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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS

OF

CLJ GARDENS

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF

CLJ GARDENS

This Declaration is made this 24th day of March, 1994, by CAPE LA JOLLA GARDENS, INC., a California corporation (hereinafter called "Declarant").

A. Declarant is the owner of all that certain real property located in the City of San Diego, County of San Diego, State of California, described as:

Lot 1 of Parcel Map 17235 in the City of San Diego, County of San Diego, State of California filed in the Office of the County Recorder of San Diego County, California, on October 21, 1993; and

B. Said real property is to be divided into twenty-four (24) condominiums which are depicted on the Condominium Plan recorded, or to be recorded, in the Official Records of the County of San Diego, State of California, as the same may be amended or superseded from time to time; and

C. Declarant is also the owner of the real property described in Exhibit A hereto upon which Declarant intends to construct condominium units in seven (7) additional phases and annex the same into this condominium project. If all phases are completed, the Project will contain one hundred sixty-eight (168) Units.

D. An owner of a condominium in the Project will receive fee simple title to his condominium, an undivided interest in the common area of his phase of the Project and certain exclusive use easements.

E. The Project, if fully completed will contain twenty-eight (28) buildings of Cape Cod architectural style. Each building will contain six (6) condominium units and the condominium units will vary in size from approximately 1,200 sq. ft. to 1,900 sq. ft. The initial phase of the Project will also contain amenities consisting of a pool, spa, recreation room, walkways and green belt areas. Each condominium shall have appurtenant to it a membership in the CLJ Gardens Homeowners Association, a California non-profit mutual benefit corporation.

This condominium project will be a Common Interest Development in accordance with California Civil Code Section 1353(a).

The development of the condominium project will be consistent with the overall development plan submitted to the Department of Veterans Affairs and/or the Federal Housing Administration ("FHA").

F. It is the desire and intention of Declarant to subdivide and sell the property described above and to impose on it mutual beneficial restrictions under a general plan or scheme of improvement for the benefit of all the units in the Project and common area and the owners thereof and to create a certain type or method of co-operative ownership commonly known as a "condominium", and to subject the said property to the provisions of the applicable laws of the State of California pertaining to condominiums and other applicable conditions and statutes of the State of California,

NOW, THEREFORE, Declarant hereby declares that all of the real property described above and all improvements thereon, and such additions as may hereafter be made pursuant to the provisions of Article XXX, is and shall be held, transferred, sold, conveyed, hypothecated, encumbered, leased, rented, used, occupied, maintained, altered and improved subject to the following protective limitations, restrictions, covenants, conditions, reservations, liens and charges and equitable servitudes in accordance with California Civil Code Section 1354, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of said real property, and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property, and every part thereof. All of said limitations, covenants, conditions, restrictions, reservations, liens and charges and equitable servitudes shall run with the real property and shall be binding on all parties having or acquiring any right, title, or interest in the described real property, or any part hereof, whether as sole owners, joint owners, lessees, tenants, occupants, or otherwise, and they shall inure to the benefit of every portion of said property, and shall be for the benefit of each owner of any portion of said real property, or any interest therein, and shall inure to the benefit of and be binding upon each successor in interest of Declarant and each owner, and may be enforced by Declarant, by any successor in interest to Declarant, or any owner, or by the Board of Directors hereinafter described.

ARTICLE I

Definitions

Certain terms as used in this Declaration shall be defined as follows, unless the context clearly indicates a different meaning therefor:

Section 1. Annexed Property. All or any portion of that certain real property described in Article XXX which may hereafter be made a part of this Project.

Section 2. Articles: The Association's Articles of Incorporation as the same may be amended from time to time.

Section 3. Association: CLJ Gardens Homeowners Association, a California Non-Profit Mutual Benefit Corporation, its successors and assigns, the Members of which shall be all of the several Unit Owners. Each Unit Owner shall automatically become and shall be required to be a Member of the Association, whose membership shall include and be limited to each of the Unit Owners of the Project.

Section 4. Board of Directors: The Board of Directors of the Association.

Section 5. By-Laws: The Association's By-Laws as the same may be amended from time to time.

Section 6. Common Area: The term "Common Area" shall mean and refer to the entire common interest development, except the separate interests shown on the Condominium Plan.

The individual Unit Owners shall have an undivided 1/24th interest in and to the Common Area of Lot 1 of Parcel Map 17235 and the Association shall be responsible for the management and maintenance of the Common Area.

Section 7. Condominium. The term "Condominium" shall mean and refer to an estate in the real property described herein, as defined in Civil Code Section 1351(f) and shall consist of an undivided interest as tenant-in-common in a portion of the real property coupled with a separate interest in space called a Unit, the boundaries of which are described on the Condominium Plan.

Section 8. Condominium Plan: The term "Condominium Plan" shall mean a Plan consisting of (1) a description or survey map of the Condominium Project which shall refer to or show

monumentation on the ground, (2) a three dimensional description of the Condominium Project, one or more dimensions which may extend for an indefinite distance upwards or downwards with sufficient detail to identify the Common Areas in each separate interest, and (3) a certificate consenting to the recordation of the Condominium Plan pursuant to the Davis-Stirling Common Interest Development Act and acknowledged by the record owner of fee title to the property included in the Condominium Project. This certificate shall also be signed and acknowledged by the Trustee or beneficiary of each recorded deed of trust and the Mortgagee of each recorded mortgage encumbering the property.

Section 9. Declarant: CAPE LA JOLLA GARDENS, INC., a California corporation and its successors and assigns.

Section 10. Declaration: This Declaration, as the same may be amended from time to time, and recorded within the office of the County Recorder of the State of California where the Project is located.

Section 11. Eligible Insurer or Guarantor: A guarantor or insurer of any first mortgage or deed of trust on a Unit, who has provided a written request to the Association, to be notified of any proposed amendment or action described in Article XXII hereof.

Section 12. Eligible Mortgage Holder: The holder of a first mortgage or deed of trust on a Unit who has provided a written request to the Association to be notified of any proposed amendment or action described in Article XXII hereof.

Section 13. Exclusive Use Common Area: The term "Exclusive Use Common Area" shall mean and refer to those portions of the Common Area which are designated by the Declaration for the exclusive use of one (1) or more but fewer than all the Owners of the separate interest in accordance with Civil Code Section 1351(i). The Exclusive Use Common Area and Units, the Owners of which shall be entitled to the exclusive use thereof, are identified on the Condominium Plan.

As used herein, the term "Common Area" shall be deemed to include Exclusive Use Common Area unless otherwise specifically provided.

Section 14. Manager: The managing agent, if any, whether individual or corporate, retained by Declarant, or by the Board, on contract, and charged with the maintenance and upkeep of the Project.

Section 15. Member: Every person and entity who holds membership in the Association. Ownership of a condominium in the Project shall be the sole qualification for membership in the Association. All memberships in the Association are hereby specifically made appurtenant to the condominiums, and memberships shall be effective immediately upon the recording of the grant deed transferring the condominium ownership. Membership may not be separated from the ownership of any condominium. Until such time as Declarant sells all of said condominiums owned by it, Declarant shall remain a condominium owner as to the condominiums owned by it, and shall be a Member of said Association.

Section 16. Mortgage - Mortgagee - Mortgagor and Institutional Holder: An institutional holder is a Mortgagee which is a bank or a savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

Reference in this Declaration to a mortgage shall be deemed to include a deed of trust; reference to a Mortgagee shall be deemed to include the beneficiary of a deed of trust; reference to a Mortgagor shall be deemed to include a trustor of a deed of trust.

Section 17. Project and Property: The entire parcel of real property hereinabove described, including all structures thereon, together with the real property which may be annexed pursuant to the provisions of Article XXX, divided or to be divided into condominiums.

Section 18. Unit: The term "Unit" shall mean a separate interest in space as defined in Civil Code Sections 1351(f). Each of the Units shall be a separate freehold estate as separately shown, numbered and designated on the Condominium Plan. A Unit consists of all those separate interests in space shown and identified on the Condominium Plan as being part of such Unit.

Section 19. Unit Owner or Owner: Each person and entity or persons and entities, if more than one, holding record ownership interest in a condominium, including contract vendees and including Declarant so long as any condominium remains unsold.

The term "Owner" shall not include persons or entities who hold an interest in a condominium merely as security for the performance of an obligation.

Section 20. Department of Veterans Affairs. VA shall mean and refer to the U. S. Department of Veterans Affairs.

ARTICLE II

Description of Land and Improvements

The property subject to the covenants, conditions and restrictions herein contained is located in the City and County of San Diego, State of California. The Units in the first phase are more particularly designated as Units U1 through U24, inclusive, according to the Condominium Plan recorded or to be recorded in the Office of the County Recorder of said county as the same may be amended or superseded from time to time (and is hereinafter referred to as said Condominium Plan). Any grant deeds conveying any interest in the Project to individual purchasers of condominiums shall expressly refer to and incorporate this Declaration therein by reference. Whether or not a reference to this Declaration is made in any individual deed, each purchaser of a condominium, part or portion thereof, shall by acceptance of a deed or other conveyance for such condominium, part or portion thereof, thereby be conclusively deemed to have consented to and agreed to all of the covenants, conditions and restrictions contained herein for himself and his heirs, executors, administrators and assigns and does by said acceptance covenant for himself and his heirs, executors, administrators and assigns to observe, perform and be bound by the same.

ARTICLE III

Board of Directors

Section 1. Number and Term. The management of the Project and the Association shall be governed by a Board of Directors consisting of seven (7) persons, all of whom shall be appointed by Declarant until the first meeting of the Owners. Directors need not be Owners of condominiums in the Project until conversion of Class B membership to Class A, after which time all Directors must be Owners of condominiums in the Project, or the nominee of any corporate or partnership Unit Owner.

The number of members of the Board and their term of office may be changed by an amendment to the By-Laws of the Association.

Section 2. Cumulative Voting. The Voting Owners shall vote for the election of the Board. Each Owner shall be entitled to cumulate his votes for one or more candidates to the

Board of Directors if the candidate's name or candidates' names have been placed in nomination prior to the voting and if the Owner has given notice at the meeting prior to the voting of his intention to cumulate his votes. If any one Owner has given such notice all members may cumulate their votes for the candidates in nomination. The candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be deemed elected. All voting at elections shall be by secret ballot.

Section 3. Removal of Directors. The entire Board of Directors or any individual Director may be removed by a vote of the Voting Owners holding a majority of the voting power entitled to vote at any election of Directors. Unless the entire Board of Directors is removed from office, no individual Director shall be removed prior to the expiration of his term of office if the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Board of Directors were then being elected. If any Director is removed in the manner authorized above, a new Director may be elected at the same meeting.

Section 4. Majority of Voting Power in Declarant. Notwithstanding anything to the contrary contained herein or in the By-Laws or in the Articles of Incorporation: (a) from the first election of the Board of Directors and thereafter for so long as a majority of the voting power of the Association resides in Declarant, or so long as there are two classes of membership in the Association, twenty percent (20%) but not less than one (1) of the incumbents on the Board of Directors shall be elected solely by the votes of Owners other than Declarant; and (b) a Director who has been elected to office solely by the votes of Owners other than Declarant may be removed from office prior to the expiration of his term solely by the vote of a majority of the voting power residing in Owners other than Declarant.

ARTICLE IV

Voting Rights

Section 1. Voting Classes. The Association shall have two classes of voting membership according to the following provisions:

Class A. Each Owner of a Unit other than Declarant shall be a Class A member and shall be entitled to one vote for each Unit owned.

Class B. Declarant shall be a Class B member. Class B membership entitles the holder to three (3) votes for each Unit owned. Class B membership shall be irreversibly converted to Class A membership on the first to occur of the following:

A. Two (2) years from the date of the first conveyance of a condominium in the most recent phase of the Project.

B. Four (4) years from the date of the first conveyance of a condominium in issuance of the original Subdivision Public Report for the first phase of the Project.

Section 2. Commencement of Voting Rights. Upon the first conveyance by Declarant of a condominium to a Unit Owner, the Association shall assume control of the phases then within the Project and commence to perform its obligations hereunder. Voting rights shall commence for each condominium within each phase of the Project at such time as a Unit has been conveyed in such phase; provided, however, that assessments have been levied against that condominium by the Association in accordance with the provisions hereof. Notwithstanding the foregoing, if assessments are deferred pursuant to a subsidy agreement or a maintenance agreement to be entered into between the Declarant and the Association, the same shall not prevent the commencement of voting rights. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles and By-Laws and any rules and regulations governing the Project.

Any provision in the governing instruments calling for membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of Declarant under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Except with respect to the action to enforce the obligations of Declarant under any completion bond, any requirement in the governing instruments that the vote of Declarant shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B members to Class A members, and the same shall be read as requiring the prescribed

percentage of the Class A members and the prescribed percentage of the Class A members other than Declarant.

Section 3. Joint Owner Disputes. Each Unit Owner shall designate one Voting Owner. There shall be only one Voting Owner for each condominium. The Voting Owner shall be designated by the record Owner or Owners of each condominium, by written notice to the Association, or the Manager. Said designation of a Voting Owner of a condominium shall be revocable at any time by actual notice to the Association or the Manager, of the death or judicially declared incompetence of any record Unit Owner, or by written instrument delivered to the Manager by any record Owner. Where no designation is made or where a designation has been made but is revoked and no new designation made, the Voting Owner of each condominium shall be the group composed of its record owners. If the joint Owners are unable to agree as to how their vote shall be cast, they shall forfeit the vote on the matter in question. If any Owner exercises the voting rights of a particular condominium, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same condominium. If more than one (1) person exercises the voting rights for a particular condominium, their votes shall not be counted and shall be deemed void. Declarant shall be the Voting Owner with respect to any condominium owned by it from time to time.

ARTICLE V

Management and Administration

Section 1. Administration of Project. The management and administration of the Project shall be in accordance with this Declaration, the Articles of Incorporation, the By-Laws of the Association and any rules and regulations governing the Project as the same may be amended from time to time.

Section 2. First Meeting of Owners The first organization meeting of the Unit Owners shall be held within forty-five (45) days after consummation of the sale of the condominium in the Project which represents the 51st percentile of all condominiums under the first public report for the Project, provided that the first public report authorizes the sale of fifty condominiums or more in the Project. However, regardless of the number of Units, in no event shall the first meeting be held later than six (6) months from the transfer and conveyance of the first condominium in the Project without regard to the number of condominiums authorized for sale in the first public report. Thereafter, annual meetings of such Owners shall be held in accordance with the By-Laws of the Association.

Section 3. Authority of Board. After the sale of the first Unit in the Project and prior to the first meeting of Members, and thereafter until their successors are elected, the initial Board elected by Declarant, or their duly appointed successors, shall manage the affairs of the Association and the obligations and debts incurred in connection therewith shall be those of the Association. The Board of Directors as constituted from time to time, shall at all times be responsible for the day to day operation and management of the affairs of the Association, the maintenance, repair and replacement of the Common Area and all facilities and equipment located thereon and shall have the sole power and duty to perform and carry out the powers and duties of the Association as set forth in this Declaration and the By-Laws, together with the powers and duties otherwise expressly delegated to the Board by this Declaration or the By-Laws, except for action or activity expressly set forth herein or in the By-Laws, the Articles or the California Corporations Code as requiring the vote or assent of the Members of the Association or a given percentage thereof. Without limiting the generality of the foregoing, the Board shall have the following powers and duties:

A. Employ the services of personnel necessary to operate and maintain the Project, fix and pay their compensation, and oversee and control such management and otherwise delegate its powers to committees, officers and/or employees.

B. Contract and pay for such labor and materials as may be reasonably required to maintain the Common Area and the buildings, to provide lateral support therefor and prevent and correct erosion thereof.

C. Acquire and maintain and pay for any required services such as: water, sewer, refuse collection, electrical, telephone and gas, and other necessary utility services for the Common Area and (if not separately metered or charged) for the Units, as well as maintenance and gardening service for the Common Areas and Units.

D. Enforce the applicable provisions of the Declaration, By-Laws and other instruments for the management and control of the Project. The Board shall have the right to adopt reasonable rules and to amend the same from time to time, relating to the use of the Common Area and any recreational and other facilities situated thereon, by Owners and their tenants or guests, and conduct of such persons with respect to automobile parking, storage of boats, trailers, bicycles, and other objects, disposal of waste materials, drying of laundry, control of pets,

exterior dealings with buildings and other activities, which if not so regulated, might detract from the appearance of the community or which otherwise would detract from the overall aesthetics of the Project or offend or cause inconvenience or danger to persons residing or visiting therein. Such rules may provide that the Owner whose occupants leave property on the Common Area in violation of the rules, or who otherwise violate the rules in any manner may be assessed to cover the expense incurred by the Board, in removing such property and storing or disposing thereof or may be fined for violation of the rules after a hearing upon notice and a two-thirds (2/3) approval of the Board. The Board may provide in such rules for reasonable rental charges to be made with respect to the use of any storage areas or facilities which may exist upon the Common Area, provided that such charge shall in no way, impose liability upon the Board or any of its members for damages or loss to property so stored, it being intended that the use of any such storage area or facility be solely at the risk of the person using the same. A copy of such rules and all amendments thereto, shall be mailed to each Owner and a copy shall be maintained by the Board and available for inspection.

