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PLANNED DEVELOPMENT OWNERSHIP
FOR
RAINBOW GLEN, A PLANNED DEVELOPMENT PROJECT
TRACT 31024
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

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LANDSCAPE MAINTENANCE AREA LEGAL DESCRIPTION

DECLARATION ESTABLISHING A PLAN FOR
PLANNED DEVELOPMENT OWNERSHIP
FOR
RAINBOW GLEN, A PLANNED DEVELOPMENT PROJECT
TRACT 31024
COUNTY OF LOS ANGELES, STATE OF CALIFORNIA

THIS DECLARATION is made this _____ day of _____, 198____, by GLENFED DEVELOPMENT CORPORATION, A CALIFORNIA CORPORATION, hereinafter referred to as "Declarant", with reference to the following:

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

Residential Lots 1 through 74 inclusive and Common Area Lots 75 through 83 inclusive of Tract 31024, as per Map recorded in Book 1088, Pages 79 through 88 of Maps, in the Office of the Los Angeles County Recorder.

B. The development shall be referred to as the "project" as defined in Article I. Each lot in the project shall have appurtenant to it a membership in the Rainbow Glen Homeowners' Association, Inc., a nonprofit mutual benefit corporation, which shall own the Common Area.

C. Declarant intends by this Declaration to impose upon the property mutually beneficial restrictions under a general plan of improvement for the benefit of all owners of lots. Declarant intends to develop the project as a common interest development more particularly described in California Civil Code Section 1351(k) as a "Planned Development" which will be composed of single family homes, together with amenities, open space areas, and other improvements. The development of the project will be consistent with the overall development Plan submitted to and approved by the Veterans Administration and the Federal Housing Administration.

Declarant hereby declares that the real property is, and shall be, held, conveyed, hypothecated, encumbered, leased, rented, used, and occupied subject to the following limitations, restrictions, easements, covenants, conditions, servitudes, liens, and charges, all of which are declared and agreed to be in furtherance of a plan of planned development ownership as described in California Civil Code Sections 1350-1372 for the

subdivision, improvement, protection, maintenance, and sale of planned development interests within the real property, and all of which are declared and agreed to be for the purpose of enhancing, maintaining, and protecting the value and attractiveness of the real property. All of the limitations, restrictions, easements, reservations, covenants, conditions, equitable servitudes, liens, and charges shall run with the land, shall be binding on the inure to the benefit of all parties having or acquiring any right, title or interest in the real property, are for the benefit of the real property, and shall be binding on the inure to the benefit of the successors in interest of such parties. Declarant further declares that it is the express intent that this Declaration satisfy the requirements of California Civil Code Sections 1353 and 1354.

ARTICLE I

DEFINITIONS

In addition to the terms elsewhere defined herein, the following terms shall have the following meaning whenever used in this Declaration:

Section 1.01. "Articles," shall mean and refer to the Articles of Incorporation of the Rainbow Glen Homeowners' Association, Inc., as the same may be duly amended from time to time.

Section 1.02. "Assessment," shall mean that portion of the cost of maintaining, improving, repairing, operating or managing the project, which is to be paid for by each lot owner as determined by the Association.

Section 1.03. "Association," shall mean and refer to the Rainbow Glen Homeowners' Association, Inc., a California nonprofit mutual benefit corporation, the members of which shall be owners of lots in the project.

Section 1.04. "Board" or "Board of Directors," shall mean the governing body of the Association.

Section 1.05. "Bylaws," shall mean and refer to the Bylaws of the Association, as the same may be duly amended from time to time.

Section 1.06. "Common Area," shall mean all that real property, including improvements thereon owned by the Association for the common use and enjoyment of the owners. The Common Area to be owned by the Association at the time of conveyance of the first residential lot are Common Area Lots 75 through 83, inclusive of Tract 31024. In accordance with Civil Code Section 1351(b), "Common Area" shall also mean and refer to the entire common interest development except the separate interests therein.

Section 1.07. "Common Expenses," shall mean and include the actual and estimated expenses of operating the project and the Association; and any reasonable reserve for such purposes as found and determined by the Board and all sums designated common expenses by or pursuant to the Declaration, Articles or Bylaws.

Section 1.08. "Declarant," shall mean and refer to Glenfed Development Corporation, a California Corporation, its successors and assign, if such successors and assigns should acquire more than one undeveloped lot from Declarant for the purpose of development, but shall not include members of the public purchasing completed lots.

