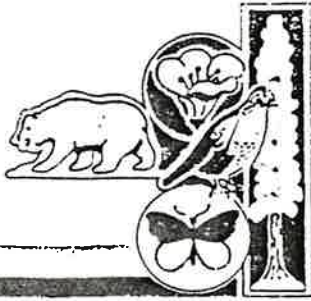




State of California

OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the corporate record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

MAR 9 1988



March Fong Eu

Secretary of State

ARTICLES OF INCORPORATION

OF

VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC.

RECORDED
FILED
Office of the Secretary of State
of the State of California

MAR 7 1988

MARCH FONG EU, Secretary of State

I

The name of this corporation is VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC.

II

A. This corporation is a nonprofit mutual benefit corporation organized under the Non-profit Mutual Benefit Corporation Law. The purpose of this corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

B. The specific purpose of this corporation is to engage in the management, supervision, organization, and conduct of the Homeowners Association of VINTAGE TOWNEHOMES.

C. The Corporation shall exercise all of the powers granted to a non-profit mutual benefit corporation enumerated in California Corporation Code §7140 and California Code of Civil Procedure §374 and the Davis-Stirling Common Interest Development Act and the California Civil Code §§1350-1372, inclusive.

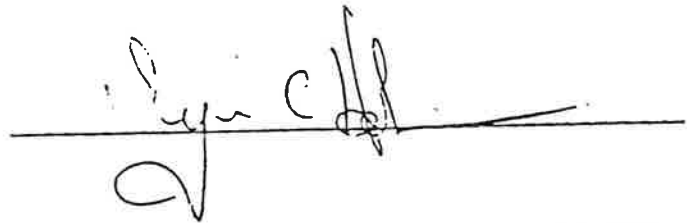
III

The name and address in the State of California of this Corporation's initial agent for service of process is: RICHARD P. PASTORE, 900 First Interstate Bank Building, Anaheim City Center, 222 South Harbor Boulevard, Anaheim, California, 91805.

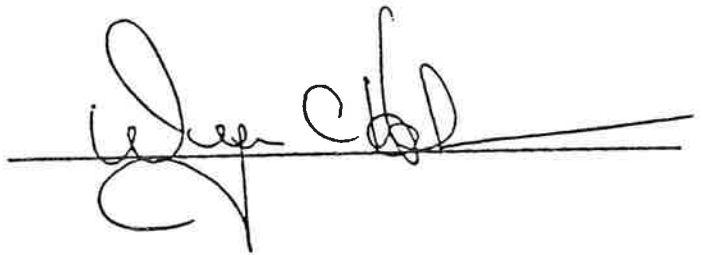
IV

Notwithstanding any of the above statements of purposes and powers, this corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the specific purposes of this corporation.

DATED: FEBRUARY 22, 1988



I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my act and deed.



BYLAWS
OF
VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC.

TABLE OF CONTENTS

FOR BYLAWS OF

VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC.

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
1. General Plan of Ownership.	1
1.1. Name.	1
1.2. Application.	1
1.3. Meaning of Terms.	1
2. Voting By Association Membership.	1
2.1. Voting Rights.	1
2.2. Majority of Quorum.	2
2.3. Quorum.	2
2.4. Proxies.	3
3. Administration.	3
3.1. Association Responsibilities.	3
3.2. Place of Meetings of Members.	3
3.3. Annual Meetings of Members.	3
3.4. Special Meetings of Members.	4
3.5. Notice of Meetings of Members.	4
3.6. Adjourned Meetings.	5
3.7. Order of Business.	5
3.8. Action Without Meeting.	5
3.9. Consent of Absentees.	6
3.10. Minutes, Presumption of Notice.	6
4. Board of Directors	6
4.1. Number and Qualification.	6
4.2. Powers and Duties.	7
4.3. Special Powers and Duties.	7
4.4. Management Agent.	11
4.5. Election and Term of Office.	11
4.6. Books, Audit.	13
4.7. Vacancies.	16
4.8. Removal of Directors.	16
4.9. Organization Meeting of Board.	17
4.10. Regular Meetings of Board.	17
4.11. Special Meetings of Board.	17
4.12. Waiver of Notice.	18
4.13. Action Without Meeting.	18
4.14. Quorum and Adjournment.	18
4.15. Committees.	19

DESCRIPTIONPAGE NO.

5. Officers.	19
5.1. Designation.	19
5.2. Election of Officers.	19
5.3. Removal of Officers.	19
5.4. Compensation.	19
5.5. President.	20
5.6. Vice President.	20
5.7. Secretary.	21
5.8. Treasurer.	21
6. Obligation of Members.	21
6.1. Assessments.	21
6.2. Maintenance and Repair.	22
7. Amendments to Bylaws.	22
8. Mortgagees.	23
8.1. Notice to Association.	23
8.2. Notice of Unpaid Assessments.	23
9. Conflicting Provisions.	23
10. Indemnification of Directors and Officers.	23
11. Miscellaneous.	24
11.1. Execution of Documents.	24
11.2. Inspection of Articles and Bylaws.	24
11.3. Fiscal Year.	24
11.4. Membership Register.	24
12. Notice and Hearing Procedure.	24
12.1. Suspension of Privileges.	24
12.2. Written Complaint.	25
12.3. Notice of Hearing.	26
12.4. Hearing.	27
CERTIFICATE OF SECRETARY	28

BYLAWS
OF
VINTAGE TOWNEHOMES ASSOCIATION

ARTICLE I

1. General Plan of Ownership.

1.1. Name.

The name of the corporation is VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association." The principal office of the Association shall be located in San Bernardino County, California.

1.2. Application.

The provisions of these Bylaws are applicable to the phased planned residential development known as Vintage Townehomes, located in the County of San Bernardino, State of California (the "Properties"). All present and future owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Properties in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Vintage Townehomes (the "Declaration" herein) Recorded or to be Recorded in the Official Records of San Bernardino County and applicable to the Properties. The mere acquisition or rental of any Lot in the Properties or the mere act of occupancy of any Lot will signify that these Bylaws are accepted, ratified, and will be complied with.

1.3. Meaning of Terms.

Unless otherwise specifically provided herein, the capitalized terms in these Bylaws shall have the same meanings as are given to such terms in the Declaration.

ARTICLE II

2. Voting By Association Membership.

2.1. Voting Rights.

The Association shall have two (2) classes of voting Membership, as follows:

Class A. Class A Members shall be those Owners with the exception of Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Lot owned and subject to assessment as further provided in the Declaration.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Lot owned by Declarant and subject to assessment, provided that the Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events:

(1) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of Development of the Properties by the DRE; or

(2) The fourth anniversary of the original issuance of the Final Subdivision Public Report for Phase 1 of the Properties; or

(3) The seventh anniversary of the Recordation of the Declaration.

All voting rights shall be subject to the restrictions and limitations provided in the Declaration and in the Articles and these Bylaws of the Association. Except as provided in Section 15.11 of the Declaration and Section 4.8 of these Bylaws, as long as there exists a Class B Membership, any provision of the Declaration, the Articles or these Bylaws which expressly requires a vote or written consent of a specified percentage of the voting power of the Association before action may be undertaken (i.e. other than actions requiring merely the vote or written consent of a majority of a quorum) shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Section 15.11 of the Declaration and Section 4.8 of these Bylaws, upon termination of the Class B Membership, any provision of the Declaration, the Articles or these Bylaws which expressly requires a vote or written consent of Owners representing a specified percentage of the voting power of the Association before action may be undertaken shall require the vote or written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

2.2. Majority of Quorum.

Unless otherwise expressly provided in the Articles, these Bylaws or the Declaration, any action which may be taken by the Association may be taken by a majority of a quorum of the Members of the Association.

2.3. Quorum.

Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least ~~fifty-one percent~~ (51%) of the

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voting power of the Membership of the Association shall constitute a quorum of the Membership. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, if any action taken (other than adjournment) is approved by at least a majority of the Members required to institute a quorum.

2.4. Proxies.

Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary in advance of each meeting. Every proxy shall be revocable and shall automatically cease after completion of the meeting for which the proxy was filed. Any form of proxy or written ballot distributed by any Person to the Members of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, when the Member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.

ARTICLE III

3. Administration.

3.1. Association Responsibilities.

In accordance with the provisions of the Declaration, the Association shall have the responsibility of administering the Properties, maintaining the Common Area and the Association Maintenance Areas, approving the Budget, establishing and collecting all assessments authorized under the Declaration, and arranging for overall architectural control of the Properties.

3.2. Place of Meetings of Members.

Meetings of the Members shall be held on the Properties or such other suitable place as proximate thereto as practicable and convenient to the Members as may be designated from time to time by the Board of Directors.

3.3. Annual Meetings of Members.

The first annual meeting of Members shall be held within forty-five (45) days after fifty-one percent (51%) of the escrows for the sale of all of the Lots in Phase 1 of the Properties have closed or within six (6) months after the first Close of Escrow for the sale of a Lot in the Properties, whichever occurs first. Thereafter, the annual

meetings of the Association shall be held on or about the anniversary date of the first annual meeting. At each annual meeting there shall be elected by ballot of the Members a Board of Directors, in accordance with the requirements of Section 4.5 of Article IV of these Bylaws. The Members may also transact such other business of the Association as may properly come before them. Each first Mortgagee of a Lot in the Properties may designate a representative to attend all annual meetings of the Members.

3.4. Special Meetings of Members.

It shall be the duty of the Board to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors, by request of the President of the Association or upon a petition signed by Members representing at least five percent (5%) of the total voting power of the Association. The notice of any special meeting shall be given within twenty (20) days after adoption of such resolution or receipt of such request or petition and shall state the date, time and place of such meeting and the general nature of the business to be transacted. The special meeting shall be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or receipt of such request or petition. No business shall be transacted at a special meeting except as stated in the notice. Each first Mortgagee of a Lot in the Properties may designate a representative to attend all special meetings of the Members.

3.5. Notice of Meetings of Members.

It shall be the duty of the Secretary to send a notice of each annual or special meeting by first-class mail, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record and to each first Mortgagee of a Lot which has filed a written request for notice with the Secretary, at least ten (10) but not more than thirty (30) days prior to such meeting. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to Members. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice shall be posted in a conspicuous place on the Common Area, and such notice shall be deemed served upon a Member upon posting if no address has been then furnished the Secretary. The Board of Directors may fix a date as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed shall be not less than ten (10) days nor more than sixty (60) days

prior to the date of the meeting. If the Board does not fix a record date for notice to Members, the record date shall be close of business on the business day preceding the day on which notice is given. Only Members who on the record date for notice of the meeting are entitled to vote thereat, shall be entitled to notice of the meeting, notwithstanding any transfer of or issuance of Memberships on the books of the Association after the record date. In addition, the record date for notice of the meeting shall be the record date for determining the Members entitled to vote at the meeting.

3.6. Adjourned Meetings.

If any meeting of Members cannot be organized because a quorum is not present, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. Such an adjourned meeting may be held without notice thereof as otherwise required by this Article III, provided that notice is given by announcement at the meeting at which such adjournment is taken. If, however, such an adjourned meeting is actually attended, in person or by proxy, by Members having less than one-third (1/3rd) of the voting power of the Association, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.5 hereof. No action by the Members or any such matter shall be effective if the votes cast in favor are fewer than the minimum number of votes required by the Restrictions to approve such an action.

3.7. Order of Business.

The order of business at all meetings of the Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of election (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

3.8. Action Without Meeting.

Any action, which may be taken at a meeting of the Members (except for the election of Directors) may be taken without a meeting by written ballot of the Members. Ballots shall be solicited in the same manner as provided in Section 3.5 for the giving of notice of meetings of Members. Such solicitations shall specify (a) the number of responses

needed to meet the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received in order to be counted. The form of written ballot shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting and a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast shall constitute approval by written ballot.

3.9. Consent of Absentees.

The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

3.10. Minutes, Presumption of Notice.

Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes executed by the Secretary that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV

4. Board of Directors.

4.1. Number and Qualification.

The property, business and affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) Persons, each of whom, except for those appointed and serving as first Directors, must either be an Owner of a Lot in the Properties, or an agent of Declarant for so long as Declarant owns a Lot in the Properties or is entitled to add any of the Annexable Territory to the Properties without the vote of the Members pursuant to the Declaration. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws. Directors shall not receive

any salary or compensation for their services as Directors unless such compensation is first approved by the vote or written consent of Members representing at least a majority of both the Class A and Class B voting power; provided, however, that (1) nothing herein contained shall be construed to preclude any Director from serving the Association in some other capacity and receiving compensation therefor, and (2) any Director may be reimbursed for his actual expenses incurred in the performance of such Directors' duties.

4.2. Powers and Duties.

The Board of Directors has the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done exclusively by the Members. The Board of Directors shall not enter into any contract for a term in excess of one (1) year, without the vote or written consent of the Members representing at least a majority of the voting power of the Association, except for (a) a contract with a public utility company if the rates charged for the materials or services are regulated by the California Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term for which the public utility company will contract at the regulated rate, (b) a management contract the terms of which conform to the requirements of Section 4.4 hereof, (c) prepaid casualty or liability insurance policies of not more than three (3) years' duration provided that the policies permit short-term cancellation by the Association, (d) agreements for cable television services and equipment or satellite dish television services and equipment with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%), and (e) agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services with terms not in excess of five (5) years, provided that Declarant does not have a direct or indirect ownership interest in the supplier of such services or equipment equal to or greater than ten percent (10%).

4.3. Special Powers and Duties.

Without prejudice to such foregoing general powers and duties and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties:

- (a) The power and duty to select, appoint, and remove all officers, agents, and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with

the Articles, the Declaration and these Bylaws; to fix their compensation and to require from them security for faithful service when deemed advisable by the Board.

(b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefor consistent with law, with the Articles, the Declaration and these Bylaws, as the Board may deem necessary or advisable.

(c) The power but not the duty to change the principal office for the transaction of the business of the Association from one location to another within the County of San Bernardino, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 3.2 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

(d) With the approval of Members representing at least two-thirds (2/3rds) of the voting power of the Association the power but not the duty to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

(e) The power and duty to fix and levy from time to time Annual Assessments, Special Assessments, and Reconstruction Assessments upon the Members, as provided in the Declaration; to fix and levy from time to time in any Fiscal Year Capital Improvement Assessments applicable to that year only for capital improvements; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled

or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. Subject to any limitations imposed by the Declaration and these Bylaws, the Board of Directors shall have the power and duty to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable for replacement reserves, for maintenance, recurring less frequently than annually, and for capital improvements, shall at all times be held in trust for the Members. Disbursements from such trust reserve fund shall be made only in accordance with the provisions of the Declaration. Such Annual Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the payment of such delinquent assessments as provided in the Declaration.

(f) The power and duty to enforce the provisions of the Declaration covering the Properties, these Bylaws or other agreements of the Association.

(g) The power and duty to contract for and pay fire, casualty, errors and omissions, blanket liability, malicious mischief, vandalism, liquor liability and other insurance, insuring the Members, the Association, the Board of Directors and other interested parties, in accordance with the provisions of the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Area or Association Maintenance Areas). The Board shall review, not less frequently than

annually, all insurance policies and bonds obtained by the Board on behalf of the Association.

(h) The power and duty to contract for and pay maintenance, gardening, utilities, materials and supplies, and services relating to the Common Area and Association Maintenance Areas and to employ personnel necessary for the operation of the Properties, including legal and accounting services, and to contract for and pay for Improvements on the Common Area.

(i) The power but not the duty to delegate its powers according to law and to adopt these Bylaws.

(j) The power but not the duty to grant easements where necessary for utilities, sewer facilities and other public purposes over the Common Area to serve the Properties.

(k) The power and duty to adopt such Rules and Regulations as the Board may deem necessary for the management of the Properties, which Rules and Regulations shall become effective and binding after (1) they are adopted by a majority of the Board at a meeting called for that purpose, or by the written consent of the Board in accordance with Section 4.13, and (2) they are posted in a conspicuous place in the Common Area. Such Rules and Regulations may concern, without limitation, use of the Common Area; signs; parking restrictions; minimum standards of property maintenance consistent with the Declaration and the procedures of the ARC; and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these Bylaws.

(l) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote.

(m) The power but not the duty to appoint a Membership Committee composed of at least one (1) Director and at least one (1) Association Member at

large. The Membership Committee shall be responsible for contacting all purchasers of Lots in the Properties as soon as any transfer of title to a Lot is discovered. The Membership Committee shall further attempt to establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association.

(n) The power but not the duty to sell property of the Association; provided, however, that the prior vote or written approval of Members representing at least a majority of the voting power of the Association must be obtained to sell 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.

4.4. Management Agent.

The Board of Directors may appoint a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4.3 of this Article IV. The maximum term of any such contract ("Management Contract") shall be one (1) year, unless a longer term is approved either by vote or written assent of a majority of the voting power of the Association or by the Veterans Administration or the Federal Housing Administration, in which case the maximum term of the Management Contract shall be three (3) years. The maximum term of any contract providing for Declarant's services to the Association or the Properties shall also be three (3) years. Each such contract for Declarant's services and each Management Contract shall provide for its termination by either party thereto without cause and without payment of a termination fee upon no more than ninety (90) days' written notice to the other party.