E. Pay all taxes, charges and assessments levied or which could become a lien against the Common Area (except for charges levied solely against a Unit Owner and/or the undivided interest of a Unit Owner, which charges shall be paid by such Owner).

F. Use, in the discretion of the Board, the funds paid by Unit Owners as maintenance charges, as hereinafter more fully provided.

G. Provide financial statements of the Association to Unit Owners as provided in the By-Laws of the Association.

H. Enter any living area, patio, balcony, parking, or any portion of the Common Area or Exclusive Use Common Area, if any, when necessary, in connection with any maintenance or construction for which the Board is responsible therein subject to the conditions set forth in Article XV.

I. Contract and pay for fire, casualty, liability and other insurance on behalf of the Association as hereinafter provided.

J. Hire and pay for legal and accounting services necessary or proper in the operation of the Project or

enforcement of these restrictions, the By-Laws, Articles and any rules and regulations governing the Project.

K. Except as herein otherwise provided, and in accordance with the recommendations contained in the CLJ Gardens Homeowners Association Common Area Maintenance Manual and the CLJ Gardens Landscape Maintenance Manual prepared by Declarant, paint, maintain, repair, landscape, keep in good condition and repair the Common Area and equipment and improvements thereon, including all appurtenant exclusive easements forming a part of any condominium, exterior walls, patios, balconies, roof, and all facilities, improvements and landscaping therein (except landscaping in an Owner's enclosed patio which shall be the Owner's obligation) and acquire and maintain such furnishings and equipment for the Common Area as the Board shall determine are necessary and proper. The Board shall exercise such authority and perform such duties on behalf of the Owners with a view toward preserving the attractiveness of the Project as a whole and maintaining, insofar as may be practicable, the structural style and the color scheme established by Declarant. It is further understood that each Unit Owner shall have the primary obligation to paint, maintain and repair the interior of his Unit subject to the restrictions and provisions provided for herein, but if he fails to do so, the Association may, but shall not be required to, effect the repair or maintenance thereof and charge the costs thereof to the defaulting Unit Owner; provided, however, that the Association may not effect such repair or maintenance unless the Board shall first give notice of such intent to the Unit Owner and the Unit Owner shall have an opportunity for hearing before the Board and the Board shall approve the proposed repair or maintenance by a two-thirds (2/3) vote. Except for any damage caused by a Unit Owner or members of his family, his tenants, guests, or invitees, no Unit Owner shall have any obligation with respect to maintenance and repair of any portion of the Common Area.

L. Provide, acquire and pay for any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments which the Board may be required to secure to pay for pursuant to the terms of these restrictions, or By-Laws, or which the Board in its opinion shall deem necessary, proper, or convenient for the operation of the Project, provided that if any such materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments are provided for a single Unit or only several but not all Units, the cost thereof shall be specifically assessed to the Owner or Owners of such Units.

M. Pay any amount necessary to discharge any lien or encumbrance levied against the Project, or any part thereof, which may, in the opinion of the Board, constitute a lien against the Property or against the Common Area, rather than merely against the interests therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it.

N. Until such time as property taxes are separately assessed to each individual Unit Owner, the Board may pay such property taxes singly assessed against the Project as a whole and collect the same from each Unit Owner prorata based on the undivided interest owned by each Unit Owner in the Common Area.

O. Comply with all applicable laws and orders and directives of any lawful authority.

P. The Board and Declarant are hereby precluded from taking any of the following actions except with the vote or written assent of a majority of the voting power of the Association residing in Members other than Declarant:

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

(a) A management contract, the terms of which have been approved by the Federal Housing Administration or the U.S. Department of Veterans Affairs.

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

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

(d) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an

entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(e) Agreements for cable television services and equipment or satellite dish television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(f) Agreements for sale or lease of burglar alarm and fire alarm equipment, installation and services of not to exceed five (5) years duration provided that the supplier or suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent (10%), or more.

(g) Such other contracts which may from time to time be permitted by the regulations of the Real Estate Commissioner of the State of California.

Notwithstanding the foregoing, any agreement for professional management of the Project, or any other contract providing for services by the Declarant, Sponsor or Builder, may not exceed three (3) years and must provide for termination by either party, without cause, and without payment of a termination fee on thirty (30) days, or less, written notice.

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

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

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

Q. The Board shall have the right to and shall receive complaints and hold hearings concerning violations of this Declaration, the By-Laws and/or other rules and.

regulations governing the management and control of the Association and the Project. The Board shall have the right to suspend the voting rights and right to use of the recreation facilities of a Unit Owner for any period during which any assessment against his interest in the Project remains unpaid and delinquent. The Board may also impose monetary penalties and/or suspend the voting rights and right to use of the recreational facilities for any other infraction of this Declaration or the By-Laws or the rules and regulations of the Association. All procedures for notice and hearing to the accused Owner pursuant to this Paragraph Q shall be as set forth in the By-Laws of the Association. A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the Declaration, or By-Laws, or Rules and Regulations of the Association or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage of Common Areas and facilities for which the member was allegedly responsible, or in bringing the member and his interest in the Project into compliance with the aforescribed governing instruments, may not be characterized nor treated as an assessment which may become a lien against the member's interest in the Project enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the Civil Code.

R. The Association shall have the power to grant and convey to any third party permits, licenses, easements and rights of way in, on, over or under the Common Area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project, and each purchaser, in accepting a deed to a condominium, expressly consents to the granting of the same. However, no such easements can be granted if it would interfere with the use, occupancy or enjoyment by any Owner of his condominium, any exclusive use easements over any Common Area appurtenant to the condominium, or any recreational facilities of the Project.

S. The Board shall, within ten (10) days of the mailing or delivery of a written request by an Owner, prospective purchaser of a condominium, any first mortgagee or the holders, insurers or guarantors of a first mortgage on any condominium provide such requesting party with a copy of this Declaration and the Association's By-Laws, Articles, rules and

regulations and all other books, records and financial statements of the Association. The Board shall also make available to a requesting party a true statement in writing as to the amount of any delinquent assessments, penalties, attorneys fees and other charges due and owing from the Owner in connection with his Unit as of the date of the request. The Board may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

T. Borrow and to incur indebtedness for the benefit of the Association and to cause execution and delivery in the Association's name of promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, or other evidence of indebtedness or security therefor.

U. Permit utility suppliers to use portions of the Common Area reasonably necessary for the on-going development and operation of the Project.

V. Contract and pay for fire, casualty, liability and other insurance on behalf of the Association as hereinafter provided.

Section 4. Personal Liability. No Member of the Board or of any committee of the Association, or any officer of the Association, or the Declarant, or the Manager, if any, shall be personally liable to any Owner, or to 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 the Association, the Board, the Manager or any other representative or employee of the Association, the Declarant, or the Architectural Committee, if any, or any other committee, or any officer of the Association, or the Declarant, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, and without willful or intentional misconduct.

Section 5. Indemnification for Performance of Duties. Every Member of the Board of Directors, officer and Member of the Association shall be indemnified by the Association against all reasonable costs, expenses, judgments, fines, settlements and liabilities (including attorneys fees) actually or necessarily incurred by, or imposed upon him, in connection with any claim, action, suit, proceedings, investigation or inquiry, of whatever nature, in which he may be involved as a party, or otherwise, by reason of his having been an officer or member of the Association, or the Board of Directors whether or not he continues to be such Director, officer, or Member of the

Association at the time of the incurring or imposition of such costs, expenses, or liabilities, except in relation to matters as to which he shall finally be adjudged in such action, suit, proceeding, investigation, or inquiry to be liable for willful misconduct or gross negligence toward the Association in the performance of his duties, or in the absence of such final adjudication, any determination of such liability by the opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition to and not in limitation of, all rights to which such persons may be entitled as a matter of law and shall inure to the benefit of the legal representatives of such persons.

In the event the Association is required to pay any such costs, expenses, or liabilities, the Association shall be entitled to assess all Unit Owners for the amount so expended in the manner hereinafter provided for special assessments and such assessments need not be first approved by the vote of the Owners.

Section 6. Certificate of Board of Directors. Any certificate executed by any three (3) members of the Board shall be conclusive proof of all matters contained in the certificate as to any act or non-act of the Association and/or the Board, or any of their respective committees or agents, or as to the performance or non-performance of any act of any Unit Owner, or non-payment or payment of any dues, fees, charges, assessments, interest, costs, or penalties, or as to any matters contained in the records of the Association or said Board. A reasonable charge may be imposed by the Board of Directors for the issuance of each Certificate.

Section 7. Association Rules and Regulations. The Board shall also have the power to adopt, amend and repeal Rules and Regulations, as it deems reasonable, which shall govern matters in furtherance of the purposes of the Association, including without limitation, the use of the Common Area, signs, parking restrictions and enforcement, trash collection, minimum standards for maintenance of Units consistent with such standards as may be set forth in this Declaration or adopted by the Architectural Committee, and any other matter which is within the jurisdiction of the Association; provided, however, that the Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Declaration, the Articles or By-Laws. A copy of the Rules and Regulations as they may, from time to time, be adopted, amended or repealed, or a notice setting forth the adoption, amendment or repeal of specific portions of the Rules and Regulations, shall be delivered to each Owner. The Rules and Regulations shall have the same force and

effect as if they were set forth in and were part of this Declaration, and shall be binding on the Owners and their successors in interest, whether or not actually received thereby. The Rules and Regulations, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner upon request. In the event of any conflict between any such Rules and Regulations and any other provisions of this Declaration, or the Articles or By-Laws, the provisions of the Rules and Regulations shall be deemed to be superseded.

Section 8. Common Area.

The Association's responsibility to maintain the Common Area shall commence concurrently with the commencement of Regular Monthly Assessments subject to the terms and provisions of any subsidy or maintenance agreement which may have been entered into by and between Declarant and the Association. Notwithstanding the foregoing, the contractors or subcontractors of Declarant may be contractually obligated to maintain the landscaping or other improvements on the Common Area for a specified period of time. The Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. Maintenance performed by such contractors or subcontractors of Declarant shall not serve to postpone the commencement of Regular Monthly Assessments pursuant to this Declaration, nor entitle an Owner to claim any offset or reduction in the amount of such Regular Monthly Assessments.

Declarant has prepared and will distribute to each Owner and to the Board of Directors of the Association two manuals containing recommendations for the maintenance of the Common Area, which Declarant believes will result in the prolongation of the life of the Common Area elements and a savings of costs to the Association.

ARTICLE VI

Maintenance Assessments and Capital Contributions

Section 1. Creation of Lien and Personal Obligation of Owners. Declarant, for each condominium owned by it within the Project, hereby covenants, and each Owner of any condominium within the Project, by acceptance of a deed therefor, is deemed to covenant and agree to pay to the Association: (1) Regular Monthly Assessments or charges which shall include an amount necessary to establish an adequate reserve fund for maintenance, repairs and replacement of Common Area improvements; and (2) Special Assessments for capital improvements and emergencies;

such assessments to be fixed, established and collected from time to time, as hereinafter provided. Each such assessment (and all other assessments levied in accordance with this Declaration), together with late charges, interest, costs, penalties and reasonable attorneys fees, as provided for by this Declaration, shall be the joint and several personal obligation of each person who was an Owner of such condominium at the time the assessment fell due. The personal obligations for delinquent assessments shall not pass to an Owner's successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the members of the Association and, in particular, for the improvement, maintenance and repair of the Project in a first class condition related to the use and enjoyment of the Common Area including any recreational facilities located thereon, and to the extent provided for herein, of the condominiums situated in the Project. The Association shall not impose or collect an assessment, penalty, or fee that exceeds the amount necessary for the purpose or purposes for which it is levied.

Section 3. Regular Monthly Assessments. Until January 1st of the year immediately following the conveyance of the first Condominium to an Owner, the maximum annual assessment shall be as set forth in the initial Final Subdivision Public Report issued by the California Department of Real Estate. Regular Monthly Assessments shall commence for all Units within each phase of the Project, including those owned by Declarant, commencing on the date of the first conveyance of an interest in the common areas of each phase of the Project pursuant to authority of a Public Report issued by the California Department of Real Estate and, thereafter, shall be due and payable in advance on the first day of each month, without notice.

Section 4. Change of Regular Monthly Assessments and Special Assessments. The Board of Directors of the Association may not impose, except as provided in this Section, a regular annual assessment against an Owner's Unit that is more than twenty percent (20%) greater than the regular annual assessment for the Association's preceding fiscal year or impose special assessments against an Owner's Unit which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, except as hereinafter provided in Section 9 of this Article VI, or unless the Board has complied with Subdivision (a) of Section 1365 of the Civil Code with respect to that fiscal year, or has obtained the approval of Owners, constituting a quorum, casting a majority of the votes at

a meeting or election of the Association conducted in accordance with the provisions of Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. For purposes of this Section, a quorum is defined as more than fifty percent (50%) of the Owners in the Association, including the Declarant.

The provisions of this Section do 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 Project or any part of it for which the Association is responsible where a threat to personal safety on the Project is discovered.

(3) An extraordinary expense necessary to repair or maintain the Project or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual proforma operating budget required by the By-Laws of the Association. However, prior to the imposition or collection of an assessment under this Section, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Owners with the notice of assessment.

In the event the amount budgeted to meet common expenses for any current year proves to be excessive in light of the actual common expenses, the Board in its discretion may either reduce the amount of the Regular Monthly Assessment or may abate collection of such assessment as it deems appropriate; provided, however, that the assessments may not be decreased by more than ten percent (10%) in any one year without the approval of a majority of the voting power of the Association residing in Members other than Declarant, or where the two class voting structure is still in effect, a majority of each class of Members. All Regular Monthly Assessments shall continue in effect until the end of the fiscal year during which they become effective and for each fiscal year thereafter unless increased or decreased in accordance with this Declaration.

Section 5. Special Assessments.

A. Special Assessments shall commence as to all Units, including those owned by Declarant, commencing on the date Regular Monthly Assessments commence.

B. Special Assessments shall be due and payable in full thirty (30) days after appropriate notice thereof has been given to the Owners unless otherwise provided by the Board.

Section 6. Rate of Assessments.

A. Regular Monthly Assessments shall be paid by the Owners in accordance with Exhibit "A" hereto.

B. Special Assessments shall be assessed to Unit Owners equally except as follows:

(1) Special Assessments to raise funds for the rebuilding or major repair of structural portions of the Common Area shall be assessed on the ratio of the square footage of the floor area of the Unit to be assessed to the square footage of the floor area of all Units to be assessed.

(2) The Board shall have the right after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code as provided in the By-Laws, to establish a Special Assessment on a single Unit Owner or group of Unit Owners, if the same be required to secure or satisfy any breach of this Declaration, the Articles, By-Laws or rules and regulations of the Association, by said Unit Owner or Owners, which breach shall require or has required an expenditure by the Board for repair or remedy, including but not limited to, the violation of, or failure of such Unit Owner to comply with any applicable laws or directives of any lawful authority.

Section 7. Notice of Change in Assessments. The Board of Directors shall provide notice by first class mail to the Owners of a Unit of any increase in the regular or special assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

Section 8. Bank Accounts. Assessment charges so collected shall be promptly deposited in a bank or savings account, in a bank or savings and loan association to be selected by the Board, which account or accounts shall be under the name

of the Association. The Board, and any officer of the Association or other person or firm designated by the Board, shall have exclusive control of said account or accounts, and shall be responsible to the Owners for the maintenance of accurate records thereof at all times. No withdrawal shall be made from any of said accounts except to pay for the charges and expenses or otherwise provide for the common benefit of all Owners.

The Board shall establish two (2) separate accounts into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. Each of the accounts shall be established as a separate savings or checking account at a bank or savings institution. The accounts shall include: (i) an operating fund for current common expenses of the Association, and (ii) a fund for reserves for capital improvements, replacements, painting and repair of the Common Areas (which cannot normally be expected to occur on an annual basis). The Board shall not commingle any amounts deposited into either of the above accounts with one another. Nothing contained herein shall limit, preclude, or impair the establishment of additional maintenance funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such fund are earmarked for specified purposes authorized by this Declaration.

Section 9. Expenditure of Reserve Funds. The Board 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. 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. The transferred funds shall be restored to the reserve fund within three (3) years of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a delay would be in the best interests of the Project, delay the restoration until the time which the Board reasonably determines to be necessary. 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 not subject to the limitation imposed by Section 4 of this Article VI.