Section 1.09. "Declaration," shall mean this Declaration, as the same may be hereafter supplemented, amended or modified from time to time.

Section 1.10. "Dwelling" or "Dwelling Unit," shall mean the residential structure constructed on a lot, including any garage, carport, patio, lanai or other physical appurtenance to such structure.

Section 1.11. "First Lender," shall mean a bank or savings and loan association or established mortgage company or other entity chartered under federal or state law, any corporation or insurance company, or any federal or state agency holding a recorded first mortgage on any lot.

Section 1.12. "Lot" or "Separate Interest," shall mean any plot of land shown upon any recorded subdivision map of the properties, with the exception of any Common Area Lots.

Section 1.13. "Map," shall mean and refer to that map entitled Tract 31024, filed for record in Book 1088, Pages 79 through 88, record of Los Angeles County.

Section 1.14. "Member," shall mean and refer to every person or entity who holds a membership in the Association as provided herein.

Section 1.15. "Mortgage," shall mean and refer to a deed of trust, as well as a mortgage.

Section 1.16. "Mortgagee," shall mean and refer to a beneficiary under or a holder of a deed of trust, as well as a mortgagee.

Section 1.17. "Mortgagor," shall include the trustor of a deed of trust as well as a mortgagor.

Section 1.18. "Owner" or "Owners" shall mean and refer to the record holder or holders of title of a lot in the project. This shall include any person having fee simple title to any lot, but shall exclude persons or entities having any interest

merely as security for the performance of any obligation. Further, if a lot is sold under a recorded contract of sale to a purchaser, the purchaser, rather than the fee owner, shall be considered the "Owner."

Section 1.19. "Person" shall mean a natural person, a corporation, a partnership, a trustee, or other legal entity.

Section 1.20. "Project," shall mean and refer to the entire property including all structures and improvements erected or to be erected thereon and all subsequent phases annexed thereto.

Section 1.21. "Project Documents," shall mean and included this Declaration as it may be amended from time to time, any exhibits attached hereto, the Articles and Bylaws of the Association, and the rules and regulations for the members as established from time to time by the Board.

Section 1.22. "Property," shall mean and include the real property described on page 1. of this Declaration and all improvements erected thereon and all property, real, personal or mixed, intended for or used in connection with the project.

Section 1.23. "Residence," shall mean the same as dwelling or dwelling unit as described in Section 1.10 herein.

ARTICLE II

DESCRIPTION OF PROJECT, DIVISION OF PROPERTY, AND CREATION OF PROPERTY RIGHTS

Section 2.01. Description of Project.

The project is a planned development which consists of the property and all improvements thereon.

Section 2.02. Division of Property.

The property is hereby divided as follows:

(a) Residential Lots.

Each of the lots as separately shown, numbered and designated on the map consists of an individually owned lot and the dwelling located thereon, fee title to which shall be held by the owner thereof, subject to the specific covenants, conditions and restrictions set forth in this Declaration. The lot does not include those areas and those improvements which are hereafter defined as Common Area.

(b) Common Area.

That property described in Section 1.06. as Common Area shall be owned by the Association and shall be

operated and maintained by the Association for the use and benefit of owners of lots in the project, subject to reasonable rules and regulations enacted according to the Bylaws. Each owner may use the Common Area in accordance with the purposes for which it is intended without hindering the exercise of or encroaching upon the rights of any other owners. Prior to or concurrent with the conveyance of the first lot in the project or of any phase thereof, the Common Area appurtenant to the project or to that phase shall be transferred by Declarant to the Association to be held for the benefit of members, present and future, of the Association. Notwithstanding such transfer, Declarant shall reserve and hereby reserves in itself and its successors and assigns an easement over and onto the Common Area for common driveway purposes, for drainage and encroachment purposes and for ingress to and egress from the Common Area for the purpose of completing improvements thereon or for the performance of necessary repair work.

Section 2.03. Easements; Dedication of Common Area.

Each of the lots shown on the map shall have appurtenant to it as the dominant tenement, an easement over the Common Area(s) as the servient tenement now or hereafter owned by the Association, for ingress and egress, and for use, occupancy and enjoyment, and where applicable, for the construction, maintenance and operation of utilities. All of the easements are subject to the following provisions:

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

(b) The right of the Association to discipline members, and to suspend the voting rights of a member and right to use of the recreational facilities by an owner for any period during which any assessment against his lot remains unpaid, and for a period not to exceed thirty (30) days for any infraction of the rules contained in the Declaration, Bylaws, Articles or written rules and regulations in accordance with the provisions as hereafter set forth in this Declaration.

