Board to take all steps necessary to assure the commencement and completion of such repair and reconstruction at the earliest possible date if same is authorized.

5. Rebuilding Not Authorized. If the members determine not to rebuild, then subject to the rights of mortgagees as set forth in Section 7 of Article VIII hereof, any insurance proceeds then available for such rebuilding shall be distributed to the owner or owners of each condominium proportionately in accordance with the fair market value of each such condominium, based on an appraisal by a qualified appraiser, immediately prior to the destruction. The Board shall have the duty, within one hundred twenty (120) days of the date of such destruction, to execute, acknowledge and record in the office of the County Recorder of said County, a certificate declaring the intention of the members not to rebuild.

6. Minor Repair and Reconstruction. The foregoing notwithstanding, the Board shall have the duty to repair and reconstruct the improvements, without the consent

of members and irrespective of the amount of available insurance proceeds, in all instances of partial destruction where the estimated cost of repair and reconstruction does not exceed twenty thousand dollars (\$20,000.00). The Board is expressly empowered to levy a special assessment for the cost of same to the extent insurance proceeds are unavailable therefor, such assessments to be levied as described in Section 3 hereof (but without the consent or approval of members, any other provisions of this Declaration to the contrary notwithstanding).

7. Revival of Right to Partition. Upon recordation of a certificate described in Section 5 hereof, the right of any owner to partition through legal action as described in Article XI hereof shall forthwith revive.

8. Arbitration. In the event of a dispute among the owners or mortgagees with respect to the provisions of this Article IX, any owner may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to the members of the Board and to all other owners and their respective mortgagees as promptly thereafter as possible, giving all Board members, owners and mortgagees an opportunity to appear in such arbitration proceedings. The decision of such arbitrator may include in his decision an award for costs and/or attorney's fees against any one or more parties to the arbitration. The award or decision may be confirmed and enforced by any court of competent jurisdiction.

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9. Negligently or Willfully Caused Damages.

Any owner or other persons negligently or willfully causing damage to the development shall be liable therefor.

ARTICLE X
CONDEMNATION

1. Sale by Unanimous Consent. In the event that an action for condemnation of all or a portion of the development is proposed or threatened by any governmental agency having the right of eminent domain, then, upon unanimous written consent of all of the owners, the development, all or any such portion thereof may be sold.

2. Distribution of Proceeds of Sale. Upon a sale occurring as described in Section 1 hereof, the proceeds resulting therefrom shall be distributed to and among each owner and his respective mortgagee in accordance with each owners pro-rata interests in the condominium project. The pro-rata interest shall be determined as in Section 3, below.

3. Distribution of Condemnation Award. In the event the development, or such portion thereof, is not sold but is instead taken, the judgment of condemnation shall, by its terms, apportion the award among the owners and their respective mortgagees according to the owners pro-rata interests in the condominium project, based on the fair market value of the unit at the date of condemnation as determined by appraisal by qualified appraiser, compared with the fair market value of all units taken or sold.

4. Revival of Right to Partition. Upon a sale or taking pursuant hereto which renders more than fifty percent (50%) of the units in the development uninhabitable, the right of any owner to partition through legal action shall forthwith revive.

ARTICLE XI
PARTITION

1. Suspension. The right of partition is hereby suspended pursuant to Section 1354 of the California Civil Code as to the development. The development may be partitioned and sold pursuant to the provision of Section 1354 of the California Civil Code upon a showing of the occurrence of any of the events therein provided. Additionally, partition may be had upon a showing that the conditions for such partition as set forth in Section 7 of Article IX or in Section 4 of Article X have been met. Nothing herein contained shall prevent the partition or division of interest between joint or common owners of one (1) condominium.

2. Power of Attorney. Pursuant to Section 1355 (b) (9) of the California Civil Code, each of the owners hereby grants the Association an irrevocable power of attorney to sell the development for the benefit of the owners thereof when partition thereof may be had under Section 1354 of the California Civil Code, provided, however, said power of attorney shall not apply to the Administrator of Veterans Affairs, an Officer of the United States of America.

ARTICLE XII
NON-SEVERABILITY OF COMPONENT INTERESTS
IN A CONDOMINIUM

1. Prohibition Against Severance. No owner shall be entitled to sever his unit in any condominium from his undivided interest in the common area specified in Exhibit "B" hereof for any purpose. Neither of said component interests may be separately sold, conveyed, encumbered, hypothecated or otherwise dealt with, and any violation or attempted violation of this provision shall be void and of no effect. Similarly, no owner shall be entitled to sever any exclusive easement appurtenant to his unit over the common area from his condominium, and any attempt to do so shall be void and of no effect. This suspension of this right of severability will, in no event, extend beyond the period set forth in Article XI respecting the suspension of partition. It is intended hereby to restrict severability pursuant to Section 1355 (g) of the California Civil Code.