Section 10. No Offsets. All assessments shall be payable in the amount specified in the notice of assessment and no offsets against such amount shall be permitted for any reason.

Section 11. Capital Contributions. Upon acquisition of record title to a Condominium from Declarant, each Owner (excluding Declarant) of a Unit in the first phase of the Project shall contribute to the capital of the Association an amount equal to one-sixth (1/6) the amount of the then annual assessment for that Condominium.

Section 12. Maintenance and/or Subsidy Agreement. In the event that Declarant has entered into a subsidy agreement or a maintenance agreement with the Association, which has been approved by the California Department of Real Estate, monthly assessments may be reduced and/or abated in accordance with such agreements.

Section 13. Declarant's Obligation to Pay Assessments - Record Maintenance. The Declarant shall maintain or cause to be maintained in accordance with generally accepted accounting practices, records of:

A. All assessments paid by Declarant to the Association as an owner of subdivision interests in the Project.

B. All expenditures claimed by Declarant as offsets or credits against assessments owed.

C. Association receipts, expenditures and disbursements if Declarant has not turned over such records to the Association.

Such records shall be made available for examination, inspection and copying by the California Commissioner of Real Estate or his or her designated representative upon request during regular business hours. The Declarant's obligation to maintain or cause to be maintained, the records described in A, B or C shall terminate upon the earlier of (i) the conveyance of the last subdivision interest in the Project covered by a Subdivision Public Report; or (ii) three (3) years after the expiration of the most recent Public Report on the subdivision.

ARTICLE VII

Liens

Section 1. Creation of Lien. There is hereby created a lien against and on each Unit Owner's interest herein to secure payment of the amount of the maintenance fund, or of any assessment, regular or special, assessed to the Unit Owners as provided herein; provided, however, the lien shall not be deemed effective for any purpose unless and until a notice of claim of lien is recorded with the County Recorder of the County in which the Project is located. The notice of claim of lien shall state the amount of the assessment and other sums imposed in accordance with the provisions of this Article VII, a description of the Owner's interest in the Project against which the assessment and other sums are levied, the name of the record owner of the Owner's interest in the Project against which the lien is imposed, and, in order for the lien to be enforced by nonjudicial foreclosure as provided in Section 2, the name and address of the trustee authorized by the Association to enforce the lien by sale. The notice of delinquent assessment shall be signed by the person designated in the Declaration or by the Association for that purpose, or if no one is designated, by the president of the Association. No lien shall be created by way of an assessment for a monetary penalty imposed by the Association as a disciplinary measure for failure of an Owner to comply with the governing instruments of the Project or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area and facilities for which the Owner is allegedly responsible or in bringing the Owner and his interest into compliance with the governing instruments unless the lien is as a result of enforcing a judgment of a court or a decision arising out of arbitration. The limitations imposed by the preceding sentence on the Association's ability to create a lien for a monetary assessment, shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and/or costs reasonably incurred (including attorneys fees) in its efforts to collect delinquent assessments.

Section 2. Enforcement of Lien. If a Unit Owner fails to pay any assessment within fifteen (15) days of the due date, a late charge shall be imposed on each delinquent assessment in an amount equal to the greater of (i) Ten Dollars (\$10.00) or (ii) ten percent (10%) of the delinquent assessment. The amount of the late charge may be increased by the Board from time to time if not in excess of that permitted by law. Assessments not paid within thirty (30) days after the due date

shall bear interest at the highest rate permitted by law (but in no event to exceed twelve percent (12%) per annum) from the due date. If any assessment and other charges remain unpaid for thirty (30) days, the Board or any Unit Owner shall mail a notice of claim of lien to the Unit Owner and record a copy thereof in the office of the County Recorder of the county in which the Project is located. If, after thirty (30) days after such recording, the said sums remain unpaid, such lien may be enforced by sale by the Board, its attorney, or by any Owner, as trustee, in either case, for all Owners, such sale to be conducted in accordance with the provisions of Section 2924 et seq of the California Civil Code applicable to the exercise of powers of sale in mortgages or deeds of trust or in any other manner permitted by law. The Board shall have the power to bid in at the foreclosure sale and to hold, lease, mortgage and convey the same. Reasonable attorneys fees, title fees and expenses in connection with such foreclosure and/or the collection of the debt secured by such lien shall be paid by the Unit Owner against whom such foreclosure or other action is taken in connection with such lien. Unless sooner satisfied and released or the enforcement thereof initiated, as herein provided, such lien shall expire and be of no further force and effect one (1) year from the date of recordation of said notice, provided said one (1) year period may be extended by the Board for not to exceed one (1) additional year, by recording a written extension thereof. Such lien and right to foreclosure shall be in addition to and not in substitution for all other rights and remedies which the Unit Owners and the Board may have hereunder, including appropriate legal or equitable action.

Section 3. Priority of Lien and Subordination. The lien provided for herein shall be prior and superior to all other liens and encumbrances except for taxes, bonds, and assessments which by law are superior. Any lien provided for herein shall at all times also be subject and subordinate to and shall not affect or defeat nor render invalid the lien of any first mortgage or first deed of trust made in good faith and for value that is of record as an encumbrance against such condominium prior to the recordation of a notice of assessment against such condominium. The sale or transfer of any condominium pursuant to a judicial foreclosure or foreclosure by power of sale of a first deed of trust shall extinguish any assessment lien and any "right of first refusal" created against the condominium which is the subject of such sale or transfer pursuant to a judicial foreclosure or foreclosure by power of sale of a first deed of trust by the filing of a notice of assessment prior to the date of such sale or transfer, and shall prohibit the creation of any assessment lien against such condominium on account of payments which became due prior to the date of such sale or transfer;

provided, however, that the purchaser at such sale shall be subject to all of the obligations of an Owner with respect to all assessments which become due after the date of such sale.

Section 4. Curing of Default. Upon payment of the delinquent assessment, all assessments becoming due thereafter, together with all interest, late charges, attorneys fees, and all additional charges incurred by the Association in connection with said notice of claim of lien and payment of a reasonable fee, the Board shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof. Any Unit Owner may free his own condominium from the lien of any joint assessment on more than one condominium by payment of his share thereof, whereupon a similar further notice of satisfaction and release shall be recorded by the Board as to said condominium.

Section 5. Additional Remedies. Such lien and the right to foreclose the same shall be in addition to and not in substitution for all other rights and remedies which the Unit Owners and the Board may have to enforce the provisions hereof.

Section 6. Certificate Re Amounts Due. Upon written request of any Unit Owner and payment of a reasonable fee, the Board or the Manager will furnish, for the benefit of any prospective purchaser or present or prospective encumbrancer of such condominium, a statement showing all amounts then due which are secured by any lien hereunder.

Section 7. Homestead and Exemption Waiver. Each Unit Owner does hereby waive, to the extent of any liens created pursuant hereto, the benefit of any homestead or exemption laws of the State of California in effect at the time the claim of lien is recorded.

ARTICLE VIII

Insurance

Section 1. Public Liability Insurance. Comprehensive public liability insurance shall be purchased by the Board and shall be maintained in effect at all times, insuring the Association, any Manager, the Declarant and the Owners and occupants of condominiums and their respective family members, guests, invitees, and the agents and employees of each and all holders of first deeds of trust encumbering the condominiums within the Project, against any liability incident to the ownership or use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured.

The limits of such insurance shall not be less than \$1,000,000 covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use.

Section 2. Fire and Extended Coverage. A master or blanket policy of fire insurance for one hundred percent (100%) of current replacement cost of all of the improvements within the Project shall be purchased by the Board and shall be maintained in effect at all times. The form, content, and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional Mortgagees. If more than one institutional Mortgagee has a loan of record against the Project, or any part of it, the policy and endorsements shall meet the maximum standards of the various institutional mortgagees represented in the Project. The policy shall contain an agreed amount endorsement or its equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement, a determinable cash adjustment clause or a similar clause to permit cash settlement covering full value of the improvements in case of partial destruction and a decision not to rebuild, a severability of interest provision, cross liability endorsement and waiver of subrogation as to the Association and its officers, directors, members, guests, agents and employees. The Association shall also obtain and keep in force a separate earthquake policy or an earthquake endorsement to the fire and extended coverage policy. The policy or policies shall be in the amounts as shall be determined by the Board. The policies shall name as insured the Association, for the use and benefit of the Owners and the Declarant, as long as Declarant is the Owner of a condominium and all institutional Mortgagees as their respective interests may appear, and shall contain a loss payable endorsement in favor of the Trustee or the Board, as applicable. All policies shall contain such other endorsements and be in such form as shall meet the requirements of any Eligible Mortgage Holder and the guarantor, insurer or subsidizer of any Eligible Mortgage Holder.

Section 3. Proceeds Payable to Trustee. All insurance proceeds payable under Section 2 and subject to the rights of Mortgagees under Section 8, shall be paid to a Trustee, to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear pursuant to the Article herein relating to "Destruction of Improvements". The policy must also contain the standard mortgage clause and name as mortgagee, if applicable, either Federal National

Mortgage Association ("FNMA") or the servicers for FNMA mortgages or its successors and assigns. The Trustee shall be appointed by the Board and shall be a commercial bank and/or trust company in the county in which the Project is located which agrees in writing to accept such trust. If repair or reconstruction is authorized, the Board shall have the duty to contract for such work as provided for in this Declaration.

Notwithstanding the foregoing, if the proceeds from a single claim do not exceed Twenty-five Thousand Dollars (\$25,000) such proceeds shall be paid to the Association to be used for repair and reconstruction. If the Board fails to appoint a Trustee, the proceeds shall be paid to the Board.

Section 4. Insurance by Owner. Except as provided in this Section 4., no Owner can separately insure his Unit or any part of it against loss by fire or other casualty covered by an insurance carrier under the fire and extended coverage insurance policy carried by the Association. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section 2. that result from the existence of such other insurance will be chargeable to the Owner who acquired other insurance, and the Owner will be liable to the Association to the extent of any such diminution. An Owner can insure his personal property against loss. In addition, any improvements made by an Owner to the real property within his Unit may be separately insured by the Owner, but the insurance is to be limited to the type and nature of coverage commonly known as tenant's improvements. All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association and Declarant. An Owner may also carry public liability insurance covering his individual liability for damage to persons or property occurring within his Unit.

Section 5. Fidelity Bonds. The Board shall obtain fidelity bond coverage on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the professional managing agent of the Association, whether or not such persons are compensated for their services in an amount equal to the maximum of funds including reserves in the custody of the Association or a management agent at any given time during the term of the Fidelity Bond but in no event less than an amount equal to three (3) months of assessments for the entire Project, including reserves.

Section 6. Additional Insurance. The Board may, and if required by any Mortgagee or Eligible Insurer or Guarantor, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, steamboiler coverage providing at least \$50,000 coverage for each accident, and a blanket policy of flood insurance. The Board shall also purchase and maintain: worker's compensation insurance, to the extent that it is required by law, for all employees of the Association; errors and omissions insurance for officers and directors of the Association; and any other insurance as it deems necessary or that is required by any Mortgagee.

Section 7. Authority of Board. The Board is appointed attorney in fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried by the Association. The Board is granted full right and authority to compromise and settle any claim or endorse any claim by legal action or otherwise and to execute releases in favor of any insurer.

Section 8. Rights of Mortgagees. Any Mortgagee has the option to apply insurance proceeds payable on account of a condominium, in reduction of the obligation secured by the mortgage of such Mortgagee.

Section 9. Annual Review by Board. The Board shall determine annually whether the amounts and types of insurance it has obtained provide adequate coverage for the Project, Owners, Mortgagees and the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 10. Notice of Cancellation. Any policy obtained by the Board must provide that it may not be canceled or substantially modified without at least ten (10) days prior written notice to the Association and to each Eligible Mortgage Holder listed as a scheduled holder of a first mortgage in the policy.

ARTICLE IX

Destruction of Improvements

Section 1. Partial Damage. In the event any improvements or any fixtures or personal property in the Project owned in common are partially destroyed by fire or other

casualty, or by partial condemnation, it shall be the duty of the Board to restore and repair the same to its former condition, as promptly as practicable and in a lawful and workmanlike manner. The proceeds of any insurance shall be made available for such purpose, subject to the prior rights of beneficiaries of deeds of trust whose interest may be protected by said policies. In the event that the amount available from the proceeds of such insurance policies for such partial reconstruction shall be less than eighty-five percent (85%) of the cost of the repair or construction and/or in the event such destruction is in an amount equal to fifty percent (50%) or more of the total value of the entire improvements on the Project, the Owners of individual Units, by vote of the Owners holding seventy-five percent (75%) of the voting power of each class of membership, in person or by proxy, at a duly constituted meeting, shall determine whether the Board shall be authorized to proceed with such partial reconstruction or not, and in the event of an affirmative vote, a Special Assessment of the Owners may be levied to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purposes. Such assessment shall be assessed against Owners upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of the floor area of all Units to be assessed. In the event of a determination by the Owners that the cost of such reconstruction would be so substantial that it would not be in their best interests to proceed with the same, the Owners may, in their discretion, proceed as provided hereinafter.

Section 2. Total Destruction. In the event of the total destruction of the improvements on the Property, the Owners, by the requisite vote as set forth in Section 1 above, shall likewise have the authority to determine whether said improvements shall be rebuilt, or whether the Property shall be sold. In the event of the determination to rebuild and if the insurance proceeds shall be insufficient for the same, the necessary funds shall be raised by Special Assessment of the Owners as provided in Section 1. above.

Section 3. Determination to Rebuild. In the event of a destruction, whether partial or total, and whether by fire or other casualty or partial condemnation, and in the further event of a reconstruction, the Board shall be authorized to have prepared the necessary plans, specifications and maps, and to execute the necessary documents to effect such reconstruction as promptly as practicable, and in a lawful and workmanlike manner. Such reconstruction shall be in conformity with all applicable governmental regulations. A certificate of the resolution authorizing such reconstruction shall be filed by the Board with

the county recorder within six (6) months from the date of such destruction, or if they do not, by any Owner and in the event of the failure to record such certificate within said period, it shall be conclusively presumed that the Owners have determined not to rebuild said improvements. Any restoration or repair of the Project shall be performed substantially in accordance with the Declaration and the original plans and specifications unless other action is approved by Eligible Mortgage Holders on Units which have at least fifty-one percent (51%) of the votes of Units subject to Eligible Mortgage Holders.

Section 4. Determination Not to Rebuild. In the event of a determination not to rebuild, the Board shall be authorized to have prepared and to have filed, as promptly as practicable, a corrected subdivision map, (approved by the appropriate governmental authorities), converting the Property into an unimproved parcel of land, which shall be offered for sale, at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. The net proceeds of such sale, and the proceeds, if any, of insurance carried by the Owners as a whole on the Property shall be distributed to the Unit Owners in the proportions in which the fair market value of each condominium bears to the fair market value of all condominiums in the Project, provided that if at the time of distribution there is due and owing any encumbrance on any individual Unit, executed in good faith and for value, the balance of such encumbrance shall first be paid before the distribution of any proceeds to the Owner whose Unit is so encumbered. For purposes hereof, fair market value of the condominiums in the Project shall be determined at the time of the destruction by an independent, qualified and experienced real estate appraiser appointed by the Board of Directors and the cost of such appraisal shall be an expense of the Association. The Board, or any member thereof as shall be designated by the Board, is hereby irrevocably appointed as the attorney in fact for each Unit Owner, with the exception of the Secretary, U.S. Department of Veterans Affairs, an officer of the United States of America, to make, execute and deliver on his behalf any and all documents necessary or convenient to effect and complete said sale including, but not limited to deeds, escrow instructions and the like.

In the event of a destruction of the improvements and in the event of a determination not to rebuild the same, the Board, or if they do not, any Unit Owner, shall record a sworn declaration with the County Recorder where the Project is located setting forth such decision. The recordation of such declaration shall determine and terminate the title of each Owner of his condominium and such title shall forthwith

merge in the interest of each Unit Owner in the Common Area, and forthwith upon such recordation, all Owners shall be and become tenants in common of the entire Project.

Section 5. Repair of Interior Damage. Restoration and repair of the damage to the interior of any individual Unit shall be made by and at the individual expense of the Owner of said Unit and in the event of the determination to rebuild such partial or total destruction, the same shall be completed as promptly as practicable and in a lawful and workmanlike manner.

Section 6. Termination of Covenant Against Partition. Six (6) months from the date of any partial or total destruction, if a certificate of a resolution to rebuild is not filed or recorded as hereinbefore provided, or if reconstruction is not actually commenced within said period, the covenant against partition provided herein shall terminate and be of no further force or effect.

