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DDC # 1997-0545827
OCT 30, 1997 3:11 PM

Recording Requested By:
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77

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RESTATEMENT OF AMENDED DECLARATION
of
COVENANTS, CONDITIONS AND RESTRICTIONS
of
Canyon Woods
Management Corporation



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**FIRST RESTATED DECLARATION OF
COVENANTS CONDITIONS AND RESTRICTIONS OF
CANYON WOODS
MANAGEMENT CORPORATION**

The Declaration of Covenants, Conditions, and Restrictions for CANYON WOODS MANAGEMENT CORPORATION, executed by Canyon Woods Investors, a partnership, ("Declarant"), and recorded on July 27, 1973, as Document No. 73-208388, of the Official Records of San Diego County, California ("Original Declaration"), which affects all of the Properties described and commonly known as CANYON WOODS MANAGEMENT CORPORATION, is hereby amended and restated in its entirety to read as follows:

RECITALS

A. Declarant was the original owner of that certain real property ("Properties") located in the City of San Diego, County of San Diego, State of California, which is more particularly described as follows:

Lots 2, 3, 4, 5 and 6 of Canyon Woods according to Map thereof No. 7356 filed in the Office of the County Recorder of San Diego County, California, on July 11, 1972.

The Easterly 55 feet of Lots 32 to 34, inclusive, in Block 1, FIFTH STREET ADDITION, in the City of San Diego, County of San Diego, State of California according to Map thereof No. 577, filed in the office of the County Recorder of San Diego County, January 10, 1889.

B. Declarant conveyed the Properties, subject to certain easements, protective covenants, conditions, restrictions, reservations, liens and charges as set forth in the Original Declaration referred to above, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of Properties and all of which shall run with the Properties

and be binding on all parties having or acquiring any right, title or interest in the Properties, or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof.

C. It was the further intention of the Declarant to sell and convey residential Condominiums, subject to the protective covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of a general plan for the subdivision, development, sale and use of the Properties in furtherance of a plan of condominium ownership as described in Section 1351(e) of the California Civil Code.

D. There currently exists upon the above-described real property a Common Interest Subdivision subject to the provisions of the Davis-Stirling Common Interest Subdivision Act (California Civil Code Section 1350, et seq.).

E. Prior to the date shown hereunder, sixty-six and two-thirds (66-2/3) percent of the Owners of Condominiums within the Properties voted by written ballot to amend and restate the Original Declaration, all in accordance with the procedures for amendment set forth in the Original Declaration. It was the intention of said Owners to replace the Original Declaration, in its entirety, with the recordation of this Declaration. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this First Restated Declaration by duly authorized officers of the Association, as required by California Civil Code Section 1355(a). As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the Properties and shall be binding upon all parties having or acquiring any right, title or interest in the Properties or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I

DEFINITIONS

Section 1.1 "Articles" means the Articles of Incorporation of CANYON WOODS MANAGEMENT CORPORATION, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.2 "Assessment" means any Regular, Special or Individual Assessment made or assessed by the Association against an Owner and his/her Condominium in accordance with the provisions of Article IV of this Declaration.

Section 1.3 "Association" means CANYON WOODS MANAGEMENT CORPORATION, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The Association is an "association" as defined in California Civil Code Section 1351(a).

Section 1.4 "Association Rules" means the rules, regulations and policies adopted by the Board of Directors of the Association, as the same may be in effect from time to time.

Section 1.5 "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 1.6 "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.7 "Common Area" means and refers to all portions of the Condominium Property not located within a Unit.

Section 1.8 "Condominium" means and refers to a fee simple estate in the Condominium Property or portions thereof, as defined in California Civil Code Section 783 and shall consist of a fee interest in a Unit and an undivided fractional interest as tenant in common in the Common Area. Each Unit shall have appurtenant thereto an undivided 1/104th interest in the Common Area.

Section 1.9 "Condominium Plan" means and refers to the Condominium Plan recorded pursuant to Civil Code Section 1351(e) covering the Condominium Property, including such amendments thereto as may, from time to time, be recorded.

Section 1.10 "Condominium Property" means and refers to that certain real property legally described as set forth in the Preamble to this Restated Declaration.

Section 1.11 "Contract Purchaser" means an individual or entity as the purchaser in a recorded Land Sale Contract for a Unit within the Association, but does not hold record fee title to the property.

Section 1.12 "Contract Seller" means an individual or entity as the seller in a recorded Land Sale Contract for a Unit within the Association who also is the record fee title holder to the property.

Section 1.13 "Corporation" means and refers to CANYON WOODS MANAGEMENT CORPORATION, a California nonprofit corporation.

Section 1.14 "Declaration" means this instrument, as it may be amended from time to time. The "Original Declaration" means and refers to the document referenced in the Preamble to this Restated Declaration, including such amendments thereto as may, from time to time, be recorded.

Section 1.15 "Declarant" means and refers to CANYON WOODS INVESTORS, a Partnership, its successors and assigns.

Section 1.16 "Exclusive Use Area" means and refers to those portions of the Common Area designated as such on the Condominium Plan and shall consist of Open Parking Spaces and Garage Parking Areas.

Section 1.17 "Governing Documents" is a collective term that means and refers to this Declaration and to the Articles, the Bylaws, and the Association Rules.

Section 1.18 "Improvement" includes, without limitation, the construction, installation, alteration, or remodeling of any buildings, walls, decks, fences, swimming pools, landscaping,

landscape structures, skylights, solar heating equipment, spas, antennas, utility lines, or any structure of any kind. The term "Improvement" shall not be interpreted to include projects which are restricted to the Unit interior and those which do not involve the roof or any load bearing wall thereof.

Section 1.19 "Mortgage" means any security device encumbering all or any portion of the Properties, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.20 "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Condominium which is part of the Condominium Property, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 1.21 "Personal Property" means articles belonging to, or whose use is limited to, a person or persons; meaning movable or chattel property of any kind.

Section 1.22 "Unit" means the elements of a Condominium that are not owned in common with the Owners of Condominiums in the Project, such Units and their respective boundaries being shown and particularly described in the Condominium Plan, deeds conveying Condominiums, and this Declaration.

ARTICLE II**PROPERTY RIGHTS****Section 2.1 Property Subject to Declaration.**

All the real property previously described in the Recitals and the improvements thereon, shall be subject to this Declaration.

Section 2.2 Elements of Condominium.

Ownership of each Condominium within the Project shall include a Unit; an undivided interest in the Common Area, as specified in the deed to each owner; exclusive use Common Area as designated in the Condominium Plan; a membership in the Association; and any exclusive or nonexclusive easement or easements appurtenant to such Condominium over the Common Area as described in this Declaration, the Condominium Plan and the deed to the Condominium. No Owner may sell, assign, lease or convey (i) his/her interest in the Common Area separate and apart from his/her living Unit, nor (ii) his/her interest in any Exclusive Use Area separate and apart from his/her interest in the Common Area and his/her living Unit, nor (iii) his/her living Unit separate and apart from his/her Exclusive Use Areas.

Open Parking Spaces and/or Garage Parking Areas may be leased to another Owner within the Association provided that one Open Parking Space, as deeded, is retained with each Unit. Any lease shall be reported to the management company and to the Board of Directors.

Section 2.2.1 Sale or Lease of Parking Spaces.

All units must have at least one Parking Space permanently allocated to it. In the case of the Townhouse Units (e.g. Buildings 1, 3A, 6, 12 & 14), this space is in the form of a garage integral with the Unit and shall not be sold or leased.

In the case of the other Units, the Parking Spaces are either in the Open Parking Area or the Garage Area. Any additional Parking Spaces (over and above the one permanent space mentioned above) held by these Units may be leased or sold.

If leased, they shall be leased to residents of Canyon Woods only. If sold, they shall be sold to Owners of Canyon Woods only.

Any leased or sold Parking Space shall meet the requirements of Article VII, Use Restrictions.

Section 2.3 Right of Entry by Association.

For the purpose of performing the maintenance of the Common Area or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Association's agents or employees shall have the right to enter any Unit or upon any portion of the Common Area to effect emergency repairs. For other than emergency repairs, the Association's agents or employees shall have the right to enter any Unit or any portion of the Common Area to effect repairs, improvements, replacements or maintenance which the Association, after approval by three-fifths (3/5) vote of the Board, reasonably deems necessary. Such entry shall be made with Owner cooperation and as little inconvenience as practicable, and any damage caused thereby shall be repaired by the Association. Further, such entry for other than emergency repairs shall be made only after not less than three (3) days notice has been given to the Owner.