2. Conveyances. Subsequent to the initial sales of the condominium, any conveyance of a unit, or the component interest in any common area, by the owner of any condominium, shall be presumed to convey the entire condominium; provided, however, that nothing herein contained shall be construed as precluding the owner of any condominium from creating a co-tenancy or joint tenancy in the ownership of said condominium with any other person or persons.

ARTICLE XIII

TERM OF DECLARATION; COMPLIANCE WITH RULE AGAINST
PERPETUITIES AND RESTRAINTS ON ALIENATION

1. Term of Declaration. This Declaration shall run with the land, and shall continue in full force and effect for a period of fifty (50) years from and after the date on which this Declaration is executed. Thereafter, this Declaration and all covenants, conditions, restrictions and other provisions herein shall be of no force and effect unless extended by an instrument executed by owners of not less than two-thirds (2/3) of the condominiums in the development and recorded in the office of the County Recorder of said County.

2. Rules Against Perpetuities. Excepting as to the suspension of the right of partition as provided in Article XI and excepting as to the prohibition against severability of component interests in a condominium as provided in Article XII, in no event shall the vesting of any interest in real or personal property or the suspension or the alienation of any interest in real property occur under the provisions of this Declaration later than twenty-one (21) years following the death of the last survivor of the following persons: Ronald Reagan, President of the United States; his wife Nancy; and his now living children.

ARTICLE XIV

PROTECTION OF MORTGAGEES

1. Mortgagees Permitted. Any owner may encumber his condominium with a mortgage.

2. Subordination. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any first mortgage encumbering all or a portion of the development, or any condominium therein, made in good faith and for value, and no such lien shall in any way defeat, invalidate or impair the obligation or priority of such mortgage unless the mortgagee thereunder thereof shall expressly subordinate his interest, in writing, to such lien.

3. Amendment. Amendment to this Declaration shall be in accordance with Section 11-c-ii of this Article XIV; and there are additional procedures in Article XV.

4. Effect of Breach Hereof. No breach of any provision of these Covenants, Conditions and Restrictions shall invalidate the lien of any first mortgage made in good faith and for value, but all of said Covenants, Conditions and Restrictions shall be binding upon any owner whose title is derived through foreclosure sale, trustee's sale or otherwise.

5. Foreclosure. A lien for regular or special assessments against an owner is herein made subordinate to the lien of any first mortgage or first deed of trust (hereafter collectively referred to as first encumbrance) against subdivision interests of the owner. In the case of a subordination of a lien for assessments to a first encumbrance, the transfer of a subdivision interest as the result of the exercise of a power of sale or a judicial foreclosure involving a default under the first encumbrance shall extinguish the lien of assessments which were due and payable prior to the transfer of the subdivision interest. No transfer of the subdivision interest as the

result of a foreclosure or exercise of a power of sale shall relieve the new owner, whether it be the former beneficiary of the first encumbrance or another person, from liability for any assessments thereafter becoming due or from the lien thereof.

6. Non-Curable Breach. Any mortgagee who acquires title to a condominium by foreclosure shall not be obligated to cure any breach of this Declaration which is non-curable or of a type which is not practical or feasible to cure.

7. Loan to Facilitate. Any mortgage given to secure a loan to facilitate the re-sale of a condominium after acquisition by foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article XIV.

8. Appearance at Meetings. Because of its financial interest in the development, any institutional mortgagee, upon request, may appear at meetings of the members and the Board, or designate a representative to attend all such meetings, to draw attention to the violations of this Declaration, the Bylaws, or the Association's Rules and Regulations which have not been corrected or made the subject of remedial proceedings or assessments. Said mortgagee shall upon request, receive written notice of all meetings of the Owner's Associations as provided in Article IV, Section 5.

9. Right to Furnish Information; Collection of Insurance Premiums. Any mortgagee shall have the right to furnish information to the Board concerning the status of any mortgage. The Board may also delegate to any mortgagee the right to collect such portion of a condominium's

assessments, or installments thereof, representing premiums payable for insurance coverage.

10. Loss Payable Clauses. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses naming the mortgagees, as their interest may appear.