Section 7. Owners Dispute. In the event of a dispute amongst the Owners with reference to the distribution of any of the proceeds received in connection with any damage or destruction of any of the improvements in the Project, or with reference to Special Assessments which may be levied pursuant to the provision of this Article IX, an Owner or the Board may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association and the decision thereof shall be final and conclusive upon all Owners.

ARTICLE X

Maintenance and Decoration of Buildings and Units

Section 1. Owners Maintenance. Each Unit Owner shall have the exclusive right and duty, at his sole cost and expense, to maintain, repair, paint, repaint, paper, panel, plaster, tile, wax and finish, refinish or decorate the interior surfaces of the ceilings, floors, doors and perimeter walls of his Unit. An Owner shall be required to generally maintain any garage, storage area and balcony which forms a part of his Unit, however, the repair and the painting thereof shall be the obligation of the Association except that the painting of the interior of the garage and storage area shall be the obligation of the Owner; provided, however, if the damage to the balcony, garage and/or storage area is caused by acts of the Owner or his invitees, the cost of repair shall be paid by the Owner. Further, each Unit Owner shall have the obligation to provide and maintain landscaping within any private patio area which forms a part of

his Unit, which patio area is enclosed on all sides by a fence, wall and/or portion of the building. Each Unit Owner shall also have the exclusive right and duty, at his sole cost and expense to maintain, repair and replace, fireplace flues, all glass and window breakage, screens and screen doors, shutters, awnings, window boxes, hardware attached to exterior doors and all permanent fixtures, appliances and equipment of his Unit, including but not limited to refrigerators, dishwashers, disposals, lighting fixtures, water heaters, ranges, fireplaces, air conditioning and heating equipment and elements or other fixtures located within a Unit or on the exterior of a Unit or on the roof thereof or otherwise situated in the Common Area but servicing only that Unit. In the event that air conditioning and heating equipment and elements or other fixtures are situated on the Common Area, an Owner is granted an easement for ingress and egress over the Common Area for purposes of maintaining the same; provided, however, nothing in this Article shall be construed as permitting any interference with or damage to the structural integrity of any building and nothing in this Section shall be construed as eliminating the necessity of obtaining the consent of the Architectural Committee as provided herein. In the event an Owner shall do anything with respect to his Unit or use his Unit in such manner that might have the effect of increasing the level of noise or sounds that can be heard outside of his Unit during his use and occupancy thereof, or which might cause a continual disturbance or annoyance to any other Unit Owner, he shall be required to take at his own expense all reasonable measures to deaden, insulate and otherwise decrease the level of such noise or sounds to the minimum level reasonably possible so as not to cause an interference with the use and enjoyment by other Unit Owners of their Units. In the event of any dispute as to the meaning or intent of, or as to whether an Owner or the Association shall be liable for the maintenance, repair or replacement of any item of furnishings, fixtures, equipment or machinery, or any portion of the Project or improvements thereon, the determination of the Board shall be conclusive as to all Owners.

Declarant has prepared and will provide each Owner with a CLJ Gardens Home Interior Maintenance and Disclosure Manual pertaining to the proper care and maintenance of an Owner's Unit, including, but not limited to, the interior, the balcony and the patio areas. Each Owner is advised to follow the recommendations set forth therein. The Manual also contains disclosures relating to certain aspects of the Project and an Owner's Unit.

Repair and maintenance of an Owner's Unit as may be occasioned by the presence of wood-destroying pests or organisms shall be governed by Section 1364(b) through (e) of the California Civil Code.

Section 2. Fixtures. Carpets, individual air conditioners, dishwashers, garbage disposals, ranges and ovens which may be physically located within any Unit shall be deemed to be fixtures and attached to the realty, but the upkeep, maintenance, repairs and replacement shall be the responsibility of the Unit Owner and not of the Board. All other furnishings, furniture, drapes and appliances are personal property and shall not, during the term of these restrictions, become a part of the Property.

Section 3. Consent of Architectural Committee for Changes. Except as herein provided, no Unit Owner shall, at his expense or otherwise, make any structural changes, repairs, or alterations to his Unit or the Common Area or any facilities or structures thereon, without the prior written consent of the Architectural Committee provided for in this Declaration.

Section 4. Liens. No labor performed or services or materials furnished with consent of or at the request of a Unit Owner or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Project or against any other condominium or Unit Owner, or against the Common Area, unless such other Unit Owner or the Board, as the case may be, has expressly consented to or requested the performance of such labor or furnishing of such materials or services. Such express consent shall be deemed to have been given by a Unit Owner in the case of emergency repairs thereto, or in the case of a Unit Owner failing to maintain those areas of the Project which he has the primary obligation to maintain hereunder. Labor performed or services or materials furnished for the Common Area, if duly authorized by the Board, shall be deemed to be performed or furnished with the express consent of each Unit Owner. The Unit Owner may remove his condominium from a lien against two or more condominiums, or any part thereof, by payment to the holder of the lien of the fraction of the total sum secured by such lien which is attributable to his condominium.

ARTICLE XI

Use and Occupancy of Units and Common Area

Section 1. Single Family Use. Each condominium shall be used as a residence for a single family and for no other purposes whatsoever. Individual condominiums may not be subdivided nor may parts thereof be sold. Except for occupations and businesses which do not interfere with the residential nature or character of the Project or the quiet enjoyment of other Owners and which comply with all laws and other governmental regulations, no part of any Unit shall ever be used or allowed to

be used directly or indirectly for any business, commercial, manufacturing or mercantile or other non-residential use except condominiums owned by Declarant may be used by Declarant or its designees, as models, sales offices, construction offices and general offices for the purposes of developing, improving and selling condominiums in the Project. The rights of Declarant pursuant to this Section shall be subject to the time limitations set forth in Article XIX.

Section 2. Rental of Unit. Unit Owners may lease or rent their condominium upon appropriate written notice to the Board of such intent; provided, however, that no Unit Owner shall be permitted to lease his condominium for transient or hotel purposes and no such lease or rental shall be for a period of less than thirty (30) days. Any such lease or rental shall be in writing, shall be in such form as approved by the Board and shall require the tenant thereof to comply in all respects with the Declaration, the By-Laws and all rules and regulations adopted by the Association and any failure by the tenant to so comply shall be a default under said lease or rental.

Section 3. Common Area. Except as otherwise permitted herein, there shall be no obstruction of any portion of the Common Area nor shall anything be stored in the Common Area, even on a temporary basis, without the prior written consent of the Board unless the same be in an Owner's Exclusive Use Common Area and in accordance with the provisions hereof.

There shall be no use or occupancy of any part of the Common area, except by the Unit Owner, his family, tenants and guests.

Nothing shall be done or kept in or upon any Unit or in the Common Area, which will increase the rate of insurance, without the prior written consent of the Board. No Unit Owner shall permit anything to be done or kept on or within his Unit or in the Common Area, which will result in the cancellation of insurance on the building or which would be in violation of any governmental statute, ordinance, rule or regulation.

No waste shall be committed in the Common Area and nothing shall be altered, installed or constructed in the Common Area without the consent of the Board.

Section 4. Signs. No sign of any kind shall be displayed on the Common Area without the prior written consent of the Board. The foregoing restriction shall not apply to signs or other displays used by Declarant, or its agents, in connection

with the original or resale of condominiums in the Project so long as Declarant shall own a condominium in the Project; provided, however, that such use shall not be for a period of more than four (4) years after the conveyance of the first Condominium in the Project.

An Owner shall be permitted to display a sign from his Unit which is of reasonable dimensions and design and is in compliance with all governmental regulations, which advertises that the Unit is for sale, lease or exchange, directions to the Owner's Unit, the Owner's or his agent's name and the Owner's or his agent's address and telephone number.

Section 5. External Items. No antennae (television, radio, or of any sort), poles, wires or other external items shall be located on or outside of any Unit, or in the Common Area, except with the express written consent of the Architectural Committee and an architect and structural engineer duly licensed by the State of California if the external item involves a structural change or addition. The foregoing shall not apply to items installed by Declarant.

Section 6. Pets. No animals, livestock, or poultry of any kind shall be raised, bred, or kept in or upon any Unit or in the Common Area except upon specific approval of the Board, except that a Unit Owner shall be allowed to maintain a reasonable number of household family pets (not to exceed a total of three (3) cats and/or dogs without reference to other pets), so long as a pet does not annoy, molest, or inconvenience any other Unit Owners, guests or other pets and provided that such pet or pets shall, if and when declared to be a nuisance by the Board, forthwith be removed from the Project. Dogs must be "curbed" and kept on leash at all times while in the Common Area. Each Owner of a pet shall have the responsibility of removing his pet's waste matter from the Common Area. Waste matter of pets on the balcony decks may damage the waterproof coating and cause the warranty to be null and void. Any inconvenience, damage or injury caused by such household pet or pets shall be the sole responsibility of the respective Owner thereof and said Owner does hereby indemnify the Association, its Board of Directors, officers and the Manager and its staff and agrees to hold each of them harmless from and against any and all loss, cost, liability and expense of any kind and nature arising out of having pets within the Project.

Section 7. Offensive Activities. No noxious or offensive activity shall be carried on in any Unit or in the Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance.

Section 8. Exterior Clothes Drying Facilities. Outside clothes lines or other outside clothes drying or airing facilities shall not be maintained.

Section 9. Rubbish, Refuse Containers and Disposal. No rubbish or debris of any kind shall be placed or permitted to accumulate upon or adjacent to any Unit, and no odors shall be permitted to arise therefrom so as to render any Unit or portion thereof unsanitary, unsightly, offensive, or detrimental to any Unit or to the occupants thereof. Rubbish, garbage, trash, and all other refuse shall be stored in sanitary, non-metallic containers, or such other containers as may be approved by the Board. Such containers shall be concealed so as not to be visible from the street except that containers may be visible for collection but only for the shortest time necessary to effect such collection. Such containers shall be situated as to be readily accessible for collection and if, at any time, Declarant provides a container storage area for an Owner, the storage area provided by Declarant must be used.

Section 10. Structural Changes. Nothing shall be done in any Unit or in or on, or to the Common Area which will impair the structural or esthetic integrity of the buildings or which would structurally alter the buildings, except as is otherwise provided herein.

Section 11. Mineral Exploration. No drilling, oil development, operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Unit or the Common Area or within 500 feet below the surface of the property.

Section 12. Development of Air Space. No development shall be made of the air space above the exterior of any structure or any Unit or in the Common Area except upon the written consent of the Board.

Section 13. Violation of Rules and Laws. There shall be no violation of the rules or regulations for the use of Units or the Common Area as set forth herein or as may be adopted by the Board. There shall be no violation or failure to comply with applicable laws, orders, or directives of any lawful authority.

Section 14. Owner Liability. Each Owner shall be liable to the Association as such liability may be determined pursuant to the laws of the State of California, for any damage to any portion of the Common Area or the equipment, facilities or structures thereon which may be sustained by reason of the

negligence or willful misconduct of said Owner or of his family, relatives, guests, invitees, or tenants, both minor and adult. In the case of joint ownership, the liability of such Owners shall be joint and several. In the event of personal injury or property damage sustained by any person while physically within the Unit of any Owner, and in the further event that any other Owner shall be sued, or a claim made against him or her for said injury or damage, the Owner or Owners of the Unit in which said injury or damage occurs, shall fully indemnify and hold harmless any such other Owners against whom such claim shall be made, and shall further defend any such other Owners at his or her own expense in the event of litigation of such claim; provided, however, that such protection shall not extend to any other Owner whose own negligence may have caused or contributed to the cause of any such injury or damage.

Section 15. Exemption of Payment of Maintenance Fee.
No Unit Owner may exempt himself from liability for his contribution to the maintenance fund by any waiver of the use or enjoyment of the Common Area, or by the abandonment of his condominium.

Section 16. Parking and Parking Spaces.

A. No parking space may be sold or assigned to, or retained in the ownership of, any person not a Unit Owner and no parking space may be rented or leased to a non-Unit Owner except in connection with a lease of a condominium.

B. No vehicle other than standard size passenger automobiles, passenger vans carrying no more than eight (8) persons, one (1) ton or lighter pick-up trucks and motorcycles shall be permitted to be parked upon any area within the Project. Unit Owners, their tenants and guests, may park permitted vehicles only in parking spaces which have been assigned to them or as may be otherwise permitted by the Board.

C. Busses, trailers, campers, boats, recreational vehicles, mobile homes, watercraft, inoperable vehicles and the like shall not be permitted to be parked upon any area within the Project.

D. No repairs shall be made to any vehicle while parked in any area in the Project, except in the case of strict emergency.

E. An Owner may not park in guest parking spaces without the consent of the Board.

F. The Board may establish rules and regulations regarding parking, including the establishment of "parking", "no parking" and "guest parking" areas.

G. Garage doors, if any, must be kept closed at all times except when entering or existing or except as may be temporarily necessary.

H. An Owner shall keep the concrete areas of his parking spaces clean and free of debris, oil and grease.

I. All applicable provisions of the California Vehicle Code will be enforced on any private streets within the Project.

J. Parking spaces shall be used solely for parking of permitted vehicles and for no other use. Enclosed garages may be used for storage purposes so long as parking of vehicles therein is not restricted.

K. The Board shall have the authority to tow away and store any vehicle or similar equipment parked in violation of the above restrictions or in violation of the California Vehicle Code, whether the same shall belong to any Owner or a member of his family or to any relative, guest, or invitee of any Owner. Charges for such towing and storing shall be assessed against any Owner who shall violate such restrictions and also against any Owner whose family members, relatives, guests, or invitees may violate the same. Neither the members of the Board or the Association shall be liable for any damages incurred by the owner of the vehicle or for any damage to the vehicle because of its removal in compliance with this Section unless such damage resulted from the negligence of the Board.

Section 17. Electronic Equipment. No electronic transmitting equipment other than electronic garage door opening devices, if any, and other electronic transmitting equipment and devices approved by the Architectural Committee shall be installed and maintained or used within the Project.

Section 18. Window Cover. Windows can only be covered by drapes, shades, curtains, or shutters and cannot be painted or covered by foil, cardboard, or other similar materials. All window coverings visible from the exterior of the Project shall be white or off-white in color.

Section 19. Patios and Balconies.

A. No item may be stored on any patio, or balcony that is visible from any other Unit or from the exterior of the Condominium Building in which the Unit is located.

B. No furniture shall be permitted to be maintained on any balcony without the prior consent of the Architectural Committee or the Board except standard patio type furniture which shall be in good condition and shall be properly maintained.

C. No plants or other objects shall be hung from the ceiling of any patio or balcony nor may any plant or other object be maintained on the railing or wall of any patio or balcony without the consent of the Architectural Committee. *

D. An Owner may not paint, alter, remodel or enclose any patio or balcony without the prior approval of the Architectural Committee.

E. An Owner must maintain the patio or balcony of his Unit in a clean and sanitary condition.

Section 20. Floor Covering. No hard surface floor coverings shall be permitted to be installed in any Unit which is directly above another Unit and no hard surface floor covering installed by Declarant may be replaced, except in the kitchen, bathrooms, entryway and utility room unless the new surface floor covering equals or exceeds the sound proof rating of the covering initially installed by Declarant and the Owner has obtained the approval of the Architectural Committee.

ARTICLE XII

Architectural and Design Control

Section 1. Consent of Architectural Committee Required. No Unit Owner shall, at his expense or otherwise, make any structural changes, repairs, or alterations to his Unit or the Common Area or any facilities or structures thereon, nor shall he make any alterations, additions, improvements, repairs, or modifications or changes in paint or finish or color of the Common Area or any facilities or structures thereon, or install awnings or sunshades or any other structure or device, or perform any landscaping of any kind or character on his Unit or any of the Common Area, or make any change, alteration, improvement or repair visible from the exterior of the Units (hereinafter sometimes referred to as "Improvement(s)"), without the prior written approval of the Architectural Committee. Such approval may be withheld if in the view of the Committee, the Improvement would affect the uniformity and the attractiveness or the value of the Project as a whole. The Committee, on behalf of the Association, shall have the right to enjoin a breach, or threatened breach, of any of the provisions of this Article, which shall be in addition to any other rights and remedies available to the Board or any Unit Owner.

Section 2. Plans and Specifications. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Architectural Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures and topography. Plans and specifications involving any proposed alteration or improvement of structural components must be accompanied by an approval of an architect and a structural engineer duly licensed by the State of California. Approval may be withheld if in the view of the Architectural Committee the Improvements would affect the uniformity and the attractiveness or the value of the Project as a whole. In addition to the plans and specifications, the Owner shall be required to submit to the Architectural Committee, for its approval, a plan or schedule for maintenance of the improvement or alteration.

