

When Recorded Return To:

Kranitz, Comporet & Sarrow
Professional Corporation
4929 Wilshire Blvd. #700
Los Angeles, Calif. 90010

FEBRUARY 28, 1989

COPY of Document Recorded

89-315908

Has not been compared with original
Original will be returned when
processing has been completed. M
LOS ANGELES COUNTY REGISTRAR - RECORDER

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS

OF

FOSTER VILLAS

ARTICLE I

DEFINITIONS

Section 1.	Articles	
Section 2.	Association	2
Section 3.	Board of Directors	2
Section 4.	By-Laws	2
Section 5.	Common Area	2
Section 6.	Declarant	2
Section 7.	Declaration	2
Section 8.	Dwelling Unit	2
Section 9.	Eligible Insurer or Guarantor	3
Section 10.	Eligible Mortgage Holder	3
Section 11.	Exclusive Use Common Area	3
Section 12.	Lot	3
Section 13.	Manager	3
Section 14.	Member	3
Section 15.	Mortgage - Mortgagee - Mortgagor and Institutional Holder	3
Section 16.	Owner	3
Section 17.	Project	3
Section 18.	Properties	4

ARTICLE II

PROPERTY RIGHTS

Section 1.	Owners' Easements of Enjoyment	4
Section 2.	Delegation of Use	5
Section 3.	Administration	5

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 1.	Membership in Association	6
Section 2.	Transfer	6
Section 3.	Classes of Voting Memberships	6
Section 4.	Commencement of Voting Rights	6
Section 5.	Joint Owner Disputes	7

ARTICLE IV

COVENANTS FOR MAINTENANCE ASSESSMENTS

Section 1.	Creation of the Lien and Personal Obligation of Assessments	7
Section 2.	Purpose of Assessments	8
Section 3.	Regular Monthly Assessments	8
Section 4.	Change of Regular Monthly Assessments	9
Section 5.	Special Assessments	10
Section 6.	Rate of Assessments	10

Section 7.	Deposit of Assessments	11
Section 8.	Uniform Rate of Assessment	11
Section 9.	No Offsets	12
Section 10.	Exemption from Assessments	12
ARTICLE V		
EFFECT OF NON-PAYMENT OF ASSESSMENTS REMEDIES OF THE ASSOCIATION		
Section 1.	Creation of Lien	13
Section 2.	Enforcement of Lien	13
Section 3.	Priority of Lien and Subordination	14
Section 4.	Curing of Default	15
Section 5.	Additional Remedies	15
Section 6.	Certificate Re Amounts Due	15
Section 7.	Homestead and Exemption Waiver	15
ARTICLE VI		
DESTRUCTION OF IMPROVEMENTS		15
ARTICLE VII		
MANAGEMENT AND OPERATION		
Section 1.	Meetings of Owners	15
Section 2.	Number and Term of Directors	16
Section 3.	Cumulative Voting	16
Section 4.	Removal of Directors	17
Section 5.	Majority of Voting Power in Declarant	17
Section 6.	Non-Liability of Board of Directors and Officers	17
Section 7.	Indemnification for Performance of Duties	17
Section 8.	Certificate of Board of Directors	18
Section 9.	Rights and Duties of Board of Directors	18
ARTICLE VIII		
RIGHTS OF DECLARANT		23
ARTICLE IX		
INSURANCE		
Section 1.	Insurance to be Maintained by Association	24
Section 2.	Proceeds Payable to Trustee	26
Section 3.	Board as Attorney in Fact	26
Section 4.	Annual Review of Insurance	26
Section 5.	Owners' Liability Insurance	26
Section 6.	Notice of Cancelation	26
ARTICLE X		
MAINTENANCE BY OWNER		27
ARTICLE XI		
USE RESTRICTIONS		
Section 1.	Single Family Use	27
Section 2.	Rental	28
Section 3.	Common Area	28
Section 4.	Signs	28

Section 5.	Internal Items	28
Section 6.	Liens	28
Section 7.	Offensive Activities	29
Section 8.	Structural Changes	29
Section 9.	Mineral Exploration	29
Section 10.	Development of Air Space	29
Section 11.	Violation of Rules and Laws	29
Section 12.	Owner Liability	30
Section 13.	Exemption from Payment of Maintenance Fee	30
Section 14.	Parking	30
Section 15.	No Temporary Structures	31
Section 16.	Payment of Real and Personal Property Taxes	31
Section 17.	Repair of Improvements After Casualty	31
Section 18.	Window Coverings	31
Section 19.	Liens	31
Section 20.	Electronic Equipment	32
Section 21.	Height Limitation Upon Trees, Hedges, Shrubs and Landscaping	32
Section 22.	Sidewalk Encroachments	32
Section 23.	Access to Slopes and Drainage Facilities	32
Section 24.	Expansion of Dwelling Units	32
Section 25.	Setbacks	32

ARTICLE XII ARCHITECTURAL CONTROL

Section 1.	Appointment of Architectural Committee	33
Section 2.	Consent of Architectural Committee Required	33
Section 3.	Plans and Specifications	33
Section 4.	Approval or Disapproval by Architectural Committee	33
Section 5.	Diligent Prosecution of Work	34
Section 6.	Failure to Complete	34
Section 7.	Inspection of Work	35
Section 8.	Unauthorized Improvements	36
Section 9.	Architectural Control Committee Certificate	36
Section 10.	Access to Premises	37
Section 11.	Non-Liability	37
Section 12.	Declarant's Exemption	37
Section 13.	Fees	37

ARTICLE XIII PARTY WALLS - PREMISES

Section 1.	General Rules of Law to Apply	38
Section 2.	Sharing of Repair and Maintenance	38
Section 3.	Destruction by Fire or Other Casualty	38
Section 4.	Arbitration	38
Section 5.	Right of Contribution Runs With Land	39

EASEMENTS AND UTILITIES

Section 1.	Encroachment Easement	39
Section 2.	Utilities	39
Section 3.	Entry for Repairs	40