(c) The right of the Association to dedicate, transfer or mortgage all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members, provided, that in the case of the borrowing of money and the mortgaging of its property as security therefor, the rights of such mortgagee shall be subordinate to the rights of the members of the Association. No such dedication, transfer or mortgage shall be effective unless an instrument signed or approved by two-thirds (2/3) of each class of members agreeing to such dedication, transfer or mortgage has been recorded.

(d) The right of the Association to grant easements under, in, upon, across, over, above or through any portion of the Common Area for purposes, including, by way of example and not by way of limitation, access, utilities, and parking, which are beneficial to the development of the properties in accordance with the general plan established by this Declaration.

(e) To avoid the necessity of a separate television antenna for each lot, a cable television antenna system may be installed and may be hooked up to each dwelling on each lot. Said system, if and when installed, shall be maintained by the Association or cable television franchisee. To the extent required to effectuate the foregoing plan, there shall be an easement in favor of each lot for the purpose of connecting the same with the master cable television terminal or line. Each lot shall be subject to an easement in favor of all other lots and in favor of the entity holding the CATV franchise, to provide for the passage through the lot and any structure thereon of television connections from any other lot to the cable system, and shall be subject to a further easement for the placement and maintenance of such connections.

(f) Easements for work necessary to complete development and construction of the project, including all parcels annexed or to be annexed.

The foregoing easements are granted and reserved subject to the condition that their use and enjoyment shall not unreasonably interfere with the use, occupancy or enjoyment of all or any part of the lot servient to them or to which they are appurtenant.

Section 2.04. Easements to Accompany Conveyance of Lot.

Easements that benefit or burden any lot shall be appurtenant to that lot and shall automatically accompany the conveyance of the lot, even though the description in the instrument of conveyance may refer only to the fee title to the lot.

Section 2.05. Delegation of Use.

Any owner may delegate, in accordance with the Bylaws, 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. Nonresident members, their families, guest and relatives, are not permitted to use the recreational facilities during periods when their lot is leased to and/or occupied by others.

Section 2.06.

Conveyance of Common Area to Association.

On or before the conveyance of title to the first lot, Declarant shall deed the Common Area to the Association to be held for the benefit of members of the Association.

Section 2.07.

Owners' Rights and Easements for Utilities.

The rights and duties of the owners of lots within the project which respect to sanitary sewer, drainage, water, electric, gas, television receiving, telephone equipment, cables and lines, exhaust flues, and heating and air conditioning facilities (hereinafter referred to, collectively, as "utility facilities") shall be as follows:

(a) Whenever utility facilities are installed within the project, which utility facilities or any portion thereof lie in or upon a lot or lots owned by other than the owner of a lot served by said utility facilities, the owners of any lots served by said utility facilities shall have the right or reasonable access for themselves, or for utility companies to repair, to replace and generally maintain said utility facilities as and when the same may be necessary, due to failure or inability of the Board to take timely action to make such repairs or perform such maintenance.

(b) Whenever utility facilities are installed within the project which utility facilities serve more than one (1) lot, the owner of each lot served by the utility facilities shall be entitled to the full use and enjoyment of such portions of the utility facilities as service his lot.

(c) In the event of a dispute between owners with respect to the repair or rebuilding of the utility facilities, or with respect to the sharing of the cost thereof, then, upon written request of one (1) of such owners addressed to the Association, the matter shall be submitted to arbitration within sixty (60) days pursuant to the rules of the American Arbitration Association, and the decision of the Arbitrator(s) shall be final and conclusive on the parties.

Section 2.08.

Encroachment Easements.

Each lot is hereby declared to have an easement over adjoining lots and Common Area for the purpose of accommodating any encroachment due to foundations, exterior wall, windows, roof overhang and fences or walls which are built in accordance with the original design, plans and specifications of Declarant, or due to minor engineering errors, minor errors in original construction, settlement or shifting of the building, or similar causes. There shall be valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of owners shall not be

altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an owner or owners if said encroachment occurred due to the intentional conduct of said owner or owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the owners of each adjoining lot agree that minor encroachments over adjoining lots and Common Area shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

Section 2.09. Association Easement Over Portion of Lot 19 for Landscape Maintenance.