Section 3. Appointment of Architectural Committee. Declarant shall initially appoint the original Architectural Committee, which shall consist of not less than three (3) nor more than five (5) members. Said members shall remain until the first anniversary of the issuance of the Public Report for the Project. Declarant reserves to itself the power to appoint a majority of members of the Committee until ninety percent (90%) of all the Units in the Project have been sold or until the fifth anniversary of the issuance of the Final Public Report, whichever first occurs. Until the earlier of the events specified in the preceding sentence, the provisions of this Section 3 may not be amended or deleted without the written consent of Declarant. Thereafter the Board shall have the power to appoint all of the members of the Committee. At least one (1) member appointed to the Committee by the Board shall be from the membership of the Association. Members appointed to the Committee by Declarant need not be Members of the Association. Action taken by the Committee shall not be subject to review, revision or revocation by the Board.

Section 4. Approval or Disapproval by Architectural Committee. The Committee or the Association shall approve or disapprove a proposed alteration by sending a written notice thereof to the Owner who so requested said proposed alteration. The approval thereof may be recorded in the office of the County Recorder, but such approval shall not have the effect of, or be construed as, in any manner modifying, altering or waiving any of the provisions, covenants, conditions or restrictions set forth herein. The Committee shall make its determination as to approval or disapproval of the proposed alterations within sixty (60) days of the submission of said proposed alteration to the

Committee. Failure on the part of the Committee or the Association to record such disapproval or to render a decision within the sixty (60) day period mentioned above, shall be deemed to be a waiver of any and all jurisdiction of said Committee or Association as to said plans and specifications, or either of them, and of said location and/or construction, but nothing contained herein, shall be construed as a waiver on the part of the Association or its successors or assigns or any other Owner in the Project, of their right to enforce the conditions recited herein or their right to enforce compliance of any other conditions, restrictions and covenants set forth herein. In the event of any disapproval by the Committee of either a preliminary or final submission of plans, a resubmission of revised plans will follow the same procedure as the original submission.

Section 5. Diligent Prosecution of Work. The approval of any improvement, erection, construction, refinishing, installation, placement, or alteration of a building, or other structure, shall be deemed conditional upon the commencement of said work within ninety (90) days after the approval of the Committee for the same shall have been obtained, or within such other period as shall have been specified by the Committee at the time of its approval. Work thereon must thereafter be prosecuted diligently to completion within a reasonable time and in any event before the expiration of such period as may be specified by the Committee. The Committee may for good cause, as determined by it, in writing, extend the period for completion of any such erection, construction, refinishing, installation placement or alteration. During said construction period, the area shall be kept clear of debris and refuse to the greatest extent possible. In the event the work is not commenced within said ninety (90) days, the approval of the Committee shall lapse and become void unless the Committee, in its discretion, shall give written notice of waiver of the time condition. Said written notice of waiver may contain such terms and conditions as the Committee may deem proper, and shall not be deemed a waiver of any rights or authority of the Committee except as expressly stated in said written notice. Upon such lapse of approval, all proceedings shall terminate, and approval shall be conditional on the filing of new plans and architectural review fee as provided herein.

Section 6. Failure to Complete. The Owner shall complete any approved work within the approved time schedule, except for such time as completion would result in great hardship to the Owner or is rendered impossible due to fire, natural calamities, strikes, national emergencies, or other forces beyond the control of the Owner.

Section 7. Inspection of Work. Upon the completion of any construction, reconstruction, or the alteration or refinishing of the exterior of any Improvement, or upon the completion of any other work for which approved plans are required under this Article, the Owner shall give written notice thereof to the Committee. Within sixty (60) days thereafter, the Committee, or its duly authorized representative, may inspect such Improvement to determine whether it was constructed, reconstructed, altered, or refinished in substantial compliance with the approved plans. If the Committee finds that such construction, reconstruction, alteration or refinishing was not done in substantial compliance with the approved plans, it shall notify the Owner in writing of such non-compliance within such sixty (60) day period, specifying particulars of non-compliance, and shall require the Owner to remedy such non-compliance. If the Owner fails to give written notice as provided herein, the period within which the Committee may inspect the Improvement and give notice of non-compliance shall be extended to sixty (60) days after date of discovery.

If upon the expiration of thirty (30) days from the date of such notification, the Owner shall have failed to remedy such non-compliance, the Committee shall then set a date on which a hearing shall be held regarding the alleged non-compliance. Said date shall not be more than sixty (60) nor less than thirty (30) days after said notice of non-compliance was given to the Owner. Written notice of the hearing date shall be given at least ten (10) days in advance thereof by the Committee to the Owner.

At the hearing, the Owner, the Committee, and any other interested person may present information relevant to the question of the alleged non-compliance. After considering all such information, the Committee shall determine whether there is a non-compliance, and if so, shall determine the nature thereof and the estimated cost of correcting or removing the same. If a non-compliance exists, the Committee shall require the Owner to remedy or remove the same within a period of not more than forty-five (45) days from the date of the Committee ruling. If the Owner does not comply with the Committee ruling within such period or within any extension thereof as the Committee may grant in its discretion, the Committee, at its option, may enter the Unit after three (3) days' written notice to the Owner of such Unit and perform, or cause to be performed, such work or other acts as may be required to remove the non-complying Improvement or remedy the non-compliance, and the Owner of said Unit shall forthwith pay all costs and expenses incurred in connection therewith upon presentation to Owner of invoices therefor.

If, for any reason, the Committee fails to notify the Owner of any non-compliance within sixty (60) days after receipt of said notice of completion from the Owner, or within sixty (60) days after discovery in the event the Owner fails to give written notice, the Improvement shall be deemed to be in accordance with said approved plans.

Section 8. Unauthorized Improvements. If any Improvement is made without first obtaining approval of the Committee, the Committee shall give written notice to the Owner of violation of this Declaration within one hundred eighty (180) days after actual completion. If the Committee fails to give such notice, the Improvement shall be deemed to be in compliance with this Declaration. Within thirty (30) days of said notice, the Owner shall either (a) remove said Improvement at his own expense and restore the Unit to its condition prior to commencement of said Improvement, or (b) submit plans and all other items required by the Committee, together with an additional late application fee, in an amount determined by the Committee, which fee shall be payable to the Association. If the Owner has failed to take such action within said thirty (30) day period, the Committee, at its sole option, may enter the Unit after three (3) days' written notice to such Owner and perform or cause to be performed, such work or other acts as may be required to remove the non-complying Improvement or remedy the non-compliance, and the Owner of said Unit shall forthwith pay all costs and expenses incurred in connection therewith upon presentation to Owner of invoices therefor. If the Owner elects option (b) described in this Section, the Committee shall determine within sixty (60) days from the date of filing the late application if the plans are acceptable and if the Improvement is in compliance with said plans. If the Committee notifies the Owner of disapproval of the plans or of non-compliance of the Improvement within said sixty (60) day period, the Improvement shall be removed by Owner unless an extension of time is granted in writing by the Committee in its sole discretion to permit modification of said plans and/or to permit the Owner to remedy the non-compliance. If the Committee fails to notify the Owner of disapproval or non-compliance within said sixty (60) day period, the plans shall be deemed approved and the Improvement shall be deemed in compliance with said plans. The Committee shall also have the right to obtain injunctive relief to prevent a breach, or threatened breach, of the provisions hereof in addition to any other rights and remedies the Committee shall have in law or in equity.

Section 9. Architectural Control Committee
Certificate. The Committee shall, upon approval by a majority of

its members or within thirty (30) days after written demand is delivered to the Committee by any Owner, and upon payment of a reasonable fee (as fixed from time to time by the Committee), record a Certificate, executed by any two of its members, certifying (with respect to any Unit of said Owner) that as of the date thereof, either (a) all Improvements made and other work done upon or within said Unit comply with this Declaration, or (b) such Improvements or work do not comply, in which event the Certificate shall also identify the non-complying Improvements or work and set forth with particularity the cause or causes for such non-compliance. Any purchaser from the Owner, or from anyone deriving interest in said Unit through him, shall be entitled to rely on said Certificate with respect to the matters therein set forth, such matters being conclusive as between the Committee, Declarant, and all Owners and such persons deriving any interest through them.

Section 10. Access to Premises. Each member of the Committee, Declarant, and any agent or employee of said Committee or Declarant, after the Committee has given written notice shall at all reasonable hours have access to any building site, premises, residence, building, or structure constructed, placed or maintained upon any portion of the Project for the purpose of inspection of the same relative to compliance with this Declaration or for repairing or remedying any non-compliance as provided in this Declaration, and shall not be deemed guilty of trespass by reason of such entry.

Section 11. Non-Liability. Neither Declarant, the Committee, nor any member, agent, or employee of Declarant or the Committee, shall be liable to any Owner for any loss, damage, or prejudice suffered or claimed on account of (a) any defects in any building or other structure erected, constructed, installed, placed, altered, or maintained in accordance with or pursuant to any plans and specifications, exterior materials, color scheme, plot plan, grading plan, or other material approved by the Committee or any conditions or requirements that the Committee may have imposed with respect thereto, (b) approval or disapproval of any item submitted to the Committee by an Owner, or (c) the execution and filing of a Committee Certificate. Approval by the Committee shall not be deemed a representation or warranty that the Owner's plans and/or specifications or the actual construction of an Improvement comply with applicable governmental ordinances or regulations, including but not limited to zoning ordinances and building codes.

Section 12. Declarant's Exemption. Declarant shall not be subject to the requirements of this Article XII until the expiration of four (4) years from the date of the original

issuance of the most recently issued Final Subdivision Report for the Project.

Section 13. Fees. The Architectural Committee shall act without compensation but shall be permitted to charge a reasonable fee to be paid to the Association for any set of plans which may be submitted to it for approval. In the event the Committee shall be reasonably required to engage a professional consultant to assist it in its determination, the Committee shall first obtain an estimate of the fees to be paid to such consultant and shall notify the Unit Owner of such fees. The Unit Owner shall be required, as a condition to proceeding further, to agree to pay such fees. If the Unit Owner shall not agree to pay such fees, the matter submitted before the Committee shall be deemed to be disapproved unless some alternative method of providing the necessary assistance to the Committee (which is in a form satisfactory to the Committee) shall be provided.

ARTICLE XIII

Repair of Common Facilities by Individual Owner and Right of Entry

If any common facility or any portion of the Common Area falls into disrepair or is damaged and the Board fails to take action to repair or restore the same within sixty (60) days after written notice so to do from any Unit Owner, then such Unit Owner may make such repairs as are necessary to insure his enjoyment of his own condominium; provided, that such Owner first obtains the approval of Owners holding fifty-one percent (51%) of the voting power of each class of Members. Such Unit Owner shall receive at least two (2) bids before employing any person, firm or corporation to perform such work. Such Unit Owner may, to the extent necessary, enter on any Unit or any portion of the Common Area to effect such repairs. Any such entry shall be made with as little inconvenience as practicable to the Unit Owners affected, and to the other Unit Owners in their use of the Common Area. Any damage caused thereby shall be forthwith repaired by the entering party. The Board shall reimburse such Owner undertaking to make such repairs out of the maintenance fund for all reasonable expenses incurred by him in making such repairs, and if such fund be insufficient, shall cause the levy of a Special Assessment.

ARTICLE XIV

Utilities

Section 1. Utility Rights. The rights and duties of the Unit Owners with respect to lines for sanitary sewer, water, gas, electricity, telephone cables and heating and air conditioning, shall be governed by the following:

A. Wherever sanitary sewer connections and lines or electricity, gas, telephone lines, heating and air conditioning lines or television cables are installed within the Project, which connections or any portion thereof, lie in or upon portions of the Project owned by others than the Unit Owner of a Unit served by said connections, the Unit Owners of any Units served by said connection, shall have the right and are hereby granted an easement, to the full extent necessary therefor, to enter upon such portion of the Project or to have the utility companies enter thereupon to repair, replace and generally maintain said connection as and when the same may be necessary as set forth below.

B. Wherever sanitary sewer connections and lines, facilities, and/or water connections and lines or electricity, gas, telephone lines, air conditioning and heating lines, or television cables are installed within the Project, which connections serve more than one Unit, the Owners of each Unit served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as services their Unit.

C. In the event any portion of said connection or line is damaged or destroyed through the negligent act or acts or failure to act, the willful misconduct of one Unit Owner or any of his employees, agents, invitees, tenants or guests, so as to deprive other Unit Owners of the full use and enjoyment of said connection or line, then such connection or line shall be repaired or restored by the Association, but at the expense of the Unit Owner who commits or whose guests, agents, or employees commit, such act or acts.

D. In the event any portion of such connection or line is damaged or destroyed by some other cause than the negligence or willful misconduct of one of the Unit Owners, his employees, agents, guests, tenants or invitees (including ordinary wear and tear and deterioration from lapse of time) then in such event, such connection or line shall be repaired and restored by the Board, such repair and restoration

to be paid out of the assessments levied in accordance with this Declaration equally, against all Owners.

E. In the event of a dispute between Owners with respect to the repair or rebuilding of said connection or with respect to the sharing of the costs thereof, then upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board for a final and binding determination.

Section 2. Utility Easements. Easements through the Units and Common Area for all facilities for the furnishing of utility services, television cable service and heating and air conditioning lines within any Unit, which facilities shall include but not be limited to, conduits, ducts, plumbing and wiring shall be appurtenant to each condominium and all other condominiums and the Common Area shall be subject thereto; provided, however, that easements for such facilities shall, at all times be and remain substantially in accordance with the initial construction of the Project or the Project as reconstructed upon damage or destruction pursuant to the terms of this Declaration.

ARTICLE XV

Entry for Repairs

The Board or its designated agents may, upon three (3) days prior written notice to the Owner, except in an emergency which threatens life or property, enter upon any Unit when necessary in connection with any maintenance or construction for which the Board is responsible, or for any maintenance required by reason of the failure of the Unit Owner to maintain as provided herein, or to abate any nuisance being conducted or maintained therein. Such entry shall be made with as little inconvenience to the Unit Owners as practicable, and any damage caused thereby shall be repaired by the Board at the expense of the maintenance fund. There is hereby reserved to Declarant and the Board, for the benefit of each Unit Owner, easements over each Unit and the Common Area, for the purpose of maintenance and repairs and such further purposes as are necessary to perform the duties and obligations of the Board and the Association.

ARTICLE XVI

Covenant Against Partition

By acceptance of his deed, each Unit Owner shall be deemed to covenant and agree for himself and his heirs, personal

representatives, successors and assigns, that there shall be no judicial partition of the Common Area and the same shall remain undivided, nor shall Declarant or any person acquiring any interest in the Project or any part thereof, seek any such judicial partition until the structures on the Property are totally or partially destroyed and the Owners shall elect not to rebuild as hereinabove provided. Each person acquiring any interest in the Project shall by such acquisition be deemed to have waived any right to partition of the subdivided property, except only as herein provided. Notwithstanding the foregoing, if any condominium shall be owned by two or more co-tenants in common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition of such condominium as between such co-tenants.

No Unit Owner may sell or convey all or part of his undivided interest in any of the Common Area, except in conjunction with the sale of his condominium nor may he encumber any part or all of his undivided interest in the Common Area except in conjunction with an encumbrance of his condominium.

Partition may be had upon a showing of any of the conditions specified herein or in Section 1359 of the Civil Code of the State of California.

The Association is hereby granted an irrevocable power of attorney to sell the Condominium property for the benefit of all the Owners thereof when the partition of the Owners' interests in said Condominium property may be had pursuant to Section 1359 of the Civil Code as noted above. Except as otherwise provided in Section 1359 of the Civil Code, the power of attorney herein granted may be exercised upon the vote or written consent of Owners holding in the aggregate at least two-thirds (2/3) of the interest in the Common Area by any two (2) members of the Board who are hereby authorized to record a Certificate of Exercise in the Office of the County Recorder where the Project is located, which certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith; provided, however, that said power of attorney shall not apply to the Secretary, U.S. Department of Veterans Affairs, an officer of the United States of America.

ARTICLE XVII

Structural Alterations

A proposal for any structural alteration to structures in the Project may be made at any regular or special meeting of

the Voting Owners, provided that said proposal shall be accepted only upon the affirmative vote of Owners holding at least sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership. The approval of Owners pursuant to this Article XVII shall relate to proposed alterations or additions involving the Project as a whole as opposed to changes requested to be made by an Owner to his Unit or the Common Area affecting his Unit which shall be governed by Article XII. Unless otherwise agreed at the meeting of the Voting Owners approving said proposal, the cost of the alteration or addition so approved shall be paid from the maintenance fund and the Board shall levy a Special Assessment to cover said cost.

ARTICLE XVIII

Encroachment

Each condominium within the Project is hereby declared to have an easement over all adjoining condominiums for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of any building, or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement, or shifting; provided, however, that in no event shall a valid 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. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each condominium agree that minor encroachments over adjoining condominiums shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

If any portion of the Common Area encroaches upon a Unit or Units, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. In the event a multi-family structure is partially or totally destroyed, and then rebuilt, the Unit Owners agree that minor encroachments of parts of the Common Area due to construction shall be permitted and that valid easements for said encroachment and the maintenance thereof shall exist.