ARTICLE XV PROTECTION OF MORTGAGEES

Section 1.	Subordination of Liens	41
Section 2.	Material Amendments	41
Section 3.	Required Consent of Mortgagees	42
Section 4.	Examination of Books and Records by Mortgagees	43
Section 5.	Priority of First Mortgagees - Insurance Proceeds and Condemnation Awards	43
Section 6.	Notice to Mortgagees	44
Section 7.	Effect of Foreclosure by First Mortgagee	44
Section 8.	Mortgagee's Attendance at Meetings	45
Section 9.	Providing Information to Board	45
Section 10.	Restriction on Right of First Refusal	45
Section 11.	Termination of Certain Contracts	46
Section 12.	Tax Liens	46
Section 13.	Reserves for Maintenance	46
Section 14.	Termination of the Project	46
Section 15.	Reallocation of Interests	46
Section 16.	Payment of Taxes and Premiums	46
Section 17.	Conflict	47

ARTICLE XVI AMENDMENTS

Section 1.	Prior to First Sale	47
Section 2.	After Close of First Sale	47
Section 3.	Amendment to Meet Requirements of Mortgagees and Governmental Agencies	48
Section 4.	Presumption of Validity	48
Section 5.	Compliance with Law	48
Section 6.	Petition to Superior Court	49

ARTICLE XVII ENFORCEMENT OF BONDED OBLIGATIONS 49

ARTICLE XVIII GENERAL PROVISIONS

Section 1.	Enforcement	50
Section 2.	Term of Declaration	51
Section 3.	Purchasers	51
Section 4.	Construction and Conflicts	51
Section 5.	Captions and Gender	51
Section 6.	Binding on Heirs	51
Section 7.	Payment of Municipal Charges	52
Section 8.	Interpretation and Severability	52
Section 9.	Notice of Sale or Lease of Dwelling Units	52

Section 10.	Notices	52
Section 11.	Increase in Fees Chargeable by Association	52
Section 12.	No Restrictions for Race, Color or Creed	53
Section 13.	Resolution of City of Baldwin Park	53
ARTICLE XIX	DOCUMENTS TO BE PROVIDED TO PROSPECTIVE PURCHASER	53

OF

FOSTER VILLAS

This Declaration is made this 28 day of FEBRUARY, 1939, by FOSTER PROPERTIES INVESTMENT, a General Partnership (hereinafter called "Declarant").

Declarant is the owner of certain real property in the County of Los Angeles, State of California, which is more particularly described as follows:

Lots 1 through 15 in Tract 45408 as per Map recorded in Book 1124, Pages 97-99, inclusive, of Maps in the County of Los Angeles, State of California.

In order to establish a general plan for the improvement and development of the property, Declarant desires to subject the Property and additions thereto to certain conditions, covenants and restrictions, upon and subject to which all of the Property shall be held, improved and conveyed.

NOW, THEREFORE, Declarant hereby declares that all of the real property described above and all improvements thereon and such additions thereto as may hereafter be made 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, 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 said 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 thereof, 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, or any owner, or by the Board of Directors hereinafter described.

ARTICLE I

Definitions

Section 1. Articles. The Association's Articles of Incorporation and their amendments.

Section 2. Association. Foster Villas Homeowners Association, a California Non-Profit Corporation, the members of which shall be all of the several lot owners. Each lot 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 lot owners of the Project. All memberships in the Association are hereby specifically made appurtenant to the Lots, and memberships shall be effective immediately upon the recording of the grant deed transferring the lot ownership. Membership may not be separated from the ownership of any Lot. Until such time as Declarant sells all of said Lots owned by it, Declarant shall remain a lot owner as to the Lots owned by it, and shall be a member of said Association.

Section 3. Board of Directors. Shall mean and refer to the Board of Directors of the Association.

Section 4. By-Laws. The duly adopted By-Laws of the Association as the same may be amended, changed, or modified from time to time.

Section 5. Common Area(s). The term "Common Area" shall mean the entire common interest development except the separate interests therein. The Common Area to be owned by the Association as of the time of conveyance of the first lot, shall be Lot 15 of Tract 45408.

The Association shall be responsible for the management and maintenance of the Common Area.

Section 6. Declarant. FOSTER PROPERTIES INVESTMENT, a General Partnership, and its successors and assigns, if such successors or assigns should acquire more than one undeveloped lot from Declarant for the purpose of development.

Section 7. Declaration. This Declaration as the same may be amended, changed, or modified from time to time and recorded in the office of the Los Angeles County Recorder, California.

Section 8. Dwelling Unit. Any portion of the building located on a Lot designed and intended for use and occupancy as a residence by a single family.

Section 9. Eligible Insurer or Guarantor. A guarantor or insurer of any first mortgage or deed of trust on a Lot, who has provided a written request to the Association, to be notified of any proposed amendment or action described in Article XV hereof.

Section 10. Eligible Mortgage Holder. The holder of a first mortgage or deed of trust on a Lot who has provided a written request to the Association to be notified of any proposed amendment or action described in Article XV hereof.

Section 11. 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 interests in accordance with Civil Code Section 1351(i).

Section 12. Lot. Each individual Lot or plot of land as designated by number on any recorded subdivision map of the property exclusively owned by a purchaser and improved with a home excepting those Lots designated as being a portion of the Common Area.

Section 13. 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 14. Member. Every Owner hereafter defined who shall automatically hold membership in the Association.

Section 15. 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 16. Owner. The record Owner, whether one or more persons or entities, of a fee simple title to any Lot which

is a part of the Properties, including contract vendees, but excluding those having such interest merely as security for the performance of an obligation.

Section 17. Project. The real property referred to herein and described above, including all structures thereon; provided, however, that should any additions be made pursuant to the provisions hereof, "Project", when used herein, shall have the same meaning as "Properties".

Section 18. Properties. The real property hereinbefore described as the Project together with any additions thereto as may hereafter be brought within the jurisdiction of the Association.