4.5. Election and Term of Office.

(a) At the first annual meeting of the Members, and thereafter at each annual meeting of the Members, new Directors shall be elected by secret written ballot by the Owners as provided in these Bylaws, and all positions on the Board of Directors shall be filled at that election. If an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death,

resignation, removal or judicial adjudication of mental incompetence. The term of office of the three (3) Directors receiving the highest number of votes at the first annual meeting shall be two (2) years and the term of office of the two (2) Directors receiving the next highest number of votes at the first annual meeting shall be one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by the death, resignation, removal, judicial adjudication of incompetence or expiration of the terms of past Directors. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be reelected, and there shall be no limitation on the number of terms during which he may serve. Cumulative voting shall be used in the election of Directors for any election in which more than two (2) Directors are to be selected, subject only to the procedural prerequisites to cumulative voting in the following sentence. A Member may cumulate his votes for any candidate for the Board if the candidate's name has been placed in nomination prior to the voting and if such Member, or any other Member, has given notice at the meeting prior to the voting of such Member's intention to cumulate votes. If a Member cumulates his votes, such Member may give one or more candidate for Director a number of votes equal to the Member's share of the voting power as set forth in the Declaration, multiplied by the number of Directors to be elected.

(b) Notwithstanding the foregoing, whenever (1) notice is given for an election of Directors of the Board, (2) upon such date Declarant is either (i) entitled to exercise a Class B vote, or (ii) entitled to exercise a majority of the voting power of the Association and (3) upon such date the Members other than Declarant do not have a sufficient percentage of the voting power of the Association to elect a number of Directors representing at least twenty percent (20%) (though not less than one (1)) of the entire Board through the foregoing cumulative voting procedure, then such notice shall also provide for the following

special election procedure. Election of Directors shall be first apportioned to the Members other than Declarant until the aggregate number of Directors on the Board elected by such Members other than Declarant represents at least twenty percent (20%) (though not less than one (1)) of the entire Board. Any resident Owner shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Members other than the Declarant determine otherwise. The person or persons receiving the greatest number of votes cast by the Members other than Declarant shall be elected to the Board in a coequal capacity with all other Directors. The remaining Members on the Board shall be elected through the customary cumulative voting procedure outlined above.

4.6. Books, Audit.

The following financial information shall be prepared and distributed by the Board to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Association:

(a) A pro forma operating budget for each Fiscal Year consisting of at least the following information shall be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the Fiscal Year.

(i) The estimated revenue and Common Expenses of the Association computed on an accrual basis.

(ii) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Area and the Association Maintenance Areas and for contingencies.

(iii) An itemized estimate of the remaining life of, and the methods of funding to defray repair and replacement of, or additions to, major components of the Common Area, the Association Maintenance Areas and facilities for which the Association is responsible.

(iv) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Area, the Association Maintenance Areas and facilities for which the Association is responsible.

(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 the first Close of Escrow for the sale of a Lot in the Properties and an operating statement for the period from the date of the first Close of Escrow to the said accounting date, shall be distributed within sixty (60) days after the accounting date. Such operating statement shall include a schedule of assessments received and receivable identified by the number of the Lot and the name of the Owner assessed.

(c) A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the Fiscal Year.

(i) A balance sheet as of the end of the Fiscal Year.

(ii) An operating (income) statement for the Fiscal Year.

(iii) A statement of changes in financial position for the Fiscal Year.

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

(v) For any Fiscal Year in which the gross income to the Association exceeds \$75,000, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

(vi) A statement of the place where the names and addresses of the Members is located.

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

In addition to financial statements, the Board shall annually distribute within sixty (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 defaults in the payment of Annual, Capital Improvement, Reconstruction and Special Assessments, including the recording and foreclosing of liens against Members' Lots.

The Board shall perform the following on at least a quarterly basis: (1) cause to be completed and review a current reconciliation of the Association's operating accounts and reserve accounts, (2) review the current Fiscal Year's actual reserve revenues and expenses compared to the Budget for the then current Fiscal Year, (3) review the income and expense statement for the Association's operating and reserve accounts, and (4) review the most current account statements prepared by the financial institutions where the Association maintains its operating and reserve accounts. The signatures of either (i) two (2) Directors of the Association, or (ii) one Director and one officer of the Association (who is not also a Director) shall be required for the withdrawal of money from the Association's reserve accounts. As used in this paragraph, the term "reserve accounts" means monies that the Board has identified from its Budget for use to defray the future repair and replacement of, or additions to, those major components which the association is obligated to maintain.

The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Owners, the Board and Board committees shall be made available for inspection and copying by any Member, prospective purchaser of a Lot in the Properties, and any Beneficiary, insurer, and guarantor of a first Mortgage, or their duly appointed representatives at the principal office of the Association or at such other place within the Properties as the Board may prescribe. The Board shall establish reasonable rules with respect to (1) notice to be given to the custodian of the records by the Member desiring to make the inspection, (2) hours and days of the week when such an inspection may be made and (3) payment of the cost of reproducing copies of documents requested by a Member. 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. A Director's right of inspection shall include the right to make extracts and copies of documents.*

4.7. Vacancies.

Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Any vacancy caused by the removal of a Director shall be filled by the vote of the Members. A Director may resign at any time by giving notice to the President, the Secretary or the Board. Any Director who ceases to be an Owner or an agent of Declarant shall be deemed to have resigned from the Board. A vacancy shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Members at the next annual meeting of the Members or at a special meeting of the Members called for such purpose.

4.8. Removal of Directors.

At any regular or special meeting of the Members duly called, any one individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause as follows: (i) for so long as fewer than fifty (50) Lots are included within the Properties, by the vote of Members representing a majority of the total voting power of the Association (including votes attributable to Declarant), and (ii) once fifty (50) or more Lots are included within the Properties, by the vote of Members representing a majority of a quorum of Members.

Notwithstanding the foregoing, if the entire Board of Directors is not removed as a group pursuant to a single vote, no individual Director shall be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting. However, any Director who has been elected to office solely by the votes of Members other than Declarant pursuant to Section 4.5(b) of this

Article IV 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 Declarant.

4.9. Organization Meeting of Board.

The first regular ("organization") meeting of a newly elected Board of Directors shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the Directors at the meeting at which such Directors were elected, for the purpose of organization, election of officers and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting; provided that (1) a majority of the whole Board shall be present when the time and place are announced at the annual meeting and (2) the meeting is held on the same day and at the same place as the annual meeting of the Members at which the newly constituted Board was elected.

4.10. Regular Meetings of Board.

Regular meetings of the Board of Directors shall be open to all Members; provided that Members who are not Directors may not participate in any deliberations or discussions at such regular meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Regular meetings may be held at such time and place within the Properties as shall be determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors; provided, however, that such meetings shall be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph and posted at a prominent place or places within the Common Area at least four (4) days prior to the date named for such meeting.

4.11. Special Meetings of Board.

Special meetings of the Board of Directors shall be open to all Members; provided that Members who are not Directors may not participate in any deliberations or discussions at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special meetings may be called by the President or by any two (2) Directors upon four (4) days' notice by first-class mail or seventy-two (72) hours' notice delivered personally or by telephone or telegraph. The notice shall state the time, place (as hereinabove provided) and the purpose of the meeting, and posted at least four (4) days prior to such meeting at a prominent place or places within the Common Area.

4.12. Waiver of Notice.

Before or at any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of personal notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if (1) a quorum be present, (2) notice to the Members of such meeting was posted as provided in Sections 4.10 and 4.11 of this Article IV, and (3) either before or after the meeting, each of the Directors not present signs such a written waiver of notice, a consent to holding such meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the minutes of the meeting.

4.13. Action Without Meeting.

Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. An explanation of any action taken by unanimous written consent without a meeting shall be posted by the Board in a prominent place or places in the Common Area within three (3) days after the written consents of all Directors have been obtained.

4.14. Quorum and Adjournment.

Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting to another time. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present. The Board may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The

nature of any and all business to be considered in executive session shall first be announced in open session.

4.15. Committees.

The Board of Directors, by resolution, may from time to time designate such advisory and other committees as it shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board.

ARTICLE V

5. Officers.

5.1. Designation.

The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer and an Assistant Secretary, and such other officers as in their judgment may be necessary. Officers other than the President need not be Directors. Any Person may hold more than one office.

5.2. Election of Officers.

The officers of the Association shall be elected annually by the Board of Directors at the Organization Meeting of each new Board of Directors, and each officer shall hold his office at the pleasure of the Board of Directors, until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified to serve.

5.3. Removal of Officers.

Upon an affirmative vote of a majority of the entire Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

5.4. Compensation.

Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized or

ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least a majority of the voting power of the Association; and provided further that (1) nothing herein contained shall be construed to preclude any officer from serving the Association in some other capacity and receiving compensation therefor, and (2) any officer may be reimbursed for his actual expenses incurred in the performance of his duties. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation.

5.5. President.

The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of a corporation, including but not limited to the power, subject to the provisions of Article IV, Section 4.15, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business of the Association. The President shall sign all leases, mortgages, deeds and other instruments, and shall co-sign all checks and promissory notes; provided, however, that the President need not do so if persons other than the President are authorized by the Board to do so in accordance with Section 11.1 hereof. The President shall be ex officio a member of all standing committees, and he shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws of the Association.

5.6. Vice President.

The Vice President shall take the place of the President and perform his duties whenever the President shall be absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or these Bylaws of the Association.

5.7. Secretary.

The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Association at the principal office of the Association or at such other place as the Board of Directors may order. The Secretary shall keep the seal of the Association in safe custody and shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Members of the Association and of the Board of Directors required by these Bylaws or by law to be given. The Secretary shall maintain a record book of Members, listing the names, mailing addresses and telephone numbers of the Members as furnished to the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Lot is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors.

5.8. Treasurer.

The Treasurer shall be the chief financial officer of the Association and shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Declaration, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The Treasurer shall sign all checks and promissory notes; provided, however, that the Treasurer need not do so if persons other than the Treasurer are authorized by the Board to do so in accordance with Section 11.1 hereof.

ARTICLE VI

6. Obligation of Members.

6.1. Assessments.

(a) All Members are obligated to pay, in accordance with the provisions of the Declaration,

all assessments imposed by the Association, to meet all Common Expenses of the Association.

(b) All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

6.2. Maintenance and Repair.

(a) Every Member must perform promptly, at his sole cost and expense, such maintenance and repair work on his Lot as is required under the provisions of the Declaration. As further provided in the Declaration, all plans for alterations and repair of Improvements on the Lots within the Properties must receive the prior written consent of the ARC. The ARC shall establish reasonable procedures for the granting of such approval, in accordance with the Declaration.

(b) As further provided in the Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Area or the Association Maintenance Areas which are damaged through the fault of such Member. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these Bylaws or the Declaration.

ARTICLE VII

7. Amendments to Bylaws.

Amendment of these Bylaws shall require the vote or written consent of both (1) at least a majority of the total voting power of the Association, and (2) at least a majority of the voting power of the Association residing in Members other than the Subdivider ("Declarant") of the Properties. In addition to the foregoing, as long as there exists more than one class of membership, amendment of these Bylaws shall require the vote or written consent of at least a majority of the voting power of each class of Members; provided that the specified percentage of each class of the Members necessary to amend a specific Section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision; and provided further, that these Bylaws may be amended by a majority of the entire Board, at any time prior to the Close of Escrow for the sale of the first Lot. In addition to the foregoing, any amendment to these Bylaws which materially affects matters delineated in Article XIII or Section 15.5 of the Declaration must be approved by the

Beneficiaries of that percentage of first Mortgages on the Lots which is specified in the affected provision of Article XIII or Section 15.5 of the Declaration, respectively; provided that, if an amendment to these Bylaws materially affects matters delineated in both Article XIII and Section 15.5 of the Declaration or purports to amend this sentence, the amendment must be approved pursuant to the requirements of both said Article XIII and Section 15.5. So long as there exists a Class B Membership, any amendment of these Bylaws shall require the approval of VA and FHA. A draft of the proposed amendment shall be submitted to VA and FHA for approval prior to its approval by the Membership of the Association.

ARTICLE VIII

8. Mortgagees.

8.1. Notice to Association.

Upon request, a Member who mortgages his Lot shall notify the Association through the Manager, or through the Secretary if there is no Manager, the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Lots." Upon request, any such Member shall likewise notify the Association as to the release or discharge of any such Mortgage.

8.2. Notice of Unpaid Assessments.

The Board of Directors of the Association shall at the request of a Mortgagee of a Lot report any unpaid assessments due from the Owner of such Lot, in accordance with the provisions of the Declaration.

ARTICLE IX

9. Conflicting Provisions.

In case any of these Bylaws conflict with any provisions of the laws of the State of California, such conflicting Bylaws shall be null and void upon final court determination to such effect, but all other Bylaws shall remain in full force and effect. In case of any conflict between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE X

10. Indemnification of Directors and Officers.

The Board may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine levied against, any present or former Director, officer, employee, or agent of the Association to the extent and under the circumstances provided in the Declaration.

ARTICLE XI

11. Miscellaneous.

11.1. Execution of Documents.

The Board of Directors may authorize any officer or agent to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances; and unless so authorized by the Board of Directors, no officer, agent, committee member, or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

11.2. Inspection of Articles and Bylaws.

The Association shall keep in its office for the transaction of business the original or a copy of its Articles of Incorporation and these Bylaws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members and all Beneficiaries, insurers, and guarantors of first Mortgages.

11.3. Fiscal Year.

The Fiscal Year of the Association shall be determined by the Board of Directors, and having been so determined, is subject to change from time to time as the Board of Directors shall determine.

11.4. Membership Register.

The Association shall keep and maintain in its office for the transaction of business a register containing the name, mailing address and telephone number of each Member. Termination or transfer of ownership of any Lot by a Member shall be recorded in the register, together with the date on which such ownership was transferred, in accordance with the provisions of the Declaration.

ARTICLE XII

12. Notice and Hearing Procedure.

12.1. Suspension of Privileges.

In the event of an alleged violation of the Declaration, these Bylaws or the Rules and Regulations of the Association, and after written notice of such alleged failure is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to be in default in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board of Directors shall have the right, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an

affirmative vote of a majority of all Directors on the Board, to take any one or more of the following actions: (1) levy a Special Assessment as provided in the Declaration; (2) suspend or condition the right of said Member to use any recreational facilities owned, operated or maintained by the Association, as provided in the Declaration; (3) suspend said Member's voting privileges as a Member, as further provided in the Declaration; (4) enter upon a Lot to make necessary repairs or to perform maintenance which, according to the Declaration, is the responsibility of the Owner of such Lot; or (5) record a notice of noncompliance encumbering the Lot of the respondent. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board to enforce the Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these Bylaws, or by the Rules and Regulations of the Association, before that Member may resort to a court of law for relief with respect to any alleged violation of the Declaration, these Bylaws or the Rules and Regulations of the Association by another Member, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments, Special Assessments, Capital Improvement Assessments or Reconstruction Assessments.

12.2. Written Complaint.

A hearing to determine whether a right or privilege of the respondent under the Declaration or these Bylaws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any officer or member of the Board of Directors with the President of the Association or other presiding member of the Board. The Complaint shall constitute a written statement of charges which shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged, and a reference to the specific provisions of the Declaration, these Bylaws or the Rules and Regulations of the Association which the respondent is alleged to have violated. A copy of the Complaint shall be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a statement which shall be substantially in the following form:

"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address: _____

 You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact _____

 The respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board of Directors. The respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

12.3. Notice of Hearing.

The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the respondent. The hearing shall be held no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.2 of this Article XII. The notice to the respondent shall be substantially in the following form but may include other information:

"You are hereby notified that a hearing will be held before the Board of Directors of the Vintage Townehomes Homeowners Association, Inc., at

 on the _____ day of _____,
 19____, at the hour of _____, upon
 the charges made in the Complaint served

upon you. You may be present at the hearing, may but need not be represented by counsel, may present any relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association."

12.4. Hearing.

The hearing shall be held before the Board in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice together with a statement of the date and manner of delivery is entered by the officer or Director who mailed or delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. No action against the Member arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15) days after the Member's receipt of the notice of hearing, and (b) five (5) days after the hearing required herein.

CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC., a California nonprofit corporation ("Association"); and

2. The foregoing Bylaws, comprising 28 pages including this page, constitute the Bylaws of the Association duly adopted by Consent of Directors in Lieu of First Meeting dated 1-25, 1988⁹

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this 25th day January, 1988.

Barbara J. Gentry
Secretary

(SEAL)

EXHIBIT "B"

BYLAWS OF THE ASSOCIATION

First American Title Insurance Company
San Bernardino Branch

RECORDED IN OFFICIAL RECORDS
FEB 14 1989 AT 8:47 AM
SAN BERNARDINO COUNTY, CALIF.