The Common Area is and shall always be subject to easements for minor encroachments thereon of the Units.

ARTICLE XIX

Rights of Declarant

Nothing contained herein shall in any manner restrict or prohibit Declarant from the right to use the Common Area in connection with the construction and sale of the condominiums in the Project and in connection therewith to: use vehicles and equipment on the Common Area; operate and maintain upon the Project a model complex, together with parking areas and/or real estate sales and development businesses; and place, erect and maintain thereon such customary sales and advertising signs, offices and parking areas as is usual and reasonable for such real estate sales and development operations.

Declarant, on behalf of itself, its agents, employees, contractors, subcontractors, invitees, successors, assigns and other authorized personnel, reserves a non-exclusive easement, during the hours of 7:00 A.M. to 8:00 P.M., Monday through Friday, and 8:00 A.M. to 6:00 P.M. on Saturday and Sunday, extending until the date on which one hundred percent (100%) of all condominiums which may be constructed on the Property are sold (but not to exceed three (3) years after the original issuance of the Final Subdivision Report covering the latest phase of the Project) in, over, under and through each and every part of the Project together with the right to transfer and grant the same without the consent of any other person or entity for the purpose set forth above and for the following purposes:

A. Completion of original development of all portions of the Property including, without limitation, the condominiums.

B. Marketing and selling condominiums and improvements

C. Customer relations and providing post-sale customer service to Owners

D. Leasing and reselling of condominiums and improvements.

E. Redesigning any portion of the Project, provided, that the Declarant's exercise of its redesign right shall be aesthetically consistent with the then existing theme of the Project and shall be in conformance with the condominium plan for the Project as the same may be amended.

In connection with each of the foregoing purposes the Declarant shall have the right: (i) to perform any and all architectural, engineering, construction, excavation, landscaping or related work and activities; (ii) to store and use materials, equipment, vehicles, tools and machines which may be necessary or desirable in connection with such construction; (iii) to display signs and erect, maintain and operate, for sales, resales and administrative purposes, model condominiums and a fully staffed customer relations, services and sales and/or resales office complex within the Property; (iv) to perform maintenance, repair and replacement work on, and to make custom improvements, alterations and additions to uncompleted improvements; (v) to grant easements for utilities and other purposes related to the development of the Project provided that no such easement shall materially impair the ability of any Owner to use his condominium or the Project; and (vi) to take such other action consistent with such easements.

Neither the Association nor any Owner (other than Declarant) shall enter any construction area within the Property or cross any fence or other barricade constructed to prevent such entry or otherwise impede or interfere with such development and construction nor shall the Association or any Owner do anything to interfere with the right of Declarant to develop the Project. If any damage is occasioned to the Common Area by Declarant, or its agents or employees, Declarant shall be obligated to repair the same.

Until the initial sales of all Units in the Project (including Units in Annexed Property) to individual Owners have closed, this Declaration cannot be amended to modify or eliminate this Article or any of the rights reserved to Declarant hereunder without the prior written approval of Declarant and any attempt to do so shall have no effect whatsoever.

ARTICLE XX

Property Rights of Owners

Section 1. Easements Reserved to Owners. Subject to the rights of Declarant as provided in Article XIX, every Owner of a condominium shall have a non-exclusive easement of use and enjoyment in, to and throughout the Common Area of the Project and for ingress, egress and support over and through the Common Area and Declarant hereby reserves the right to grant non-exclusive easements to Owners for such purposes over all of the Common Area of the Project. Such non-exclusive easements shall be appurtenant to each condominium and the Common Area but

shall be subordinate to, and shall not interfere with, exclusive use easements appurtenant to condominiums over the Common Area, if any. Each such easement shall be appurtenant to and pass with the title to every condominium, subject to the following rights and restrictions:

A. The right of the Association to limit the number of guests, and to adopt Association rules and regulations regulating the use and enjoyment of the Common Area.

B. The right of the Association to charge reasonable admission and other fees for any recreational facility situated on the Common Area.

C. The right of the Association to borrow money to improve the Common Area and in aid thereof, to mortgage the Common Area.

D. The right of the Association to assign, rent, license, or otherwise delegate and control use of unassigned parking and storage spaces, if any, within the Common Area (other than those portions subject to exclusive easements, if any).

E. The right of the Association to grant and convey to any third party, permits, licenses, easements and rights of way in, on, over, or under the Common Area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to a Unit, expressly consents to such easement. However, no such easements may be granted if it would materially interfere with the use, occupancy, or enjoyment by any Owner of his Dwelling Unit, or the recreational facilities of the Project.

F. The right of the Declarant or its designees to enter on the Project to construct the Project and to make repairs and remedy construction defects if such entry shall not unreasonably interfere with the use of any occupied Dwelling Unit unless authorized by the Owner.

G. The right of the Association, or its agents, upon reasonable notice, to enter any Dwelling Unit to perform its obligations under this Declaration. In the event of an emergency situation, reasonable notice need not be given.

Section 2. Delegation of Use. Any member may delegate in accordance with this Declaration, the Articles, or the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the Property.

Section 3. Administration. The Owners of Units covenant and agree that the administration of the Common Areas and the Association shall be in accordance with the provisions of this Declaration, the Articles, the By-Laws and rules and regulations of the Association.

ARTICLE XXI Condemnation

Section 1. Action for Condemnation. In the event that an action for condemnation of all or a portion of the Project is proposed or threatened by any governmental agency having the right of eminent domain, then, upon unanimous written consent of all of the Owners, and the lenders and Mortgagees affected, as their interests may appear, the Project, or such portion thereof, may be sold by the Board acting as irrevocable attorney-in-fact of all the Owners for a price deemed fair and equitable by the Board. Written notice of any threatened or proposed condemnation shall be given in writing by the Association to each Mortgagee of record within ten (10) days after the same becomes known to the Association.

Section 2. Distribution of Proceeds. Upon a sale occurring as described in Section 1. hereof, the proceeds resulting therefrom shall be distributed to the Association or any trustee appointed by the Board, for the use and benefit of the Owners and their Mortgagees, as their interests may appear, based upon the value attributed to each condominium by the condemning authority, or, if the Project was valued as a whole, then in the proportions in which the fair market value of each condominium bears to the fair market value of all condominiums in the Project. For purposes hereof, fair market value of the condominiums in the Project shall be determined by an independent, qualified and experienced real estate appraiser appointed by the Board of Directors and the cost of such appraisal shall be an expense of the Association. In the event of the occurrence of a disagreement within ninety (90) days after the proceeds of sale become available for distribution, the matter shall be referred to arbitration in accordance with the then rules of the American Arbitration Association.

In the event the Project, or such portion thereof, is not sold but is instead taken, the judgment of

condemnation shall by its terms apportion the award among the Owners and their respective lenders and Mortgagees, as their interests may appear, as provided above.

Section 3. Revival of Right to Partition. Upon a sale or taking pursuant hereto, which renders more than fifty percent (50%) of the Units in the Project uninhabitable, the right of any Owner to partition through legal action shall forthwith revive.

ARTICLE XXII

Protection of Mortgagees

Section 1. Subordination of Liens. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any first mortgage that encumbers all or a portion of the Project, or any condominium, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the Mortgagee expressly subordinates his interest, in writing, to such lien.

Section 2. Material Amendments. Except as provided by statute or by other provisions of the Declaration, Articles or By-Laws, in case of substantial destruction or condemnation of the Project and further excepting any reallocation of interest in the Common Area which might occur pursuant to any plan of expansion or phase development contained in the original Declaration, if an Eligible Mortgage Holder informs the Association in writing of its appropriate address and requests in writing to be notified, neither the Association nor any Owner shall make any material change to the Declaration unless at least sixty-seven percent (67%) of Eligible Mortgage Holders (based upon one (1) vote for each mortgage) and sixty-seven percent (67%) of Owners (other than the sponsor, developer, builder or Declarant) have given their prior written approval. The term "material amendment" is defined to mean amendments to provisions of any such documents governing the following subjects:

A. The percentage interest of the Unit Owners in the Common Area of the Project.

B. The fundamental purpose for which the Project was created (such as a change from residential use to a different use).

C. Voting.

D. Assessments, assessment liens and subordinations thereof.

E. The reserve for maintenance, repair and replacement of the Common Area.

F. Responsibility for repair and property maintenance obligations.

G. Casualty and liability insurance and fidelity bonds.

H. Restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in this Declaration.

I. Rights to use the Common Area.

J. Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project.

K. Boundaries of any Unit.

L. Convertibility of Units into Common Area or of Common Area into Units.

M. Leasing of Units.

N. Imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or convey his Unit.

O. Any provision, which by its terms, is specifically for the benefit of first Mortgagees, Insurers, or Guarantors, or specifically confers rights on first Mortgagees, Insurers, or Guarantors.

An addition or amendment to the Declaration, the Articles or to the By-Laws shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An Eligible Mortgage Holder or Eligible Guarantor or Insurer who receives a written request to approve additions or amendments, who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

Section 3. Required Consent of Mortgagees. Except as provided by statute in case of condemnation or substantial loss of the Units and/or the Common Areas of the condominium project, unless at least sixty-seven percent (67%) of the first Mortgagees (based upon one vote for each mortgage owned) of the individual condominiums and sixty-seven percent (67%) of the Owners (other than the sponsor, developer, builder or Declarant) have given their prior written approval, neither the Association nor the Owners shall be entitled:

A. By act or omission to seek to abandon or terminate the Project, except in the case of a taking by condemnation or eminent domain or substantial loss or damage to the Common Area.

B. To change the pro rata interest or obligations of any Unit for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the prorata share of ownership, if any, in the Common Area.

C. By act or omission to seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area. The granting of easements for public utilities or for other public purposes consistent with the intended use of the Common Area by the Association or the Owners shall not be deemed a transfer within the meaning of this clause.

D. To use hazard insurance proceeds for losses to the Common Area in the Project for other than the repair, replacement, or reconstruction of improvements.

E. To terminate professional management (but only if such professional management is required by any Mortgagee or by the guarantor, insurer, or subsidizer of any Mortgagee) and assume self control of the Project.

F. By act or omission, change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of Units, the exterior maintenance of Units, the maintenance of the Common Area walks or fences and driveways, or the upkeep of landscaping in the Common Area.

G. Fail to maintain fire and extended coverage on insurable Association Common Area improvements on a current replacement cost basis in any amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs).

Section 4. Examination of Books and Records by Mortgagees. First Mortgagees can examine and copy the books and records of the Association and can require the submission of financial data concerning the Association or the Project, free of charge, including annual audited financial statements for the immediately preceding fiscal year. Such financial statements shall be furnished within a reasonable time following such request.

Section 5. Priority of First Mortgagees - Insurance Proceeds and Condemnation Awards. No Unit Owner, or any other party, shall have priority over any right of first Mortgagees of condominiums pursuant to their mortgages in case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of Units or Common Area. Any provision to the contrary in this Declaration or in the By-Laws or other documents relating to the Project is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected Mortgagees naming the Mortgagees, as their interests may appear.

Section 6. Notice to Mortgagees. Upon written request to the Association, identifying the name and address of the Eligible Mortgage Holder or Eligible Insurer or Guarantor, and the Unit number or address, such Eligible Mortgage Holder or insurer or guarantor will be entitled to timely written notice of:

A. Any loss casualty to any Unit covered by a mortgage, if such loss exceeds One Thousand Dollars (\$1,000), or any loss to the Common Area if such loss exceeds Ten Thousand Dollars (\$10,000) or on any taking of the Common Area.

B. Any default in performance of obligations under the Declaration, the Articles, or the By-Laws or rules and regulations adopted by the Association, which default is not cured within sixty (60) days after written notice to such Owner.

C. Any lapse, cancellation or material modification of any fidelity bond required to be maintained by the Association or of any insurance policy required to be maintained by the Association pursuant to Sections 1, 2 and 6 of Article VIII.

D. Any proposed action which would require the consent of mortgagees as specified in Sections 2 and 3 of this Article XXII.

Section 7. Effect of Foreclosure by First Mortgagee.

A. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any first mortgage in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any Owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

B. If any condominium is encumbered by a first mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments shall not operate to affect or impair the lien of the mortgage. On exercise of power of sale or judicial foreclosure of the first mortgage, the lien for assessments or installments that has accrued up to the time of foreclosure shall be subordinate to the lien of the mortgage, with the foreclosure-purchaser taking title to the condominium free of the lien for assessments, or installments that have accrued up to the time of the foreclosure sale. On taking title to the condominium, the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the condominium. The subsequently levied assessments or other charges may include previously unpaid assessments provided all Owners, including the foreclosure-purchaser, and his successors and assigns, are required to pay their proportionate share as provided in this Article.

C. Any Mortgagee who acquires title to a condominium by foreclosure or by deed in lieu of foreclosure or assignment in lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

D. Any mortgage given to secure a loan to facilitate the resale of a condominium after acquisition by foreclosure or by a deed in lieu of foreclosure or by assignment in lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article.

Section 8. Mortgagee's Attendance at Meetings.

Because of its financial interest in the Project, any Mortgagee may appear (but cannot vote) at meetings of the Members and the Board to draw attention to violations of this Declaration that have not been corrected or made the subject of remedial proceedings or assessments or for any other purpose. Written

notice of any or all meetings of the Members and the Board will be provided to any Mortgagee upon its written request.

Section 9. Providing Information to Board. Any Mortgagee may furnish information to the Board concerning the status of any mortgage.

Section 10. Restriction on Right of First Refusal. No right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey the Owner's condominium shall be granted to the Association without the consent of any Mortgagee, of the condominium. Any right of first refusal or option to purchase a condominium that may be granted to the Association (or other person, firm or entity) shall not apply to any conveyance or transfer of title to such condominium, whether voluntary or involuntary, to a Mortgagee which acquires title to or ownership of the condominium pursuant to the remedies provided in its mortgage or by reason of foreclosure of the mortgage or deed (or assignment) in lieu of foreclosure.

Any right of first refusal shall not impair the rights of a first Mortgagee to: (a) foreclosure or take title to a condominium pursuant to the remedies provided in the mortgage; (b) accept a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor; or (c) sell or lease a condominium acquired by the first Mortgagee.

Section 11. Termination of Certain Contracts. Any contract for professional management of the Project, or any other contract providing for services by Declarant shall provide for termination by either party without cause or payment of a termination fee on ninety (90) days or less written notice and the term of such contract shall not exceed one (1) year. Such contracts shall also provide for termination for cause upon no more than thirty (30) days written notice. Such agreement shall be renewable with the consent of the Board and the management agent. No contract with the Association negotiated by Declarant shall exceed a term of one (1) year.

Section 12. Tax Liens. All taxes, assessments and charges which may become liens prior to the first mortgage under the local law, shall relate only to the individual condominiums and not to the Project as a whole.

Section 13. Reserves for Maintenance. Assessments on condominiums shall include an adequate reserve for maintenance, repairs and replacement of the Common Area facilities that must be replaced on a periodic basis, and shall be payable in regular installments rather than by Special Assessments.

Section 14. Termination of the Project. Any election to terminate the legal status of the Project after substantial destruction or a substantial taking in condemnation of the Project must require the approval of Eligible Mortgage Holders holding mortgages on Units which have at least fifty-one percent (51%) of the votes of Units subject to Eligible Mortgage Holders.

Section 15. Reallocation of Interests. No reallocation of interests in the Common Area resulting from a partial condemnation or partial destruction of the Project may be affected without the prior approval of Eligible Mortgage Holders holding mortgages on all remaining Units, whether existing in whole or in part, and which have at least fifty-one percent (51%) of the votes of such remaining Units subject to Eligible Mortgage Holders.

Section 16. Payment of Taxes and Premiums. First mortgagees may, jointly or singly, pay taxes or other charges which may or have become a charge against the Common Area property and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of policy, for such Common Area property and first mortgagees making such payment shall be owed immediate reimbursement therefor from the Association, provided that said first mortgagees have given notice to the Association prior to the making of such payments and the Association has failed to pay the same.

Entitlement to such reimbursement shall be reflected in an agreement in favor of all first mortgagees of Units to be executed by the Association. An original copy of such agreement shall be possessed by the Declarant.

Section 17. Conflict. If there is any conflict between any Section of this Article XXII and any other provision of this Declaration, or the By-Laws of the Association, the language contained in this Article XXII shall control.

ARTICLE XXIII

Amendments

Section 1. Prior to Sale of a Unit. Before the close of the first sale in the Project to a purchaser other than Declarant, this Declaration and any amendments to it may be amended in any respect, or revoked by the execution by Declarant of an instrument amending and revoking this Declaration. The amending or revoking instrument shall make appropriate reference to this Declaration and its amendments and shall be acknowledged

and recorded in the office of the County Recorder where the Project is located.