Section 2.4 Nonexclusive Easements.

Each Member shall have a nonexclusive easement for use and enjoyment of the Common Area and for ingress, egress, and support over and through the Common Area. These easements shall be appurtenant to, and shall pass with the title to, each Unit and shall be subordinate to the exclusive easements granted elsewhere in this Declaration, as well as to the right of the Association to regulate time and manner of use, to charge reasonable use fees, and to perform its obligations under this Declaration.

Section 2.5 Partition Prohibited.

The Common Areas shall remain undivided as set forth above. Except as provided by California Civil Code Section 1359 or authorized under this Declaration, no owner shall bring any action for partition of the Common Areas, it being agreed that this restriction is necessary in order to preserve the rights of the owners with respect to the operation and management of the Project. Judicial partition by sale of a single Condominium owned by two (2) or more persons and division of the sale proceeds is not prohibited hereby, but partition of title to a single Condominium is prohibited.

Section 2.6 Encroachments / Easements.

Each Owner of a Unit within the Project is hereby declared to have an easement over the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, reconstruction, repair, settlement or shifting of the building, or any other similar cause. There shall be easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachments, settlement or shifting; provided, however, that in no event shall an easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners.

Section 2.7 Delegation of Use.

Any Owner may delegate his/her rights of use and enjoyment of the Project, including any recreational facilities, to the members of his/her family, his/her guests, and tenants, and to such other persons as may be permitted by the Bylaws and the Association Rules, subject however, to this Declaration. However, if an Owner has sold his/her Unit to a contract purchaser or has it presently leased or rented; the Owner, members of the Owner's family, guests, tenants, employees, and invitees shall not be entitled to use and enjoy any of such rights in the Project, including the recreational facilities, while the Owner's Unit is occupied by the contract purchaser or tenant. Instead, the contract purchaser, or tenant, while occupying such Unit, shall be entitled to use and enjoy such rights, including the recreational facilities, and can delegate the rights of use and enjoyment in the same manner as if such contract purchaser or tenant were an Owner during the period of his/her occupancy. Any delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of Owners. No such delegation shall relieve an Owner from liability to the Association or to other Owners for payment of assessments or performance of the covenants, conditions and restrictions contained in this Declaration.

Section 2.8 Obligation to Supply Tenant Information.

Each Owner shall notify the Secretary or management company of the Association of the names of any contract purchasers or tenants of such Owner's Unit within 7 days of signed contract or lease. Each Owner, contract purchaser, or tenant also shall notify the Secretary or the management company of the Association of the names of all persons to whom such Owner, contract purchaser, or tenant has delegated any rights of use and enjoyment and the relationship that each such person bears to the Owner, contract purchaser, or tenant.

Section 2.9 Lease Must Require Conformance to Governing Documents.

Any lease, rental agreement or contract of sale entered into between an Owner and a tenant or contract purchaser of a Unit shall require compliance by the tenant or contract purchaser with all of the covenants, conditions and restrictions contained in this Declaration, which provision shall be for the express benefit of the Association and each Owner. The Association and each Owner shall have a right of action directly against any tenant or contract purchaser of an Owner, as well as against the Owner, for nonperformance of any of the provisions of this Declaration to the same extent that such right of action exists against such Owner. A copy of the current Rules of the Association shall be given to each member.

Section 2.10 Leasing.

An Owner is permitted to lease or rent Owner's Unit. However, any lease or rental agreement shall be in writing and any tenant shall abide by and be subject to all terms and provisions of this Declaration, the Articles of Incorporation, the Bylaws, and the Association Rules; and any lease or rental agreement shall comply with Section 2.8 of this Declaration and shall specify that failure to abide by such provisions shall be a default under the lease or rental agreement. No property shall be leased or rented for less than a 90-day period. No subletting or subleasing is permitted.

ARTICLE III**ASSOCIATION, ADMINISTRATION,
MEMBERSHIP AND VOTING RIGHTS****Section 3.1 Association to Manage Common Areas.**

The management of the Common Area shall be vested in the Association in accordance with its Governing Documents. The members covenant and agree that the administration of the project shall be in accordance with the provisions of this Declaration, the Articles, Bylaws and Rules of the Association.

Section 3.2 Membership.

The owner of a Condominium shall automatically, upon becoming the owner of same, be a member of the Association, and shall remain a member thereof until such time as the ownership ceases for any reason, at which time the membership in the Association shall automatically cease. Membership shall be held in accordance with this Declaration, the Articles, and Bylaws of the Association.

Section 3.3 Transfer.

The Association membership held by any owner in the property shall not be transferred, pledged or alienated in any way except upon the sale or inheritance of an ownership interest and then only to the purchaser or heir. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. In the event the owner should fail or refuse to transfer the membership registered in his/her name to the purchaser of such Unit, the Association shall have the right to record the transfer upon the books of the Association.

Section 3.4 Voting Rights.

The Association shall have one class of membership. When more than one person holds an interest in any Condominium, all such persons shall be members. Each Condominium in the property is entitled to one vote. The vote for such Condominium shall be exercised as the owners of interest therein decide, but in no event shall more than one vote be cast with respect to any Condominium.

Section 3.5 Joint Owner Disputes.

The vote for each such Condominium may be cast only as a Unit, and fractional votes shall not be allowed. In the event that joint owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question. If any owner or owners cast a vote representing a certain Condominium, it will thereafter be conclusively presumed for all purposes that he or they were acting with the authority and consent of all other owners of the same Condominium. In the event more than one vote is cast for a particular Condominium, none of said votes shall be counted and all of said votes shall be deemed void.

ARTICLE IV

ASSESSMENTS

Section 4.1 Creation of the Lien and Personal Obligation of Assessments.

Each owner of any Unit 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 or charges, (2) Special Assessments for purposes permitted herein, and (3) Individual Assessments (as more fully described in Section 4.09 herein); such assessments to be established and collected as hereinafter provided. The Annual and Special assessments, together with interest, costs and reasonable attorney's fees, shall be a charge on the Unit and shall be a continuing lien upon the separate interest against which each such assessment is made, the lien to become effective upon recordation of a notice of assessment. Each such assessment together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the owner of such Unit at the time when the assessment fell due. No member may exempt himself from liability for this contribution towards the common expenses by waiver of the use or enjoyment of any of the Common Areas or by the abandonment of his/her Unit.

Section 4.2 Purpose of Assessments.

The assessments levied by the Association shall be used exclusively to promote the economic interest, recreation, health, safety, and welfare of all the residents in the entire Project and for the improvement and maintenance of the Common Area and those other portions of the property for which the Association is responsible and for the common good of the Project.

Section 4.3 Annual Assessment.

The Board of Directors shall determine and fix the amount of the Annual Assessment against each Unit in accordance with the procedures described below.

Section 4.3.1 Preparation of Annual Budget.

Not less than 45 nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Area) by preparing and distributing to all Association members a budget. If the Board fails to distribute the budget for any fiscal

year within the time period provided for in this section, the Board shall not be permitted to increase regular assessments for the fiscal year unless the Board first obtains the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association. (See Bylaws, Section 3.4, for definition of a quorum.)

Section 4.3.2 Limits for Increases of Annual and Special Assessments.

The Board of Directors of the Association may not impose a regular assessment that is more than twenty percent (20%) greater than the regular assessment for the Association's preceding fiscal year or impose Special assessments which in aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the approval of owners casting a majority of the votes at a meeting or election of the Association at which a quorum is present.

This section does not limit assessment increases necessary for emergency situations. For purposes of this section, an emergency situation is any one of the following:

- (1) An extraordinary expense required by an order of a court.
- (2) An extraordinary expense necessary to repair or maintain the Common Area for which the Association is responsible where a threat to personal safety is discovered, as determined by the Board.
- (3) An extraordinary expense necessary to repair or maintain the Common Area that could have not been reasonably foreseen by the Board in preparing and distributing the current year's operating budget.

Section 4.3.3 Required Notice of Assessment Increases.

Whenever there is an increase in Annual or Special assessments of the Association, all members shall be notified by first-class mail, not less than 30 nor more than 60 days prior to the increased assessment becoming due.

Section 4.4 Special Assessments for Capital Improvements or Extraordinary Expenses; Reserves for Replacement.

Section 4.4.1 Right of Board to Levy Special Assessments.