Pursuant to the conditions and requirements of the County of Los Angeles, there is hereby created in favor of the Association, an easement for landscape slope maintenance over that portion of Lot 19 as shown and set forth on Exhibit "A" attached hereto and made a part hereof.

Section 2.10. Maintenance Easement.

An easement over each lot as the servient tenement is reserved by Declarant, and is hereby granted to the Association, for the purpose of entering on the property to perform such maintenance, if any, as the Association elects to do in accordance with the provisions of this Declaration.

Section 2.11. Drainage Easements.

An easement over and under each lot is reserved by Declarant, and is hereby granted to the Association, for the maintenance of a drainage system. Reciprocal appurtenant easements between each lot and the Common Area and between adjoining lots are hereby created for the flow of surface water.

Section 2.12. Other Easements.

The Common Area and each lot are subject to all easements, dedications, and rights of way granted or reserved in, on, over and under the property as shown on the map.

Section 2.13. Rights of Entry and Use.

The lots and Common Area shall be subject to the following rights of entry and use:

(a) The right of the Association agents to enter any lot to cure any violation of this Declaration or the Bylaws, provided that the owner has received notice and a hearing as required by the Bylaws (except in the case of an emergency) and the owner has failed to cure the violation or take steps necessary to cure the violation within thirty (30) days after the finding of a violation by the Association.

(b) The access rights of the Association to maintain, repair or replace improvements or property located in the Common Area as described in this Declaration.

(c) The easements described in this Article II.

(d) The right of the Association's agents to enter any lot to perform maintenance as described in this Declaration.

(e) The rights of the Declarant during the construction period as described in this Declaration.

Section 2.14. Partition of Common Area.

There shall be no subdivision or partition of the Common Area, nor shall any owner seek any partition or subdivision thereof.

Notwithstanding any provisions to the contrary contained in this Declaration and in order to provide for a means of terminating the project if this should become necessary or desirable, on occurrence of any of the conditions allowing an owner of a lot to maintain an action for partition (as such conditions are presently set forth in California Civil Code Section 1359 or as such conditions in the future may be set forth in any amendment thereto or comparable provisions of law), two-third (2/3) of the owners of lots shall have the right to petition the superior court having jurisdiction to alter or vacate the recorded Subdivision Map of the project under California Government Code Section 66499.21 et seq., or any comparable provisions of law, and to vest title to the property in owners as tenants in common and order an equitable partition of the property in accordance with the laws of the State of California.

Nothing herein shall be construed to prohibit partition of a joint tenancy or co-tenancy in any lot.

ARTICLE III

ASSOCIATION, ADMINISTRATION, MEMBERSHIP, AND
VOTING RIGHTS

Section 3.01. Association to Own and Manage Common Areas.

The Association shall own and manage the Common Area in accordance with the provisions of this Declaration, the Articles and the Bylaws of the Association.

Section 3.02. Membership.

The owner of a lot shall automatically, upon becoming the owner of same, become a member of the Association, and shall remain a member thereof until such time as his ownership ceases for any reason. Membership shall be appurtenant to and may not be separated from ownership of a lot. Membership shall be held in accordance with the Articles and Bylaws of the Association.

Section 3.03. Transfer of Membership.

Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the lot to which it is appurtenant, and then only to the purchaser of such lot. On any transfer of title to an owner's lot, including a transfer on the death of an owner, membership passes automatically with title to the transferee.

A mortgagee does not have membership rights until it obtains title to the lot through foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer is void. No member may resign his membership. On notice of a transfer, the Association shall record the transfer on its books.

Section 3.04. Membership, Classes and Voting Rights.

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

Class A. Class A members shall be all owners with the exception of the Declarant and shall be entitled to one (1) vote for each lot owned. When more than one (1) person holds an interest in any lot, all such persons shall be members. The vote for such lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any lot.

Class B. Class B members shall be the Declarant and shall be entitled to vote as follows: Voting shall be the same as for Class A memberships, except that the Class B member may triple its votes for each lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(a) When the total votes outstanding in the Class A membership equal the total votes (tripled as stated above) outstanding in the Class B membership; or

(b) On the second anniversary date of the original issuance of the final subdivision public report for the project.

Any action by the Association which must have the approval of the members before being undertaken shall require the vote or written assent of a majority of each class of membership during the time that there are two (2) outstanding classes of membership. Where the vote or written assent of each class of membership is required, any requirement that the vote of Declarant be excluded is not applicable, except as provided hereafter in the Section dealing with enforcement of Declarant's obligation to complete Common Area improvements. After the conversion of Class B membership to Class A membership, any provision herein requiring the approval of members other than Declarant, except as provided hereafter in the Section dealing with enforcement of Declarant's obligation to complete Common Area improvements, shall mean the vote or written assent of a majority of the total voting power of the Association (including Declarant's vote(s) and the vote or written assent of a majority of the total voting power of members other than the Declarant.