Section 2. After Sale of a Unit. After the close of the first sale of a condominium in the Project to a purchaser other than Declarant, this Declaration may be amended or revoked in any respect as follows: (1) if a two class voting structure is still in effect in the Association, this Declaration may be amended only with the vote or written consent of Members entitled to cast at least sixty-seven percent (67%) of the voting power of each class of members in the Association; (2) if a two class voting structure is no longer in effect in the Association because of the conversion of Class B membership to Class A membership as provided herein, this Declaration may be amended only with the vote or written assent of: (i) Members holding sixty-seven percent (67%) of the voting power of the Association; and (ii) Members holding sixty-seven percent (67%) of the voting power held by Members other than Declarant.

Notwithstanding the foregoing, if any provision of this Declaration requires a greater or lesser percentage of the voting rights of any class of Members in order to take affirmative or negative action under such provision the same percentage of such class or classes of Members shall be required to amend or revoke such provision. Also, if the consent or approval of any governmental authority, Mortgagee or other person, firm, agency or entity is required under this Declaration with respect to any amendment or revocation of any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation subsequent to the close of such first sale need only be evidenced by an instrument certified by the secretary or other duly authorized officer of the Association and shall make appropriate reference to this Declaration and its amendments and shall be acknowledged and recorded in the office of the County Recorder where the Project is located.

Section 3. Amendment to Meet Requirements of Mortgagees and Governmental Agencies. It is the intent of Declarant that this Declaration and the Articles and By-Laws of the Association, and the Project in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a Condominium in the Project by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the U.S. Department of Veterans Affairs. In furtherance of that intent, Declarant expressly reserves the right and shall be entitled by unilateral amendment of the Declaration so long as Declarant owns more than twenty-five percent (25%) of the

Condominiums in the Project to amend this Declaration in order to incorporate any provisions or to enter into any agreement on behalf of and in the name of the Association that are, in the opinion of any of the cited entities or governmental agencies, required to conform to the Declaration, the Articles, the By-Laws or the Project to the requirements of any of the entities or governmental agencies, including without limitation, the execution on behalf of and in the name of the Association of a regulatory agreement between the Association and the Federal Housing Commissioner and any other agreement sufficient to satisfy the requirements for mortgage purchase, guarantee or insurance by any of said entities or agencies. Declarant is hereby granted an irrevocable power of attorney to execute any such amendment or agreement by and in the name of the Association. Any such provision shall first be approved by the U. S. Department of Veterans Affairs and the California Department of Real Estate in connection with its issuance of a final subdivision public report or amendment to it with respect to the Project. Each Owner of a condominium and each Mortgagee of a condominium by acceptance of a deed or encumbrance of a condominium, consents to the incorporation in this Declaration of any such provisions and to the execution of any amendment or regulatory agreement and agrees to be bound by any such provisions as if they were incorporated in this Declaration. The Board and each Owner shall take any action or shall adopt any resolutions required by Declarant or any Mortgagee to conform this Declaration or the Project to the requirements of any of said entities or agencies.

Section 4. Petition to Superior Court. If in order to amend the Declaration, the Declaration requires Owners having more than fifty percent (50%) of the votes in the Association, in a single class voting structure, or Owners having more than fifty percent (50%) of the votes in more than one class in a voting structure with more than one class, to vote in favor of the amendment, the Association, or any Owner of a separate interest, may petition the Superior Court of the county in which the Project is located for an order reducing the percentage of the affirmative votes necessary for such an amendment. The petition shall describe the effort that has been made to solicit approval of the Association Members in the manner provided in the Declaration, the number of affirmative and negative votes actually received, the number or percentage of affirmative votes required to effect the amendment in accordance with the existing Declaration, and other matters the petitioner considers relevant to the court's determination. The petition shall also contain, as exhibits thereto, copies of all of the following:

A. The governing documents.

B. The complete text of the amendment.

C. Copies of any notice and solicitation materials utilized in the solicitation of Owner approvals.

D. A short explanation of the reason for the amendment.

E. Any other documentation relevant to the court's determination.

Section 5. Compliance with Law. All amendments or revocations of this Declaration shall comply with the provisions of California Business and Professions Code Section 11018.7 to the extent said Section is applicable.

Section 6. Presumption of Validity. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XXIV

Enforcement

Each and every covenant, condition, restriction and easement herein contained and in the By-Laws, Articles of Incorporation and rules and regulations shall be for the benefit of any and all persons who now own or who may hereafter own any portion of the Project, and all such persons are specifically given the right to enforce the same at law or in equity, and upon the filing of any action to enforce the same, judgment may be given for attorneys fees against the party found to be in breach in favor of the party seeking enforcement. Enforcement of these covenants and restrictions, the By-Laws, Articles of Incorporation and any rules and regulations may be sought by the Association or any Unit Owner and shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation by way of injunctive relief or to recover damages, and against the land to enforce any lien created by these covenants, and failure by Declarant, the Board or any Unit Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter, nor shall any such failure to enforce the same or any other violation of such covenants or restrictions impair or invalidate the lien of any first mortgage or first deed of trust.

ARTICLE XXV

Term

Except in the event of earlier termination as provided above, the covenants, conditions and restrictions of this Declaration shall run with and bind the Project, and shall inure to the benefit of and be enforceable by Declarant, the Board, or the Owner of any condominium subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by Unit Owners holding a majority of the voting power of the Association has been recorded within one (1) year prior to the termination of the forty (40) year period or within one (1) year prior to the termination of any successive ten (10) year period, agreeing to terminate said covenants, conditions and restrictions, in whole or in part.

ARTICLE XXVI

Enforcement of Bonded Obligations

If Common Area improvements which are included in the subdivision offering covering this Project have not been completed prior to the issuance of a Final Subdivision Report and the Association is an obligee under a bond or other arrangement (hereinafter referred to as the "Bond") to secure performance of the commitment of the Declarant pursuant to such subdivision offering to complete the improvements, then the following substantive and procedural provisions relative to the initiation of action to enforce the obligations of such Declarant and the surety under the Bond shall govern:

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

B. A special meeting of Members of the Association for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question may be held. Said special meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

C. At any special meeting called for the purpose set forth in Subparagraph B. above, the vote shall be by Members of the Association other than Declarant.

D. A vote of a majority of the Members of the Association who reside in the Project, other than the Declarant, to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XXVII

Professional Management

The Board shall be required to engage a professional property manager to manage the Project who shall be duly licensed if so required to be licensed by the laws of the State of California. Such manager shall be experienced in the management of condominium projects. When professional management has been previously required by any Eligible Mortgage Holder or insurer or guarantor, whether such entity became an Eligible Mortgage Holder or Eligible Insurer or Guarantor at that time or later, any decision to establish self-management by the Association shall require the prior consent of Owners of Units to which at least sixty-seven percent (67%) of the votes in the Association are located.

ARTICLE XXVIII

Right of Owner of Unit to Make Improvements or Modifications

Subject to the provisions of the governing documents and other applicable provisions of law, if the boundaries of the separate interest are contained within a building, the Owner of the separate interest may do the following:

A. Make any improvements or alterations within the boundaries of his or her separate interest that do not impair the structural integrity or mechanical systems or lessen the support of any portions of the Common Interest Development.

B. Modify a Unit in the Project, at the Owner's expense, to facilitate access for persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions which could be hazardous to these persons. These modifications may also include modifications of the route from the public way to the door of the Unit for the purposes of this Paragraph if the Unit is on the ground floor or already accessible by an existing ramp or elevator. The right granted by this Paragraph is subject to the following conditions:

(1) The modifications shall be consistent with applicable building code requirements and the Americans With Disabilities Act, if applicable.

(2) The modifications shall be consistent with the intent of otherwise applicable provisions of the governing documents pertaining to safety or aesthetics.

(3) Modifications external to the Unit shall not prevent reasonable passage by other residents and shall be removed by the Owner when the Unit is no longer occupied by persons requiring those modifications who are blind, visually handicapped, deaf, or physically disabled.

(4) Any Owner who intends to modify a Unit pursuant to this Paragraph shall submit his or her plans and specifications to the Association of the Project for review to determine whether the modifications will comply with the provisions of this Paragraph. The Association shall not deny approval of the proposed modifications under this Paragraph without good cause.

Any change in the exterior appearance of a separate interest shall be in accordance with the governing documents and applicable provisions of law.

ARTICLE XXIX

Documents to be Provided to Prospective Purchaser

The Owner of a Condominium shall, as soon as practicable before transfer of title or execution of a real property sales contract therefor, as defined in California Civil

Code Section 2985, provide the following to the prospective purchaser:

A. A copy of the governing documents of the Condominium Project.

B. If there is a restriction in the governing documents limiting the occupancy, residency or use of a separate interest on the basis of age in a manner different from that provided in California Civil Code Section 51.3, a statement that the restriction is only enforceable to the extent permitted by said Section and a statement specifying the applicable provisions of said Section.

C. A copy of the Association's most recent financial statement distributed in accordance with Section 1365 of the California Civil Code.

D. A true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special assessments and fees as well as any assessments levied upon the Owner's interest in his Condominium and the Project which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's interest in the Project pursuant to Section 1367 of the California Civil Code.

E. Any change in the Association's current regular and special assessments and fees which have been approved by the Association's Board of Directors, that have not become due and payable as of the date disclosure is provided pursuant to this Article.

Upon written request the Association shall, within ten (10) days of the mailing or delivery of the request, provide the Owner of a Condominium with a copy of the requested items specified in Subparagraphs A, B, C, D and E of this Article. The Association may charge a fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested items.

ARTICLE XXX

Annexation of Additional Properties

Additional properties may be annexed to and become subject to this Declaration by any of the methods set forth herein below:

Section 1. With Approval of Association. Upon written approval of the Association pursuant to a vote of sixty-six and two-thirds percent (66-2/3%) of the Unit Owners or the written consent of such Owners, excluding the vote or written consent of Declarant, the Owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association may file of record a Supplementary Declaration as described in Section 3. hereof.

Section 2. Without Approval of Association. All or any part of the real property described in Exhibit "B" attached hereto may be annexed from time to time, to the Project and added to the scheme of this Declaration, and subject to the jurisdiction of the Association without the assent of the Association or its Members, provided and on condition that:

A. Any annexation pursuant to this Article shall be made prior to the third anniversary of the original issuance of the most recently issued Public Report for a phase in the Project.

B. A Supplementary Declaration, as described in Section 3 hereinbelow shall be recorded, covering the applicable portion of the real properties described in Exhibit "B".

C. The total number of Units in the Project after all annexations will not exceed one hundred sixty-eight (168).

D. All improvements intended for future phases will be substantially completed prior to annexation or if not completed, adequate security for the completion thereof will be provided.

E. Future improvements will be consistent with the initial improvements in terms of quality of construction.

Section 3. Supplementary Declaration. The additions authorized under the foregoing Sections shall be made by filing

of record a Supplementary Declaration of Covenants, Conditions and Restrictions or similar instrument, with respect to the additional properties which shall extend the scheme of this Declaration to such properties. The Supplementary Declaration shall specify the undivided interest in the Common Area being annexed, which each Owner of a Unit in the annexed property will receive. Further, the deed from Declarant to each Owner of a Unit in the annexed real property shall also specify the undivided interest in the Common Area being received by such Unit Owner. Such Supplementary Declaration as contemplated above, may contain such additions and modifications of the covenants and restrictions contained herein as may be necessary to reflect the different character, if any, of the added properties and as are not inconsistent with the scheme of this Declaration and shall indicate the undivided interest in the Common Area being annexed, or the total Common Area of the Project, as the case may be, that will be allocated to Owners of the annexed Units.

The Supplementary Declaration shall require the payment by the Declarant to the Association, concurrently with the closing of the escrow for the first sale of a unit, or upon occupancy of a unit, in an annexed phase, appropriate amounts for reserves for replacement or deferred maintenance of common area improvements in the annexed phase necessitated by or arising out of the use and occupancy of residential units under a rental program conducted by the Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrow for the first sale of a residential Unit in the annexed phase. In no event, however, shall any such Supplementary Declaration revoke, modify, or add to the covenants established by this Declaration within the existing property, except as hereinabove provided.

Section 4. Effect of Annexation. Upon annexation of any additional properties to this Declaration:

A. The real property contained in the Supplementary Declaration shall be subject to the provisions of this Declaration and to the rights and powers of the Association pursuant to the terms of this Declaration, the Articles, and the By-Laws and, thereafter, all of the Owners of Condominiums in the annexed real property shall automatically become Members of the Association.

B. Assessments shall commence for all Units in each phase of the Project commencing on the first day of the month following the conveyance of a subdivision interest in such phase (subject, however, to any subsidy or maintenance agreement which Declarant may have entered into with the

Association), as the case may be, pursuant to authority of a Public Report issued by the California Department of Real Estate and, thereafter, shall be due and payable in accordance with the provisions of Article VI hereof.

Voting rights shall commence for each Unit in each phase of the Project at the time assessments commence for each such Unit. Deferment of assessments due to a subsidy agreement or maintenance agreement will not prevent the commencement of voting rights for all Units in each phase of the Project.

C. The Owners of condominium Units in any annexed real property and in those properties which are then within the jurisdiction of the Association, shall be granted non-exclusive easements over the Common Area of all phases of the Project for purposes of ingress and egress, except for those portions lying within residential buildings containing Condominium Units and except for those portions which are Exclusive Use Common Areas.

D. Declarant reserves to itself, its successors and assigns, the right to conduct construction activities over all portions of the Common Areas within the jurisdiction of the Association.

Section 5. Miscellaneous. Notwithstanding anything contained in this Article to the Contrary, unless approved by the California Department of Real Estate, no supplement may (i) cause a substantial increase in the Common Area or recreation area costs and expenses then being borne by Owners, which was not disclosed in the Final Subdivision Public Report for the phase of the Project in which an Owner purchased his Condominium, or (ii) otherwise materially adversely affects the rights of Owners, without the prior affirmative vote or written consent of at least sixty-six and two-thirds percent (66-2/3%) of each class of Members entitled to vote and their Eligible Mortgage Holders.

Section 6. Deannexation. Declarant may delete all or a portion of a phase of the property from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such phase, and provided that (i) a Notice of Deletion is recorded in the same manner as the applicable Supplementary Declaration was recorded, (ii) Declarant has not exercised any Association vote with respect to any portion of such phase; (iii) assessments have not yet commenced with respect to any portion of such phase; (iv) close of escrow has not occurred for the sale of any condominium in such phase, and (v) the Association has not made any expenditures or incurred

any obligations with respect to any portion of such phase of the property.

Section 7. Subsequent Phases. Declarant shall be under no obligation whatsoever to improve or annex all or any part of the real property referred to in subparagraph B of Section 2 of this Article. The decision whether to annex all or any part of the real property described in subparagraph B of Section 2 of this Article, and if so annexed, the decision as to the number of condominium units to be constructed thereon, shall be in the sole and absolute discretion of Declarant.

Section 8. Rights of Declarant. Declarant hereby reserves to itself, its successors and assigns, the right to non-exclusive easements for ingress and egress, construction and sales activities over the common area of all portions of real property which may be annexed to the Project.

Section 9. Use of Assessments and Effect of Annexation. Assessments collected from Owners in the Project may be expended by the Association without regard to the particular phase from which such assessments came. All Owners shall have ingress and egress to and use of all portions of the common area throughout the Project, subject to the provisions of this Declaration, the By-Laws of the Association and the Rules and Regulations of the Association in effect from time to time.

ARTICLE XXXI

Redesign of Project

Section 1. Right of Declarant to Redesign Project. Subject to the restrictions and limitations set forth in this Article, Declarant reserves the right, in its sole discretion, from time to time, within a period of five (5) years from the date of the recording of this Declaration, or at any time or at different times within such five (5) year period, to redesign the Project or any portion or aspect thereof, including, but not limited to any building constructed or proposed to be constructed on the Property and, in connection with such redesign, to effect the following changes in the Project:

A. Alter the vertical or horizontal boundaries, or both, of any building.

B. Alter the size, shape, configuration, floor plan and/or location of any Units within any building.

C. Change the configuration of any building.

D. Adjust the configuration of the Common Area boundary lines and the boundary lines of any Exclusive Use Common Areas.

E. Effect nominal deviations from the Condominium Plan which result during the actual construction of the Project.

Section 2. General Restrictions on Redesign. The rights of Declarant set forth in Section 1 above shall and are hereby made subject to the following additional restrictions and limitations.

A. In no event shall the Project, when completed, consist of more than one hundred sixty-eight (168) Units.

B. In no event shall the recreational facilities constructed or to be constructed in the Common Area be redesigned to contain less than what is currently described in the Final Public Report issued by the Department of Real Estate.