The Board of Directors may levy, in any assessment year, a Special assessment applicable to that 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 upon the Common Area, including fixtures and personal property related thereto, or for extraordinary expenses incurred by the Association, provided that in the event Special assessments exceed in the aggregate five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, the vote or written consent of a majority of those voting of the Association where a quorum is represented shall be required.

Section 4.4.2 Reserve Contributions and Accounts.

As part of the regular annual assessments for maintenance authorized above, the Board of Directors shall annually fix the amount to be contributed pro rata by each member to reserve funds for the purpose of defraying, in whole or in part, the cost or estimated cost of any reconstruction, repair or replacement of improvements, including fixtures and personal property related thereto. Such determination shall be made after consideration of the need for additional funds and of the Association's capital position. The Board shall maintain a separate account for those funds. The Board shall fix the method of payment of such assessments and shall be empowered to permit either lump sum or monthly payments. Separate records shall be maintained for all funds deposited to the said account, which shall be designated as a Reserve Account. The association shall invest only in FDIC insured deposits or US Treasury securities.

Amounts received by the Association as assessments from the members shall be held in one or more accounts. Deposits shall be made, and funds accounted for so that reserves for capital improvements and for replacement, can be clearly separated from funds for operating expenses or repair and maintenance funds. Capital improvement and replacement funds shall be used solely for capital improvements and replacements of those areas within the Project for which the association has the responsibility to maintain.

Section 4.5 Division of Assessments.

All assessments, both Annual and Special, shall be charged to and divided among the Members equally.

Section 4.6 Effect of Nonpayment of Assessments.

Annual and special assessments are delinquent fifteen (15) days after they become due. A late charge not exceeding ten percent (10%) of the delinquent assessment shall be imposed upon any delinquent payment. Interest on delinquent assessments and late charges shall be imposed at an annual percentage rate of twelve percent (12%) interest commencing thirty (30) days after the assessments become due. Late charges and interest on past due amounts may be modified by the Board in accordance with any changes permitted by state law.

Section 4.7 Transfer of Unit by Sale or Foreclosure.

Sale or transfer of any Unit shall not affect the assessment lien. However, the sale of any Unit pursuant to mortgage foreclosure of a first mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer (except for assessment liens recorded prior to the mortgage). No sale or transfer shall relieve such Unit from liability for any assessments thereafter becoming due or from the lien thereof.

Section 4.8 Enforcement; Remedies.

If any Annual or Special assessment is delinquent, the Association may record a notice of delinquent assessment and establish a lien against the condominium of the delinquent owner, notwithstanding any provision of this Declaration to the contrary, the lien of the assessment provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust upon any condominium. The notice of delinquent assessment shall state the amount of the assessment, collection costs, attorney's fees, late charges, and interest, a description of the condominium against which the assessment and other sums are levied, the name of the record owner, and the name and address of the trustee authorized by the Association to enforce the lien by sale. The notice shall be signed by any officer of the Association or any agent designated by the Association.

An assessment lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to California Civil Code Sec. 2934(a). Any sale shall be conducted in accordance with the provisions of Secs. 2924, 2924(b), 2924(c), 2924(f), 2924(g), and

2924(h) of the California Civil Code, or any successor statutes thereto, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. Nothing herein shall preclude the Association from bringing an action directly against an owner for breach of the personal obligation to pay assessments.

The Association, acting on behalf of the condominium owners, shall have the power to bid for the condominium at foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same.

Section 4.9 Individual Assessments.

In addition to the Special Assessments levied against all Owners in accordance with Section 4.4 above, the Board of Directors may impose Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below, provided that no Individual Assessments may be imposed against an Owner pursuant to this Section 4.9 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 7.5 of the Bylaws, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Association's Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Individual Assessments include the following:

(i) Damage to Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities, including any portion of any Unit which the Association is obligated to repair and maintain is caused by the willful misconduct or negligent act or omission of any Owner, any member of his/her family, or any of his/her tenants, guests, servants, employees, licensees or invitees, the Board shall, with prior notification to the Owner (except in emergencies), cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Individual Assessment.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses, to accomplish (a) the payment of delinquent Assessments, (b) any repair, maintenance or replacement to any portion of the Properties that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (c) to otherwise bring the Owner and/or

his/her Condominium into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Individual Assessment.

(iii) Move-in/Move-out Charges. In addition to the Annual assessments and Special assessments levied on each condominium, an assessment entitled a "move-in/move-out" charge may be assessed against each condominium at the time escrow closes on the conveyance of title. The move-in/move-out charge shall be for the purpose of covering the reasonable and necessary expenses incurred by the association as a result of the change of ownership. The move-in/move-out charge shall be in an amount to be reasonably determined from time to time by the Board.

Section 4.9.1 Levy of Individual Assessment and Payment.

Once an Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed in this Section 4.9, such Individual Assessment shall be recorded on the Owner's account, notice thereof shall be mailed to the affected Owner and the Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within 30 days after the mailing of notice of the Assessment.

Section 4.9.2 Limitation on Right to Lien for Individual Assessments.

With the exception of Individual Assessments imposed by the Association's Board of Directors to recover reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for its reasonable costs (including attorneys' fees) of collecting delinquent Assessments, Individual Assessments shall not be recoverable through the imposition of a lien against the Owner's Condominium enforceable through foreclosure, but the same may be recovered by the Association through other legal processes. Individual Assessments relating to delinquent Assessments shall be subject to imposition of a lien and enforceable through foreclosure or sale under a power of sale for failure of an Owner to pay such Assessment, all as more particularly provided in this Article IV, Section 4.8.

ARTICLE V

DUTIES AND POWERS OF THE ASSOCIATION

Section 5.1 General Powers and Authority.

The Association shall have all the powers of a nonprofit corporation under California law, subject only to the limitations in the Governing Documents of the Association. It may perform all acts which may be necessary for, or incidental to, the performance of the obligations and duties imposed upon it by this Declaration or the other Governing Documents. Its powers shall include, but are not limited to, the following:

Section 5.1.1 Assessments.

The Association shall have the power to establish, fix, and levy assessments against the members in accordance with the procedures set out in this Declaration and subject to the limitations therein.

Section 5.1.2 Adoption of Rules.

The Association shall have the power to adopt reasonable operating rules governing the use of the Common Area and any facilities located thereon, and of any other Association property. Such rules may include, but are not limited to, reasonable restrictions on use by the members, their families, tenants and guests, rules of conduct, and the setting of reasonable fees for the use of recreational facilities. A copy of the current Association Rules shall be given to each member.

Section 5.1.3 Enforcement of Violations.

In addition to any other enforcement rights described in this Declaration and the Bylaws, or authorized by law and subject to any restrictions on the Association's enforcement rights, including any due process requirements, imposed by this Declaration, the Bylaws, or by law, the Association may take any of the following actions against any person or entity whose act or failure to act violates or threatens to violate any provision of this Declaration, the Bylaws, or Association Rules:

- (i) impose monetary penalties, including late charges and interest;
- (ii) suspend voting rights in the Association;

- (iii) suspend use privileges for the Common Area; and,
- (iv) pursue mediation, arbitration, and/or injunctive relief in accordance with 12.2 of this Declaration.

The determination of whether to impose any of the foregoing sanctions shall be within the sole discretion of the Association. Any legal action may be brought in the name of the Association on its own behalf and on behalf of any Owner who consents, and the prevailing party in any such action shall be entitled to recover costs and reasonable attorneys' fees. The Association, in its sole discretion, may resolve or settle any dispute, including any legal action, under such terms and conditions as it considers appropriate.

The enforcement of monetary penalties is subject to the restrictions described in the Bylaws, 7.5.

Section 5.1.4 Delegation of Authority.

The Association, acting through the Board, shall have the power to delegate its authority, duties, and responsibilities to such committees, officers, or employees as are allowed under the Governing Documents. The Board of Directors may contract for the assistance of a reputable property management agent to assist it and its officers in carrying out its duties.

Section 5.1.5 Right of Entry.

The Association's agents or employees shall have the right to enter any Unit when necessary in connection with any maintenance, landscaping, or construction for which the Association is responsible. Such entry shall be made with Owner cooperation and as little inconvenience as is practicable, and in accordance with 2.3 of this Declaration.

Section 5.1.6 Easements.

The Association shall have the authority, by document signed or approved by a majority of the total voting power of the Association, to grant easements in addition to those shown on the map, where necessary for utilities, cable television, and sewer facilities over the Common Area to serve the common and open space areas and the Condominiums.