ARTICLE II

Property Rights

Section 1. Owners' Easements of Enjoyment. Subject to the exclusive easement granted to Declarant over certain portions of the Common Area as provided in Article VIII hereof, every Owner of a Lot shall have a nonexclusive 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. However, such nonexclusive easements shall be subordinate to and shall not interfere with, exclusive easements appurtenant to Lots over the Common Area, if any. Each such easement shall be appurtenant to and pass with the title to every Lot, subject to the following rights and restrictions:

A. The right of the Association to limit the number of members' guests.

B. The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and the recreational facilities thereon.

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

D. The right of the Association, in accordance herewith and with its Articles and/or By-Laws, to borrow money for the purpose of improving the Common Area and facilities and in aid thereof to mortgage said property, and the rights of such mortgagee in the Common Area shall be subordinate to the rights of the Owners hereunder. The right of the Association to mortgage the Common Area shall be subject, however, to first obtaining the written assent of sixty-six and two-thirds percent (66-2/3%) of each class of membership and

seventy-five percent (75%) of the holders of first mortgages or trust deed liens.

E. The right of the Association to grant and convey to any third party, 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 Lot, expressly consents to such easement. However, no such easements may be granted if it would 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.

H. There is hereby granted to the Association such easements as are necessary to perform the duties and obligations of the Association.

I. Notwithstanding anything contained herein to the contrary, each Lot within the Properties perpetually shall have access to dedicated and/or private streets or driveways and each Owner of said Lot shall perpetually have the right of ingress and egress from his Lot to a dedicated public street and/or private street or driveways.

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 Lots 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 III

Membership and Voting Rights

Section 1. Membership in Association. Every person or entity who is a record Owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Association, shall be a member of the Association. Membership in the Association shall include an appurtenant nonexclusive easement of enjoyment in and to all Common Areas of the Project, subject to the rights of Declarant as provided in Article VIII hereof. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from the fee ownership of any Lot which is subject to assessment by the Association. Ownership of such Lot shall be the sole qualification for membership.

Section 2. Transfer. Any attempt to make a prohibited transfer of a membership is void and will not be reflected upon the books and records of the Association.

Section 3. Classes of Voting Memberships. The Association shall have two classes of voting membership according to the following provisions:

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

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

A. The total outstanding votes held by Class A members equal the total outstanding votes held by the Class B member.

B. Two (2) years from the date of the original issuance of the subdivision public report for the Project.

Section 4. Commencement of Voting Rights. Upon conveyance by Declarant to an Owner of a Lot within the Project, the Association shall assume control of the Project and commence to perform its obligations hereunder. Voting rights shall commence for each Lot at such time; provided, however, that assessments have been levied against that Lot by the Association

in accordance with the provisions... 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 requirements 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 5. Joint Owner Disputes. Each Lot Owner shall designate one Voting Owner. There shall be only one Voting Owner for each Lot. The Voting Owner shall be designated by the record Owner or Owners of each Lot, by written notice to the Association, or the Manager. Said designation of a Voting Owner of a Lot 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 Lot 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 Lot 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 Lot, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same Lot. If more than one (1) person exercises the voting rights for a particular Lot, their votes shall not be counted and shall be deemed void. Declarant shall be the Voting Owner with respect to any Lots owned by it from time to time.

ARTICLE IV

Covenant for Maintenance Assessments

Section 1. Creation of the Lien and Personal Obligation of Assessments. The Declarant, for each Lot owned within the Project hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so

expressed in such deed, is deemed to covenant and agree to pay the Association: (1) regular monthly assessments or charges, and (2) special assessments for capital improvements and emergencies, and as otherwise provided herein, such assessments to be established and collected as hereinafter provided. Each such assessment (and all other assessments levied in accordance with this Declaration) together with interest, costs, late charges and reasonable attorney's fees (when necessary) shall be the personal obligation of the person who was the Owner of such Lot at the time when 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.

Notwithstanding the foregoing, 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 Areas 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 paragraph 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 for costs reasonably incurred (including attorneys fees) in its efforts to collect delinquent assessments.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the members of the Association and, in particular, for the improvement, repair and maintenance of the Properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area, as well as the payment of all taxes and insurance thereon and repair, replacement and additions thereto and special assessments which may become a lien on the Common Area. Payment of taxes and insurance shall be made only as the same relate to the Common Area.

Section 3. Regular Monthly Assessments. Until January 1st of the year immediately following the conveyance of the first Lot 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

conveyance of a Lot in 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.

The Board of Directors of the Association may not impose, except as provided in this Section, a regular annual assessment against an Owner's Lot 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 Lot which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without 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. Written notice of any meeting to levy regular or special assessments in excess of the percentages set forth in this Section shall be sent to all Owners not less than ten (10) days nor more than ninety (90) days in advance of the meeting, setting forth the purpose of the meeting. Notice of any increase pursuant to this Section shall be given by the Board to each Owner at least thirty (30) days in advance of the commencement of such increase.

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 extraordinary expenses 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 Lots, including those owned by Declarant, commencing on the date Regular Monthly Assessments commence.

B. In addition to the Regular Monthly Assessments authorized above, the Board may levy, during any fiscal year, assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any action or undertaking on behalf of the Association; provided that any assessment in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year must first be approved by vote or written assent of fifty-one percent (51%) of each class of Members; provided, further, that after conversion of the Class B membership to Class A membership, any such special assessment shall have the vote or written assent of fifty-one percent (51%) of the total voting power of the Members other than the Declarant.

C. Special Assessments shall be due and payable in full thirty (30) days from notice thereof to the Owners unless otherwise provided by the Board.

Section 6. Rate of Assessments.

A. Regular Monthly Assessments shall be paid by the Owners equally.

B. Special Assessments shall be assessed to Lot Owners equally except that the Board all 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 Lot Owner or group of Lot 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 Lot 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 Lot Owner to comply with any applicable laws or directives of any lawful authority.

Section 7. Deposit of Assessments. 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 trust 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 addressed to, deposited into, and disbursed from any such fund are earmarked for specified purposes authorized by this Declaration.

Section 8. Uniform Rate of Assessment. Except as otherwise provided herein, both annual and special assessments (except assessments against one Owner or a group of Owners for breach hereto) must be fixed at a uniform rate for all Lots and shall be collected on a monthly basis.

able in the amount specified in the notice of assessment and offsets against such amount shall be permitted for any reason.