RECORDING REQUESTED BY, AND
WHEN RECORDED, MAIL TO:

89-052672

McKITTRICK, JACKSON, DeMARCO
& PECKENPAUGH (FSJ)
4041 MacArthur Boulevard, Fifth Floor
Post Office Box 2710
Newport Beach, California 92658-8995

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DECLARATION OF COVENANTS, CONDITIONS AND
RESTRICTIONS AND RESERVATION OF EASEMENTS

FOR

VINTAGE TOWNEHOMES

A PLANNED RESIDENTIAL DEVELOPMENT

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087/099 09-27-88

TABLE OF CONTENTS
FOR
DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
VINTAGE TOWNEHOMES

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
1. Definitions.	3
1.1. Annexable Territory.	3
1.2. ARC.	3
1.3. Articles.	3
1.4. Assessment, Annual.	3
1.5. Assessment, Capital Improvement.	3
1.6. Assessment, Reconstruction.	3
1.7. Assessments, Special.	4
1.8. Association.	4
1.9. Association Maintenance Areas.	4
1.10. Association Maintenance Funds.	4
1.11. Beneficiary.	4
1.12. Board or Board of Directors.	4
1.13. Budget.	5
1.14. Bylaws.	5
1.15. City.	5
1.16. Close of Escrow.	5
1.17. Common Area.	5
1.18. Common Expenses.	5
1.19. Declarant.	6
1.20. Declaration.	6
1.21. Deed of Trust.	6
1.22. DRE.	6
1.23. Dwelling Unit.	6
1.24. Exclusive Use Common Area.	6
1.25. Family.	6
1.26. FHA.	6
1.27. FHLMC.	7
1.28. Fiscal Year.	7
1.29. FNMA.	7
1.30. GNMA.	7
1.31. Improvement.	7
1.32. Lot.	7
1.33. Manager.	7
1.34. Member, Membership.	7
1.35. Mortgage, Mortgagee, Mortgagor.	8
1.36. Notice and Hearing.	8
1.37. Notice of Addition.	8
1.38. Owner.	8
1.39. Person.	8
1.40. Phase 1.	8

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
1.41. Phase of Development.	8
1.42. Properties.	8
1.43. Record, Recorded, Filed or Recordation.	9
1.44. Rules and Regulations.	9
1.45. VA.	9
2. Owner's Property Rights.	9
2.1. Owners' Easements of Enjoyment.	9
2.2. Parking Restrictions.	11
2.3. Easements for Vehicular/Pedestrian Traffic.	11
2.4. Easements for Public Service Use.	11
2.5. Waiver of Use.	11
2.6. Easements for Water and Utility Purposes.	11
2.7. Taxes.	12
2.8. Easement for Maintenance of Association Maintenance Area.	12
2.9. Easement for Declarant Over Common Area.	12
2.10. Easements-Exclusive Use Common Areas.	12
2.11. Solar Easement.	12
3. Vintage Townehomes Homeowners Association, Inc.	13
3.1. Organization of Association.	13
3.2. Duties and Powers.	13
3.3. Membership.	13
3.4. Transfer.	14
4. Voting Rights.	14
4.1. Classes of Voting Membership.	14
4.2. Vote Distribution.	15
5. Jurisdiction of Association.	16
6. Covenant for Maintenance Assessments.	19
6.1. Creation of Assessment Obligation.	19
6.2. Maintenance Funds of Association.	19
6.3. Purpose of Annual Assessments.	20
6.4. Limitations on Annual Assessment Increases.	20
6.5. Capital Improvements.	22
6.6. Uniform Rate of Assessment.	22
6.7. Date of Commencement of Annual Assessments.	23
6.8. Capital Contributions to the Association.	24
6.9. Exempt Property.	24

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
7. Nonpayment of Assessments; Remedies.	24
7.1. Nonpayment of Assessments; Remedies.	24
7.2. Notice of Assessment.	25
7.3. Foreclosure Sale.	25
7.4. Curing of Default.	25
7.5. Cumulative Remedies.	26
7.6. Mortgage Protection.	26
7.7. Priority of Assessment Lien.	26
8. Architectural Control.	27
8.1. Members of Committee.	27
8.2. Review of Plans and Specifications.	27
8.3. Meetings of the ARC.	29
8.4. No Waiver of Future Approvals.	29
8.5. Compensation of Members.	29
8.6. Inspection of Work.	29
8.7. Scope of Review.	30
8.8. Variance.	31
9. Maintenance and Repair Obligations.	31
9.1. Maintenance Obligations of Owners.	31
9.2. Maintenance Obligations of Association.	32
9.3. Damage to Common Area by Owners.	33
10. Use Restrictions.	34
10.1. Single Family Residence.	34
10.2. Business or Commercial Activity.	34
10.3. Nuisances.	34
10.4. Signs.	35
10.5. Parking and Vehicular Restrictions.	35
10.6. Animal Restrictions.	36
10.7. Trash.	37
10.8. Temporary Buildings.	37
10.9. Common Area Facilities.	37
10.10. Outside Installations.	37
10.11. Drilling.	38
10.12. Further Subdivision.	38
10.13. Drainage.	38
10.14. Water Supply Systems.	39
10.15. Inside Installations.	39
10.16. View Obstructions.	39
10.17. Solar Energy Systems.	39
10.18. Rights of the Handicapped.	40
11. Damage and Condemnation.	40

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
12. Insurance.	41
12.1. Casualty Insurance.	41
12.2. Insurance Obligations of Owners.	42
12.3. Waiver of Subrogation.	42
12.4. Liability and Other Insurance.	43
12.5. Notice of Expiration Requirements.	44
13. Mortgagee Protection Clause.	44
14. Declarant Exemption.	48
15. General Provision.	49
15.1. Enforcement.	49
15.2. Severability.	50
15.3. Term.	50
15.4. Interpretation.	51
15.5. Termination and Amendment.	51
15.6. No Public Right or Dedication.	54
15.7. Constructive Notice and Acceptance.	54
15.8. Reservation of Easements.	54
15.9. Notices.	55
15.10. No Representation or Warranties.	55
15.11. Enforcement of Certain Bonded Obligations. ...	55
15.12. Nonliability and Indemnification.	56
15.13. Priorities and Inconsistencies.	57
16. Annexation of Additional Property.	57
16.1. Additions by Declarant.	57
16.2. Other Additions.	58
16.3. Rights of Added Territory Members.	58
16.4. Notice of Addition of Territory.	58
16.5. Deannexation.	59
17. Party Walls.	60
17.1. General Rules of Law to Apply.	60
17.2. Sharing of Repair and Maintenance.	60
17.3. Destruction by Fire or Other Casualty.	60

TABLE OF CONTENTS (Continued)

<u>DESCRIPTION</u>	<u>PAGE NO.</u>
17.4. Weatherproofing.	60
17.5. Right to Contribution Runs With Land.	60
17.6. Arbitration.	60
 EXHIBIT "A" ARTICLES OF INCORPORATION OF THE ASSOCIATION	
 EXHIBIT "B" BYLAWS OF THE ASSOCIATION	
 EXHIBIT "C" DRAWING SHOWING LOCATION OF EXCLUSIVE USE COMMON AREA PARKING SPACES IN PHASE 1	
 EXHIBIT "D" DRAWINGS SHOWING LOCATION OF ASSOCIATION MAINTENANCE AREAS IN PHASE 1	
 EXHIBIT "E" LEGAL DESCRIPTION OF ANNEXABLE TERRITORY	

DECLARATION OF COVENANTS, CONDITIONS
AND RESTRICTIONS AND RESERVATION OF EASEMENTS
FOR
VINTAGE TOWNEHOMES

THIS DECLARATION is made by NORTHWOODS - RANCHO CUCAMONGA LTD., a California limited partnership, hereinafter referred to as "Declarant."

P R E A M B L E:

A. Declarant is the Owner of certain real property ("Phase 1") in the City of Rancho Cucamonga, County of San Bernardino, State of California, more particularly described as follows:

Lots 1 to 10, inclusive, Lots 67 to 86, inclusive, Lots 115 to 140, inclusive, and Lots A, D, E, F and G of Tract No. 13650, as shown on a Subdivision Map, Recorded on December 14, 1988, in Book 215, Pages 92 to 97, inclusive, of Maps, in the Office of the San Bernardino County Recorder.

B. Declarant has deemed it desirable, for the efficient preservation of the values and amenities in the Properties (as hereinafter defined) to create a planned development pursuant to the Davis-Stirling Common Interest Development Act, including a corporation under the Nonprofit Mutual Benefit Corporation Law of the State of California to which should be delegated and assigned the powers of owning, maintaining and administering the Common Area, maintaining the Association Maintenance Areas, administering and enforcing the covenants and restrictions, and collecting and disbursing the assessments and charges hereinafter created. Declarant will or has caused such corporation, the Members of which shall be the respective Owners of Lots in the Properties, to be formed for the purpose of exercising such functions.

C. Declarant intends to develop the Properties in three (3) Phases of Development on Lots 1 through 140, inclusive, and Lots A through O, inclusive, of Tract No. 13650. If completed as planned, the Properties will consist of a total of one hundred forty (140) Dwelling Units housed in twenty-nine (29) buildings containing four (4) to six (6) Dwelling Units per building.

Phase 1 consists of eleven (11) buildings containing fifty-six (56) Dwelling Units, a recreation building, a pool and spa, and an additional spa.

Phase 2 is planned to consist of ten (10) buildings containing forty-six (46) Dwelling Units, a tot lot, a spa and a barbecue area.

Phase 3 is planned to consist of eight (8) buildings containing thirty-eight (38) Dwelling Units, and a barbecue area. There is no guarantee and Declarant makes no assurance or warranty that the Properties will be developed as planned.

D. Declarant intends to develop and convey all of the Properties, pursuant to a general plan for all of the Properties and subject to certain protective covenants, conditions, restrictions, rights, reservations, easements, equitable servitudes, liens and charges, all running with the Properties as hereinafter set forth. Declarant may execute, acknowledge and Record a Supplemental Declaration of Restrictions ("Supplemental Declaration") affecting solely a Phase of Development of the Properties, so long as Declarant owns all of the real property to be affected by such Supplemental Declaration. Such Supplemental Declaration shall not conflict with the provisions of this Declaration, but may impose further conditions, covenants and restrictions for the operation, protection and maintenance of that Phase of Development. The development of the Properties shall be consistent with the overall development plan, if any, submitted to VA and FHA.

E. Declarant hereby declares that all of the Properties shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied and improved subject to the easements, restrictions, reservations, rights, covenants, conditions and equitable servitudes contained in this Declaration, all of which are for the purpose of uniformly enhancing and protecting the value, attractiveness and desirability of the Properties, in furtherance of a general plan for the protection, maintenance, subdivision, improvement and sale of the Properties or any portion thereof. The covenants, conditions, restrictions, rights, reservations, easements, and equitable servitudes set forth herein shall run with and burden the Properties and shall be binding upon all persons having or acquiring any right, title or interest in the Properties, or any part thereof, their heirs, successors and assigns; shall inure to the benefit of every portion of the Properties and any interest therein; and shall inure to the benefit of and be binding upon, and may be enforced by Declarant, each Owner and their respective heirs, executors and administrators, and successive owners and assigns.

ARTICLE I

1. Definitions.

Unless otherwise expressly provided, the following words and phrases when used herein shall have the meanings hereinafter specified.

1.1. Annexable Territory.

Annexable Territory shall mean the property described in Exhibit "E" attached hereto and incorporated herein by this reference, all or any portion of which may from time to time be made subject to this Declaration pursuant to the provisions of Article XVI hereof.

1.2. ARC.

ARC shall mean the Architectural Review Committee created pursuant to Article VIII hereof.

1.3. Articles.

Articles shall mean the Articles of Incorporation of the Association filed or to be filed in the office of the Secretary of State of the State of California, a copy of which is attached hereto, marked Exhibit "A" and incorporated herein by this reference, as such Articles may be amended from time to time.

1.4. Assessment, Annual.

Annual Assessment shall mean the annual or supplemental charge against each Owner and his Lot, representing a portion of the Common Expenses, which are to be paid by each Owner to the Association in the manner and proportions provided herein.

1.5. Assessment, Capital Improvement.

Capital Improvement Assessment shall mean a charge against each Owner and his Lot, representing a portion of the costs to the Association for installation or construction of any Improvements on any portion of the Common Area or Association Maintenance Areas which the Association may from time to time authorize, pursuant to the provisions of this Declaration. Such charge shall be levied among all Owners and their Lots in the same proportion as Annual Assessments.

1.6. Assessment, Reconstruction.

Reconstruction Assessment shall mean a charge against each Owner and his Lot, representing a portion of the cost to the Association for reconstruction of any portion of the Improvements on the Common Area and Association Maintenance Areas pursuant to the provisions of this Declaration. Such charge shall be levied among all Owners and their Lots in the same proportion as Annual Assessments.

1.7. Assessments, Special.

Special Assessments shall mean a charge against a particular Owner and his Lot, directly attributable to, or reimbursable by, that Owner, equal to the cost incurred by the Association for corrective action, performed pursuant to the provisions of this Declaration, or a reasonable fine or penalty assessed by the Association, plus interest and other charges on such Special Assessments as provided for herein. Special Assessments shall not include any late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Association in the collection of Annual, Capital Improvement and Reconstruction Assessments.

1.8. Association.

Association shall mean VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC., a corporation formed under the Nonprofit Mutual Benefit Corporation Law of the State of California, its successors and assigns.

1.9. Association Maintenance Areas.

Association Maintenance Areas shall mean certain plantings, planted trees, shrubs, slopes, exterior sidewalks, fences, walls surrounding the perimeter of the Properties, and driveways and other landscaping Improvements which are located on the Lots as hereinafter defined and the exterior surfaces and roofing (excluding glass areas) of all Dwelling Units, and the public landscaped areas adjacent to the boundaries of the Properties along Foothill and Baker Streets, but excepting all sidewalks, paved areas, landscape areas and also excepting those other portions of the Lots which may be enclosed by courtyard or patio walls or fences. The Association shall have a nonexclusive easement for maintenance purposes over the Association Maintenance Areas. The Association Maintenance Areas in Phase 1 of the ~~Units~~ Properties, other than exteriors of Dwelling Units, are depicted on the drawings which are marked Exhibit "D," attached hereto and incorporated herein by this reference.

1.10. Association Maintenance Funds.

Association Maintenance Funds shall mean the accounts created for receipts and disbursements of the Association, pursuant to Article VI hereof.

1.11. Beneficiary.

Beneficiary shall mean a mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be, and the assignees of such mortgagee or beneficiary.

1.12. Board or Board of Directors.

Board or Board of Directors shall mean the Board of Directors of the Association, elected pursuant to the Bylaws of the Association.

1.13. Budget.

Budget shall mean a written, itemized estimate of the expenses to be incurred by the Association in performing its functions under this Declaration prepared pursuant to the Bylaws.

1.14. Bylaws.

Bylaws shall mean the Bylaws of the Association, as adopted by the Board initially in the form of Exhibit "B" attached hereto and incorporated herein by this reference, as such Bylaws may be amended by the Members of the Association from time to time.

1.15. City.

City shall mean the City of Rancho Cucamonga in the State of California, and its various departments, divisions, employees and representatives.

1.16. Close of Escrow.

Close of Escrow shall mean the date on which a deed is Recorded conveying a Lot in the Properties pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the DRE.

1.17. Common Area.

Common Area shall mean all the real property and Improvements, including, without limitation, streets, open parking areas, landscape areas and recreational and storage facilities, which are owned by the Association for the common use and enjoyment of all of the Owners. The Common Area at the time of the first Close of Escrow for the sale of a Lot in Phase 1 of the Properties shall include Lots A, D, E, F and G of said Tract 13650. Additional Common Area may be annexed to the Properties pursuant to the provisions of Article XVI hereof.

1.18. Common Expenses.

Common Expenses shall mean those expenses for which the Association is responsible under this Declaration, including the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Area and the Association Maintenance Areas; unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments; the costs of any commonly metered utilities and other commonly metered charges for the Properties; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all utilities, gardening, trash pickup and other services benefiting the Common Area and the Association Maintenance Areas; costs of maintaining clustered mailboxes and address identification signs; the costs of fire, casualty and liability insurance, worker's compensation insurance, and other insurance all covering the Properties; the costs of

bonding the members of the management body; taxes paid by the Association; amounts paid by the Association for discharge of any lien or encumbrance levied against the Properties, or portions thereof; and the costs of any other item or items incurred by the Association for any reason whatsoever in connection with the Properties, for the benefit of all of the Owners.

1.19. Declarant.

Declarant shall mean NORTHWOODS - RANCHO CUCAMONGA LTD., a California limited partnership, its successors and any Person to which it shall have assigned any rights hereunder by express written assignment.

1.20. Declaration.

Declaration shall mean this instrument as it may be amended from time to time.

1.21. Deed of Trust.

Deed of Trust shall mean a mortgage or a deed of trust as the case may be.

1.22. DRE.

DRE shall mean the California Department of Real Estate and any successors thereto.

1.23. Dwelling Unit.

Dwelling Unit shall mean a building located on a Lot designed and intended for use and occupancy as a residence by a single Family.

1.24. Exclusive Use Common Area.

Exclusive Use Common Area shall mean those portions of the Common Area over which exclusive easements are reserved for the benefit of certain Owners including without limitation for parking purposes and internal and external telephone wiring designed to serve a single Lot but located outside the boundaries of that Lot, in accordance with California Civil Code Section 1351(i).

1.25. Family.

Family shall mean (1) a group of natural Persons related to each other by blood or legally related to each other by marriage or adoption, or (2) a group of natural Persons not all so related, but who maintain a common household in a Dwelling Unit on a Lot.

1.26. FHA.

FHA shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States government which succeeds to the FHA's function of insuring notes secured by Mortgages on residential real estate.

1.27. FHLMC.

FHLMC shall mean the Federal Home Loan Mortgage Corporation (also known as The Mortgage Corporation) created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporations.

1.28. Fiscal Year.

Fiscal Year shall mean the fiscal accounting and reporting period of the Association selected by the Board from time to time.

1.29. FNMA.

FNMA shall mean the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

1.30. GNMA.

GNMA shall mean the Government National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

1.31. Improvement.

Improvement shall mean any structure or appurtenance thereto of every type and kind, including but not limited to buildings, walkways, sprinkler pipes, recreational facilities, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, stairs, decks, landscaping, antennae, hedges, windbreaks, patio covers, railings, the paint on all exterior surfaces, plantings, planted trees and shrubs, poles, signs, storage areas, exterior air conditioning and water-softening fixtures or equipment.

1.32. Lot.

Lot shall mean any residential Lot or parcel of land shown upon any Recorded subdivision map or Recorded parcel map of the Properties, with the exception of the Common Area.

1.33. Manager.

Manager shall mean the Person appointed by the Association hereunder as its agent and delegated certain duties, powers or functions of the Association as further provided in this Declaration and in the Bylaws.

1.34. Member, Membership.

Member shall mean any Person holding a membership in the Association, as provided in this Declaration. Membership shall mean the property, voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in this Declaration and the Articles and Bylaws of the Association.