Section 5.1.7 Acquisition and Disposition of Property.

The Association shall have the power to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real or personal property in connection with the affairs of the Association.

Section 5.1.8 Loans.

The Association shall have the power to borrow money in accordance with the provisions contained in its Bylaws, 7.3.

Section 5.1.9 Expenditure of Reserve Funds.

The Board of Directors may only expend funds designated as reserve funds for the purpose of repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

Section 5.1.10 Transfer of Reserve Funds.

The Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash flow requirements or other expenses. The time, manner and method of restoration of these funds shall be governed by state law in effect at the time the funds were transferred. At the time of recordation of this document Civil Code Section 1365.5 governed and copy can be found in Appendix A.

Section 5.1.11 Contracts.

The Association shall have the power to contract for goods and/or services for the Common Area(s) facilities and interests, or for the Association, subject to limitations of the Governing Documents.

Section 5.1.12 Prosecution and Defense of Lawsuits.

The Board has the authority to prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area or property owned by the Association, and any action in which all or substantially all the Owners have an interest.

Section 5.2 Duties of the Association.

In addition to the duties delegated to the Association or its agents and employees elsewhere in these Governing Documents, the Association shall be responsible for the following:

Section 5.2.1 Maintenance and Operation of Common Areas.

The Association, acting through the Board, shall operate and maintain the Common Areas and the facilities located thereon; such duty shall include providing maintenance of the Common Areas as provided in Article VI.

Section 5.2.2 Financial Statements.

The Association shall regularly prepare, review and distribute financial statements to the Owners in accordance with the Bylaws.

Section 5.2.3 Insurance.

The Association shall maintain such policy or policies of insurance as are required by this Declaration.

Section 5.2.4 Discharge of Liens.

The Association shall discharge by payment, if necessary, any lien against the Common Area, and charge the cost thereof to the member or members responsible for the existence of the lien (after notice and a hearing, as provided in the Bylaws).

Section 5.2.5 Assessments

The Association shall fix, levy, collect, and enforce assessments.

Section 5.2.6 Payment of Expenses.

The Association shall pay all expenses and obligations incurred by the Association in the conduct of its business, including, without limitation, all licenses, taxes, or governmental charges levied or imposed against the property of the Association.

Section 5.2.7 Enforcement.

The Association shall enforce this Declaration.

Section 5.2.8 Limitation on Board Authority.

Except with the vote or written assent of a majority of the total voting power, the Board shall not take any of the following actions:

(i) 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;

(ii) Pay compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business, provided that the Board may reimburse a member for expenses incurred in carrying on the business of the Association; or

(iii) Enter into a contract with a third person to furnish goods or services for the Common Area or the Association for a term longer than one year, with the following exceptions:

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

(b) Prepaid casualty or liability insurance policies not to exceed three years' duration provided the policy permits short rate cancellation by the insured;

(c) Lease agreements for laundry room fixtures and equipment of not to exceed five years duration; and

(d) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five years duration.

Section 5.2.9 Conduct Reserve Studies.

At least once every three years the Board of Directors shall cause a study of the reserve account requirements of the common interest development to be conducted if the current

replacement value of the major components which the Association is obligated to repair, replace, restore, or maintain is equal to or greater than one-half of the gross budget of the Association for any fiscal year. The study required by this subdivision shall at a minimum include:

(a) Identification of the major components which the Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than 30 years;

(b) Identification of the probable remaining useful life of the components identified in paragraph (a) as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in paragraph (a) during and at the end of its useful life; and,

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

Section 5.3 Limitation on Liability of Officers and Directors.

No director, officer, committee member, employee, or other agent of the Association shall be liable to any owner or any other party, including the Association, for any damage, loss, or prejudice suffered or claimed on account of any act, omission, error, or negligence of any such person if such person has acted in good faith and in a manner such person reasonably believed to be in the best interests of the Association.

ARTICLE VI

MAINTENANCE RESPONSIBILITIES

Section 6.1 Common Area and Recreation Area.

The Association shall be solely responsible for all maintenance, repair, upkeep and replacement of the Common Area. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Common Area and the Recreational Area. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area or the Recreation Area without express approval of the Association.

Section 6.2 Owner Maintenance Responsibilities.

Each Owner shall have the right, at his/her sole cost and expense, to maintain, repair, paint, paper, panel, plaster, tile, and finish the interior surfaces of the ceilings, floors, window frames, doors, door frames, trim, and perimeter walls of his/her Unit and the surfaces of the bearing walls and partitions located within said Unit; provided, however, that any shutter, screen, blind, curtain, drape or appurtenance visible from outside the Unit shall be of neutral color and maintained in good repair. Said Owners shall have the right to substitute new finished surfaces in place of those existing on said ceiling, floors and walls.

Section 6.2.1 Glass Windows, Glass Doors and Screens.

The routine maintenance, repair and replacement of glass panes, window screens, screen doors, hinges, sliding mechanisms and locks are the responsibility of the Owner. The permanently installed framework for glass windows and glass doors is the responsibility of the Association. In instances where building/construction defects (e.g. settling) can be clearly shown to have caused glass breakage, that glass replacement will be the responsibility of the Association.

Section 6.2.2 Garage Doors.

The routine maintenance, repair and replacement of the garage doors and the painting of the outer surface of the garage doors is the responsibility of the Association. The hinges, springs, locks and garage door openers are the responsibility of the Owner. Any damage caused by Owner negligence or malfunction of Owner devices shall be the responsibility of the Owner.

Section 6.2.3 Front Doors.

The routine maintenance, repair and replacement of front doors and the painting of the outer surface of the front doors is the responsibility of the Association. The hinges, locks, peep holes and the like are the responsibility of the Owner. Any damage caused by Owner negligence or malfunction of Owner devices shall be the responsibility of the Owner.

Section 6.2.4 Screen Doors Associated with Front Doors.

Screen doors associated with front doors are the responsibility of the Owner. They must meet architectural requirements.

Section 6.2.5 Electrical and Heating.

Electrical and heating within the Unit, from (and including) the circuit breaker box, are the responsibility of the Owner. Electrical power from the meters to the Unit circuit breaker boxes is the responsibility of the Association.

Section 6.2.6 Plumbing.

The Owner is responsible for all plumbing problems, including any damage caused thereby, which originate in discharge plumbing exclusively serving his/her Unit. Problems in supply plumbing, up to but not including the Owner's valve or faucet, are the responsibility of the Association. Problems in Common Area plumbing not exclusively serving a single Unit are the responsibility of the Association.

Section 6.2.7 Equipment and Appliances.

The maintenance, repair and replacement of all appliances and equipment located within the Unit is the responsibility of the Owner.

Section 6.3 Recovery of Costs of Certain Repairs and Maintenance.

(a) In the event that the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, his/her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Article IV, Section 4.9 hereof.

(b) In the event that an Owner fails to perform maintenance functions for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within 15 days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Article II, Section 2.3, to enter the Owner's Unit and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing.

Section 6.4 Cooperative Maintenance Obligations.

To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of its work.

ARTICLE VII

USE RESTRICTIONS

Each Owner of a Condominium shall be responsible for ensuring that the Owner's family, employees, guests, tenants and all occupants of the Owner's condominium comply with all provisions of this Declaration, the Bylaws and the rules and regulations of the Association. In addition to any rights the Association may have against the Owner's family, employees, guests, tenants or occupants, the Association may take action under this Declaration against the Owner as if the Owner committed the violation in conjunction with the Owner's family, guests, tenants or occupants.

Section 7.1 Residential Use.

Each Unit shall be improved, used and occupied for private, residential dwelling purposes only.

Section 7.1.1 Occupancy Limit.

The occupancy limit in any Unit is two persons per bedroom, plus one person.

Section 7.2 Parking Areas.

Open Parking Areas and Garage Parking Areas shall be used for the parking of one (1) automotive passenger vehicle only, and no commercial vehicle, camper, trailer, boat of any kind shall be parked on the Common Area (including any Open Parking Area and Garage Parking Area) except temporarily and solely for the purpose of loading and unloading, without the prior approval of the Board. Trucks shall be 3/4 ton or less. All vehicles must fit within marked stalls.

Section 7.3 No Insurance Risks.

No Unit or improvements situated therein shall be occupied or used for any purpose or in any manner which shall cause such improvements to be uninsurable against loss by fire or the perils of the extended coverage endorsement to the California Standard Fire Policy form, or cause any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof. Clutter in the Common Area or Exclusive Use Area is not allowed as it incurs risk and liability.