Section 10. Exemption from Assessments. Declarant, and its successor in interest, if any, is an Owner subject to the payment of regular and special assessments against subdivision interests which it owns provided, however, that Declarant and any other Owner of a subdivision interest which does not include a structural improvement for human occupancy shall be exempted from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of the structural improvements. The exemption may include, but shall not necessarily be limited to, roof replacement, exterior maintenance, walkway and carport lighting, refuse disposal, cable television, and domestic water supplied to living units.

A. Any exemption from the payment of assessments attributed to Dwelling Units shall be in effect only until the earliest of the following events:

(1) A notice of completion of the structural improvements has been recorded.

(2) Occupation or use of the Dwelling Unit.

(3) Completion of all elements of the residential structures which the Association is obligated to maintain.

B. Developer and any other Owner of a subdivision interest may be exempted by the governing instruments from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of a common facility that is not complete at the time assessments commence. Any exemption from the payment of assessments attributed to common facilities shall be in effect only until the earliest of the following events:

(1) A notice of completion of the common facility has been recorded.

(2) The common facility has been placed into use.

ARTICLE V

Effect of Non-Payment of Assessments
Relevies of the Association

Section 1. Creation of Lien. There is hereby created a lien against and on each Owner's interest herein to secure payment of the amount of the maintenance fund, or of any assessment, regular or special, assessed to the Lot 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 V, 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 Lot 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 Lot Owner shall mail a notice of claim or lien to the Lot 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 Lot 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 Lot 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 Lot prior to the recordation of a notice of assessment against such Lot. The sale or transfer of any Lot 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 Lot 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 Lot 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 become 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 fee in the amount of Twenty-five Dollars (\$25), the Board shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof. Any Lot Owner may free his own Lot from the lien of any joint assessment on more than one Lot by payment of his share thereof, whereupon a similar further notice of satisfaction and release shall be recorded by the Board as to said Lot.

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 Lot Owners and the Board may have to enforce the provisions hereof.

Section 6. Certificate Re Amounts Due. Upon written request of any Lot 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 Lot, a statement showing all amounts then due which are secured by any lien hereunder.

Section 7. Homestead and Exemption Waiver. Each Lot 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 VI

Destruction of Improvements.

In the event of partial destruction of any portion of the Common Area within the Project, it shall be the duty of the Board of Directors 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 written pursuant to Article IX hereof shall be made available for such purpose and any deficiency in funds shall be the subject of a special assessment uniformly assessed against all Lots except as otherwise provided herein.

ARTICLE VII

Management and Operation

Section 1. Meetings of Owners. The Properties and the Project shall be organized and operated as a planned unit

Confidential development. The Owners shall be members of a non-profit corporation and an organizational meeting of such Owners shall be held within forty-five (45) days after the sale of the Lot in the Project which represents the fifty-first (51st) percentile of all of the Lots in the Project, has been consummated, or six (6) months from the date of the sale of the first Lot, whichever shall first occur. Thereafter, annual meetings of such Owners shall be held at a time as provided in the By-Laws. Provision also may be made in the By-Laws, hereinafter referred to, for the calling of special meetings of the Owners. At any such meetings of the Owners, whether annual or special, the Owner or Owners of each Lot (excluding Declarant) shall be entitled to cast only one (1) vote for each Lot. At any such meetings, Declarant shall be deemed to be the Owner of any and all Lots then unsold, and shall be entitled to vote as a Class B member until such membership terminates by the provisions hereof and, thereafter, shall be entitled to one (1) vote for each such individual Lot then owned by Declarant.

Section 2. Number and Term of Directors. The management of the Project and the Association shall be governed by a Board of Directors consisting of three (3) persons, who need not be Owners of Dwelling Units in the Project until conversion of the Class B membership to Class A membership after which time all Directors must be Owners of Dwelling Units in the Project or the nominee of any corporate Owner.

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

The Board may call, hold and conduct meetings in accordance with such reasonable rules and regulations as the Board may adopt. A majority of the Board shall constitute a quorum. Until election of the Board, its rights, duties and functions shall be exercised by Declarant.

Section 3. Cumulative Voting. The 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 4. Removal of Directors. The entire Board of Directors or any individual Director may be removed by a vote of 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 5. 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.

Section 6. Non-Liability of Board of Directors and Officers. No member of the Board of Directors or officer of the Association shall be liable for acts or defaults of any other officer or member, or for any loss sustained by the Association or any member thereof, unless the same has resulted from his own willful misconduct or gross negligence.

Section 7. 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 and liabilities (including attorneys fees) actually or necessarily incurred by, or imposed upon him, in connection with any claim, action, suit, proceeding, 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 be finally adjudged in such action, suit, proceeding, investigation, or inquiry to be liable for willful misconduct or gross negligence.

ward 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 Lot Owners for the amount so expended in the manner provided for special assessments in Article IV, Section 5 hereof and such assessments need not be first approved by the vote of the Owners.

Section 8. Certificate of Board of Directors. Any certificate executed by any two (2) 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 Owner or non-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.

Section 9. Rights and Duties of Board of Directors. 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. 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 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 any buildings and improvements thereon.

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 Lots, as well as maintenance and gardening service for the Common Areas.

D. Enforce the applicable provisions of the Declaration, Articles, 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 Lots and 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 esthetics 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 Lots or 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. The Board may provide in such rules for reasonable rental charges to be made with respect to the use of any parking areas, 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, or parked, it being intended that the use of any such parking or 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 posted in one or more places on the Common Area where the same may be conveniently inspected.

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

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

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

H. Enter any Dwelling Unit or any portion of the Common Area, when necessary, in connection with any maintenance or construction for which the Board is responsible. Such entry shall be made only upon reasonable notice (except in the event of an emergency) with as little inconvenience to the Owner as practicable and any damage caused thereby shall be repaired by the party responsible for said damage.

I. Hire and pay for legal and accounting services necessary or proper in the operation of the Project and enforcement of these restrictions, the By-Laws, Articles and any rules and regulations governing the Project.

J. Paint, maintain and keep in good condition and repair the Common Area and all facilities, improvements and landscaping thereon 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.