1.35. Mortgage, Mortgagee, Mortgagor.

Mortgage shall mean any Recorded mortgage or deed of trust or other conveyance of a Lot or other portion of the Properties to secure the performance of an obligation, which will be reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used herein shall be synonymous with the term "Mortgage." The term Mortgagee shall mean a person or entity to whom a Mortgage is made and shall include the beneficiary of a Deed of Trust. Mortgagor shall mean a person or entity who mortgages his or her Lot to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor," and the term "Beneficiary" shall be synonymous with the term "Mortgagee."

1.36. Notice and Hearing.

Notice and Hearing shall mean written notice and a hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at Owner's expense, in the manner further provided in the Bylaws.

1.37. Notice of Addition.

Notice of Addition shall mean an instrument Recorded pursuant to Article XVI hereof to annex all or any portion of the Annexable Territory to the Properties.

1.38. Owner.

Owner shall mean the Person or Persons, including Declarant, holding fee simple interest of record to any Lot. The term "Owner" shall include sellers under executory contracts of sale but shall exclude Mortgagees.

1.39. Person.

Person shall mean a natural individual or any other entity with the legal right to hold title to real property.

1.40. Phase 1.

Phase 1 shall mean all of the real property described in Paragraph A to the Preamble of this Declaration. =

1.41. Phase of Development.

Phase of Development shall mean (a) Phase 1 or (b) all the real property covered by a Notice of Addition Recorded pursuant to Article XVI of this Declaration, for which a Final Subdivision Public Report has been issued by the DRE, unless otherwise defined in such Notice of Addition.

1.42. Properties.

Properties shall mean (a) Phase 1, and (b) each Phase of Development described in a Notice of Addition. The Properties are a "common interest development" as defined in Section 1351(c) of the California Civil Code and a "planned development" as defined in Section 1351(k) of the California Civil Code.

1.43. Record, Recorded, Filed or Recordation.
Record, Recorded, Filed or Recordation shall mean, with respect to any document, the recordation of such document in the office of the San Bernardino County Recorder.

1.44. Rules and Regulations.
Rules and Regulations shall mean the rules and regulations adopted by the Board pursuant to the Bylaws as such Rules and Regulations may be amended from time to time.

1.45. VA.
VA shall mean the Veterans Administration of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by mortgages on residential real estate.

ARTICLE II

2. Owner's Property Rights.

2.1. Owners' Easements of Enjoyment.
Every Owner shall have a right and easement of ingress and egress and of enjoyment in, to and over the Common Area, and such easement shall be appurtenant to and shall pass with title to every Lot, subject to the following:

(a) The right of the Association to reasonably limit the number of guests and tenants an Owner or his tenant may authorize to use the Common Area and its facilities;

(b) The right of the Association to establish uniform Rules and Regulations pertaining to the use of the Common Area;

(c) The right of the Association in accordance with the Articles, Bylaws and this Declaration, with the vote or written assent of two-thirds (2/3rds) of the voting power of the Association, to borrow money for the purpose of improving or adding to the Common Area and facilities or for improving the Association Maintenance Areas, and in aid thereof, subject to the provisions of Article XIII of this Declaration, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred, provided that the rights of such Mortgagee shall be subordinated to the rights of the Owners;

(d) The right of certain Owners to the exclusive use for open parking purposes of certain portions of the Common Area as Exclusive Use Common Area. Exclusive Use Common Area open parking spaces are depicted on Exhibit "C" hereto and assigned therein to the Owners of the correspondingly numbered Lots;

(e) Subject to the provisions of Article XIII of this Declaration, the right of the Association to dedicate, release, alienate or transfer the Common Area to any public agency, authority, utility or other Person for such purposes and subject to such conditions as may be agreed to by the Members;

(f) The right of Declarant and its sales agents, representatives and prospective purchasers, to the nonexclusive use of the Common Area and any facilities thereon, without cost, for access, ingress, egress, use and enjoyment, in order to show and dispose of the Properties and the Annexable Territory as provided herein, until the last Close of Escrow for the sale of a Lot in the Properties and the Annexable Territory, but in no event more than seven (7) years after the Recordation of this Declaration; provided, however, that such use shall not unreasonably interfere with the rights of enjoyment of the other Owners as provided herein;

(g) The rights and reservations of Declarant as set forth in Article XIV of this Declaration;

(h) The right of the Association (by action of the Board) to reconstruct, replace or refinish any Improvement or portion thereof upon the Common Area and Association Maintenance Areas in accordance with the original design, finish or standard of construction of such Improvement, or of the general Improvements within the Properties, as the case may be; and if not in accordance with such original design, finish or standard of construction only with the vote or written consent of the Owners holding sixty-seven percent (67%) of the voting power of the Association and the approval of the Beneficiaries of fifty-one percent (51%) of the first Mortgages on Lots in the Properties;

(i) The right of the Association to replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Area;

(j) The right of the Association, acting through the Board, to reasonably restrict access to portions of the Common Area; and

(k) The easements reserved in Sections 2.3, 2.4, 2.6, 2.9, 2.10 and 15.8.

2.2. Parking Restrictions.

The Association, through its officers, committees and agents is hereby empowered to establish "parking," "guest parking" and "no parking" areas within the Common Area or portions of the Association Maintenance Areas improved as streets, driveways, or parking areas in accordance with Section 22658.2 of the California Vehicle Code, or any similar statute hereafter enacted, as well as to enforce these parking limitations by all means lawful for such enforcement on city streets, including the removal of any violating vehicles by those so empowered.

2.3. Easements for Vehicular/Pedestrian Traffic.

In addition to the general easements for use of the Common Area reserved herein, there shall be, and Declarant hereby reserves and covenants for itself and all future Owners within the Properties, nonexclusive easements appurtenant for vehicular and pedestrian traffic over the private streets and walkways within the Common Area, subject to the parking provisions set forth in Sections 2.2 and 10.5 hereof.

2.4. Easements for Public Service Use.

In addition to the foregoing easements over the Common Area, there shall be and Declarant hereby reserves and covenants for itself and all future Owners within the Properties, easements for public services of the City, including but not limited to, the right of the police and fire departments to enter upon any part of the Common Area for the purpose of carrying out their official duties.

2.5. Waiver of Use.

No Owner may exempt himself from personal liability for assessments duly levied by the Association, nor release the Lot or other property owned by him from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area or any facilities thereon or by abandonment of his Lot or any other property in the Properties.

2.6. Easements for Water and Utility Purposes.

In addition to the foregoing easements over the Common Area, there shall be and Declarant hereby reserves and covenants for itself and all future Owners within the Properties, easements for public and private utility purposes, including but not limited to, the right of any public utility or mutual water district of ingress or egress over the Common Area for purposes of reading and maintaining meters, and using and maintaining fire hydrants located on the Common Area.

2.7. Taxes.

Each Owner shall execute such instruments and take such action as may reasonably be specified by the Association to obtain separate real estate tax assessment of each Lot. If any taxes or assessments may, in the opinion of the Association, become a lien on the Common Area, or any part thereof, they may be paid by the Association as a Common Expense.

2.8. Easement for Maintenance of Association Maintenance Areas.

Declarant hereby expressly reserves for the benefit of the Board of Directors of the Association, an easement over the Association Maintenance Areas for maintenance thereof and over the Lots for access, ingress and egress necessary to such maintenance. Subject to the procedures described in Article VIII hereof, no Owner shall interfere with the exercise by the Association of its rights under the easement reserved in this Section. In addition, no Owner shall alter or remove the Improvements on the Common Area or the landscaping on the Association Maintenance Areas.

2.9. Easement for Declarant Over Common Area.

For so long as (a) Declarant owns any Lot in the Properties or (b) Declarant may annex all or any portion of the Annexable Territory to the Properties, but in no event more than seven (7) years after the Recordation of this Declaration, Declarant hereby expressly reserves for its benefit, for the benefit of its agents, employees and contractors, and for the benefit of its successors and assigns, a nonexclusive easement appurtenant to the Annexable Territory, in, to, and over the Common Area for access, ingress, egress, use and enjoyment, in order to show the Properties or Annexable Territory to its prospective purchasers, or to develop, market, sell, lease or otherwise dispose of the Properties or the Annexable Territory.

2.10. Easements-Exclusive Use Common Areas.

Declarant hereby reserves for the benefit of certain Owners within the Properties, exclusive easements for use of the Exclusive Use Common Area for open parking purposes.

2.11. Solar Easement.

Declarant hereby reserves for the benefit of the Owners of all Lots within the Properties easements for purposes of receiving sunlight across adjacent Lots. No Improvement, other than (i) those installed or constructed by Declarant as a part of the original construction of Dwelling Units or (ii) those installed or constructed by an Owner to repair or replace a damaged or destroyed Improvement in accordance with the original designs and specifications for such damaged or destroyed Improvement originally installed or constructed by Declarant, shall be installed, constructed or maintained on

any Lot in a manner which results in the obstruction of sunlight to the roof of any Dwelling Unit on an adjacent Lot during the following hours during the following times of the year:

- (a) 9:00 a.m. to 5:00 p.m. from February 1 to April 30;
- (b) 8:00 a.m. to 6:00 p.m. from May 1 to July 31;
- (c) 9:00 a.m. to 5:00 p.m. from August 1 to October 31;
- (d) 10:00 a.m. to 4:00 p.m. from November 1 to January 31.

ARTICLE III

3. Vintage Townehomes Homeowners Association, Inc.

3.1. Organization of Association.

The Association is or shall be incorporated under the name of VINTAGE TOWNEHOMES HOMEOWNERS ASSOCIATION, INC., as a corporation not for profit under the Nonprofit Mutual Benefit Corporation Law of the State of California.

3.2. Duties and Powers.

Duties and powers of the Association are those set forth in the Declaration, the Articles and Bylaws, together with its general and implied powers of a nonprofit mutual benefit corporation, generally to do any and all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its Members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Articles, the Bylaws and in this Declaration. The Association shall make available for inspection by any prospective purchaser of a Lot, any Owner of a Lot, and the Beneficiaries, insurers and guarantors of the first Mortgage on any Lot, current copies of the Declaration, the Articles of Incorporation, the Bylaws, the Rules and Regulations and all other books, records, and financial statements of the Association.

3.3. Membership.

Every Owner of a Lot, upon purchasing such Lot, shall automatically become a Member of the Association and shall remain a Member thereof until such time as his ownership ceases, at which time his membership in the Association shall automatically cease. Memberships in the Association shall not be assignable, except to the Person to which title to the Lot has been transferred, and every membership in the

Association shall be appurtenant to and may not be separated from the fee ownership of such Lot. Ownership of such Lot shall be the sole qualification for membership in the Association.

3.4. Transfer.

The Association membership held by any Owner of a Lot shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Lot, and then only to the purchaser or Mortgagee of such Lot. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Lot to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to his Lot until fee title to the Lot sold is transferred. If the Owner of any Lot should fail or refuse to transfer the membership registered in his name to the purchaser of such Lot upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association. Until satisfactory evidence of such transfer has been presented to the Board, the purchaser shall not be entitled to vote at meetings of the Association. The Association may levy a reasonable transfer fee against a new Owner and his Lot (which fee shall be added to the Annual Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the membership to the new Owner on the records of the Association provided such fee does not exceed the Association's actual cost involved in changing its records of ownership.

ARTICLE IV

4. Voting Rights.

4.1. Classes of Voting Membership.

The Association shall have two (2) classes of voting membership as follows:

Class A. Class A Members shall originally be all Owners with the exception of Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Lot owned and subject to assessment. Declarant shall become a Class A Member with regard to Lots owned by Declarant upon conversion of Declarant's Class B Membership as provided below. When more than one Person holds an interest in any Lot, all such Persons shall be Members. The vote for such Lot shall be exercised in accordance with Article IV, Section 4.2 of this Declaration,

and in no event shall more than one (1) Class A vote be cast with respect to any Lot.

Class B. The Class B Member shall be Declarant and Declarant shall be entitled to three (3) votes for each Lot owned by Declarant and subject to assessment. The Class B Membership shall cease and be converted to Class A Membership immediately upon the first to occur of the following events:

(a) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of Development of the Properties; or

(b) The fourth anniversary of the original issuance of the Final Subdivision Public Report for Phase 1 of the Properties; or

(c) The seventh anniversary of the Recordation of this Declaration.

4.2. Vote Distribution.

(a) All voting rights shall be subject to the restrictions and limitations provided in this Declaration and in the Articles and Bylaws. Except as provided in Section 15.11 of the Declaration and Section 4.8 of the Bylaws, as long as there exists a Class B Membership, any provision of this Declaration, the Articles or Bylaws which expressly requires a vote or written consent of a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the voting power of the Association before action may be undertaken shall require the approval of such specified percentage of the voting power of each class of membership. Except as provided in Section 15.11 of this Declaration and Section 4.8 of the Bylaws, upon termination of the Class B Membership, any provision of this Declaration, the Articles or Bylaws which expressly requires a vote or written consent of Owners representing a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the voting power of the Association before action may be undertaken shall then require the vote or written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

(b) Class A Members shall be entitled to one (1) vote for each Lot in which they hold the

interest required for membership. When more than one Person holds such interest or interests in any Lot ("co-owner"), all such co-owners shall be Members and may attend any meetings of the Association, but only one such co-owner shall be entitled to exercise the vote to which the Lot is entitled. Such co-owners may from time to time all designate in writing one of their number to vote. Fractional votes shall not be allowed, and the Class A vote for each Lot shall be exercised, if at all, as a unit. Where no voting co-owner is designated or if such designation has been revoked, the vote for such Lot shall be exercised as the majority of the co-owners of the Lot mutually agree. Unless the Board receives a written objection from a co-owner, it shall be presumed that the corresponding voting co-owner is acting with the consent of his or her co-owners. No vote shall be cast for any Lot where the co-owners present in person or by proxy owning the majority interests in such Lot cannot agree to said vote or other action. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Lot and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the Bylaws, shall be deemed to be binding on all Owners, their successors and assigns.

ARTICLE V

5. Jurisdiction of Association.

The Association's obligations to maintain the Common Area and the Association Maintenance Areas in any Phase of Development shall commence on the date Annual Assessments commence on Lots in such Phase. Until commencement of Annual Assessments on Lots in any Phase, the Common Area and Association Maintenance Areas in such Phase shall be maintained by Declarant. The Association, acting through the Board, shall have:

(a) The power and duty to accept, maintain, repair and otherwise manage the Common Area and Association Maintenance Areas and all facilities, Improvements and landscaping thereon in accordance with the provisions of Article VI and Article IX of this Declaration.

(b) The power and duty to maintain any private sewer systems and any private storm drains or drainage facilities within the Common Area in

accordance with the provisions of Article VI and Article IX of this Declaration.

(c) The power and duty to obtain, for the benefit of the Properties, all commonly metered water, gas and electric services, and the power but not the duty to provide for refuse collection and cable or master television service.

(d) The power and duty to grant easements, rights of way, or strips of land, where necessary, for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

(e) The power and duty to maintain such policy or policies of liability and fire insurance with respect to the Common Area, the Association Maintenance Areas which are not a part of the Dwelling Units, and personal property, if any, owned by the Association and the Dwelling Units as provided herein in furthering the purposes of and protecting the interests of the Association and Members and as directed by this Declaration and the Bylaws of the Association.

(f) The power but not the duty to employ or contract with a professional Manager to perform all or any part of the duties and responsibilities of the Association, and the power to delegate its powers to committees, officers and employees. Any such management agreement, or any agreement providing for services by Declarant to the Association, shall be for a term not in excess of one (1) year, subject to cancellation by the Association for cause at any time upon not less than thirty (30) days' written notice, and without cause (and without penalty or the payment of a termination fee) at any time upon not less than ninety (90) days' written notice.

(g) The power but not the duty, after Notice and Hearing, to enter upon any area of a Lot, without being liable to any Owner except for damage caused by such entry, for the purpose of enforcing by peaceful means the provisions of this Declaration, or for the purpose of maintaining or repairing any such area if for any reason whatsoever the Owner thereof fails to maintain or repair any such area as required by this Declaration. The cost of such enforcement, maintenance and repair shall be a Special Assessment enforceable as set forth in this Declaration. The Owner shall pay promptly all amounts due for such work, and the costs and

expenses of collection may be added, at the option of the Board of Directors, to the amounts specially assessed against such Owner. Notwithstanding the foregoing, in the event of an emergency, entrance upon a Lot by or on behalf of the Board of Directors shall be permitted without Notice and Hearing for the purpose of enforcing the provisions of the Declaration or for the purpose of maintaining or repairing any area of the Lot improperly maintained by the Owner of the Lot.

(h) Upon reasonable notice from the Association (which shall in no event be less than five (5) days nor more than thirty (30) days, the power but not the duty to require each Owner and the occupants of his Dwelling Unit to vacate such Dwelling Unit in order to accommodate efforts by the Association to perform any maintenance or repairs pursuant to this Declaration. The Board shall have the right of entry to the Dwelling Units and the right to remove the occupants thereof, as necessary to accomplish such tasks. The cost of performing such maintenance or repairs shall be a Common Expense of the Association unless the need for such maintenance or repair is caused by the activities of an Owner or an Owner's improper maintenance of his Dwelling Unit or patio or yard areas (in which case the cost of such maintenance or repair shall be charged as a Special Assessment against such Owner); however, each Owner and the occupants of his Dwelling Unit shall bear their own costs of temporary relocation. Any damage caused to a Dwelling Unit by such entry by the Board of Directors or by any person authorized by the Board of Directors shall be repaired by the Board of Directors as a Common Expense of the Association. If the Association acts to eradicate any wood destroying pests or organisms, the procedure established in Section 9.2 shall control.

(i) The power but not the duty to reasonably limit the number of guests and tenants of the Owners using the Common Area.

(j) The power but not the duty to establish uniform Rules and Regulations for the use of the Common Area, as provided in this Declaration.