Section 7.4 Pets.

Two ordinary household pets may be kept in any Unit, provided that such pets shall not be allowed on the Common Area except as may be permitted by rules made by the Board. Except as provided hereinabove, no animals, livestock, or poultry shall be brought within the Condominium Property. The Board of Directors has the power to declare any pet otherwise allowed to be on the Property to be a nuisance and require its removal from the Property. Prior to making such a determination, the Board shall provide advance notice to the Owner of the Unit of the intended action, and provide the Owner with an opportunity for a hearing on the matter. If, after the hearing, the Board determines that the subject pet unreasonably interferes with the use and enjoyment of another Owner's Unit, then it may declare said pet to be a nuisance and require its removal within thirty (30) days.

Section 7.5 Noxious or Offensive Activities; Nuisances.

No noxious or offensive activity shall be carried on in any Unit or on the Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance to the other Owners. No Unit shall be used in such a manner as to obstruct or interfere with the enjoyment of occupants of other Units, or annoy them with unreasonable noises, smoke, or otherwise, nor shall any nuisance be committed or permitted to occur in any Unit.

Section 7.6 Signs.

No signs other than one sign not to exceed 200 square inches in size advertising a Condominium for sale or rent shall be erected or displayed in the window of any Unit so that it is visible from without the Unit without the prior written consent of the Board. No signs shall be erected or displayed on the Common Area except signs placed by authority of the Board. Small signs (not to exceed 4" x 6") which indicate that a security system is installed may be placed on doors or windows.

The sign advertising a Unit for sale or rent shall only be displayed in the actual Unit which is for sale or rent. In the case of Units which can not easily be seen from the street, the Board shall allow the Seller/Renter to place temporarily a 200 square inch sign at the sidewalk adjacent to the building containing the Units, until such Unit is sold or rented.

Section 7.7 Antenna.

There shall be no outside television or radio antenna constructed, installed or maintained on the Condominium Property for any purpose whatsoever, unless prior written approval of the Board is obtained.

Section 7.8 No Structural Changes.

Nothing shall be done in any Unit or in, on, or to the Common Area which would impair the structural integrity of any building, or which would structurally change any building located therein. Nothing shall be altered or constructed in or removed from the Common Area, except upon the written consent of the Board.

Section 7.9 Storage.

Exclusive Use Common Areas are not to be used for storage.

Section 7.10 Fences.

No fences, hedges, or walls shall be erected or maintained upon the Common Area, except such as are installed in accordance with the initial construction of the buildings located on the Condominium Property, and shall not exceed four feet in height and must meet Fire Codes, or as provided by the Board.

Section 7.11 Clotheslines.

No exterior clotheslines shall be erected or maintained and there shall be no outside drying or laundering of clothes on the Condominium Property or any part thereof.

Section 7.12 Automobile Repair; Carpenter/Hobby Shops.

No power equipment, hobby shops, or carpenter shops shall be maintained on the Condominium Property except with the prior approval of the Board. No automobile overhaul or maintenance work, other than emergency work, shall be permitted on the Condominium Property.

Section 7.13 Common Area Use.

The Common Area, except the buildings and those areas in which there exists an exclusive right to use in one of the Owners, shall be improved and used only for the following purposes:

- (i) Affording vehicular passage and pedestrian movement within the Condominium Property, including access to the Units and Parking Areas.

(ii) Recreation use by the Owners and occupants of Units in the Condominium Property and their tenants, family and guests, subject to rules established by the Board. Guests must be escorted by the legal resident.

(iii) Beautification of the Common Area and providing privacy to the residents thereof through landscaping and such other means as the Board shall deem appropriate.

(iv) No part of the Common Area shall be obstructed so as to interfere with its use for the purposes hereinabove permitted, nor shall any part of the Common Area be used for storage purposes (except as incidental to one of such permitted uses, or for storage of maintenance equipment used exclusively to maintain the Common Area), or in any manner which shall increase the rate of which insurance against loss by fire or the perils of the California Standard Fire Policy form, or bodily injury or property damage liability insurance covering the Common Area and improvements situated thereon may be obtained or cause such premises to be uninsurable against such risks, or any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof.

(v) Parking of automotive passenger vehicles in areas provided therefor as may be designated and approved by the Board. The Association Rules designate areas where vehicles which do not meet the restrictions of Section 7.2 may be parked, subject to Board approval.

Section 7.14 Barbeques.

No liquid charcoal starter or petrochemical of any kind shall be used to ignite charcoal. Electric resistance heaters are acceptable as ignition devices. Barbeques using liquid propane are acceptable.

Section 7.15 Business Activities.

No business or commercial activities of any kind whatsoever shall be conducted in any Unit, garage/parking area or out building, or on any portion of any Lot without prior written approval of the Board, provided that the foregoing restriction shall not apply to the activities of the Association in the discharge of its responsibilities under the Governing Documents. Furthermore, no restrictions contained in this section shall be construed in such a manner so as to prohibit any Owner from (a)

maintaining his/her personal library in his/her Unit, (b) keeping his/her personal business records or accounts therein, (c) handling his/her personal or professional telephone calls or correspondence therefrom, (d) leasing or renting his/her Unit in accordance with Article II, Section 31 hereof, or (e) conducting any other activities within the Owner's Unit otherwise compatible with residential use and zoning laws and regulations without the necessity of first obtaining a special use permit or specific governmental authorization. The uses described in subparagraphs (a) through (e) above are expressly declared to be customarily incidental to the principal residential use of the Unit and not in violation of this Section.

Section 7.16 Patios.

Patio furnishings shall be limited to normally considered outdoor furnishings. Exercise equipment and gym equipment are not considered outdoor furnishings.

Section 7.17 Swimming Pool.

Pool shall be used for swimming activities only. No boats or boating equipment are permitted in the pool.

ARTICLE VIII**ARCHITECTURAL CONTROL****Section 8.1 Improvements in General; Establishment of Architectural Review Committee.**

No "improvement" (as defined in Article I, Section 1.16) of any kind shall be commenced, erected or maintained within the properties, nor shall any exterior addition to or change or alteration be made in or to any Unit or Common Facility structure containing Units or to any Exclusive Use Common Area until the plans and specifications showing the nature, color, kind, shape, height (including front, side and rear elevations), materials, and location of the same shall have been submitted to and approved in writing by the Association's Architectural Review Committee as to quality of workmanship and materials, harmony of external design and location in relation to surrounding structures, setback lines, topography and finish grade elevation. Improvements that have been approved in the past or Improvements built without approval with no Board action to remove them are retroactively accepted. This does not, in any way, hinder the Board's ability to enforce architectural requirements in the future.

Section 8.2 Appointment of Architectural Review Committee.

The Board of Directors may appoint an Architectural Review Committee composed of not less than three nor more than five members. Committee members appointed shall be from the membership of the Association. A majority of the Architectural Review Committee may designate a representative to act on its behalf. Members of the Committee shall serve for a term of one year. In the event of the death or resignation of any member of the Architectural Review Committee, a successor shall be appointed by the Board. Neither the members of the committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. In the event the Board has not appointed an Architectural Review Committee, it shall fulfill the duties of that committee until such time as members are appointed to it in accordance with this paragraph.

Section 8.3 Submission of Plans; Action by Committee.

Plans and specifications for the proposed Improvement shall be submitted to the Architectural Review Committee by personal delivery or certified mail to the secretary of the Association or the chairman of the Architectural Review Committee. In the event the Committee fails to approve or disapprove such design and location within 45 days after said plans and specifications have been submitted to it, the Owner requesting said approval may submit a written notice to the Board advising

them of the Committee's failure to so approve or disapprove. If the Committee still fails to approve or disapprove said plans, within 45 days after the receipt of said notice from the Owner, said plans shall be deemed to have been approved. Approval of the Committee can contain conditions or requests for modification of particular aspects of the Owner's plan, and specifications.

Section 8.4 Architectural Rules.

The Architectural Review Committee may, subject to review by the Board of Directors, from time to time adopt, amend and repeal rules and regulations to be known as "Architectural Rules." Said rules shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for the review and approval of proposed Improvements and guidelines for architectural design, placement of any work of Improvement or color schemes, exterior finishes and materials and similar features which are recommended for use within the Properties, provided that said rules shall not be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Rules and this Declaration, the Declaration shall prevail.