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

L. 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 Project 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.

M. Until such time as property taxes are separately assessed to each individual Owner, the Board may pay such property taxes singly assessed against the Project as a whole and collect the same from each Owner equally.

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

O. 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 Veterans Administration.

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

(c) Prepaid casualty and/or liability insurance policies 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

direct or indirect membership 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 ninety (90) days, or less, written notice,

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

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

(iv) Paying compensation to members of the 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.

P. 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 recreational facilities of a Lot Owner for any period during which any assessment against his interest in the Project remains unpaid and delinquent and 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 P. shall be as set forth in the By-Laws of the Association.

Q. 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 Lot, 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 Lot, any exclusive easements over any Common Area appurtenant to the Lot, or any recreational facilities of the Project.

R. The Board shall, within ten (10) days of the mailing or delivery of a written request by an Owner, prospective purchaser of a Lot, any first mortgagee or the Eligible Mortgage Holders, insurers or guarantors of a first mortgage on any Lot 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 Lot 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.

S. The right to borrow and to incur indebtedness for the benefit of the Association and to cause execution and delivery, in the Association' name, of promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, or other evidence of indebtedness or security therefor.

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

U. Maintain the landscaping on the front of each Owner's Lot, which landscaping is located outside of the walled yard area of each Lot in the Project.

ARTICLE VIII

Rights of Declarant

Notwithstanding anything herein to the contrary, Declarant, its agents, successors or assigns may operate and

maintain upon the Project a model complex, together with parking areas and/or real estate sales and development businesses and may 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 operation until all Lots within the Project have been sold and conveyed to grantees, or until the second anniversary of the original issuance of the Final Subdivision Report covering the latest phase of the Project, whichever occurs first.

Notwithstanding anything herein to the contrary, Declarant also reserves unto itself and/or its agents, employees, contractors, subcontractors and other authorized personnel, the right to enter in and upon the Project and to perform work and all related activities, and other acts required therein in order to: (1) complete construction of the homes and improvements upon all of the Project, (2) to store and use materials, equipment, vehicles, tools and machines which may be necessary or desirable in connection with such construction, and (3) perform work required by governmental agencies having jurisdiction over the Project. It is expressly provided that no Lot Owner shall in any manner interfere with any of the foregoing activities of the Declarant.

As a part of the overall program of development of the Project and to encourage the marketing thereof, the Declarant shall have the right to reasonable use of the Common Area without charge during the sales and construction period upon the Project until the second anniversary of the original issuance of the Final Subdivision Report covering the latest phase of the Project, or until all of the Lots within the Project have been sold to individual buyers, whichever shall first occur. Said use by the Declarant shall not unreasonably interfere with the use of the Common Area by the members of the Association.

ARTICLE IX

Insurance

Section 1. Insurance to be Maintained by Association.
The Association shall obtain and maintain in effect the following types of insurance:

A. Comprehensive public liability insurance insuring the Association, any manager, the Declarant and the Owners and occupants of Dwelling Units, and their respective family members, guests, invitees and the agents and employees of each, against any liability incident to the ownership or use of the Common Area and including, if obtainable, a cross-liability 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 nonowned 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.

B. A master or blanket policy of fire insurance for one hundred percent (100%) of current replacement cost of all of the improvements situated on the Common Area 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 a waiver of subrogation as to the Association and its officers, directors, members, guests, agents and employees. Earthquake coverage need not be included unless requested in writing by a majority of the Owners other than Declarant. The policy shall be in the amounts as shall be determined by the Board. The policy 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 Lot 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 as 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.

Each Owner shall provide insurance on his Lot and all improvements thereon and on his personal property.

C. 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.

D. 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 the Board deems necessary or that is required by any mortgagee or by law.

Section 2. Proceeds Payable to Trustee. All insurance proceeds payable under subparagraph B of Section 1 of this Article IX shall be paid to a Trustee, to be held and expended for the benefit of the Association. 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 \$20,000 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 payable to the Board.

Section 3. Board as Attorney in Fact. 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 4. Annual Review of Insurance. The Board shall determine annually whether the amounts and types of insurance it has obtained provide adequate coverage for the Project, Owners, mortgagees and Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 5. Owners' Liability Insurance. An Owner may carry whatever personal liability and property damage liability insurance with respect to his Dwelling Unit that he desires. However, any such policy shall include a waiver of subrogation clause acceptable to the Board and to any mortgagee insofar as the same may be applicable.

Section 6. 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 X

Maintenance by Owner

Except for the obligation of the Association as set forth in Subparagraph U of Section 9 of Article VII hereof, each Owner of a Lot shall cause the interior and exterior of his Dwelling Unit, the improvements upon said Lot and the Lot and landscaping to be maintained in a safe, sightly and first class condition subject to the restrictions and provisions set forth herein.

In the event an Owner of any Lot in the Project shall fail to maintain his Lot and the improvements situated thereon in a manner satisfactory to the Board of Directors, the Board may, but shall not be required to, enter upon said Lot and repair, maintain, and restore the Lot and the exterior of the buildings and any other improvements erected thereon to a good first class condition. The cost of such exterior maintenance shall be added to and become a part of the assessment to which such Lot is subject, subject, however, to the provisions of the second and third paragraphs of Section 1 of Article V hereof restricting the right of the Association to create a lien by way of an assessment for a monetary penalty imposed by the Association as a disciplinary measure.

Repair and maintenance of an Owner's Lot 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.

ARTICLE XI

Use Restrictions

In addition to all other covenants and restrictions contained herein, the Lots and Common Area shall be further restricted to the following use and occupancy:

Section 1. Single Family Use. Each Lot and Dwelling Unit thereon shall be used as a residence for a single family and for no other purposes whatsoever. Individual Lots may not be subdivided nor may parts thereof be sold. Except as otherwise provided herein, no part of any Lot or Dwelling 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.

Section 2. Rental. Owners may lease or rent their Lot upon appropriate written notice to the Board of such intent; provided, however, that no Owner shall be permitted to lease his Lot 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 and shall require the tenant thereof to comply in all respects with the Declaration, the Articles, 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 provided herein, there shall be no use or occupancy of any part of the Common Area, except by the Owner, his family, tenants and guests and 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.