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ARTICLE VI

6. Covenant for Maintenance Assessments.

6.1. Creation of Assessment Obligation.

Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association (1) Annual Assessments for Common Expenses, (2) Capital Improvement Assessments, (3) Special Assessments, and (4) Reconstruction Assessments; such assessments to be established and collected as provided in this Declaration. The Association shall not levy or collect any Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment that exceeds the amount necessary for the purpose or purposes for which it is levied. Except as provided in this Section 6.1 all such assessments (other than Special Assessments), together with interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge on the Lot and shall be a continuing lien upon the Lot against which such assessment is made. Each such assessment (including Special Assessments), together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation of the Person who was the Owner of such property at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of a Lot or by an offer to waive use of the Common Area. The personal obligation for delinquent assessments shall not pass to any new Owner ("Purchaser") unless expressly assumed by the Purchaser.

6.2. Maintenance Funds of Association.

The Board of Directors shall establish no fewer than two (2) separate accounts (the "Association Maintenance Funds") into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under the provisions of this Declaration. The Association Maintenance Funds may be established as trust accounts at a banking or savings institution and shall include: (1) an Operating Fund for current expenses of the Association, and (2) a Reserve Fund for replacements, painting and repairs (which would not reasonably be expected to recur on an annual or more frequent basis) of the Common Area and Association Maintenance Area Improvements, and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

6.3. Purpose of Annual Assessments.

The Assessments levied by the Association shall be used exclusively to promote the common health, safety, benefit, recreation and welfare of the Owners and for the improvement and maintenance of the Common Area and Association Maintenance Areas, as provided herein. However, disbursements from the Reserve Fund shall be made by the Board of Directors only for the specific purposes specified in this Article VI. Disbursements from the Operating Fund shall be made by the Board of Directors only for such purposes as are necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Nothing in this Declaration shall be construed in such a way as to permit the use of Association assessments or funds to abate any nuisance or annoyance emanating from outside the boundaries of the Properties. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

6.4. Limitations on Annual Assessment Increases.

The Board shall levy Annual Assessments in accordance with the following provisions:

(a) Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board shall not levy an Annual Assessment per Lot in an amount greater than ONE THOUSAND THREE HUNDRED SIXTY-ONE Dollars and SIXTY FOUR Cents (\$ 1,361.64) without the vote of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented. Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for addressing an "Emergency Situation" as defined in Section 6.4(e).

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years. Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Board shall not levy Annual Assessments in any Fiscal Year in excess of one hundred twenty percent (120%) of the Annual Assessments levied during the preceding Fiscal Year without the vote of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented. Notwithstanding the foregoing, this Section does not limit Annual Assessment increases necessary for

addressing an "Emergency Situation" as defined in Section 6.4(e).

(c) Supplemental Annual Assessments. If the Board, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Annual Assessment in an amount less than the maximum authorized Annual Assessment described above, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all Common Expenses for the Properties for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the limitations described in Sections 6.4(a) and (b) above and (e) below, the Board shall have the authority to levy, at any time by a majority vote, a supplemental Annual Assessment reflecting a revision of the total charges to be assessed against each Lot.

(d) Automatic Assessment Increases. Notwithstanding any other provisions of this Section 6.4, upon Declarant's annexation of any portion of the Annexable Territory pursuant to Article XVI, the Annual Assessment shall be automatically increased by the additional amount, if any, necessary to maintain the Common Area and Association Maintenance Areas in or abutting such Annexable Territory in accordance with the standards prescribed by the then current DRE Operating Cost Manual, or if the Operating Cost Manual is no longer maintained by the DRE, pursuant to standards prescribed by comparable maintenance cost guidelines prepared in accordance with prudent property management practices. However, such increase shall occur only if (i) the annexation of such Annexable Territory is permitted by the DRE and VA or FHA, and (ii) the amount of such increase does not result in the levy of an Annual Assessment which is greater than ONE THOUSAND THREE HUNDRED SIXTY-ONE Dollars and SIXTY-FOUR Cents (\$1,361.64).

(e) Emergency Situations. For purposes of Sections 6.4(a), 6.4(b) and 6.5, an "Emergency Situation" is any one of the following:

(i) An extraordinary expense required by an order of a court;

(ii) An extraordinary expense necessary to repair or maintain the

Properties or any portion thereof for which the Association is responsible where a threat to personal safety on the Properties is discovered; and

(iii) An extraordinary expense necessary to repair or maintain the Properties or any portion thereof for which the Association is responsible that could not have been reasonably foreseen by the Board when preparing the Budget. Prior to the imposition or collection of an assessment pursuant to this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The resolution shall be distributed to the Members with the Notice of Assessment.

6.5. Capital Improvements.

The Board of Directors of the Association may levy, in any Fiscal Year, a Capital Improvement Assessment or Reconstruction Assessment applicable to that Fiscal Year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital Improvement or other such addition upon the Common Area or Association Maintenance Areas including fixtures and personal property related thereto; provided that any proposed Capital Improvement Assessments in any Fiscal Year which, if added to the Capital Improvement Assessments already levied during such Fiscal Year, exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year, shall require the vote or written consent of Members casting a majority of votes at a meeting or election of the Association in which more than fifty percent (50%) of the Members are represented. Notwithstanding the foregoing, the Board may levy in any Fiscal Year, a Capital Improvement Assessment applicable to that Fiscal Year which exceeds five percent (5%) of the Budgeted gross expenses of the Association for such Fiscal Year if such increase is necessary for addressing an Emergency Situation as defined in Section 6.4(e).

6.6. Uniform Rate of Assessment.

Annual Assessments, Capital Improvement Assessments and Reconstruction Assessments provided for in this Article VI shall be assessed equally and uniformly against all Owners and their Lots. The Association may, subject to the provisions of Section 9.3 and Article XI(d) hereof, levy Special Assessments against selected Owners who have caused the Association to incur special expenses due to willful or

negligent acts of said Owners, their tenants, families, guests, invitees or agents. All installments of Annual Assessments shall be collected in advance on a regular basis by the Board of Directors, at such frequency as the Board shall determine from time to time.

6.7. Date of Commencement of Annual Assessments.

The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Lot, as provided herein, by a majority vote of the Board. Annual Assessments shall commence on all Lots in a Phase of Development on the first day of the first calendar month following the first Close of Escrow for the sale of a Lot in such Phase of Development or on the first day of the first calendar month following the conveyance to the Association of the Common Area, if any, in such Phase of Development, whichever shall first occur. The first Annual Assessment shall be adjusted according to the number of months remaining in the Fiscal Year as set forth in the Bylaws. The Board of Directors shall fix the amount of the Annual Assessment against each Lot at least thirty (30) days in advance of each Annual Assessment period. Written notice of any change in the amount of any Annual Assessment shall be sent to every Owner subject thereto, not less than thirty (30) days prior to the effective date of such change. The due dates shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association, setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments against a Lot is binding upon the Association as of the date of its issuance.

Each installment of Annual Assessments may be paid by the Owner to the Association in one check or payment or in separate checks, as payments attributable to deposits into specified Association Maintenance Funds. If any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Association Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

From time to time the Board may determine that all excess funds remaining in the Operating Fund, over and above the amounts used for the operation of the Properties, may be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Properties, any amounts remaining in any of the funds shall be distributed to or for the benefit of the Members in the

same proportions as such monies were collected from the Members.

6.8. Capital Contributions to the Association.
Upon acquisition of record title to a Lot from Declarant, each Owner of a Lot in Phase 1 shall contribute to the capital of the Association an amount equal to one-sixth (1/6th) of the amount of the then Annual Assessment for that Lot as determined by the Board. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association or to Declarant if Declarant has previously advanced such funds to the Association.

6.9. Exempt Property.
The following property subject to this Declaration shall be exempt from the assessments herein:

(a) All portions of the Properties dedicated to and accepted by a local public authority; and

(b) The Common Area owned by the Association in fee.

ARTICLE VII

7. Nonpayment of Assessments; Remedies.

7.1. Nonpayment of Assessments; Remedies.
Any installment of an Annual Assessment, Capital Improvement Assessment, Special Assessment or Reconstruction Assessment shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date, plus all reasonable costs of collection (including attorneys' fees) and late charges as provided herein, shall bear interest at the rate of up to twelve percent (12%) per annum, commencing thirty (30) days from the date the assessment becomes due until paid. The Board may also require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1366(c)(2). The Association may bring an action at law against the Owner personally obligated to pay the same, or foreclose the lien against the Lot. No Owner may waive or otherwise escape liability for the assessments provided for herein by nonuse of the Common Area or abandonment of his Lot. The Association need not accept any tender of a partial payment of an installment of an assessment and all costs and attorneys' fees attributable thereto, and any acceptance of any such tender shall not be deemed to be a waiver of the

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7.2. Notice of Assessment.

No action shall be brought to enforce any assessment lien herein, unless at least thirty (30) days has expired following the date a Notice of Assessment is deposited in the United States mail, certified or registered, postage prepaid, to the Owner of the Lot, and a copy thereof has been Recorded by the Association; said Notice of Assessment must recite a good and sufficient legal description of any such Lot, the record Owner or reputed Owner thereof, the amount claimed (which may at the Association's option include interest on the unpaid assessment and late charges as described above plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien), and the name and address of the Association, and in order for the lien to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Assessment shall be signed and acknowledged by the President or Vice President and Secretary or Assistant Secretary of the Association, and said lien shall be prior to any declaration of homestead Recorded after the date on which this Declaration is Recorded. The lien shall continue until fully paid or otherwise satisfied.

7.3. Foreclosure Sale.

A sale to foreclose an Association lien may be conducted by the Board of Directors, its attorneys or other persons authorized by the Board in accordance with the provisions of Sections 2924, 2924a, 2924b, 2924c and 2924f of the Civil Code of the State of California, or in accordance with any similar statute hereafter enacted applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association, through duly authorized agents, shall have the power to bid on the Lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting Owner's Lot, and the defaulting Owner shall be required to pay the reasonable rental value of such Lot during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner.

7.4. Curing of Default.

Upon the timely curing of any default for which a Notice of Assessment was filed by the Association, the officers thereof shall Record an appropriate Release of Lien, upon payment by the defaulting Owner of a reasonable fee to be determined by the Board to cover the cost of preparing and Recording such release. A certificate executed and acknowledged by any two (2) members of the Board stating the indebtedness secured by the liens upon any Lot created hereunder shall be conclusive upon the Association and the Owners as to the amount of such

indebtedness as of the date of the certificate, in favor of all persons who rely thereon in good faith. Such certificate shall be furnished to any Owner upon request at a reasonable fee, to be determined by the Board.

7.5. Cumulative Remedies.

The assessment liens and the rights to foreclosure and sale thereunder shall be in addition to and not in substitution for all other rights and remedies which the Association and its assigns may have hereunder and by law, including a suit to recover a money judgment for unpaid assessments, as above provided.

7.6. Mortgage Protection.

Notwithstanding all other provisions hereof, no lien created under this Article VII, nor any breach of this Declaration, nor the enforcement of any provision hereof shall defeat or render invalid the rights of the Beneficiary under any Recorded first Deed of Trust (meaning any deed of trust with first priority over other deeds of trust) upon a Lot made in good faith and for value; provided that after such Beneficiary or some other Person obtains title to such Lot by judicial foreclosure or by means of the powers set forth in such Deed of Trust, such Lot shall remain subject to the Declaration and the payment of all installments of Assessments accruing subsequent to the date such Beneficiary or other Person obtains title.

7.7. Priority of Assessment Lien.

The lien of the assessments, including interest and costs (including attorneys' fees), provided for herein shall be subordinate to the lien of any first Mortgage upon any Lot. Sale or transfer of any Lot shall not affect the assessment lien. However, the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from lien rights for any assessments thereafter becoming due. When the Beneficiary of a first Mortgage of record or other purchaser of a Lot obtains title pursuant to a judicial or nonjudicial foreclosure of the first Mortgage, such Person, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such Person. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Lots including the Lot belonging to such Person, his successors or assigns.

ARTICLE VIII

8. Architectural Control.8.1. Members of Committee.

The Architectural Review Committee, sometimes referred to in this Declaration as the "ARC," shall consist of three (3) members. The initial members of the ARC shall be representatives of Declarant. Subject to the following provisions, Declarant shall have the right and power at all times to appoint and remove a majority of the members of the ARC or to fill any vacancy of such majority until the "turnover date" which shall be the date on which either (i) Close of Escrow has occurred for the sale of ninety percent (90%) of all the subdivision interests in the overall development, or (ii) five (5) years following the date of issuance of the Final Subdivision Public Report for Phase 1 of the Properties, whichever occurs earlier. Commencing one (1) year from the date of the original issuance of the Final Subdivision Public Report for the Properties, the Board shall have the power to appoint one (1) member to the ARC, until the turnover date. Thereafter, the Board shall have the power to appoint and remove all of the members of the ARC. Persons appointed to the ARC by the Board shall be from the membership of the Association, but Persons appointed to the ARC by Declarant need not be Members of the Association. The ARC shall have the right and duty to promulgate reasonable standards against which to examine any request made pursuant to this Article, in order to ensure that the proposed plans conform harmoniously to the exterior design and existing materials of the buildings in the Properties. Board members may also serve as ARC members.

8.2. Review of Plans and Specifications.

The ARC shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the ARC. No construction, alteration, removal, relocation, repainting, demolition, addition, installation, modification, decoration, redecoration or reconstruction of an Improvement, including landscaping, in the Properties shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the ARC and approved in writing by the ARC; provided, however, that any Improvement may be repainted without ARC approval so long as the Improvement is repainted the identical color which it was last painted. Without limiting the generality of the foregoing, the provisions of this Article VIII shall apply to the construction, installation, alteration and modification of solar energy equipment subject

to the provisions of California Civil Code Section 714. The Owner submitting such plans and specifications ("Applicant") shall obtain a written receipt therefor from an authorized agent of the ARC. Until changed by the Board, the address for submission of such plans and specifications shall be the principal office of the Association. The ARC shall approve plans and specifications submitted for its approval only if it deems that the installation, construction, alterations or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Properties as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, and that the installation or construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Area and Association Maintenance Areas or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association.

The ARC may condition its approval of proposals or plans and specifications for any Improvement (1) upon the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against the Properties as a result of such work, (2) on such changes therein as it deems appropriate, (3) upon the Applicant's agreement to grant appropriate easements to the Association for the maintenance of the Improvement, (4) upon the Applicant's agreement to install (at its sole cost) water, gas, or electrical meters to measure any increased consumption, (5) upon the Applicant's agreement to reimburse the Association for the cost of such maintenance, (6) upon the Applicant's agreement to complete the proposed work within a stated period of time, or (7) all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The ARC may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee payable to the Association to accompany each application for approval, or stating additional factors which it will take into consideration in reviewing submissions. The ARC may provide that the amount of such fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The ARC may require such detail in plans and specifications submitted for its review as it deems proper, including, without limitation, landscape plans, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Decisions of the ARC and the reasons therefor shall be transmitted by the ARC to the applicant at the address set forth in the application for approval, within forty-five (45) days after receipt by the ARC of all materials required by

the ARC. Any application submitted pursuant to this Section 8.2 shall be deemed approved, unless written disapproval or a request for additional information or materials by the ARC shall have been transmitted to the applicant within forty-five (45) days after the date of receipt by the ARC of such application or additional information. The Applicant shall meet any review or permit requirements of the City prior to making any alterations or Improvements permitted hereunder.

8.3. Meetings of the ARC.

The ARC shall meet from time to time as necessary to perform its duties hereunder. The ARC may from time to time, by resolution unanimously adopted in writing, designate an ARC representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the ARC, except the granting of variances pursuant to Section 8.8. In the absence of such designation, the vote or written consent of a majority of the ARC, shall constitute an act of the ARC.

8.4. No Waiver of Future Approvals.

The approval of the ARC to any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the ARC, shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar proposals, plans and specifications, drawings or matters subsequently or additionally submitted for approval or consent.

8.5. Compensation of Members.

The members of the ARC shall receive no compensation for services rendered, other than reimbursement for expenses incurred by them in the performance of their duties hereunder.

8.6. Inspection of Work.

Inspection of work and correction of defects therein shall proceed as follows:

(a) The ARC or its duly authorized representative may at any time inspect any work for which approval of plans is required under this Article VIII. However, the ARC's right of inspection of Improvements for which plans have been submitted and approved shall terminate sixty (60) days after the work of Improvement has been completed and the respective Owner has given written notice to the ARC of its completion. The ARC's rights of inspection shall not terminate pursuant to this paragraph if plans for the work of Improvement have not previously been submitted to and approved by the ARC. If, as a result of such inspection, the ARC finds that the Improvement was

done without obtaining approval of the plans therefor or was not done in substantial compliance with the plans approved by the ARC, it shall notify the Owner in writing of failure to comply with this Article VIII within sixty (60) days from the inspection, specifying the particulars of noncompliance. The ARC shall have the authority to require the Owner to take such action as may be necessary to remedy the noncompliance.

(b) If upon the expiration of sixty (60) days from the date of such notification, the Owner has failed to remedy the noncompliance, the ARC shall notify the Board in writing of such failure. Upon Notice and Hearing, as provided in the Bylaws, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board, at its option, may Record a Notice of Noncompliance and commence a lawsuit for damages or injunctive relief, as appropriate, to remedy the noncompliance. In addition, the Board may peacefully remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses (including reasonable attorneys' fees) incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a Special Assessment against the Owner for reimbursement as provided in this Declaration. The right of the Association to remove a noncomplying Improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity or in this Declaration.

(c) If for any reason the ARC fails to notify the Owner of any noncompliance with previously submitted and approved plans within sixty (60) days after receipt of written notice of completion from the Owner, the Improvement shall be deemed to be in accordance with the approved plans.