Section 8.5 Variances.

The Architectural Review Committee shall be entitled to allow reasonable variances with respect to this Article or any restrictions specified in Article VII in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided that the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise apply under this Declaration, the Committee must conduct a hearing on the proposed variance after giving at least 10 days' prior written notice to the Board and to all Owners of Units. The Owners receiving notice of the proposed variance shall have 30 days in which to submit to the Board or Committee written comments or objections with respect to the variance. No decision shall be made with respect to the proposed variance until the 30-day comment period has expired.

(b) The Committee must make a good faith determination that (i) the requested variance does not constitute a material deviation from the overall plan and scheme of development within the Properties or from any restriction contained herein or that the proposal allows the objectives of the violated requirement(s) to be

substantially achieved despite noncompliance; or (ii) the variance relates to a requirement hereunder that it is unnecessary or burdensome under the circumstances; or (iii) the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance, with respect to any other Unit, Common Area or Owner within the Properties.

Section 8.6 Estoppel Certificate.

Within 30 days after written demand is delivered to the Architectural Review Committee by any Owner, the Committee shall execute an estoppel certificate, executed by any two of its members, certifying that as of the date thereof, either (i) all Improvements made and other work completed by said Owner with respect to the Unit comply with this Declaration; or (ii) that such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the bases of such noncompliance. Any purchaser from the Owner, or anyone deriving any interest in said Unit through the Owner, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

Section 8.7 Permits.

It is the responsibility of the Owner to obtain any and all City, County and State permits required prior to beginning any modification which would require such permits.

ARTICLE IX

INSURANCE

Section 9.1 Insurance Coverage.

The Association shall obtain and maintain the following insurance:

- (1) A casualty policy insuring the full replacement value of improvements and fixtures on the property, including building ordinance endorsement, if available, and any other riders deemed by the Board to be appropriate;
- (2) A comprehensive public liability insurance policy insuring the Association, its agents, and the owners and occupants of the condominiums and their respective family members, guests, invitees, and agents against any liability incident to the ownership or use of the Common Area or any other Association owned or maintained real or personal property;
- (3) Worker's compensation insurance to the extent required by law;
- (4) Officers and directors liability insurance;
- (5) Appropriate fidelity bond coverage to protect against dishonest acts by the Association's officers, directors, employees, trustees, and all others who are responsible for handling funds of the Association; and,
- (6) Appropriate earthquake insurance and such other insurance as the Board in its discretion considers necessary or advisable.

The amount, terms, and coverage of any policy required hereunder (including the type of endorsements, the amount of the deductible, the named insureds, the loss payees, standard mortgage clauses, and notices of changes or cancellations) shall be no less than that which is customary for similar policies on similar projects in the area, except that the Board will make every effort to obtain the minimum coverages set forth in Civil Code §1365.9(b) for the protection of the individual owners from being named in the lawsuits in regard to actions arising out of injuries occurring on the Common Areas. At the time of recordation of this document, Civil Code §1365.9(b) required the Association

to carry general liability and director and officer liability insurance in the minimum amount of \$3 million per occurrence.

Section 9.2 Notice to Owners.

The Association shall, upon issuance or renewal of insurance, but no less than annually, notify its homeowners as to the amount and type of insurance carried by the Association, and it shall accompany this notification with statements to the effect that the Association is or is not insured to the levels specified by this section, and that if not so insured, owners may be individually liable for the entire amount of a judgment, and if the Association is insured to the levels specified in this section, then owners may be individually liable only for their proportional share of assessments levied to pay the amount of any judgment which exceeds the limits of the Association's insurance.

Section 9.3 Insurance Trustee.

Each owner appoints the Association or any insurance trustee designated by the Association to act on behalf of the owners in connection with all insurance matters arising from any insurance policy maintained by the Association, including, without limitation, representing the owners in any proceeding, negotiation, settlement, or agreements.

Section 9.4 Waiver of Subrogation.

Any insurance maintained by the Association shall contain a waiver of subrogation as to the Association and its officers, directors, and members, the owners and occupants of the condominiums and mortgagees, and, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The Association shall annually review all insurance policies maintained by the Association to determine the adequacy of the coverage and to adjust the policies accordingly.

All individually owned insurance shall contain a waiver of subrogation as to the Association and its officers, directors, and members, of the owners and occupants of the condominiums and of mortgagees.

Section 9.5 No Duplicate Insurance Coverage.

No condominium owner shall separately insure his/her condominium against loss by fire or other casualty covered by any insurance carried by the Association. If any owner violates this provision, any diminution in insurance proceeds otherwise payable under the Association's policies

that results from the existence of such other insurance will be chargeable to the owner who acquired other insurance.

Section 9.6 Unit Owner Insurance Required.

Owners are encouraged to insure their personal property against loss and obtain personal liability insurance covering the contents of their individual units. In addition, any improvements made by an Owner within his/her Unit may be separately insured by an Owner, but the insurance is to be limited to the type and nature of coverage commonly known as tenant's improvements.

Any Owner failing to purchase said insurance waives any claim he/she may have against the Association for damage to the interior of his/her Unit, whether arising out of negligence, nuisance, or breach of contract on the part of the Association, so long as the damage or loss would have been covered under a standard Condominium Homeowners Policy (HO6) had it been in force at the time of the loss.

ARTICLE X

DAMAGE OR DESTRUCTION

Section 10.1 Destruction; Proceeds Exceed 85 Percent of Reconstruction Costs.

If there is a total or partial destruction of the improvements in the Project, and if the available proceeds of the insurance carried pursuant to Article IX plus reserve account funds designated for the repair or replacement of capital improvements which have been damaged are sufficient to cover not less than 85 percent of the costs of repair and reconstruction, the improvements shall be promptly rebuilt unless, within 90 days from the date of destruction, owners then holding at least 75 percent of the total voting power of owners present and entitled to vote, in person or by proxy, at a duly constituted meeting or voting by written ballot, determine that repair and reconstruction shall not take place. If such a meeting is called, the Association shall solicit and obtain bids from at least two reputable contractors to repair and reconstruct the improvements in accordance with the original plans and shall present this information to the owners at the meeting. If repair and reconstruction is to take place the Association shall be required to execute, acknowledge, and record in the office of the County Recorder of the County not later than 120 days from the date of destruction, a certificate declaring the intention of the owners to rebuild.

Section 10.2 Destruction; Proceeds Less Than 85 Percent of Reconstruction Costs.

If the proceeds of insurance carried pursuant to Article IX plus reserve account funds designated for the repair or replacement of capital improvements which have been damaged are less than 85 percent of the costs of repair and reconstruction, the improvements shall be promptly rebuilt, unless within 90 days from the date of destruction, owners then holding at least 66-2/3 percent of the total voting power of owners present and entitled to vote, in person or by proxy, at a duly constituted meeting or by written ballot, determine that repair and reconstruction shall not take place. If such a meeting is called, the Association shall solicit and obtain bids from at least two reputable contractors to repair and reconstruct the improvements in accordance with the original plans and shall present this information to the owners at the meeting. If repair and reconstruction are to take place, the Association shall execute, acknowledge, and record in the office of the County Recorder of the County not later than 120 days from the date of destruction a certificate declaring the intention of the owners to rebuild.

Section 10.3 Apportionment of Assessments.

If the owners determine to rebuild, pursuant to sections 10.1 and 10.2, above, each owner shall be obligated to contribute proportionally, based on the square footage of the owner's Unit, to the cost of reconstruction or restoration over and above the available insurance proceeds. If any owner fails or refuses to pay his/her share, the Association may levy a special assessment against the Condominium of such owner, which may be enforced under the lien provisions contained in Article IV or in any other manner provided in this Declaration.

Section 10.4 Rebuilding Contract.

If the owners determine to rebuild, the Board or its authorized representative shall, after obtaining bids from at least two reputable contractors as required by the paragraphs above, award the repair and reconstruction work to the lowest bidder that otherwise meets the requirements set forth by the Board in soliciting bids. The Board shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and the insurance proceeds held by the trustee shall be disbursed to this contractor according to the terms of the contract. It shall be the obligation of the Association to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

Section 10.5 Rebuilding Not Authorized.