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

No waste shall be committed in the Common Area, or on any Lot.

Section 4. Signs. No sign of any kind shall be displayed on the Common Area or from an Owner's Lot, without the prior written consent of the Board, except that one sign of reasonable dimensions and design advertising a Lot for sale, lease, or exchange, may be placed on the Common Area or on the Owner's Lot. 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 Lots in the Project so long as Declarant shall own a Lot in the Project.

Section 5. External Items. No antennae (television, radio, or of any sort) or other external items shall be located on or outside of any Lot, or on any structure in any Lot, or in the Common Area, except with the express written consent of the Board.

Section 6. Pets. No animals, livestock, or poultry of any kind shall be raised, bred, or kept in or upon any Lot or Dwelling Unit or in the Common Area except upon specific approval of the Board, except that an Owner shall be allowed to maintain a reasonable number of household family pets, so long as a pet does

not annoy, molest or inconvenience any other Owner, 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 while on the Common Area. 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 agrees to hold each of them harmless from and against any and all loss, cost, liability and expense of any kind or nature arising out of having pets within the Project.

Section 7. Offensive Activities. No noxious or offensive activity shall be carried on in any Lot or in the Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance. All rubbish, trash and garbage shall be kept only in sanitary containers and shall be regularly removed from the Lot and shall not be allowed to accumulate therein. No Owner of a Lot shall permit or cause any trash or refuse to be kept on any portion of the Common Area except in places specifically designated for such purpose and except on the scheduled day for trash pickup. No exterior clothesline shall be erected or maintained and there shall be no exterior drying or laundering of clothes, unless obscured from view of adjoining Lots and streets by a fence or appropriate screen approved by the Board or Architectural Committee.

Section 8. Structural Changes. Nothing shall be done in any Lot 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.

Nothing, other than an Owner's own personal property, shall be removed from any Lot, or the Common Area, and nothing shall be altered, installed, or constructed on the Common Area except upon the written consent of the Board.

Section 9. Mineral Exploration. No drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in any Lot or the Common Area or within 500 feet below the surface of the Property.

Section 10. Development of Air Space. No development shall be made of the air space above the exterior of any structure in any Lot or in the Common Area except upon the written consent of the Board.

Section 11. Violation of Rules and Laws. There shall be no violation of the rules or regulations for the use of

Lots 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 12. Owner Liability. Each Owner shall be liable to the Board 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 on the Lot 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 Lot in which said injury or damage occurs, shall fully indemnify and hold harmless any such other Owners against whom such claim will 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 13. Exemption From Payment of Maintenance Fee. No 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 Lot.

Section 14. Parking. No parking shall be permitted on the private street located within the Project, which is a fire lane. "No Parking" signs shall be posted and maintained for said street at all times. No motorcycle, trailer, camper, mobile home, commercial vehicle, truck, passenger vehicle inoperable automobile, boat or similar equipment shall be permitted to remain upon any area within the Project unless placed or maintained within an enclosed garage or on the parking site designated therefor by Declarant or the Association. No repairs shall be made to any automobile or other vehicle while parked in any area in the Project, except in the case of strict emergency.

The Board shall have the authority to tow away and store any vehicle or similar equipment parked in violation of the above restrictions whether the same shall belong to an 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.

Section 15. No Temporary Structures. No structure of a temporary character, trailer, tent, shack, barn, or other out-building shall be used on any Lot at any time as a residence, either temporarily or permanently.

Section 16. Payment of Real and Personal Property Taxes. Each Owner of a Lot shall pay any real and personal property taxes or charges assessed against his respective Lot and the utility charges for said Lot and all costs of maintaining said Lot and Dwelling Unit.

Section 17. Repair of Improvements After Casualty. Should the improvements on any Lot or Lots be damaged or destroyed by fire or other casualty, the Owner or Owners thereof shall cause the same to be repaired and restored substantially in accordance with the original plans and specifications therefor, subject to approval of the Architectural Committee. The repairs and restoration work shall be commenced on the earlier of thirty (30) days after receipt of insurance proceeds covering said Lot or within one hundred twenty (120) days after the happening of the destruction or damage and once commenced, shall be pursued diligently to completion and should the same not be timely commenced or carried toward completion with diligence, the Association may elect to repair or restore the same, or to complete work or repair and restoration on behalf of and at the cost of such Owner or Owners. Any amounts expended by the Association for such repair or restoration and not reimbursed to the Association by the Owner shall be added to the assessments against said Lot or Lots proportionately based upon the nature and extent of the same as it affects the Lot of each Owner. Each Owner shall carry fire insurance with extended coverage endorsement or other form of coverage providing equal or greater protection in the amount of the full insurable replacement value of the residential improvements located on the Owner's Lot.

Section 18. Window Coverings. Windows can only be covered by drapes, shades, curtains, or shutters and cannot be painted or covered by foil, cardboard, or other similar materials.

Section 19. Liens. No labor performed or services or materials furnished with consent of or at the request of an Owner or his agent or his contractor or subcontractor shall be the basis for the filing of a lien against the Project or against any other Lot, or against the Common Area, unless such other 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 an Owner in the case of emergency repairs thereto, or in the case of an Owner failing to maintain those

consent of each Owner. An Owner may remove his Lot from a lien against two or more Lots, 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 Lot.

Section 20. Electronic Equipment. No electronic transmitting equipment other than electronic garage door opening devices, if any, and other than electronic transmitting equipment and devices approved by the Board shall be installed, maintained or used within the Project.

Section 21. Height Limitation Upon Trees, Hedges, Shrubs, and Landscaping. No trees, hedges, shrubs, or landscaping shall be grown to a height or at a location which, in the written opinion of the Architectural Committee, may unreasonably obstruct the view from any Lot or of any resident or occupant of any Lot.

Section 22. Sidewalk Encroachments. No tree, shrub, or planting of any kind shall be allowed to overhang or otherwise to encroach upon any sidewalk or other pedestrian way from ground level to a height of ten feet without the prior written approval of the Committee.