8.7. Scope of Review.

The ARC shall review and approve, conditionally approve or disapprove all plans submitted to it for any proposed Improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the

Properties generally. The ARC shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior finishes and materials and similar features, as well as the interests of Owners in maintaining unobstructed views balanced against the privacy interests of other Owners. The ARC's approval or disapproval shall be based solely on the considerations set forth in this Article VIII, and the ARC shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes. The ARC may consider the impact of views from other Dwelling Units or Lots and reasonable privacy rights as factors in reviewing, approving or disapproving any proposed landscaping, construction or other Improvement. However, Declarant does not warrant any protected view within the Properties and no Dwelling Unit or Lot is guaranteed the existence or unobstructed continuation of any particular view. Each Owner shall be responsible for obtaining all necessary permits and for complying with all City requirements with respect to the implementation of such plans.

8.8. Variance.

The ARC may authorize variances from compliance with any of the architectural provisions of this Declaration, including without limitation, restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the ARC, and shall become effective upon Recordation. After Declarant has lost the right to appoint a majority of the members of the ARC, the Board must approve any variance recommended by the ARC before any such variance shall become effective. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting the use of his Lot and Dwelling Unit.

ARTICLE IX

9. Maintenance and Repair Obligations.

9.1. Maintenance Obligations of Owners.

It shall be the duty of each Owner, at his sole cost and expense, subject to the provisions of this Declaration

requiring ARC approval, to maintain, repair, replace and restore all Improvements located on his Lot and the Lot itself in a neat, sanitary and attractive condition, except for those portions of the Lot which constitute Association Maintenance Areas. Such maintenance responsibilities include, but are not limited to, replacement of glass areas of an Owner's Dwelling Unit, and the repair and replacement of the internal and external telephone wiring, plumbing, cooling and heating systems and related mechanical and electrical equipment which serve the Lot of such Owner, together with the surface of the perimeter fence or wall surrounding the patio of such Owner. It shall further be the duty of each Owner, at his sole expense, to keep free from debris and in a reasonably good state of repair subject to the approval of the Architectural Committee, the Exclusive Use Common Area over which an exclusive easement for open parking purposes may have been reserved for the benefit of such Owner. However, no Owner shall be responsible for the periodic structural repair, resurfacing, replacement or painting of his assigned Exclusive Use Common Area parking space, so long as the painting, repair or replacement is not caused by the willful or negligent acts of the Owner, his tenants, or their Families, guests or invitees. Each Owner shall be responsible for the maintenance, repair and replacement of all landscaping and other Improvements located outside the Association Maintenance Areas of his Lot. In addition, each Owner whose Lot utilizes a private drainage system installed by Declarant shall be responsible for its maintenance and repair. Each Owner whose Lot utilizes a sewer system lateral shall be responsible for the maintenance and repair of that portion of the lateral which exclusively serves his Lot. If any Owner shall permit any Improvement, the maintenance of which is the responsibility of such Owner, to fall into disrepair or to become unsafe, unsightly or unattractive, or to otherwise violate this Declaration, the Board shall have the right to seek any remedies at law or in equity which it may have. In addition, the Board shall have the right, but not the duty, after Notice and Hearing as provided in the Bylaws, to enter upon such Owner's Lot to make such repairs or to perform such maintenance and to charge the cost thereof to the Owner. Said cost shall be a Special Assessment enforceable as set forth in this Declaration.

9.2. Maintenance Obligations of Association.

No improvement, excavation or work which in any way alters the Common Area or the Association Maintenance Areas shall be made or done by any person other than the Association or its authorized agents after the completion of the construction or installation of the Improvements thereto by Declarant. Subject to the provisions of Sections 6.3 and 9.3 hereof, upon commencement of Annual Assessments on Lots in a Phase of Development the Association shall provide for the maintenance, painting, as applicable, repair, and replacement

of the Common Area and Association Maintenance Areas and all Improvements thereon in such Phase, including but not limited to, the top and exterior surface of the perimeter walls or fences surrounding the patios on the Lots, all landscaping, slope plantings, and private irrigation systems, sewers and storm drains, as well as driveways, parking areas and recreational facilities, in a safe, sanitary and attractive condition, and in good order and repair, and shall likewise provide for the commonly metered utilities serving the Common Area and Association Maintenance Areas. The Board shall determine, in its sole discretion, the level and frequency of maintenance of the Common Area and Association Maintenance Areas. The Association shall ensure that the landscaping on the Common Area and Association Maintenance Areas is maintained free of weeds and disease and shall adopt an inspection and preventative program for the prevention and eradication of infestation by wood destroying pests and organisms in the Properties. The Association, upon reasonable notice (which shall be given no less than fifteen (15) days nor more than thirty (30) days before the date of temporary relocation) to each Owner and the occupants of his Dwelling Unit, may require such Owner and occupants to temporarily relocate from such Dwelling Unit in order to accommodate efforts by the Association to eradicate such infestation. The notice shall state the reason for the temporary relocation, the date and time of the beginning of treatment, the anticipated date and time of termination of treatment, and that the occupants will be responsible for their own accommodations during the temporary relocation. Any damage caused to a Dwelling Unit by such entry by the Board or by any person authorized by the Board shall be repaired by the Board as a Common Expense of the Association. All costs involved in maintaining the inspection and preventive program as well as repairing and replacing the damaged Properties and Improvements thereon when the need for such maintenance, repair or replacement is the result of wood destroying pests or organisms shall be a Common Expense subject to the restrictions applicable to Capital Improvement Assessments. The Association shall not be responsible for the maintenance of any portions of the Common Area which have been dedicated to and accepted for maintenance by a state, local or municipal governmental agency or entity. All of the foregoing obligations of the Association shall be discharged when and in such manner as the Board of Directors of the Association shall determine in its judgment to be appropriate.

9.3. Damage to Common Area by Owners.

The cost of any maintenance, repairs or replacements by the Association within the Common Area or Association Maintenance Areas, arising out of or caused by the willful or negligent act of an Owner, his tenants, or their families, guests or invitees shall, after Notice and Hearing, be levied by the Board as a Special Assessment against such Owner.

ARTICLE X

10. Use Restrictions.

All real property within the Properties shall be held, used and enjoyed subject to the following limitations and restrictions and the exemptions of Declarant in Article XIV hereof:

10.1. Single Family Residence.

Each Lot shall be used as a residence for a single Family and for no other purpose.

10.2. Business or Commercial Activity.

No part of the Properties shall ever be used or caused to be used or allowed or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storage, vending or other such nonresidential purposes; except Declarant, its successors and assigns, may use any portion of the Properties for a model home site, and display and sales office in connection with the sale of Lots in the Properties by Declarant. The provisions of this Section 10.2 shall not preclude professional and administrative occupations without external evidence thereof, for so long as such occupations are conducted in conformance with all applicable governmental ordinances and are merely incidental to the use of the Dwelling Unit as a residential home.

10.3. Nuisances.

No noxious or offensive activities (including but not limited to the repair of motor vehicles) shall be carried on upon the Properties. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Dwelling Unit and its contents, shall be placed or used on the Properties or on any public street abutting the Properties. Noisy or smoky vehicles, large power equipment and large power tools, off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Properties, and objects which create or emit loud noises or noxious odors shall not be located, used or placed on any portion of the Properties, or on any public street abutting the Properties, or exposed to the view of other Owners without the prior written approval of the ARC. The Board of Directors of the Association shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept on the Properties, or on any public street abutting the Properties, which may increase the rate of insurance in the Properties, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners, nor commit or permit any nuisance thereon or violate any law. Each Owner shall comply with all of the requirements of the local or state health authorities

and with all other governmental authorities with respect to the occupancy and use of a Dwelling Unit. Each Owner shall be accountable to the Association and other Owners for the conduct and behavior of children and other family members or persons residing in or visiting his Lot; and any damage to the Common Area, personal property of the Association, Association Maintenance Areas or property of another Owner, caused by such children or other family members, shall be repaired at the sole expense of the Owner of the Lot where such children or other family members or persons are residing or visiting.

10.4. Signs.

No sign, poster, display, billboard or other advertising device of any kind shall be displayed to the public view on any portion of the Properties, or on any public street abutting the Properties, without the prior written consent of the ARC, except (a) one (1) sign for each Lot, not larger than eighteen (18) inches by thirty (30) inches, advertising the Lot for sale or rent, (b) traffic and other signs installed by Declarant as part of the original construction of the Properties, or (c) signs, regardless of size, used by Declarant, its successors or assigns, to advertise the Properties during the construction and sales period or installed by Declarant to denote visitor parking on the Common Area. All signs or billboards and the conditions promulgated for the regulation thereof shall conform to the requirements of all applicable governmental ordinances.

10.5. Parking and Vehicular Restrictions.

The parking areas of the Properties shall be used for parking authorized vehicles only and shall not be used for storage, living, recreational or business purposes. No Person shall park, store or keep any vehicle on any portion of the Properties, except wholly within the parking areas designated therefor. No Person shall park, store or keep anywhere on the Properties or on any public street abutting the Properties, any inoperable vehicle or any large commercial-type vehicle (other than a pickup truck or van used for daily transportation of residents of or visitors to the Properties) including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck, any recreational vehicle, camper unit, house car or motor home, any bus, trailer, trailer coach, camp trailer, boat, aircraft, mobile home, or any other similar vehicle or any vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board except wholly within the Owner's garage and only with the garage door closed. The above excludes camper trucks and similar vehicles up to and including three-quarter (3/4) ton when used for everyday-type transportation and subject to approval by the Board. No Person shall conduct repairs or restorations of any motor vehicle, boat, trailer, aircraft or other vehicle upon any portion of the Properties or on any public street abutting the Properties. However,

such repair and restoration shall be permitted within an Owner's garage when the garage door is closed, provided that such activity may be prohibited entirely if the Board determines in its reasonable discretion, that such activity constitutes a nuisance. Only passenger motor vehicles may be parked in the open parking spaces which constitute Exclusive Use Common Area. No parking shall be permitted which may obstruct free traffic flow, constitute a nuisance, or otherwise create a safety hazard. Open parking spaces shall be used for parking purposes only and shall not be converted to other uses. Vehicles owned, operated or within the control of any Owner or of a resident of such Owner's Dwelling Unit shall be parked in the garage or assigned Exclusive Use Common Area parking space of such Owner to the extent of the space available therein, provided that each Owner shall maintain his garage in a manner which ensures that it is capable of accommodating at least one full-sized automobile. Notwithstanding the foregoing, these restrictions shall not be interpreted in such a manner so as to permit any activity which would be contrary to any ordinance of the City.

10.6. Animal Restrictions.

No insects, reptiles, poultry or animals of any kind shall be raised, bred or kept on the Properties, except that usual and ordinary domestic dogs, cats, fish, birds and other household pets (excluding, without limitation, equine, bovine, sheep, swine, goats and other such animals) may be kept on Lots, provided that they are not kept, bred or maintained for commercial purposes, in unreasonable quantities, or in violation of the Rules and Regulations adopted by the Association as provided in the Bylaws. As used in this Declaration, "unreasonable quantities" shall ordinarily mean more than two (2) pets per household; provided, however, that the Board of Directors may determine that a reasonable number in any instance may be more or less. The Association, acting through the Board of Directors, shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Properties must be either kept within an enclosure or on a leash being held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their families, guests, tenants and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Properties by such Owner or by members of his family, his tenants or his guests; and it shall be the duty and responsibility of each such Owner to clean up after such animals which have used any portion of the Common Area, Association Maintenance Areas, or public streets abutting the Properties.

10.7. Trash.

No rubbish, trash or garbage or other waste material shall be kept or permitted upon any Lot, the Common Area or any public street abutting or visible from the Properties, except in sanitary containers located in appropriate areas screened and concealed from view, and no odor shall be permitted to arise therefrom so as to render the Properties, or any portion thereof, unsanitary, unsightly, offensive or detrimental to any other property in the vicinity thereof or to its occupants. Such containers shall be exposed to the view of neighboring Lots only when set out for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor and fire pits in enclosed areas and designed in such a manner that they do not create a fire hazard. No clothing or household fabrics shall be hung, dried or aired on or over any Lot in such a way as to be visible from any other Lot, and no lumber, grass, shrub or tree clippings or plant waste, metals, bulk material, scrap, refuse or trash shall be kept, stored or allowed to accumulate on any portion of the Properties except within an enclosed structure or if appropriately screened from view. No plants or seeds infected with noxious insects or plant diseases shall be brought upon, grown or maintained upon the Properties.

10.8. Temporary Buildings.

No outbuilding, basement, tent, shack, shed or other temporary building or Improvement of any kind shall be placed upon any portion of the Properties either temporarily or permanently. No garage, carport, trailer, camper, motor home, recreation vehicle or other vehicle shall be used as a residence in the Properties, either temporarily or permanently.

10.9. Common Area Facilities.

Nothing shall be altered or constructed in or removed from the Common Area or Association Maintenance Areas without the prior written consent of the Board of Directors.

10.10. Outside Installations.

No radio station or shortwave operators of any kind shall operate from any Lot or Dwelling Unit unless approved by the ARC. No exterior radio antenna, "C.B." antenna, television antenna, earth receiving station, satellite dish or other antenna of any type shall be erected or maintained in the Properties. However, a master antenna or antennae or cable television antenna or antennae may, but need not, be provided by Declarant for the use of all Owners, and Declarant may grant easements for such purposes. No projections of any type shall be placed or permitted to remain above the roof of any building within the Properties, except one or more chimneys and vent stacks originally installed, if at all, by

Declarant. No basketball backboard or other fixed sports apparatus shall be constructed or maintained in the Properties without the prior approval of the ARC. No fence or wall shall be erected, altered or maintained on any Lot in the Properties, except with the prior approval of the ARC. No patio cover, wiring, or air conditioning fixture, water softeners, or other devices shall be installed on the exterior of a Dwelling Unit or be allowed to protrude through the walls or roof of the Dwelling Unit (with the exception of those items installed during the original construction of the Dwelling Unit), unless the prior written approval of the ARC is obtained.

10.11. Drilling.

No oil drilling, oil, gas or mineral development operations, oil refining, geothermal exploration or development, quarrying or mining operations of any kind shall be permitted upon or in any Lot or the Common Area, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of any Lot or within five hundred feet (500') below the surface of the Properties. No derrick or other structure designed for use in boring for water, oil, geothermal heat or natural gas shall be erected, maintained or permitted upon any Lot.

10.12. Further Subdivision.

No Owner shall further partition or subdivide his Lot, including without limitation any division of his Lot into time-share estates or time-share uses; provided, however, that this provision shall not be construed to limit the right of an Owner (1) to rent or lease his entire Lot by means of a written lease or rental agreement subject to the restrictions of this Declaration, so long as the Lot is not leased for transient or hotel purposes; (2) to sell his Lot; or (3) to transfer or sell any Lot to more than one person to be held by them as tenants-in-common, joint tenants, tenants by the entirety or as community property. The terms of any such lease or rental agreement shall be made expressly subject to this Declaration and the Bylaws of the Association. Any failure by the lessee of such Lot to comply with the terms of this Declaration, the Bylaws of the Association or the Rules and Regulations shall constitute a default under the lease or rental agreement.

10.13. Drainage.

There shall be no interference with or alteration of the established drainage pattern over any Lot within the Properties, unless an adequate alternative provision is made for proper drainage. For the purposes hereof, "established drainage pattern" is defined as the drainage which exists at the time that such Lot is conveyed to a purchaser from Declarant, and shall include drainage from the Lots in the Properties onto the Common Area.

10.14. Water Supply Systems.

No individual water supply, sewage disposal system, or water softener system shall be permitted on any Lot in the Properties unless such system is designed, located, constructed and equipped in accordance with the requirements, standards and recommendations of any water district serving the Properties, the Health Department for the county in which the Properties are located, the ARC, and all other applicable governmental authorities.

10.15. Inside Installations.

Nothing shall be done in any Dwelling Unit which will or may tend to impair the structural integrity of any building in the Properties or which would structurally alter any such building except as otherwise expressly provided herein. There shall be no alteration, repair or replacement of wall coverings within the Dwelling Units which will or may diminish the effectiveness of their sound control engineering.

10.16. View Obstructions.

Each Owner by accepting a deed to a Lot hereby acknowledges that any construction or installation by Declarant may impair the view of such Owner and hereby consents to such impairment. No other Improvement or obstruction shall be constructed, planted or maintained upon any Lot in such location or of such height as to unreasonably obstruct the view from any other Lot in the vicinity thereof. If there is a dispute between Owners concerning the obstruction of a view from a Lot, the dispute shall be submitted to the ARC, whose decision in such matters shall be binding. Any item or vegetation maintained upon any Lot which item or vegetation is exposed to the view of any Owner, shall be removed or otherwise altered to the satisfaction of the ARC, if it determines that the maintenance of such item or vegetation in its then existing state is contrary to the purposes or provisions of this Declaration. The ARC shall ensure that the vegetation on the Common Area and Association Maintenance Areas maintained by the Association is cut at such intervals so that the view of any Owner is not unreasonably obstructed.

10.17. Solar Energy Systems.

Each Owner may install a solar energy system on his Lot which serves his Dwelling Unit so long as (1) the design and location of the solar energy system meets the requirements of applicable zoning district ordinances and the Uniform Building Code and associated ordinances, and (2) said design and location receives the prior written approval of the Architectural Review Committee pursuant to Article VIII of this Declaration.

10.18. Rights of the Handicapped.

Subject to the review rights of the ARC, each Owner shall have the right to modify his Dwelling Unit and the route over the Lot leading to the front door of his Dwelling Unit, at his sole cost and expense, in order to facilitate access to his Dwelling Unit by Persons who are blind, visually handicapped, deaf or physically disabled, or to alter conditions which could be hazardous to such Persons.