If the owners determine not to rebuild, then, subject to the rights of Mortgagees, any insurance proceeds then available for such rebuilding shall be distributed to each owner (of an uninhabitable damaged Unit which is not to be rebuilt) according to the relative fair market values of their Condominiums. The Board shall select an independent appraiser who shall be a member of the Society of Real Estate Appraisers (SREA) or other nationally recognized appraisers' organization and who shall determine such relative values in accordance with the standards of such organizations as of a date immediately prior to such destruction. The Association shall have the duty, within 120 days from the date of destruction, to execute, acknowledge, and record in the office of the County Recorder of the County, a certificate declaring the intention of the owners not to rebuild.

Section 10.6 Minor Repair and Reconstruction.

The Association shall have the duty to repair and reconstruct improvements, without the consent of owners and irrespective of the amount of available insurance proceeds, in all instances of partial destruction where the estimated cost of repair and reconstruction does not exceed \$20,000 in the case of Common Area improvements. The Association can levy a special assessment for the cost of repairing and reconstructing improvements to the extent insurance proceeds are unavailable,

such assessment to be levied as described in section 10.3, above, (but without the consent or approval of owners, despite any contrary provisions in this Declaration).

Section 10.7 Revival of Right to Partition.

On recordation of a certificate described in Section 10.5, above, the right of any owner to partition through legal action as described in Article 2.5 shall revive immediately. In addition, each owner, by accepting a deed to a condominium, grants to the Association an irrevocable power of attorney to sell the entire Project for the benefit of the owners, to terminate the Declaration, and to dissolve the Association. The net proceeds following sale of the Project and dissolution of the Association shall be distributed to the owners in the same manner that insurance proceeds are distributed under Section 10.5, above, with all owners sharing in said proceeds as set forth therein.

ARTICLE XI

CONDEMNATION

Section 11.1 Sale by Unanimous Consent.

If an action for condemnation of all or a portion of the Properties is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all the owners and after notice to all Mortgagees, the Properties, or a portion of it may be sold by the Board acting as irrevocable attorney-in-fact of all of the owners for a price deemed fair and equitable by the Board, but in no event less than the aggregate unpaid balance of all first mortgages encumbering condominiums within the Properties.

Section 11.2 Distribution of Proceeds of Sale.

If a sale occurs under section 1, and the agreement of sale does not by its terms apportion the sale proceeds among the owners and their respective mortgagees, the Board shall select an independent SREA appraiser who shall determine the relative fair market values of the condominiums affected by the sale, in accordance with SREA standards. The sale proceeds shall then be apportioned among the owners, and their respective mortgagees according to such relative values.

Section 11.3 Distribution of Condemnation Award.

If the Properties, or a portion of it, are not sold, but is instead taken, the judgment of condemnation shall by its terms apportion the award among the owners and their respective mortgagees.

Section 11.4 Appraisal if Condemnation Award Not Apportioned.

If the judgment of condemnation does not by its terms apportion the award among the owners and their respective mortgagees, the Board shall select an independent SREA appraiser who shall determine the relative fair market values of the condominiums affected by the condemnation, in accordance with SREA standards. The award shall then be apportioned among the owners, and their respective mortgagees, according to such relative values.

ARTICLE XII

GENERAL PROVISIONS

Section 12.1 Enforcement.

The Association, or any Owner, or the successor in interest of any Owner shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants, Association Bylaws and rules and regulations, reservations, liens and charges now or hereafter imposed by the provisions of this Restated Declaration or any amendment thereto, including the right to prevent the violation of any such restrictions, conditions, covenants or reservations, the right to recover damages or other dues for such violation; provided, however, that with respect to assessment liens, the Association shall have the exclusive right to the enforcement thereof. Failure to enforce any covenant, condition or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. Should the Association incur attorneys' fees in order to enforce the covenants, conditions and restrictions or the Association Bylaws or rules and regulations, it shall be entitled to recover such expenses from the responsible members.

Prior to the commencement of a civil action to enforce the Governing Documents, the party initiating the case shall comply with Civil Code Section 1354(b) by serving a Request for Resolution on the other party in accordance with this statute.

The Association and members' right of enforcement shall be subject to the provisions of Section 12.2 of this Declaration.

Section 12.2 Court Actions, Mediation, Arbitration.**Section 12.2.1 Court Action.**

Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of the Board.

Section 12.2.2 Mediation.

Before instituting any judicial action, arbitration, or other proceeding arising out of any Owner's or resident's failure or alleged failure to comply with any provision of Section 2.7, ("Delegation of Use"), Article VIII ("Architectural Control"), or Article VII ("Use

Restrictions"), the Association or Owner who desires to initiate such action ("Complaining Party") must make a good faith attempt to mediate the dispute.

Section 12.2.3 Arbitration.

If mediation is unsuccessful at resolving any failure or alleged failure to comply with any provision of Section 2.7 ("Delegation of Use"), Article VIII ("Architectural Control"), or Article VII ("Use Restrictions"), the dispute shall be submitted to, and conclusively determined by, binding arbitration in accordance with this subparagraph, provided, however, that the provisions of this subparagraph shall not preclude any party from seeking injunctive or other provisional or equitable relief in order to preserve the status quo of the parties pending resolution of the dispute, and the filing of an action seeking injunctive or other provisional relief shall not be construed as a waiver of that party's arbitration rights.

The arbitrator shall be selected and the arbitration conducted in accordance with the Commercial Arbitration rules of the American Arbitration Association.

The arbitrator's decision shall pertain, and shall be limited to the granting of damages not to exceed any party's actual out-of-pocket expenses and the costs of undertaking any repairs, maintenance, or reconstruction relating to the dispute, the award of any injunction or other equitable relief, and award of reasonable attorney's fees and costs to the prevailing party. In no event shall the arbitrator's award include any component for punitive or exemplary damages. Costs of the arbitration proceeding shall be borne as determined by the arbitrator.

Section 12.3 Severability.

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

Section 12.4 Term.

The covenants, conditions and restrictions of this Declaration shall run with and bind the Units, and shall inure to the benefit of and be enforceable by the Association or the owner of any Unit subject to this Restated Declaration, their respective legal representatives, heirs, successors, and assigns.

Section 12.5 Construction.

The provisions of this Restated Declaration shall be liberally construed to effectuate its purposes of creating a uniform plan for the maintenance of a residential community of common recreational facilities and common areas. Paragraph headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 12.6 Amendments.

This Restated Declaration of Covenants, Conditions and Restrictions may be amended by the affirmative assent or vote of 66-2/3% (sixty-six and two-thirds percent) of the Owners of Units in the Property. However, the percentage of voting power necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Any amendment must be certified in a writing executed and acknowledged by an authorized officer of the Association and recorded in the County Recorder's Office of the County of San Diego.

Section 12.7 Singular Includes Plural.

Whenever the context of this Restated Declaration requires same, the singular shall include the plural and the masculine shall include the feminine.

Section 12.8 Nonliability of Association for Water Damage.

The Association shall not be liable for damage to property in the project resulting from water which may leak or flow from outside of any Unit or from any part of the building, or from any pipe, drains, conduits, appliances or equipment, or from any other place or cause, unless caused by the gross negligence of the Association, its Board, officers, the manager or their staff.

Section 12.9 Notice of Breach

In the event of a breach of the Declaration, the Association may, but is not required as a prerequisite to pursuing enforcement, record with the County Recorder's Office a Notice of Breach. The Notice shall contain the name of the owner of the property, address and legal description along with a brief description of the breach making specific reference to that portion of the Declaration which is alleged to have been breached by the owner. The Notice shall specify additionally the actions necessary on the part of the owner to cure the breach. If the owner complies with the actions listed in the Notice of Breach, they will be entitled to have it immediately released by the Association. If the Association chooses to prepare and record a Notice of Breach, a copy shall be mailed to the owner at the time of recordation.

Section 12.10 Nuisance.

The result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 12.11 Waiver.

The failure of any owner, the Board of Directors, the Association, or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges, or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

IN WITNESS WHEREOF, CANYON WOODS HOMEOWNERS ASSOCIATION, by and through its Board of Directors, hereby certifies that this Restated Declaration of Covenants, Conditions and Restrictions was duly adopted.