11. Federal Home Loan Mortgage Corporation Financing. Notwithstanding any and all provisions hereof to the contrary, in order to induce the Federal Home Loan Mortgage Corporation ("FHLMC") and the Federal National Mortgage Association ("FNMA"), to participate in the financing of the sale of condominiums within the development, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of this Declaration, these added provisions shall control):

a) A first mortgagee at his request is entitled to written notification from the Association of any default by the mortgagor of a unit in the performance of such mortgagor's obligations under this Declaration, Bylaws, and any other documents relating to the development, including amendments thereto, hereinafter collectively referred to as the "Condominium Document", which is not cured within sixty (60) days.

b) Any first mortgagee who acquires title of a unit pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage shall be exempt from any "right of first refusal."

c) The prior written approval of at least seventy-five percent (75%) of the holders of first mortgagees,

based on one (1) vote for each first mortgage held, on a condominium shall be required for the following:

(i) The abandonment or termination of the development, except for the abandonment or termination provided by law in the case of substantial destruction, condemnation or eminent domain;

(ii) Any amendment to the Declaration of to the Bylaws of the Association governing the following subjects:

- a. The percentage interest of the owners in the common elements of the project.
- b. The fundamental purpose for which the project was created (such as a change from residential use to a different use).
- c. Voting.
- d. Assessments, assessment liens and subordination thereof.
- e. The reserve for repair and replacement of common elements.
- f. Property maintenance obligations.
- g. Casualty and liability insurance.
- h. Reconstruction in the event of damage or destruction.
- i. Rights to use the common elements.
- j. Annexation.

(iii) The partition or subdivision of any condominium;

(iv) A change of the pro rate interests or obligations of any unit for purposes of:

- a. Levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or
- b. Determining the pro rata share of ownership of each condominium in the common area.

(v) Any action or omission to act by the Association seeking to abandon, partition, subdivide, encumber, sell or transfer the common area. The granting of easements for public utilities or for other public purposes consistent with the intended use of the common area by the development shall not be deemed a transfer within the meaning of this subparagraph;

(vi) The use of hazard insurance proceeds for losses to any condominium or portion of common area for other than the repair, replacement or reconstruction of the improvements thereon, except as provided by statute in case of substantial loss to the condominiums and/or common area of the development.

(vii) The effectuation of any decision by the Owners Association to terminate professional management and assume self management of the project.

d) Any holder of a first mortgage on a condominium shall have the right to examine the books and records of the Association.

e) In the event of substantial damage to or destruction of any unit or any part of the common area, the institutional holder of any first mortgage on a unit shall be entitled to timely notice of any such damage or destruction and no provisions of any document establishing the project will entitle the owner of a unit or other party to priority over such institutional holder with respect to the distribution to such unit of any insurance proceeds.

f) If any unit or portion thereof of the common area is made the subject of any condemnation of eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the institutional holder of any first mortgage on a unit shall be entitled to timely written notice of any such proceeding or proposed acquisition and no provision of this Declaration will entitle the owner of a unit or other party to priority over such institutional holder with respect to the distribution to such unit of the proceeds of any award or settlement.

g) In the event any portion of any unit encroaches upon 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.

h) Anything in the Declaration to the contrary notwithstanding, there shall be no restriction to any condominium owner's rights of ingress and egress of his unit.

i) The failure of any unit owner to comply with the provisions of this Declaration, and the Bylaws

shall give rise to a cause of action in the Association, any aggrieved owner and the holder of a first mortgage on a condominium for the recovery of damages, or for injunctive relief, or both.

j) Any lien which the Association may have on any unit in the project for the payment of common expenses assessments attributable to such unit will be subordinate to the lien or equivalent security of any first mortgage on the unit recorded prior to the date any such common expense assessments become due.

k) The holder of a first mortgage on a condominium at its request will be entitled to written notification from the Association of any default by the owner of such condominium in the performance of such owner's obligation under this Declaration, or Bylaws of the Association which is not cured within sixty (60) days.

l) An adequate reserve fund for replacement of improvements in the common area must be established and must be funded by regular monthly payment rather than special assessments.

m) All taxes, assessments and charges which may become liens prior to the first mortgage under California law, if any, shall relate only to the individual condominium and not to the development as a whole.

n) The Association shall give the Federal Home Loan Mortgage Corporation (PHLMC) notice in writing of any loss to, or taking of, any portion of the common area, if such loss or taking exceed \$10,000.00 or if damage to a condominium covered by a mortgage purchased in whole or in

part by FHLMC exceeds \$10,000.00.