Section 3.05. Commencement of Voting Rights.

Voting rights attributable to any lot shall not vest until an assessment has been levied against that lot by the Association, pursuant to Article IV, hereafter.

Section 3.06. Membership Meetings.

Regular and special meetings of members of the Association shall be held with the frequency, at the time and place, and in accordance with the provisions of the Bylaws of the Association.

Section 3.07. Board of Directors.

The affairs of the Association shall be managed by a Board of Directors, which shall be established, and which shall conduct regular and special meetings according to the provisions of the Bylaws of the Association.

ARTICLE IV

MAINTENANCE AND ASSESSMENTS.

Section 4.01. Creation of the Lien and Personal Obligation of Assessments.

The Declarant, for each lot 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, covenants and agrees: (i) to pay to the Association annual assessments or charges, and special assessments for purposes permitted herein, such assessments to be established and collected as hereinafter provided; and (ii) to allow the Association to enforce any assessment lien established hereunder by nonjudicial proceedings under a power of sale or by any other

means authorized by law. The annual and special assessments, together with interest, late charges, collection costs, and reasonable attorneys' fees, shall be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made, the lien to become effective upon recordation of a notice of delinquent assessment. Each such assessment, together with interest, late charges, collection costs, and reasonable attorneys' fees, shall also be the personal joint and several obligation of the person who was the owner of such property at the time when the assessment fell due. No owner of a lot may exempt himself from liability for his contribution towards the common expenses by waiver of the use or enjoyment of any of the Common Areas or by the abandonment of his lot. The personal obligation for delinquent assessments shall not pass to an owner's successors in title, unless expressly assumed by them.

Section 4.02. Purpose of Assessments.

The assessments levied by the Association shall be used exclusively to promote the economic interests, recreation, health, safety and social welfare of all the residents in the project and to enable the Association to perform the obligation hereunder. The Association shall not impose or collect an assessment, penalty, or fee that exceeds the amount necessary for the purpose or purposes for which it is levied.

Section 4.03. Annual Assessments.

(a) ~~The Board has authority to impose annual assessments, provided [that it may not impose a regular assessment that is more than ten percent (10%) greater than the regular assessment for the Association's preceding fiscal year or impose special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the vote or written consent of a majority of the voting power of the Association residing in members other than the Declarant, provided, that the foregoing provisions do not limit assessment increases for the following purposes:~~

(1) ~~The maintenance or repair of the Common Areas or other areas which the Association is obligated to maintain or repair, including, but not limited to, the payment of insurance premiums, the payment of utility bills, the costs incurred in maintaining structures or improvements, and funding reserves;~~

(2) ~~Addressing emergency situations;~~

(b) ~~The Board may not, without the vote or written consent of a majority of the voting power of the Association residing in members other than the Declarant, impose~~

~~a regular annual assessment which is more than twenty percent (20%) greater than the regular annual assessment for the immediately preceding fiscal year.~~

~~(e) Without membership approval, the Board of Directors may fix the annual assessments at an amount not in excess of the maximum. However, the annual assessment may not be decreased, either by the Board or by the members, by more than ten percent (10%) without the approval of a majority of the voting power of the Association residing in members other than the Declarant. Failure by the Board to set assessments shall not be deemed a waiver of the assessments but rather the prior year's assessment shall continue.~~

the Board may not (i) establish a regular assessment for any fiscal year more than twenty percent (20%) above the regular assessment for the Association's preceding fiscal year, or (ii) establish special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, without a majority vote or written assent of approval in person or by proxy, by the members at a duly held meeting or election of the members of the Association. "Duly held meeting or election" as used in this section shall mean a quorum (51%) of the members of the Association.

The foregoing restrictions do not apply to any assessment increases necessary for emergency situations. For purposes of this subsection, an emergency situation is any one of the following:

(1) An extraordinary expense required by an order of a court.

(2) An extraordinary expense necessary to repair or maintain the Common Area or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered.

(3) An extraordinary expense necessary to repair or maintain the Common Area 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. However, prior to the imposition or collection of an assessment under this subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of assessment.