ARTICLE XI

11. Damage and Condemnation.

Damage to or destruction of all or any portion of the Common Area, the Dwelling Units, or those portions of the Association Maintenance Areas which are not part of the Dwelling Units, and condemnation of all or any portion of the Common Area shall be handled in the following manner:

(a) If the Common Area, the Dwelling Units, or such Association Maintenance Areas are damaged or destroyed, the Association shall cause the Common Area, Dwelling Units, and such Association Maintenance Areas to be repaired and reconstructed substantially as they previously existed.

(b) If the cost of effecting total restoration of the Common Area, Dwelling Units and such Association Maintenance Areas exceeds the amount of insurance proceeds, the Association shall cause the Common Area, Dwelling Units and Association Maintenance Areas to be repaired and reconstructed substantially as they previously existed, and the difference between the insurance proceeds and the actual cost shall be levied as a Reconstruction Assessment against each Lot and its respective Owner.

(c) To the extent of funds available for restoration, any restoration or repair of the Dwelling Units shall be performed substantially in accordance with the original plans and specifications, and any restoration or repair of the Common Area and such Association Maintenance Areas shall be performed substantially in accordance with the original plans and specifications unless other action is approved by Beneficiaries of fifty-one percent (51%) of the first Mortgages on Lots in the Properties (subject to procedures specified in subsection (d) of Section 15.5 hereof) and by sixty-seven percent (67%) of the voting power of the Association (subject to the procedures specified in Section 4.2 hereof).

(d) Each Member shall be liable to the Association for any damage to the Common Area, the Dwelling Units or the Association Maintenance Areas which it is the responsibility of the Association to repair, but which is not fully reimbursed to the Association by insurance proceeds which may be sustained by reason of the negligence or willful misconduct of said Member or the Persons deriving their right and easement of use and enjoyment of the Common Area from said Member, or of his respective Family and guests, both minor and adult. The Association reserves the right, acting through the Board, after Notice and Hearing, to (1) determine whether any claim shall be made upon the insurance maintained by the Association and (2) levy against such Member a Special Assessment equal to any deductible paid and the increase, if any, in the insurance premium directly attributable to the damage caused by such Member or the Persons for whom such Member may be liable as described herein. In the case of joint ownership of a Lot, the liability of the owners thereof shall be joint and several, except to the extent that the Association has previously contracted in writing with such joint owners to the contrary. After Notice and Hearing, the cost of correcting such damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against such Member.

(e) If at any time all or any portion of the Common Area, or any interest therein, is taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Association. Any such award payable to the Association shall be deposited in the Operating Fund. No Member shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation. The Association shall have the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members.

ARTICLE XII

12. Insurance.

12.1. Casualty Insurance.

The Board shall cause to be obtained and maintained fire and casualty insurance with extended coverage for loss or damage to the Dwelling Units, including the structural portions and fixtures, cabinets, appliance and floor coverings originally

installed by Declarant or replacements thereof, installed in accordance with the original plans and specifications therefor, and to all insurable Improvements and fixtures originally installed by Declarant or installed by the Association on the Common Area or remaining portions of the Association Maintenance Areas for the full insurance replacement cost thereof without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The Association may also insure any other property whether real or personal, owned by the Association, against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The insurance coverage with respect to the Common Area and the Association Maintenance Areas shall be written in the name of, and the proceeds thereof shall be payable to the Association. Subject to Article XI(d) and XIII(d) hereof, insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried. Premiums for all insurance carried by the Association are Common Expenses included in the Annual Assessments levied by the Association.

12.2. Insurance Obligations of Owners.

It is the responsibility of each Owner to provide insurance on his personal property and upon all other property and improvements within his Dwelling Unit for which the Association has not purchased insurance in accordance with Section 12.1 hereof. It shall also be the responsibility of each Owner to carry public liability insurance in the amount such Owner deems desirable to cover his individual liability for damage to person or property occurring inside his Dwelling Unit or elsewhere upon his Lot. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon the Board's request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

12.3. Waiver of Subrogation.

All policies of physical damage insurance maintained by the Association shall provide, if reasonably possible, for waiver of: (1) any defense based on coinsurance; (2) any right of setoff, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association; (3) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any

Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured; (4) any rights of the insurer to repair, rebuild or replace, and, in the event any Improvement is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured; or (5) notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Lot. As to each policy of insurance maintained by the Association which will not be voided or impaired thereby, the Association hereby waives and releases all claims against the Board, the Owners, the Manager, Declarant, and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by such persons, but only to the extent that insurance proceeds are received in compensation for such loss.

12.4. Liability and Other Insurance.

The Association shall have the power and duty to and shall obtain comprehensive public liability insurance, including medical payments and malicious mischief, in such limits as it shall deem desirable (but in no event less than \$1 million covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Association or with respect to property maintained or required to be maintained by the Association including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. The Association may also obtain, through the Board, Worker's Compensation insurance and other liability insurance as it may deem desirable, insuring each Lot Owner and the Association, Board of Directors and Manager, from liability in connection with the Common Area and Association Maintenance Areas, the premiums for which are a Common Expense included in the Annual Assessments levied against the Owners. All insurance policies shall be reviewed at least annually by the Board of Directors and the limits increased in its discretion. The Board may also obtain such errors and omissions insurance, indemnity bonds, fidelity bonds and other insurance as it deems advisable, insuring the Board, the officers of the Association and the Manager against any liability for any act or omission in carrying out their obligations hereunder, or resulting from their membership on the Board or on any committee thereof. However, fidelity bond coverage which names the Association as an obligee must be obtained by or on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of

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funds, including reserve funds, in the custody of the Association, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than the sum equal to one-fourth (1/4) of the Annual Assessments on all Lots in the Properties, plus reserve funds. In addition, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bond coverage meeting the requirements for planned unit developments established by FNMA, GNMA and FHLMC, so long as any of which is a Mortgagee or an Owner of a Lot in the Properties, except to the extent such coverage is not available or has been waived in writing by FNMA, GNMA and FHLMC, as applicable.

12.5. Notice of Expiration Requirements.

If available, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice, and every other Person in interest who requests such notice of the insurer.

ARTICLE XIII

13. Mortgage Protection Clause.

For purposes of any provisions of this Declaration or the other Restrictions which require the vote or approval of a specified percentage of first Mortgagees, such vote or approval shall be determined based upon one vote for each Lot encumbered by each such first Mortgage. In order to induce FHLMC, GNMA, FNMA, VA and FHA to participate in the financing of the sale of Lots within the Properties, the following provisions are added hereto (and to the extent these added provisions conflict with any other provisions of the Declaration, these added provisions shall control):

(a) Each Beneficiary, insurer and guarantor of a first Mortgage encumbering any Lot, at its written request, is entitled to written notification from the Association of any default by the Mortgagor of such Lot in the performance of such Mortgagor's obligations under this Declaration, the Articles of Incorporation or the Bylaws, which default is not cured within thirty (30) days after the Association learns of such default. For purposes of this Declaration, "first Mortgage" shall mean a Mortgage with first priority over other Mortgages or Deeds of Trust on a Lot, and "first Mortgagee" shall mean the Beneficiary of a first Mortgage.

(b) Each Owner, including every first Mortgagee of a Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage, or by foreclosure of such Mortgage, or by deed or assignment in lieu of foreclosure, shall be exempt from any "right of first refusal" created or purported to be created by this Declaration, the Articles, the Bylaws, or the Rules and Regulations.

(c) Each Beneficiary of a first Mortgage encumbering any Lot which obtains title to such Lot pursuant to the remedies provided in such Mortgage or by foreclosure of such Mortgage, shall take title to such Lot free and clear of any claims of unpaid assessments or charges against such Lot which accrued prior to the acquisition of title to such Lot by the Mortgagee in accordance with Section 7.7.

(d) Unless at least sixty-seven percent (67%) of the first Mortgagees or sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

(i) by act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area and the Improvements thereon which are owned by the Association;

[The granting of easements for public utilities or for other public purposes consistent with the intended use of such property by the Association as provided in this Declaration shall not be deemed a transfer within the meaning of this clause.]

(ii) change the method of determining the obligations, assessments, dues or other charges which may be levied against a Lot Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards;

(iii) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the Dwelling Units and other Improvements on the Lots,

the exterior maintenance of the Dwelling Units, the maintenance of the Common Area party walks, the maintenance of the common fences and driveways, or the upkeep of lawns and plantings in the Properties;

(iv) fail to maintain Fire and Extended Coverage on insurable Common Area and Association Maintenance Areas on a current replacement cost basis in an amount as near as possible to one hundred percent (100%) of the insurance value (based on current replacement cost); or

(v) use hazard insurance proceeds for losses to any Common Area or Association Maintenance Area property for other than the repair, replacement or reconstruction of such property.

(e) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) require from the Association the submission of an annual audited financial statement (without expense to the Beneficiary, insurer or guarantor requesting such statement) and other financial data, (3) receive written notice of all meetings of the Members, and (4) designate in writing a representative to attend all such meetings.

(f) All Beneficiaries, insurers and guarantors of first Mortgages, who have filed a written request for such notice with the Board shall be given thirty (30) days' written notice prior to (1) any abandonment or termination of the Association, (2) the effective date of any proposed, material amendment to this Declaration or the Articles of Incorporation or Bylaws of the Association, and (3) the effective date of any termination of any agreement for professional management of the Properties following a decision of the Owners to assume self-management of the Properties. Such first Mortgagees shall be given immediate notice (1) following any damage to the Common Area or Association Maintenance Areas whenever the cost of reconstruction exceeds Ten Thousand Dollars (\$10,000.00), and (2) when the Board learns of any threatened condemnation proceeding or proposed acquisition of any portion of the Properties.

(g) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Area property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Common Area or Association Maintenance Areas property, and First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

(h) The Reserve Fund described in Article VI of this Declaration must be funded by regular scheduled monthly, quarterly, semiannual or annual payments rather than by large extraordinary Assessments.

(i) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of any professional Manager.

(j) When professional management has been previously required by a Beneficiary, insurer or guarantor of a first Mortgage, any decision to establish self-management by the Association shall require the approval of sixty-seven percent (67%) of the voting power of the Association and the Beneficiaries of fifty-one percent (51%) of the first Mortgages of Lots in the Properties.

(k) All intended Improvements in any Phase of Development other than Phase 1 shall be consistent with the Improvements in Phase 1 in terms of quality of construction.

In addition to the foregoing, the Board of Directors may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of FHLMC, FNMA, GNMA, VA or FHA or any similar entity, so as to allow for the purchase, insurance or guaranty, as the case may be, by such entities of first Mortgages encumbering Lots with Dwelling Units thereon. Each Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their Lots, if such agencies approve the Properties as a qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Lot.

ARTICLE XIV

14. Declarant Exemption.

Declarant or its successors or assigns intend, but shall not be obligated to undertake the work of constructing Dwelling Units and developing all of the Lots included within the Properties. The completion of that work and sale, resale, rental and other disposal of Dwelling Units is essential to the establishment and welfare of the Properties as a quality residential community. As used in this Article and its subparagraphs, the words "its successors or assigns" specifically do not include purchasers of Lots pursuant to transactions requiring the issuance of a Final Subdivision Public Report. In order that such work may be completed and the Properties be established as a fully occupied residential community as rapidly as possible, no Owner nor the Association shall do anything to interfere with, and nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from doing on any Lot owned by them whatever they determine to be necessary or advisable in connection with the completion of such work, including without limitation the alteration of construction plans and designs as Declarant deems advisable in the course of development; or

(b) Prevent Declarant, its successors or assigns, or its or their representatives, from erecting, constructing and maintaining on any portion of the Properties owned or controlled by Declarant, or its successors or assigns or its or their contractors or subcontractors, such structures as may be reasonably necessary for the conduct of its or their business of completing such work and establishing the Properties as a residential community and disposing of the same by sale, resale, lease or otherwise; or

(c) Prevent Declarant, its successors or assigns, or its or their contractors or subcontractors, from conducting on any Lot, or any portion thereof, owned or controlled by Declarant, or its successors or assigns, its or their business of developing, subdividing, grading and constructing Dwelling Units and other Improvements in the Properties as a residential community and of disposing of Dwelling Units thereon by sale, lease or otherwise; or

(d) Prevent Declarant, its successors or assigns or its or their contractors or subcontractors, from maintaining such sign or signs

on any portion of the Properties owned or controlled by any of them as may be necessary in connection with the sale, lease or other marketing of Lots and Dwelling Units in the Properties; or

(e) Prevent Declarant, at any time prior to acquisition of title to a Lot by a purchaser from Declarant, to establish on that Lot additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Properties.

Declarant need not seek or obtain ARC approval of any Improvement constructed or placed on the Properties by Declarant. Declarant, in the exercise of its rights under this Article, shall not unreasonably interfere with the use of the Common Area by any other Owner. The rights and reservations of Declarant set forth in this Article XIV shall terminate on the seventh (7th) anniversary of the first Close of Escrow for the sale of a Lot in the Properties.

ARTICLE XV

15. General Provision.

15.1. Enforcement.

This Declaration, the Articles of Incorporation and the Bylaws may be enforced by the Association as follows:

(a) Breach of any of the provisions contained in the Declaration or the Bylaws and the continuation of any such breach may be enjoined, abated or remedied by appropriate legal proceedings instituted by any Owner, including Declarant so long as Declarant owns a Lot, by the Association or the successors-in-interest of the Association. Any judgment rendered in any action or proceeding pursuant hereto shall include a sum for attorneys' fees in an amount as the court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs. Each Owner shall have a right of action against the Association for any failure by the Association to comply with the provisions of this Declaration, or of the Bylaws or Articles.

(b) The result of every act or omission whereby any of the provisions contained in this Declaration or the Bylaws are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity

against a nuisance either public or private shall be applicable against every such result and may be exercised by any Owner, by the Association or its successors-in-interest.

(c) The remedies herein provided for breach of the provisions contained in this Declaration or in the Bylaws shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) The failure of the Association to enforce any of the provisions contained in this Declaration or in the Bylaws shall not constitute a waiver of the right to enforce the same thereafter.

(e) Any breach or amendments of the provisions contained in this Declaration, the Articles or the Bylaws shall not affect or impair the lien or charge of any first Mortgage or Deed of Trust made in good faith and for value on any Lot or the Improvements thereon, provided that any subsequent Owner of such property shall be bound by such provisions of the Declaration, Articles and Bylaws, whether such Owner's title was acquired by foreclosure in a trustee's sale or otherwise.

(f) If any Owner, his family, guest, licensee, lessee or invitee violates any such provisions, the Board may impose a reasonable Special Assessment upon such Owner for each violation and may suspend the voting privileges of such Owner as further provided in the Bylaws. Such Special Assessment shall be collectible in the manner provided hereunder, but the Board shall give such Owner Notice and Hearing before invoking any such Special Assessment or suspension.

15.2. Severability.

Invalidation of any provision of this Declaration by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

15.3. Term.

Unless earlier terminated pursuant to Section 15.5 below, the covenants and restrictions of this Declaration shall run with and bind the Properties, and shall inure to the benefit of and be enforceable by the Association or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successive Owners and assigns, for a term of fifty (50) years from the date this Declaration is Recorded, after which the term shall be automatically extended for successive periods of ten (10) years unless a

declaration of termination satisfying the requirements of an amendment to the Declaration as set forth in Section 15.5 is Recorded.

15.4. Interpretation.

The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community and for the maintenance of the Common Area and Association Maintenance Areas. The article and section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. Unless the context requires a contrary construction, the singular shall include the plural and the plural the singular; and the masculine, feminine and neuter shall each include the masculine, feminine and neuter.

15.5. Termination and Amendment.

(a) Notice of the subject matter of a proposed amendment to, or termination of, this Declaration in reasonably detailed form shall be included in the notice of any meeting or election of the Association at which a proposed amendment or termination is to be considered. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than sixty-seven percent (67%) of the voting power residing in each class of Members, or (if the Class B Membership has terminated) (i) sixty-seven percent (67%) of the voting power of the Association, and (ii) sixty-seven percent (67%) of the voting power of the Association residing in Members other than Declarant; provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. So long as there exists a Class B Membership, the prior approval of VA and FHA shall be required for any amendment to the Declaration. A draft of the proposed amendment shall be submitted to VA and FHA for approval prior to its approval by the Membership of the Association. In addition, Article XIV hereof may not be amended, nor shall any amendment be effective which would be counter to Article XIV or any other rights of Declarant, without the prior written consent of Declarant, so long as Declarant is an Owner.

(b) In addition to the required notice and consent of VA, FHA, Members and Declarant provided above, the Beneficiaries of fifty-one percent (51%) of

the first Mortgages on all the Lots in the Properties must approve any amendment to this Declaration which is of a material nature, as follows:

(i) Any amendment which affects or purports to affect the validity or priority of Mortgages or the rights or protection granted to Beneficiaries, insurers and guarantors of first Mortgages as provided in Articles VII, XI, XII, XIII and XV hereof.

(ii) Any amendment which would necessitate a Mortgagee, after it has acquired a Lot through foreclosure, to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(iii) Any amendment which would or could result in a Mortgage being cancelled by forfeiture, or in a Lot not being separately assessed for tax purposes.

(iv) Any amendment relating to the insurance provisions as set out in Article XII hereof, or to the application of insurance proceeds as set out in Article XI hereof, or to the disposition of any money received in any taking under condemnation proceedings.

(v) Any amendment which would or could result in subdivision of a Lot in any manner inconsistent with the provisions of this Declaration.

(vi) Any amendment which would subject any Owner to a right of first refusal or other such restriction if such Lot is proposed to be sold, transferred or otherwise conveyed.

(vii) Any amendment concerning:

(A) Voting rights;

(B) Rights to use the Common Area;

(C) Reserves and responsibility for maintenance, repair and replacement of the Common Area;

(D) Leasing of Lots;

(E) Establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;

(F) Annexation or deannexation of property to or from the Properties; or

(G) Assessments, assessment liens, or the subordination of such liens.