o) Any agreement for professional management of the development or any other contract providing for services by the developer or Declarant, will be terminable by either party without cause or payment of a termination fee on thirty (30) days written notice and shall not exceed a contract term of one (1) year, renewable by agreement of the parties for successive one year periods.

p) The provisions of this Article shall be controlling in the event of any conflict between the provisions of this Article XIV and any provisions of the Declaration.

q) No unit in the project may be partitioned or subdivided without the prior written approval of at least the holder of any first mortgage lien on such unit.

r) Upon request, the holder of a first mortgage on a condominium shall be entitled to receive an annual audited financial statement of the project within ninety (90) days following the end of any fiscal year of the project.

s) The Association shall notify the mortgagee of the unit involved if there is a loss or condemnation greater than \$1,000.00 in value to any individual condominium unit.

ARTICLE XV
AMENDMENT

1. Amendment Prior to Close of First Sale.
Prior to the close of the first sale in the development to a purchaser other than Declarant, this Declaration and any amendment thereto may be amended in any respect or revoked by the execution by Declarant of any instrument amending or

revoking same, which instrument shall make appropriate reference to this Declaration and any amendments thereto and which instrument shall be acknowledged and recorded in the office of the County Recorder of said County after receipt of the written consent of the California Real Estate Commissioner.

2. Amendment Subsequent to Close of First Sale.

a) Subsequent to close of first sale of a condominium in the development to a purchaser other than Declarant, this Declaration may be amended by the vote or written consent of the members representing both:

(i) At least 75% of the total voting of the Association; and

(ii) At least 75% of the votes of members other than the subdivider.

The foregoing notwithstanding, the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

3. Conflict with Article XIV or Other Provisions of this Declaration. To the extent any provisions of this Article XV conflict with the provisions of Article XIV or any other provisions of this Declaration, the

provisions of Article XIV or such other provisions shall control.

4. Business and Professions Code Section 11018.7.
The foregoing to the contrary notwithstanding, all amendments or revocations of this Declaration shall comply with the provisions of Section 11018.7 of the California Business and Professions Code to the extent said Section is applicable thereto.

5. Approval of Governmental Authority. Any amendments which would defeat the obligation of the Board, acting on behalf of the Association, or the Association, to provide management and maintenance of the common area, including any private driveways or private streets thereto, in a first class conditions and in a good state of repair, or which would defeat the assessment procedure established or contemplated in this Declaration to insure said management and maintenance, must be approved in writing by a representative of the jurisdiction stated in Article XVII. Such written approval may be in the form of a letter and need not be a part of any recorded instrument.

6. Reliance on Amendments. Any amendments in accordance with their terms of this Declaration shall be presumed valid to anyone relying thereon in good faith.

7. Institutional Lender. "Institutional Lender" as used herein shall mean any bank, savings and loan association, insurance company, mortgage company, federal or state agency or other financial institution holding a recorded first mortgage on any condominium in the project. All institutional lenders shall provide the Association in writing with appropriate addresses and may request in writing to be so notified before the Association is required to obtain the approval of any institutional lender before the Association can abandon condominium status, partition or subdivide a unit or the common area, change the percentage interest of unit owners, or materially amend the condominium documents. The Association shall provide timely written notice to all institutional lenders requesting in writing to be so notified of any condemnation or eminent domain proceeding or any substantial damage or destruction of the common area.

ARTICLE XVI
GENERAL PROVISIONS

1. Headings. The headings used in this Declaration are for convenience only and are not to be used in interpreting the meaning of any of the provisions of this Declaration, or otherwise.
2. Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision or provisions thereof shall not invalidate any other provisions hereof.
3. Cumulative Remedies. Each remedy provided for in this Declaration shall be cumulative and not exclusive. Failure to exercise any remedy provided for in this Declaration shall not, under any circumstances, be construed as a waiver thereof.
4. Violation as Nuisance. Every act or omission in violation of the provisions of this Declaration shall constitute a nuisance and, in addition to all other remedies herein set forth, may be abated or enjoined by any owner, any member of the Board, the manager or the Association.
5. No Racial Restriction. No owner shall execute or cause to be recorded any instrument which imposes a restriction upon the sale, leasing or occupancy of his condominium on the basis of race, color or creed.
6. Districts. To the extent permitted by law,

no owner, including the developer, shall oppose the formation of any district in which the development would be included.