CANYON WOODS MANAGEMENT CORPORATION

By: *Yvonne Wylve*
President

YVONNE WYLVE
[Name Printed]

By: *Norman E. Hejne Jr*
Secretary

NORMAN E HEJNE JR
[Name Printed]

ACKNOWLEDGMENT

State of California]
: s.s.
County of San Diego]

On 10/22/97, before me, Diane M. Asaro, a Notary Public in and for said County and State, personally appeared Norman E. Heyne Jr. personally known to me (or proved on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Diane M. Asaro

[Seal]



ACKNOWLEDGMENT

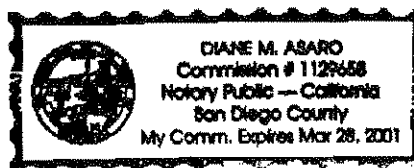
State of California]
: s.s.
County of San Diego]

On 10/22/97, before me, Diane M. Asaro, a Notary Public in and for said County and State, personally appeared Yvonne Wylie personally known to me (or proved on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

Diane M. Asaro

[Seal]



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APPENDIX A

APPENDIX A

California Code Sections Referenced in CC&Rs

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Civil Code § 2934*	Page 15
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Civil Code § 1365.9(b)	Page 35
Civil Code § 1354(b)	Page 42

**The text of these sections are not included in this Appendix. These sections were not included because they are technical in nature and not specific to homeowner associations only. The sections that were included in the Appendix are those that were enacted specifically for homeowner associations and do contain procedural requirements that all associations must follow.*

CIVIL CODE of CALIFORNIA, §783

§783. Condominium Defined.

A condominium is an estate in real property described in subdivision (f) of Section 1351. A condominium may, with respect to the duration of its enjoyment, be either (1) an estate of inheritance or perpetual estate, (2) an estate for life, (3) an estate for years, such as a leasehold or a subleasehold, or (4) any combination of the foregoing.

CIVIL CODE of CALIFORNIA, §1351

§1351. Definitions.

As used in this title, the following terms have the following meanings:

...

(e) "Condominium plan" means a plan consisting of (1) a description or survey map of a condominium project, which shall refer to or show monumentation on the ground, (2) a three-dimensional description of a condominium project, one or more dimensions of which may extend for an indefinite distance upwards or downwards, in sufficient detail to identify the common areas and each separate interest, and (3) a certificate consenting to the recordation of the condominium plan pursuant to this title signed and acknowledged by the record owner of fee title to that property included in the condominium project. In the case of a condominium project which will terminate upon the termination of an estate for years, the certificate shall be signed and acknowledged by all lessors and lessees of the estate for years and, in the case of a condominium project subject to a life estate, the certificate shall be signed and acknowledged by all life tenants and remainder interests. The certificate shall also be signed and acknowledged by either the trustee or the beneficiary of each recorded deed of trust, and the mortgagee of each recorded mortgage encumbering the property. Owners of mineral rights,

easements, rights-of-way, and other nonpossessory interests do not need to sign the condominium plan. A condominium plan may be amended or revoked by a subsequently acknowledged recorded instrument executed by all the persons whose signatures would be required to record a condominium plan pursuant to this subdivision.

CIVIL CODE of CALIFORNIA, §1351(k)

...
(k) "Planned development" means a development (other than a community apartment project, a condominium project, or a stock cooperative) having either or both of the following features:

(1) The common area is owned either by an the association or in common by the owners of the separate interests who possess appurtenant rights to the beneficial use and enjoyment of the common area.

(2) A power exists in the association to enforce an obligation of an owner of a separate interest with respect to the beneficial use and enjoyment of the common area by means of an assessment which may become a lien upon the separate interests in accordance with Section 1367.

CIVIL CODE of CALIFORNIA, §1354

§1354. Covenants and Restrictions in Declaration-Enforcement; Alternative Dispute Resolution; Filing of Civil Action.

...

(b) Unless the applicable time limitation for commencing the action would run within 120 days, prior to the filing of a civil action by either an association or an owner or a member of a common interest development solely for declaratory relief or injunctive relief, or for declaratory relief or injunctive relief in conjunction with a claim for monetary damages, other than association assessments, not in excess of five thousand dollars (\$5,000), related to the enforcement of the governing documents, the parties shall endeavor, as provided in this subdivision, to submit their dispute to a form of alternative dispute resolution such as mediation or arbitration. The form of alternative dispute resolution chosen may be binding or nonbinding at the option of the parties. Any party to such a dispute may initiate this process by serving on another party to the dispute a Request for Resolution. The Request for Resolution shall include (1) a brief description of the dispute between the parties, (2) a request for alternative dispute resolution, and (3) a notice that the party receiving the Request for Resolution is required to respond thereto within 30 days of receipt or it will be deemed rejected. Service of the Request for Resolution shall be in the same manner as prescribed for service in a small claims action as provided in Section 116.340 of the Code of Civil Procedure. Parties receiving a Request for Resolution shall have 30 days following service of the Request for Resolution to accept

or reject alternative dispute resolution and, if not accepted within the 30-day period by a party, shall be deemed rejected by that party. If alternative dispute resolution is accepted by the party upon whom the Request for Resolution is served, the alternative dispute resolution shall be completed within 90 days of receipt of the acceptance by the party initiating the Request for Resolution, unless extended by written stipulation signed by both parties. The costs of the alternative dispute resolution shall be borne by the parties.

CIVIL CODE of CALIFORNIA, §1355

§1355. Amendment of Declaration.

(a) The declaration may be amended pursuant to the governing documents or this title. Except as provided in Section 1356, an amendment is effective after (1) the approval of the percentage of owners required by the governing documents has been given, (2) that fact has been certified in a writing executed and acknowledged by the officer designated in the declaration or by the association for that purpose, or if no one is designated, by the president of the association, and (3) that writing has been recorded in each county in which a portion of the common interest development is located.

CIVIL CODE of CALIFORNIA, §1359

§1359. Common Areas in Condominium Projects-Restrictions on Partition Actions.

(a) Except as provided in this section, the common areas in a condominium project shall remain undivided, and there shall be no judicial partition thereof. Nothing in this section shall be deemed to prohibit partition of a cotenancy in a condominium.

(b) The owner of a separate interest in a condominium project may maintain a partition action as to the entire project as if the owners of all of the separate interests in the project were tenants in common in the entire project in the same proportion as their interests in the common areas. The court shall order partition under this subdivision only by sale of the entire condominium project and only upon a showing of one of the following:

(1) More than three years before the filing of the action, the condominium project was damaged or destroyed, so that a material part was rendered unfit for its prior use, and the condominium project has not been rebuilt or repaired substantially to its state prior to the damage or destruction.

(2) Three-fourths or more of the project is destroyed or substantially damaged and owners of separate interests holding in the aggregate more than a 50-percent interest in the common areas oppose repair or restoration of the project.

(3) The project has been in existence more than 50 years, is obsolete and uneconomic, and owners of separate interests holding in the aggregate more than a 50-percent interest in the common area oppose repair or restoration of the project.

(4) The conditions for such a sale, set forth in the declaration, have been met.

CIVIL CODE of CALIFORNIA, §1365(c)

§1365.5. Operating and Reserve Accounts.

(c) (1) The board of directors shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established.

(2) However, the board may authorize the temporary transfer of money from a reserve fund to the association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the board has made a written finding, recorded in the board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund. The transferred funds shall be restored to the reserve fund within [1] one year of the date of the initial transfer, except that the board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the common interest development, temporarily delay the restoration [2]. The board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits required by this section. This special assessment is [3] subject to the limitation imposed by Section 1366, unless the special assessment is to pay for legal costs associated with litigation involving the repair, restoration, replacement, or maintenance of, major components which the association is obligated to repair, restore, replace, or maintain. The board may, at its discretion, extend the date the payment on the special assessment is due. Any extension shall not

prevent the board from pursuing any legal remedy to enforce the collection of an unpaid special assessment.

of more than 100 separate interests.

CIVIL CODE of CALIFORNIA, §1365.9(a) & (b)

§1365.9. Tort Action Against Owner in Common Interest Development; Insurance Requirements.

Any cause of action in tort against any person arising solely by reason of an ownership interest in the common area of a common interest development shall be brought against the association and not against the individual owners of the separate interests, as defined in subdivision (L) of Section 1351, provided that all of the following insurance requirements are met:

(a) The association maintained and had in effect at the time the alleged act or omission occurred and at the time a claim is made, one or more policies of insurance which include coverage for (1) general liability of the association and (2) individual liability of officers and directors of the association for negligent acts or omissions of those persons acting in their capacity as officers and directors.

(b) Both types of coverage described in paragraphs (1) and (2) of subdivision (a) are in the following minimum amounts:

(1) At least two million dollars (\$2,000,000) per occurrence if the common interest development consists of 100 or fewer separate interests.

(2) At least three million dollars (\$3,000,000) per occurrence if the common interest development consists