Section 23. Access to Slopes and Drainage Facilities. Each Owner agrees for himself, his heirs, assigns, or successors in interest that he will permit free access by Owners of adjacent or adjoining Lots when such access is essential for the maintenance of permanent stabilization on slopes, or maintenance of the drainage facilities, for the protection and use of property other than the Lot on which the slope or drainageway is located.

Section 24. Expansion of Dwelling Units. Any future expansion or addition of a Dwelling Unit shall be limited to patio covers only. Said patio covers shall not exceed twenty-five percent (25%) of the countable private open space within a Lot and shall be architecturally compatible with the existing Dwelling Unit. "Countable Private Open Space" shall be as defined in the sections of the Zoning Code of the City of Baldwin Park relating to planned developments.

Section 25. Setbacks. A five (5) foot side and rear yard area shall be maintained on each Lot at all times, except that an existing zero side yard area building line may be continued.

ARTICLE XII

Architectural Control

Section 1. 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 Lots in the Project have been sold or until the fifth anniversary of the issuance of the Final Public Report, whichever first occurs. Thereafter the Board shall have the power to appoint all of the members of the Committee. Members appointed to the Architectural 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.

Section 2. Consent of Architectural Committee Required. No Lot Owner shall, at his expense or otherwise, make any structural changes, repairs, or alterations to his Lot 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 any facilities or structures thereon, or install awnings or sunshades or perform any landscaping of any kind or character in or on his Lot, or make any change, alteration, improvement or repair visible from the exterior of the Lots, without the prior written approval of the Architectural Committee. Such approval may be withheld if in the view of the Committee, the installation or improvement would affect the uniformity and the attractiveness or the value of the Project as a whole.

Section 3. 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. Approval may be withheld if in the view of the Architectural Committee the improvements, installation, etc. would affect the uniformity and the attractiveness or the value of the Project as a whole.

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.

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 one hundred eighty (180) days after actual completion.

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 Lot after three (3) days' written notice to the Owner of such Lot 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 Lot 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 one hundred eighty (180) days of the date of completion 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 Lot 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 of \$200. If the Owner has failed to take such action within said thirty (30) day period, the Committee, at its sole option, may enter the Lot 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 Lot 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.

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 Lot of said Owner) that as of the date thereof, either (a) all improvements made and other work done upon or within said Lot 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 Lot 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.

Section 12. Declarant's Exemption. Declarant shall not be subject to the requirements of this Article XII hereof until the expiration of three (3) years from the date of the original issuance of the most recently issued Final Subdivision Report for a Phase of the development of the Project.

Section 13. Fees. The Architectural Committee shall act without compensation but shall be permitted to charge a total fee, not to exceed Two Hundred Dollars (\$200), 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 Lot Owner of such fees. The Lot Owner shall be required, as a condition to proceeding further, to agree to pay such fees. If the Lot 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

Party Walls - Premises

Section 1. General Rules of Law to Apply. Each wall which is built as part of the original construction of the Dwelling Units upon the Project and placed on the dividing line between the Lots shall constitute a party wall and in the event that such a wall not be placed exactly on the dividing line between Lots, the same may encroach on one of such Lots and shall be maintained in the location originally constructed, and, to the extent not inconsistent with the provisions of this Article XIII, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The Owner of each residential Lot upon which there is located a common wall shall have a reciprocal non-exclusive easement to each contiguous Lot for the purpose of maintaining said common wall. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use. Provided, however, if any such party wall is damaged or destroyed through the negligent or willful act of one adjoining Owner or any of his agents or guests or members of his family so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, then the first of such Owners shall forthwith proceed to rebuild and repair the same to as good condition as formerly, without cost to the adjoining Owner.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of the restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the other under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators. Any such arbitration shall be governed according to the existing rules of the American Arbitration Association.

Section 5. Right of Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

ARTICLE XIV

Easements and Utilities

Section 1. Encroachment Easement. Each Lot and its Owner within the Project is hereby granted an easement over all adjoining Lots for the purpose of accommodating any encroachment due to original construction, settlement or shifting of the building, or any other cause. There shall be 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 an easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure on any Lot is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots shall be permitted and that there shall be easements for maintenance of said encroachments so long as they shall exist.

Section 2. Utilities.

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

(1) 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 Owner of a Lot served by said connections, the Owners of any Lots served by said connection, shall have the right and are hereby granted an easement, to the full extent necessary therefor, to enter upon the Lots 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.

(2) Wherever sanitary sewer connections and lines, facilities and/or water connections and lines of electricity, gas, telephone lines, air conditioning and heating lines, or television cables are installed within the Project, which connections serve more than one Lot, the Owners of

each Lot served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as services their Lot.

(3) In the event any portion of said connection or line is damaged or destroyed through the negligent act or acts of failure to act, or willful misconduct of one Owner or any of his employees, agents, invitees, tenants or guests, so as to deprive other 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 Owner who commits or whose guests, agents, or employees commit, such act or acts.

(4) 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 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.

(5) In the event of a dispute between Owners with respect to the repair or rebuilding of said connection or line, 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.

B. Easements over the Properties for the installation and maintenance of electric, telephone, water, gas and sanitary sewer lines and facilities and television cable service and for drainage facilities are as shown on the recorded map of the properties.

Section 3. Entry for Repairs. The Board or its designated agents may enter upon any Lot 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 Lot Owner to maintain as provided herein. such entry shall be made with as little inconvenience to the 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 Owner, easements over each Lot 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.

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

K. Boundaries of any Lot.

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

M. Leasing of Lots.

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

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. Unless at least sixty-seven percent (67%) of the first Mortgagees (based upon one vote for each mortgage owned) of the individual Lots or sixty-seven percent (67%) of the Lot 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 Lot 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 Lots, the exterior maintenance of Lots, 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 Lot Owner, or any other party, shall have priority over any right of first Mortgagees of Lots pursuant to their mortgages in case of a distribution to Lot Owners of insurance proceeds or condemnation awards for losses to or a taking of Dwelling 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 . Notice to Mortgagees. Upon written request to the Association, identifying the name and address of the Eligible Mortgage Holder or Eligible Insuror or Guarantor, and the Lot number or address, such Eligible Mortgage Holder or insuror or guarantor will be entitled to timely written notice of:

A. Any loss casualty to any Dwelling 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, cancelation 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.