(c) Termination of this Declaration shall require approval by the Members as provided in subsection (a) of this Section 15.5. No such termination shall be effective unless it is also approved in advance either by fifty-one percent (51%) of the Beneficiaries of the first Mortgages on all of the Lots in the Properties (if said termination is proposed by reason of the substantial destruction or condemnation of the Properties) or by sixty-seven percent (67%) of such Beneficiaries (if said termination is for reasons other than such substantial destruction or condemnation).

(d) Each Beneficiary of a first Mortgage on a Lot in the Properties which receives proper written notice of a proposed amendment or termination of this Declaration by certified or registered mail with a return receipt requested shall be deemed to have approved the amendment or termination if the Beneficiary fails to submit a response to the notice within thirty (30) days after the Beneficiary receives the notice.

(e) A copy of each amendment shall be certified by at least two (2) officers of the Association, and the amendment shall be effective when a Certificate of Amendment is Recorded. The Certificate, signed and sworn to by at least two (2) officers of the Association that the requisite number of Owners have either voted for or consented in writing to any termination or amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. The certificate reflecting any termination or amendment which requires the written consent of any of the Beneficiaries of first Mortgages shall include a certification that the requisite approval of such first Mortgagees has been

obtained. Until the first Close of Escrow for the sale of a Lot in the Properties, Declarant shall have the right to terminate or modify this Declaration by Recordation of a supplement hereto setting forth such termination or modification.

15.6. No Public Right or Dedication.

Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Properties to the public, or for any public use.

15.7. Constructive Notice and Acceptance.

Every person who owns, occupies or acquires any right, title, estate or interest in or to any Lot or other portion of the Properties does hereby consent and agree, and shall be conclusively deemed to have consented and agreed, to every limitation, restriction, easement, reservation, condition and covenant contained herein, whether or not any reference to these restrictions is contained in the instrument by which such person acquired an interest in the Properties, or any portion thereof.

15.8. Reservation of Easements.

Declarant hereby reserves for the benefit of each Owner and his Lot reciprocal, nonexclusive easements over the adjoining Lot or Lots for the control, maintenance and repair of the utilities serving such Owner's Lot. Declarant expressly reserves for the benefit of all of the real property in the Properties, and for the benefit of all of the Lots and of the Owners, reciprocal, nonexclusive easements over all Lots and the Common Area, for maintenance and repair of utility services, for drainage from the Lots of water resulting from the normal use of adjoining Lots, and for maintenance and repair of any Dwelling Unit. In the event that any Dwelling Unit encroaches upon the Common Area and Improvements thereon, as a result of construction by Declarant or as a result of reconstruction, repair, shifting, settlement or movement of any portion of the Properties, a valid easement for minor encroachment and for the maintenance of the same shall exist so long as the minor encroachment exists. Declarant and the Owners of each Lot on which there is constructed a Dwelling Unit along or adjacent to such Lot line shall have an easement appurtenant to such Lot over the Lot line to and over the adjacent Lot, for the purposes of accommodating any natural movement or settling of any Dwelling Unit located on such Lot, any encroachment of any Dwelling Unit due to minor engineering or construction variances, and any encroachment of eaves, roof overhangs and architectural features comprising parts of the original construction of any Dwelling Unit located on such Lot.

15.9. Notices.

Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered three (3) business days after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the residence of such person if no address has been given to the Association. Such address may be changed from time to time by notice in writing to the Association.

15.10. No Representation or Warranties.

No representations or warranties of any kind, express or implied, other than the standard warranty required by VA and FHA, have been given or made by Declarant or its agents or employees in connection with the Properties or any portion of the Properties, or any Improvement thereon, its physical condition, zoning, compliance with applicable laws, or fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a planned development, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with the DRE or with any other governmental authority.

15.11. Enforcement of Certain Bonded Obligations.

In the event that (1) the Common Area and Association Maintenance Area Improvements in any Phase of Development are not completed prior to the issuance of a Final Subdivision Public Report for such Phase by the DRE, and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Declarant to complete the Improvements, the following provisions of this Section will be applicable:

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

(b) A special meeting of Members, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held no fewer than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Members representing five percent (5%) of the total voting power of the Association. A vote by Members of the Association other than Declarant shall be taken at such special meeting. A vote of a majority of the voting power of the Association residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

15.12. Nonliability and Indemnification.

Except as specifically provided herein, in the Bylaws, or as provided by law, no right, power, or responsibility conferred on the Board or the ARC by this Declaration, the Articles or the Bylaws shall be construed as a duty, obligation or disability charged upon the Board, the ARC, any member of the Board or of the ARC, or any other officer, employee or agent of the Association. No such Person shall be liable to any party (other than the Association or a party claiming in the name of the Association) for injuries or damage resulting from such Person's acts or omissions within what such Person reasonably believed to be the scope of his Association duties ("Official Acts"), except to the extent that such injuries or damage result from such Person's willful or malicious misconduct. No such Person shall be liable to the Association (or to any party claiming in the name of the Association) for injuries or damage resulting from such Person's Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct.

The Association shall pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person to impose liability on such Person for his Official Acts, provided that:

(a) The Board determines that such Person acted in good faith and in a manner such Person reasonably believed to be in the best interests of the Association;

(b) In the case of a criminal proceeding, the Board determines that such Person had no reasonable cause to believe his conduct was unlawful; and

(c) In the case of an action or threatened action by or in the right of the Association, the Board determines that such Person acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Any determination of the Board required under this Section 15.12 must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote of a majority of a quorum of the Members of the Association voting at a meeting of the Association called for such purpose, provided that the Person to be indemnified shall not be entitled to vote.

Payments made hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action. This Section 15.12 shall be construed to authorize payments and indemnification to the fullest extent now or hereafter permitted by applicable law.

The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any Person entitled to such indemnification.

15.13. Priorities and Inconsistencies.

If there are conflicts or inconsistencies between this Declaration and either the Articles of Incorporation or the Bylaws of the Association, the terms and provisions of this Declaration shall prevail.

ARTICLE XVI

16. Annexation of Additional Property.

Additional real property may be annexed to Phase 1 and such additional real property may become subject to this Declaration by any of the methods set forth hereinafter:

16.1. Additions by Declarant.

Declarant or its successors or assigns shall have the right from time to time to add the Annexable Territory, or any portion or portions thereof (including any Common Area located therein), to the Properties and to bring such added territory within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on

the third (3rd) anniversary of the original issuance of the most-recently-issued Final Subdivision Public Report for the most recent Phase of Development. As each Phase of Development is developed, Declarant may, with respect thereto, record a supplemental declaration ("Supplemental Declaration") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development. Prior to any annexation under Section 16.1, detailed plans for the development of the additional property must be submitted to the VA and the VA must determine that such plans are in accordance with the development plan and so advise Declarant.

16.2. Other Additions.

In addition to the provisions for annexation specified in Section 16.1 above, additional real property may be annexed to the Properties and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3rds) of the voting power of the Association. Notwithstanding the foregoing, additional real property may not be annexed to the Properties after the seventh (7th) anniversary of the Recordation of this Declaration.

16.3. Rights of Added Territory Members.

Subject to the provisions of Section 16.4, upon the Recording of a Notice of Addition of Territory containing the provisions as set forth in this Section, all provisions contained in this Declaration shall apply to the real property described in such Notice of Addition of Territory (the "added territory") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the added territory shall be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Lots within the added territory, as well as within the property originally subject to this Declaration, shall be the same as if the added territory were originally covered by this Declaration. From and after the first day of the first month following the first Close of Escrow for the sale of a Lot in the added territory, the Owners of Lots located in the added territory shall share in the payment of assessments to the Association to meet Common Expenses of the entire Properties as provided in Section 6.7 hereof. Voting rights attributable to the Lots in the added territory shall not vest until Annual Assessments have commenced as to such Lots.

16.4. Notice of Addition of Territory.

The additions authorized under Sections 16.1 and 16.2 shall be made by Recording a Notice of Addition of Territory, or other similar instrument (which notice or instrument may

03-000012

contain the Supplemental Declaration, if any, affecting each such Phase of Development), with respect to the added territory ("Notice of Addition") which shall extend the general plan and scheme of this Declaration to such added territory. The Notice of Addition for any addition under Section 16.1 shall be signed by Declarant. The Notice of Addition for any addition under Section 16.2 shall be signed by at least two (2) officers of the Association to certify that the requisite approval of the Members under Section 16.2 was obtained. The Recordation of said Notice of Addition shall constitute and effectuate the annexation of the added territory described therein, and thereupon said added territory shall become and constitute a part of the Properties, become subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Owners of Lots in the added territory shall automatically become Members of the Association. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the added territory, or as Declarant may deem appropriate in the development of the added territory, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same shall pertain to the real property originally covered by this Declaration.

16.5. Deannexation.

Declarant may delete all or a portion of a Phase of Development from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such Phase of Development, and provided that (1) a Notice of Deletion of Territory is Recorded in the same manner as the applicable Notice of Addition was Recorded, (2) Declarant has not exercised any Association vote with respect to any portion of such Phase of Development, (3) assessments have not yet commenced with respect to any portion of such Phase of Development, (4) Close of Escrow has not occurred for the sale of any Lot in such Phase of Development, (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development, and (6) a Notice of Deletion is submitted to the VA and the VA has determined that the deannexation is acceptable and in accordance with the revised development plan and so advised Declarant.

ARTICLE XVII

17. Party Walls.

17.1. General Rules of Law to Apply.

Each wall or fence which is built as a part of the original construction of the Dwelling Units upon the Properties and placed on the dividing line between the Lots shall be treated in the same manner as a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

17.2. Sharing of Repair and Maintenance.

Unless covered by a blanket insurance policy maintained by the Association under Section 12.1 hereof, the cost of reasonable repair and maintenance of a common wall or fence shall be shared equally by the Owners of the Lots connected by such common wall or fence. However, each Owner shall be solely responsible for repainting the side of any fence facing his Lot, which fence is located on his Lot.

17.3. Destruction by Fire or Other Casualty.

Unless covered by a blanket insurance policy maintained by the Association under Section 12.1 hereof, if a common wall or fence is destroyed or damaged by fire or other casualty, any Owner whose Lot is affected thereby may restore it, and the Owner of the other Lot which is affected thereby shall contribute equally to the cost of restoration thereof without prejudice, however, to the right of any such Owner to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

17.4. Weatherproofing.

Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes a wall which connects Dwelling Units to be exposed to the elements or to deteriorate or require repair or replacement shall bear the whole cost of furnishing the necessary protection against such elements or the necessary repairs or replacement.

17.5. Right to Contribution Runs With Land.

The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

17.6. Arbitration.

If any dispute arises concerning a common wall or fence or the provisions of this Article, then such dispute shall be submitted to and determined by binding arbitration. Each party shall choose one arbitrator, and such arbitrators shall

05-000012

choose one additional arbitrator. The decision shall be rendered by a majority of all the arbitrators, in accordance with the American Arbitration Association Commercial Rules of Arbitration.

This Declaration is dated for identification purposes

January 24, 1987.

NORTHWOODS - RANCHO CUCAMONGA
LTD., a California limited
partnership

By:

Wyn C. Holmes
Wyn C. Holmes
Its: General Partner

By:

Allen L. Boerner
Allen L. Boerner
Its: General Partner

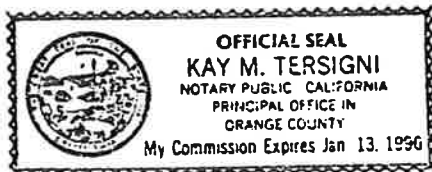
"Declarant"

STATE OF CALIFORNIA)
COUNTY OF Orange) ss.

On January 24, 1987, before me, the undersigned, a Notary Public in and for said State, personally appeared WYN C. HOLMES, personally known to me or proved to me on the basis of satisfactory evidence to be the person that executed the within instrument on behalf of NORTHWOODS - RANCHO CUCAMONGA LTD., the limited partnership therein named, and acknowledged to me that the limited partnership executed it.

WITNESS my hand and official seal.

Kay M. Tersigni
Notary Public in and for said State



STATE OF CALIFORNIA)

COUNTY OF Orange)

ss.

On January 1, 1989, before me, the undersigned, a Notary Public in and for said State, personally appeared ALLEN L. BOERNER, personally known to me or proved to me on the basis of satisfactory evidence to be the person that executed the within instrument on behalf of NORTHWOODS - RANCHO CUCAMONGA LTD., the limited partnership therein named, and acknowledged to me that the limited partnership executed it.

WITNESS my hand and official seal.

Georgia Ouellette
Notary Public in and for said State

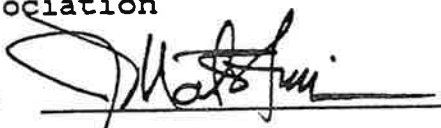


SUBORDINATION

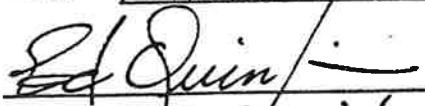
The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated December 19, 1988, and recorded on December 30, 1988, in the Official Records of San Bernardino County, California, as Instrument No. 88-456217, which Deed of Trust is between Northwoods-Rancho Cucamonga Ltd., as Trustor, Home Federal Savings and Loan Association, as Trustee, and Home Federal Savings and Loan Association, as Beneficiary, hereby expressly subordinates such Deed of Trust and its beneficial interests thereunder to the foregoing Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Vintage Townehomes ("Declaration"), to any Notice of Addition of Territory recorded pursuant to the provisions of Article XVI of the Declaration ("Notice"), and to all easements to be conveyed to the Association in accordance with the Declaration or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration and any applicable Notice, which shall remain in full force and effect.

Dated: 2-8, 1989

HOME FEDERAL SAVINGS AND LOAN
ASSOCIATION, a national
association

By: 

Its: AUTHORIZING SIGNOR

By: 

Its: VICE PRESIDENT

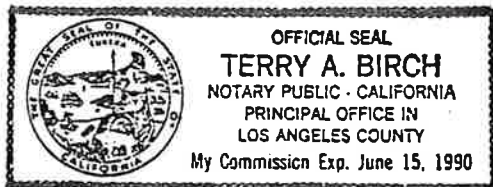
STATE OF CALIFORNIA

COUNTY OF ORANGE

)
) ss.
)

On FEB. 8, 1989, before me, the undersigned, a Notary Public in and for said State, personally appeared J. MARTIN HIME and ED QUINLIVAN, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as AUTHORIZED SIGNOR and VICE PRES., respectively, or on behalf of HOME FEDERAL SAVINGS AND LOAN ASSOCIATION, the national association therein named and acknowledged to me that the national banking association executed it.

WITNESS my hand and official seal.



[Signature]
Notary Public in and for said State

SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated December 23, 1987, and recorded on January 4, 1988, in the Official Records of San Bernardino County, California, as Instrument No. 88-000794, which Deed of Trust is between Northwoods-Rancho Cucamonga Ltd., as Trustor, First American Title Insurance Company, as Trustee, and Greenview Estate Development Associates, as Beneficiary, hereby expressly subordinates such Deed of Trust and its beneficial interests thereunder to the foregoing Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Vintage Townehomes ("Declaration"), to any Notice of Addition of Territory recorded pursuant to the provisions of Article XVI of the Declaration ("Notice"), and to all easements to be conveyed to the Association in accordance with the Declaration or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration and any applicable Notice, which shall remain in full force and effect.

Dated: January 24, 1989.

GREENVIEW ESTATE DEVELOPMENT
ASSOCIATES, a California
limited partnership

By: [Signature]

Its: General Partner

STATE OF CALIFORNIA)
) ss.
 COUNTY OF ORANGE)

On January 24, 1989, before me, the undersigned, a Notary Public in and for said State, personally appeared KENNETH Y. CHEN, personally known to me or proved to me on the basis of satisfactory evidence to be the person that executed the within instrument on behalf of GREENVIEW ESTATE DEVELOPMENT ASSOCIATES, the limited partnership therein named, and acknowledged to me that the limited partnership executed it.

WITNESS my hand and official seal.

Kay M. Tersigni
 Notary Public in and for said State



SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated December 23, 1987, and recorded on January 4, 1988, in the Official Records of San Bernardino County, California, as Instrument No. 88-000795, which Deed of Trust is between Northwoods-Rancho Cucamonga Ltd., as Trustor, First American Title Insurance Company, as Trustee, and BJM Investments, Inc. and Ginny Fortune, each as to an undivided one-half interest, as Beneficiary, hereby expressly subordinates such Deed of Trust and its beneficial interests thereunder to the foregoing Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Vintage Townehomes ("Declaration"), to any Notice of Addition of Territory recorded pursuant to the provisions of Article XVI of the Declaration ("Notice"), and to all easements to be conveyed to the Association in accordance with the Declaration or any Notice. By executing this Subordination, the undersigned agrees that should the undersigned acquire title to all or any portion of the Properties by foreclosure (whether judicial or nonjudicial), deed-in-lieu of foreclosure or any other remedy in or relating to the Deed of Trust, the undersigned will acquire title subject to the provisions of the Declaration and any applicable Notice, which shall remain in full force and effect.

Dated: January 24, 1988.

BJM INVESTMENTS, INC., a
CALIFORNIA corporation

By: Bohannan Mait

Its: PRESIDENT

By: _____

Its: _____

Ginny Fortune
GINNY FORTUNE

05-00000000

COUNTY OF ORANGE

WITNESS my hand and official seal.

SS.

WITNESS my hand and official seal.



OFFICIAL SEAL
KAY M. TERSIGNI
NOTARY PUBLIC, CALIFORNIA
PRINCIPAL OFFICE IN
ORANGE COUNTY
My Commission Expires Jan. 13, 1990