7. Inspection of Association's Books and Records.

a) The membership register, books of account and minutes of meetings of the members of the Board and of committees of the Board, shall be made available for inspection and copying by any member of the Association -- or by his duly-appointed representative -- at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the subdivision as the governing body shall prescribe.

b) The Board shall establish reasonable rules with respect to:

(i) Notice to be given to the custodian of the records by the member desiring to make the inspection.

(ii) Hours and days of the week when such an inspection may be made.

(iii) Payment of the cost of reproducing copies of documents requested by a member.

c) Every director shall have the absolute right, at any reasonable time, to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

8. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan of condominium ownership for the development. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision thereafter.

9. Notification of Sale of Condominium. Concurrently with the consummation of the sale of any condominium under circumstances whereby the transferee becomes an owner thereof, or within five (5) business days thereafter, the transferee shall notify the Board in writing of such sale. Such notification shall set forth the name of the transferee and his transferor, the street address of the condominium purchased by the transferee, the transferee's mailing address, and the date of sale. Prior to receipt of such notification, any and all communications required or permitted to be given by the Association, the Board or the manager shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor. Mailing addresses may be changed at any time upon written notification to the Board. Notices shall be deemed received forty-eight (48) hours after mailing if mailed to the transferee, or to his transferor if the Board has received no notice of transfer as above provided, by certified mail, return receipt requested, at the mailing address above specified. Notices shall also be deemed received twenty-four (24) hours after being sent by telegram or upon personal delivery to any occupant of a condominium.

10. Number; Gender. The singular shall include the plural and the plural the singular, unless the context requires the contrary; and the masculine, feminine and neuter

shall include the masculine, feminine or neuter, as the context requires.

11. Exhibits. Any and all exhibits attached hereto shall be deemed made a part hereof and incorporated by reference herein.

12. Easements Reserved and Granted. Any and all easements referred to herein shall be deemed reserved or granted, or both reserved and granted, as appropriate, by reference to this Declaration in a conveyance of any condominium.

13. Binding Effect. This Declaration shall inure to the benefit of and be binding upon the successors and assigns of the Declarant, and the heirs, personal representatives, grantees, lessees, successors and assigns of the owners.

14. Indemnification of Officers and Directors. Every director and every officer of the Association shall be, and is hereby indemnified by the Association against all expenses and liabilities, including fees of counsel, reasonably incurred by or imposed upon such director or officer in connection with any proceeding to which he or she may be a party, or in which he or she may become involved, by reason of his or her being or having been a director or officer of the Association, or any settlement thereof, whether or not he or she is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his or her duties; provided

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that in the event of a settlement the indemnification herein shall apply only when the Board approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to, and shall be exclusive of all rights to which each such director and each such officer may otherwise be entitled.

So long as there is a Class B membership in the Association, the following shall require the prior approval of the Veterans Administration: Annexation of additional properties to the project, mergers and consolidations, any special assessment, and any amendment to this Declaration.

ARTICLE XVII
LOCAL JURISDICTION
AND SPECIAL COVENANTS

1. Local Jurisdiction. The governmental entity with primary jurisdiction over this project is the City of Glendora, in the County of Los Angeles. The Association shall abide by codes, laws and/or ordinances of the primary jurisdiction above stated, and the State of California, and the City of Glendora is hereby granted the express power to enforce said laws, codes and ordinances on the private streets, alleys, driveways, and parking areas within the project, and the Police Department of the City of Glendora is hereby granted authority for on-site patrol and the right to issue citations.

2. Additional Maintenance Provisions. The Association shall maintain all parking areas, drainage swales, landscape areas, recreational facilities and driveways within the portion of the common area not restricted as an easement appurtenant to individual units, and such maintenance shall be in accordance with the standards of the City of Glendora. Should the Association or

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or individual owners fail to properly perform such maintenance after notification by the City of Glendora, said City may perform or cause to be performed such maintenance and the Association shall reimburse the said City for all costs incurred thereby.

3. Use as Single Family Residence. Each Unit within this Development shall be used as single family residence only.

4. Owners Right to Use Covered Parking Spaces. The owner of each unit shall have the exclusive right to use two covered parking spaces, which are designated in the Condominium Plan recorded in connection with this Project.

5. Enforcing Provisions of Declaration. Nothing within this Declaration shall be construed as imposing an obligation on the City of Glendora or requiring said City to enforce any provisions of this Declaration.