C. With the exception of the revisions authorized in Section 1 above, the redesign of any portion of the Project shall in no event physically modify, affect or change any Units which as of the date of such redesign, are the subject to an agreement of sale or are owned by an Owner other than Declarant, unless the purchaser or Owner of such Unit shall consent to such redesign in writing.

Section 3. Amendment to Condominium Plan. In the event a redesign of all or any portion of the Project in accordance with the provisions of this Article affects any Units in the Project so as to necessitate the preparation of an amendment to the Condominium Plan, including any amendment necessary to cause the Condominium Plan to comply with the buildings in the Project as actually built, Declarant shall prepare or cause to be prepared, executed, acknowledged, filed or cause to be filed for approval and record or cause to be recorded an amendment to the Condominium Plan. The amendment to the Condominium Plan shall, when recorded, have the effect of (a) relocating the Common Area and any Exclusive Use Common Area therein and each Unit to the extent set forth on the amendment to the Condominium Plan, (b) vesting in each Owner (including Declarant with respect to any unsold Units) the undivided interest in the Common Area as depicted on the amendment to the

Condominium Plan, (c) divesting each Owner (except Declarant) of all right, title and interest to any Unit, other than each Owner's Unit, depicted on the amendment to the Condominium Plan, (d) vesting in each holder of a Mortgage an undivided interest (to the extent of the interest in the Common Area owned by the Owner of the Unit) which is the subject of such Mortgage in the Common Area as depicted on the amendment to the Condominium Plan and (e) divesting each holder of a Mortgage of all right, title and interest to each Condominium (other than the Owner's Condominium which is the subject of such Mortgage) depicted on the amendment to the Condominium Plan. The adjustment of any Mortgage in accordance with the provisions of this Section 3 shall not affect the priority of any such Mortgage with respect to any other matters affecting title to the Unit which is the subject thereof.

Section 4. Declaration of Redesign. In the event a redesign of all or any portion of the Project in accordance with the provisions of this Article alters the size of Units contained or to be contained in the Project, Declarant shall prepare or cause to be prepared, executed, acknowledged and recorded or cause to be recorded a Declaration of Redesign. Each Declaration of Redesign shall state that it has been prepared pursuant to and in accordance with the provisions of this Article.

Section 5. Power of Attorney. Each Owner, except the Secretary, U.S. Department of Veterans Affairs, an officer of the United States of America, by accepting a deed to a Condominium shall be deemed to have constituted and irrevocably appointed, for himself and each of his Mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, for a period of four (4) years from the date of the recording of this Declaration, Declarant as his Attorney in Fact and thereby to have conveyed a Power of Attorney coupled with an interest to Declarant as his Attorney in Fact to effect the redesign of all or any portion of the Project in accordance with the limitations and requirements set forth in this Article, and further:

A. To prepare or cause to be prepared, executed, acknowledged, filed or cause to be filed for approval and file or record or cause to be filed or recorded any map or record of survey required or permitted by the provisions of the Subdivision Map Act of the State of California as in effect on the date of recordation of this Declaration and as thereafter amended and any ordinances, rules and regulations of any governmental entities and authorities having jurisdiction over

the Project as in effect on the date of recordation of this Declaration and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute, acknowledge and deliver any improvement agreements and bonds and post deposits securing the performance of any such conditions and obligations.

B. To prepare or cause to be prepared, executed, and acknowledged and filed or cause to be filed for approval and record or cause to be recorded any amendment to the Condominium Plan, including any amendment necessary to cause the Condominium Plan to comply with the buildings in the Project as actually built, which may be required or permitted by the laws of the State of California as in effect on the date of recordation of this Declaration and as thereafter enacted or amended and any ordinances, rules and regulations of any governmental entities and authorities having jurisdiction over the Project as in effect on the date of recordation of this Declaration and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute and deliver any improvement agreements and bonds and post deposits securing the performance of any such conditions and obligations.

C. To prepare to cause to be prepared, executed, acknowledged and filed or cause to be filed for approval, any application for zoning or setback changes or variance or special use permits or any other permits and/or reports required or permitted by the laws of the State of California as in effect on the date of recordation of this Declaration and as thereafter enacted or amended and any ordinances, rules and regulations of any governmental entities on the date of recordation of this Declaration and thereafter enacted or amended and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute and deliver any improvement agreements and bonds and post deposits securing the performance of any such conditions and obligations.

D. To make application for any property reports or public reports or amendments thereto or exceptions from the requirements therefor required or permitted in order to comply with federal and state statutes, rules and regulations relating to the sale, lease, transfer or other disposition of subdivided lands to the public and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, state and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute and deliver any agreements and bonds securing the performance of the obligations contained therein.

E. To deliver any public reports or property reports, or amendments thereto, obtain receipts and offer and administer rescission rights required by law.

F. To prepare or cause to be prepared, executed, acknowledged and recorded or cause to be recorded a Declaration of Redesign pursuant to and in accordance with the provisions of this Article.

G. To prepare or cause to be prepared, executed, acknowledged, filed or cause to be filed for approval, any registration or any application for permit, approval, exemption, ruling or entitlement required or permitted pursuant to any law or regulation in effect as of the date of the recording of this Declaration and as hereafter enacted or amended by any federal, state, and local governmental entities and authorities, and in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by such governmental body and by any such laws and regulations; to appear before any such governmental bodies and to execute and deliver any agreement and bonds and post deposits securing the performance of any such conditions and obligations and to do all other things now or hereafter permitted or required by any such governmental body and any such laws and regulations.

H. To prepare or cause to be prepared, executed, acknowledged and recorded or cause to be recorded any deeds, waivers, releases, reconveyance or other documentation which may be permitted or required to clear title to any Units, whether constructed or to be constructed, in the Project.

I. To do any and all things necessary or desirable under the circumstances to effect and accomplish the purposes of this Article.

J. Notwithstanding anything contained herein to the contrary, Declarant shall be required to comply with Section 11018.7 of the California Business and Professions Code and Section 2793 of the Regulations of the Real Estate Commissioner in effecting any redesign of the Project.

Section 6. Indemnification of Owners on Exercise of Power of Attorney. Declarant shall indemnify and hold each Owner harmless from all liabilities, including attorneys fees, which are incurred as a direct result of the execution by Declarant of any improvement agreements or bonds, or both, in connection with the exercise by Declarant of the Power of Attorney set forth in Section 5. hereof.

Section 7. Mortgage Interest to Take Subject to Power of Attorney. The acceptance or creation of any Mortgage whether voluntary or involuntary, and whether or not created in good faith and whether or not given for value, shall be deemed to be accepted and/or created subject to each of the terms and conditions of the Power of Attorney described in Section 5 hereof.

Section 8. Power of Attorney Binding on Successors in Interest. Each and all Owners and each of their respective Mortgagees, grantees, licensees, trustees, receivers, lessees, tenant, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, shall be deemed to have expressly agreed, assented and consented to each and all of the provisions of this Declaration and shall (except for the Secretary, U.S. Department of Veterans Affairs, an officer of the United States of America) be deemed to have constituted and irrevocably appointed Declarant as his Attorney in Fact to carry out the powers described in Section 5 hereof, and such Power of Attorney shall be deemed to continue to be coupled with an interest.

Section 9. Effect on Assessment Liens. The recording of a Declaration of Redesign in accordance with the provisions of Section 4 hereof shall not alter or affect the amounts of any Annual or Special Assessments which were due from any Unit Owner prior to such recording or liens thereof; provided, however, that all liens previously created under this Declaration shall, upon the recording of an amendment to the Condominium Plan, be reconveyed and released with respect to each Condominium, other than the Condominium which was originally the subject of such lien, depicted on such amendment to the Condominium Plan.

ARTICLE XXXII

Inspection Obligation

A. In addition to the Associations general maintenance obligations set forth in this Declaration, the Association shall, at all times, contract with (subject to the limitations set forth in Paragraph P(1) of Section 3 of Article V) or otherwise retain the services of independent, qualified, licensed individuals or entities to provide the Association with inspection services relative to the maintenance, repair and physical condition of the Project. For so long as Declarant holds a majority of the voting power in the Association, the costs of such inspection shall be paid by Declarant. Thereafter, the costs of the inspection obligation imposed upon the Association hereunder shall be approved on an annual basis by the Board prior to commencement of such inspections.

B. The inspectors shall inspect all component parts of the Project including, but not limited to, structural components, parking areas, driveways, walkways, and landscaping. If any of the contractors or subcontractors responsible for constructing any component part of the Project provide the Association with the maintenance criteria, maintenance manuals, or warranty requirements, such inspectors shall additionally assist the Association with compliance with the same. The Association shall be responsible for meeting all requirements under such maintenance manuals, maintenance criteria, or warranty requirements.

C. During the first two (2) years following the conveyance of the first Unit in the Project, such inspections shall take place at least once every six (6) months (or more often if required by any maintenance manual, maintenance criteria, or warranty requirements). During the next eight (8) years such inspections shall take place at least annually. The inspectors shall provide written reports of their inspections to the Association promptly following completion thereof. The written reports shall identify all items of maintenance or repair which either require current action by the Association or will need further review and analysis. Such written reports shall specifically include a review of all irrigation and drainage systems on the Project. The Board shall report the contents of such written reports to the members of the Association at the next meeting of the members following receipt of such written reports and shall include such written reports in the minutes of the Association. Subject to the provisions of Subparagraph D below, the Board shall promptly cause all matters identified as requiring attention to be maintained, repaired or otherwise

requiring attention to be maintained, repaired or otherwise pursued in accordance with prudent business practices and the recommendations of the inspectors and the CLJ Gardens Common Area Maintenance Manual and the CLJ Gardens Landscape Maintenance Manual prepared by Declarant.

D. The Association shall cause the Declarant (or its designee) to receive ten (10) days advance written notice of all such inspections (and an opportunity to be present during such inspection, personally or through an agent) and shall provide the Declarant (or its designee) with a copy of all written reports prepared by the inspectors. In the event, based upon such inspection, any items are identified by the inspector as being the result of construction defects or other matters for which the Declarant or any contractor, subcontractor, architect, materialman, or similar individual or entity could be held liable (collectively "construction defect"), the Association shall request, in writing (a copy of which shall be delivered to Declarant or its designee), that the Declarant or such responsible individual or entity take all necessary steps to remedy such construction defect. The party receiving such written request shall, if it elects to take action relative to such request, be given reasonable access to the Project and an opportunity to take all action and do all things necessary to remedy such situation.

E. If, in the opinion of the Declarant or other responsible individual or entity, the matters so identified are not the result of construction defects, or if the party receiving such notice fails to take action to remedy such situation (and following commencement diligently prosecute the same to conclusion) within one hundred twenty (120) days of the date of such written request, either party, upon thirty (30) days advance notice, may submit such dispute to binding arbitration before a single arbitrator in accordance with then rules of the American Arbitration Association. If it is determined by the arbitrator that such condition is not the result of a construction defect, which determination shall be binding, the Board shall promptly cause all action necessary to remedy such condition to be commenced and diligently prosecuted to completion. The foregoing provisions are for the benefit of, among others, the Declarant, who is a third party beneficiary thereof. The provisions of this Subparagraph E shall not limit the parties remedy solely to arbitration.

ARTICLE XXXIII

Alternative Dispute Resolution

Section 1. Request for Resolution. Notwithstanding anything contained in this Declaration to the contrary, unless the applicable time limitation for commencing an action would run within one hundred twenty (120) days, prior to the filing of a civil action by either the Association or a member of the Association 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 of the Association, the parties shall endeavor 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 (i) a brief description of the dispute between the parties, (ii) a request for alternative dispute resolution, and (iii) a notice that the party receiving the Request for Resolution is required to respond thereto within thirty (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 thirty (30) days following service of the Request for Resolution to accept or reject alternative dispute resolution and, if not accepted within the thirty (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 ninety (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.

Any Request for Resolution sent to an Owner shall include a copy of Section 1354 of the Civil Code of the State of California.

Section 2. Summary. Members of the Association shall annually be provided a summary of the provisions of Section 1354 of the Civil Code which specifically references said Section. The summary shall include the following language:

"Failure by any member of the Association to comply with the prefiling requirements of Section 1354 of the Civil Code may result in the loss of your rights to sue the Association or another member of the Association regarding enforcement of the governing documents."

The summary shall be provided either at the time the proforma budget required by Section 1365 of the Civil Code is distributed or in the manner specified in Section 5016 of the Corporations Code.

ARTICLE XXXIV

General Provisions

Section 1. Interpretation and Severability. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Project. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

Section 2. Notices. Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, the same shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, certified mail, return receipt requested, postage prepaid, addressed to each such person at the address given by such person to the Board for the purpose of service, or to such person's Unit, if no address has been given to the Board. An address may for any reason be changed from time to time by notice in writing to the Board.

Section 3. Violation Deemed a Nuisance. Every act or omission in violation of any covenant, condition, or restriction herein set forth shall constitute a nuisance, and in addition to the legal remedies hereinbefore set forth, may be abated or enjoined by any owner or any member of the Board.

Section 4. Successors and Assigns. This Declaration shall be binding upon and shall inure to the benefit of the heirs, personal representatives, successors and assigns, grantees and lessees of the Declarant and each Unit Owner. This Declaration shall run with the land, and shall continue in full force and effect until (i) terminated by a court of competent jurisdiction pursuant to law, or (ii) in the event of the total

destruction of the improvements on the Property and a subsequent determination of the Owners not to rebuild the same, or a total abandonment of said improvements by the Owners, or as hereinabove provided. Each purchaser by accepting a deed or valid contract of sale to any individual condominium, accepts the same subject to all the covenants, conditions and restrictions herein contained, and agrees to be bound by each and all thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision thereafter.

Section 5. No Restrictions for Race, Color or Creed. No Owner shall execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of his condominium on the basis of race, color or creed.

Section 6. Cumulative Remedies. Each remedy provided for in this Declaration shall be cumulative and not exclusive.

Section 7. Notice of Sale or Lease of Condominium. Within five (5) business days after the consummation of the sale, transfer or lease of any condominium under circumstances whereby the transferee becomes an Owner or lessee thereof, the transferee, or the Owner in the case of a lease, shall notify the Board in writing of such sale or lease. Such notification shall set forth (i) the names of the transferee or lessee and his transferor or lessor, (ii) the street address or unit number of the condominium purchased or leased by the transferee, (iii) the number and names of all persons and the ages of all minors who intend to occupy said Unit, (iv) the transferee's mailing address, and (v) the date of sale or lease. Prior to receipt of such notification, any and all communications required or permitted to be given by Declarant, the Board or the Architectural Committee or any agent or representative thereof shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor or lessor.

Section 8. Gender. The singular shall include the plural and the plural the singular unless the context requires the contrary and the masculine, feminine and neuter shall include the masculine, feminine or neuter as the context requires.

Section 9. Approval of VA. So long as there is a Class B Membership, the following actions shall require the prior approval of the U.S. Department of Veterans Affairs: Annexation or deannexation of all or any part of the real property described on Exhibit "A" (if applicable); any merger or consolidation of the Association; any special assessment; and any amendment to this Declaration, a draft of which shall be submitted and

approved by the U.S. Department of Veterans Affairs prior to recordation.

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

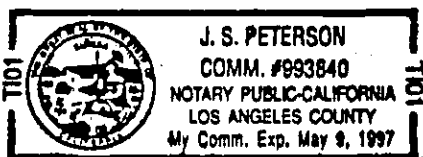
CAPE LA JOLLA GARDENS, INC.

By *Stuart Posnock*
Stuart Posnock,
Vice-President

STATE OF CALIFORNIA)
) SS
COUNTY OF LOS ANGELES)

On April 2, 1994 before me, appeared STUART POSNOCK, personally known to me (or proved to me 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 capacities, 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.



J. S. Peterson
Notary Public in and for said
County and State

EXHIBIT "A"

Percentage of Regular Monthly Assessments
to be Paid by Each Unit Owner

Each Unit Owner shall bear an equal share of all regular assessments unless such assessment is for insurance, water and reserves for painting, and roof, in which case such Unit Owner's share of the assessment shall be prorated in accordance with the following percentages:

<u>Unit No.</u>	<u>Percentage</u>
U1	
U2	
U3	
U4	
U5	
U6	
U7	
U8	
U9	
U10	
U11	
U12	
U13	
U14	
U15	
U16	
U17	
U18	
U19	
U20	
U21	
U22	
U23	
U24	

EXHIBIT "B"

Property to be Annexed

Parcels 2 through 8, inclusive, of Parcel Map 17235 in the City of San Diego, County of San Diego, State of California, filed in the office of the County Recorder of San Diego County, California, on October 21, 1993.