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

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 Lot 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 Lot free of the lien for assessments, or installments that have accrued up to the time of the foreclosure sale. On taking title to the Lot, 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 Lot. 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 Lot 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 Lot 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 Lot shall be granted to the Association without the consent of any Mortgagee, of the Lot. Any right of first refusal or option to purchase a Lot 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 Lot, whether voluntary or involuntary, to a Mortgagee which acquires title to or ownership of the Lot 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 Lot 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 Lot 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 Lots and not to the Project as a whole.

Section 13. Reserves for Maintenance. Assessments on Lots 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 Lots which have at least fifty-one percent (51%) of the votes of Lots subject to Eligible Mortgage Holders and sixty-seven percent (67%) of the Lot Owners.

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 Lots, whether existing in whole or in part, and which have at least fifty-one percent (51%) of the votes of such remaining Lots subject to Eligible Mortgage Holders and sixty-seven percent (67%) of the Lot Owners.

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 Lots 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 XV and any other provision of this Declaration, or the By-Laws of the Association, the language contained in this Article XV shall control.

ARTICLE XVI

Amendments

Section 1. Prior to First Sale. 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 or 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 Close of First Sale. After the close of the first sale of a Lot 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 Lot in the Project by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Veteran's Administration. 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 Lots 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 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 Lot and each Mortgagee of a Lot by acceptance of a deed or encumbrance of a Lot, consents to the incorporation in this Declaration of 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 of the Project to the requirements of any of said entities or agencies.

Section 4. 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.

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. 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.

ARTICLE XVII

Enforcement of Bonded Obligations

If Common Area improvements which are included in a subdivision offering covering this Project have not been completed prior to the issuance of a Final Subdivision Public 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 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 improvements 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 a 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 XVIII

General Provisions

Section 1. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges nor or hereafter imposed by the provisions of this Declaration or any amendment thereto or by the Articles or By-Laws or rules and regulations. The result of every act or omission whereby any of the covenants contained in this Declaration, the Articles, the By-Laws and the rules and regulations are violated in whole or in part are hereby declared to be and constitute a nuisance, and every remedy allowed by law or equity against a nuisance either public or private shall be applicable against every such result and may be exercised by any Owner, by the Association, or its successor in interest. The remedies herein provided for breach of the covenants contained in

this Declaration shall be cumulative, and none of such remedies shall be deemed exclusive. Failure by the Association or by any 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. Each remedy provided for herein shall be cumulative and not exclusive.

Section 2. Term of Declaration. The covenants and restrictions of this Declaration shall run with and bind the Properties and shall inure to the benefit of and be enforceable by Declarant, the Association or any Owner of land subject to this Declaration, their respective heirs, representatives, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by a majority of the Owners has been recorded within six (6) months prior to the termination of the forty (40) year initial term or within six (6) months prior to the termination of any successive ten (10) year period, agreeing to terminate said covenants, conditions and restrictions in whole or in part.

Section 3. Purchasers. Each purchaser, by accepting a deed or a valid contract of sale to any Lot accepts the same, subject to all of the covenants, conditions and restrictions herein contained and agrees to be bound by each and all thereof.

Section 4. Construction and Conflicts. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation of a planned unit development project. In the event of any conflict between this Declaration and the By-Laws of the Association, this Declaration shall control.

Section 5. Captions and Gender. The titles or headings of the Articles or Paragraphs of this Declaration are not a part hereof and shall have no effect upon the construction or interpretation of any part hereof. 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 6. Binding on Heirs. 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 Owner.

Section Payment of Municipal Charges. The Board of Directors of the Association shall include in the assessments provided for in Article IV hereof provisions for adequate sums for the payment of municipal charges to insure payment of any invoice by the city, for water, landscape and lighting maintenance, sewer service charge, garbage, trash, or rubbish charge, in such manner that either the Board of Directors, Owners of Lots, or management agent shall continually guarantee payment to the appropriate governmental authority.

Section 8. 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 9. Notice of Sale or Lease of Dwelling Units. Within five (5) business days after the consummation of the sale, transfer or lease of any Dwelling Unit or Lot 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 of the Lot purchased or Dwelling Unit leased by the transferee, (iii) the number and names of all persons and the ages of all minors who intend to occupy said Lot, (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 10. 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 seventy-two (72) hours after a copy of the same has been deposited in the United States mail, 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 Dwelling 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 11. Increase in Fees Chargeable by Association. The fees which the Association is permitted to charge pursuant to this Declaration may be increased by the

Association effective on each anniversary date of the recording of this Declaration by a percentage equal to the lesser of (i) the percentage increase of the Consumer Price Index of the Bureau of Labor Statistics of the U.S. Department of Labor for Urban Consumers, Los Angeles - Anaheim - Riverside Metropolitan Area, California (1967=100) Standard Reference Base ("CPI") during such year or any substitute index if the CPI is no longer published; or (ii) five percent (5%).

Section 12. 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 Lot on the basis of race, color or creed.

Section 13. Resolution of City of Baldwin Park. There is attached to this Declaration, marked Exhibit "A" and by this reference made a part hereof, a true and correct copy of Resolution No. 88-54 adopted by the City Council of the City of Baldwin Park approving the Project.

ARTICLE XIX

Documents to be Provided to Prospective Purchaser

The Owner of a Lot 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 Project.

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

C. A true statement in writing from an authorized representative of the Association as to the amount of any assessments levied upon the Owner's interest in his Lot 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.

Upon written request the Association shall, within ten (10) days of the mailing or delivery of the request, provide the Owner of a Lot with a copy of the requested items specified in Subparagraphs A, B and C of this Article XIX. 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.

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

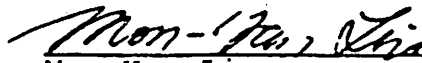
FOSTER PROPERTIES INVESTMENT, a
General Partnership, by its
Partners:



Mon-Wei Lin



Mong-Ching Lin



Mon-Yan Lin