6. Maintenance of Trees. The Owner of each Unit shall maintain any and all trees within the exclusive easement appurtenant to the said Unit, and should any such tree die, said Owner shall replace said tree with a tree of the same species of the size commonly known as "fifteen gallon".

7. Finished Grade. The finished grade throughout the project is to be maintained at the same elevations and in the same configuration as existed upon final inspection and acceptance by the City of Glendora.

8. Uniform Design of Patio Covers. The construction of any and all patio covers shall conform to a uniform design to be used throughout all phases of Tract No. 43384 and said design shall be reviewed and approved by the City of Glendora prior to commencement of any such construction.

9. Maintenance of Drainage Swales. All drainage swales throughout the project shall be maintained in good condition and free from any obstructions. The individual owners are responsible for such maintenance within any exclusive easements appurtenant to their units, but the Association shall perform any such maintenance in the failure of any owner to do so, and the Association is hereby given the right to assess any such defaulting owner for any cost incurred thereby.

10. Storage of Recreational Vehicles. Outdoor, overnight parking and/or storage of recreational vehicles and trailers is prohibited.

ARTICLE XVIII
AUTOMATIC INCREMENTAL PHASING

1. Increments. The Project shall be constructed in two incremental phases. The first incremental phase shall consist of twenty-six (26) dwelling units. The second incremental phase shall consist of twenty-two (22) dwelling units.

2. Maintenance of Common Area. The Association shall not be responsible for the maintenance of that portion of the Common Area adjacent to the units in the second incremental phase until the first day of the first month following close of escrow of the first sale of a unit in that incremental phase, or until eighteen (18) months after close of escrow of the first sale of a unit in the first incremental phase, whichever occurs first. Prior to this time, Declarant shall maintain this portion of the common area.

3. Monthly Assessments for Units in the Second Incremental Phase. The obligation of subdivider to pay Assessments for units in the second incremental phase shall not commence until the first day of the first month following close of escrow of the first sale of a unit in that incremental phase, or until eighteen (18) months after close of escrow of the first sale of a unit in the first incremental phase, whichever occurs first.

By the execution and recording of this document, Declarant does hereby request the jurisdiction stated in Article XVII to enforce traffic regulations on any private streets within the development pursuant to Vehicle Code Section 21107.5.

Hix Development Corporation,
a California corporation

Ernest H. Hix

Ernest H. Hix
President

TO 1945 CA 18 74.
(Corporation)

STATE OF CALIFORNIA }
COUNTY OF Los Angeles } ss.

86 329093

TITLE INSURANCE AND TRUST
A TICO COMPANY

On January 24, 1986 before me, the undersigned, a Notary Public in and for said State, personally appeared Ernest H. Hix, Jr. known to me to be the X President, and

known to me to be _____ Secretary of the corporation that executed the within Instrument, known to me to be the persons who executed the within Instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature *Richard G. Richards*

BARBARA A. BELLARDOS
My commission expires 12/31/87
876 N. Grand Avenue, Orange, CA 92774
(This area for official notarial seal)

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EXHIBIT "A"

Lots 1 & 2 of Tract No. 43384, in the City of Glendora,
County of Los Angeles, State of California, as per map filed
in Book 1058, Page(s) 74-76, of Maps,
in the Office of the County Recorder of said County.

EXHIBIT "B"

1. The real property described in Exhibit "A" hereof is to be improved with forty-eight (48) dwelling units and related improvements, all in accordance with plans and specifications therefore on file with the City of Glendora, State of California. The project is to be constructed in two incremental phases with the first incremental phase consisting of Unit No.'s 1 - 26, inclusive, and Common Area Lot No. 1 and the second incremental phase consisting of Units 27 - 48, inclusive, and Common Area Lot No. 2.
2. The common area consists of Lots 1 and 2 of Tract No. 43384 excepting therefrom each of the forty-eight (48) units of the development, which said forty-eight (48) units are more specifically described in the condominium plan. Certain portions of the common area may be designated easements appurtenant and are intended for the exclusive use of the unit to which they are assigned. These areas, if any, are indicated on the condominium plan.
3. The respective interest in the common area to be conveyed with each unit comprises an undivided 1/26th interest in said Lot 1 for the first incremental phase and 1/22nd interest in said Lot 2 for the second incremental phase.
4. For purposes of distribution of proceeds or property in the event of a partition, and to the extent permitted by law, same shall be distributed to and among the respective owners of each condominium, and their mortgagees in the same proportion as the respective market value of his or their condominium bears to the total market value of all condominiums in the development based on an independent appraisal by a qualified appraiser.

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