(b) Subject to the limitations on the maximum and minimum amount of assessments herein provided, if at any time during the course of any year the Board shall deem the

amount of the annual assessment to be inadequate or excessive, the Board shall have the power, at a regular or special meeting, to revise the assessment for the balance of the assessment year, effective on the first day of the month next following the date of the revision, provided that the Board may not by such action increase the assessments by more than five percent (5%) in the aggregate (including increases in special assessments) of the budgeted gross expenses of the Association for that fiscal year without the consent of a majority fifty-one percent (51%) of the voting power of the Association residing in members other than the Declarant.

(c) Until the first day of the fiscal year immediately following the close of escrow for the sale of the first lot in the property to an owner, the maximum annual assessment shall be Four Hundred Ninety and 08/100 Dollars (\$490.08). After the first day of the fiscal year immediately following the conveyance of the first lot to an owner, the maximum annual assessment may be increased as provided in this Section.

Section 4.04. Special Assessments for Capital Improvements or Extraordinary Expenses; Reserves for Replacement.

The Board of Directors may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or for extraordinary expenses incurred by the Association, provided that in the event special assessments exceed in the aggregate five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, ~~the vote or written consent of a majority of the voting power of the Association residing in members other than the Declarant shall be required to approve such assessments.~~ Special assessments shall be levied on the same basis as regular assessments the majority vote or written assent of approval, in person or by proxy, by the members at a duly held meeting or election of members of the Association shall be required. "Duly held meeting or election" as used in this section shall mean a quorum (51%) of the members of the Association.

The foregoing restrictions do not apply to any special assessment increases necessary for emergency situations. For purposes of this subsection, an emergency situation is any one of the following:

(1) An extraordinary expense required by an order of a court.

(2) An extraordinary expense necessary to repair or maintain the Common Area or any part of it for

which the Association is responsible where a threat to personal safety on the property is discovered.

(3) An extraordinary expense necessary to repair or maintain the Common Area 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. However, prior to the imposition or collection of an assessment under this subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of special assessment.

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

Amounts received by the Association as contributions, assessments or dues from the owners shall be held in one (1) or more accounts. Deposits shall be made, and funds accounted for, so that reserves for capital improvements and for replacement may be separated from funds for operating expenses or repair and maintenance funds if the Board considers it necessary. Capital improvement and replacement funds shall be used solely for capital improvements and replacements of the Common Area within the project.

Section 4.05. Allocation of Assessments.

All assessments, both annual and special, shall be charged to and divided among the lot owners equally except for special assessments that may be imposed for disciplinary reasons. Assessments may be collected on a monthly basis.

Section 4.06. Date of Commencement of Annual Assessments;
Due Dates.

The regular assessments provided for herein shall commence as to all lots covered by this Declaration

following the conveyance of the first lot to the purchaser thereof, or on the first day of the month following the conveyance of the first lot to the purchaser ~~hereof~~ Common Area lots to the Association, whichever shall first occur. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year.

Subject to the provisions of Section 4.03. hereof, the Board of Directors shall use its best efforts to fix the amount of the annual assessment against each lot and send written notice thereof to every owner at least forty-five (45) days in advance of each annual assessment period, provided that failure to comply with the foregoing shall not affect the validity of any assessment levied by the Board. The due date shall be established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified lot have been paid. Such a certificate shall be conclusive evidence of such payment.

Section 4.07. Effect of Nonpayment of Assessments.

Any assessment not paid within fifteen (15) days after the due date shall be delinquent, shall bear interest at the rate of twelve percent (12%) per annum commencing thirty (30) days after the due date until paid, and shall incur a late payment penalty in an amount to be set by the Board from time to time, not to exceed the maximum permitted by applicable law or in the amount of Ten Dollars (\$10.00) or ten percent (10%) of the delinquent assessment, whichever is greater.

Section 4.08. Transfer of Lot by Sale or Foreclosure.

Sale or transfer of any lot shall not affect the assessment lien. However, the sale of any lot pursuant to mortgage foreclosure of a first mortgage shall extinguish the lien of such assessments including attorney's fees, late charges, or interest levied in connection therewith as to payment which became due prior to such sale or transfer, except for assessment liens recorded prior to the mortgage. No sale or transfer shall relieve such lot from liability for any assessment thereafter becoming due or from the lien thereof. The lien of the assessment provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust upon any lot.

Where the mortgagee of a first mortgage of record or other purchaser of a lot obtains title to the same as a result of foreclosure of any such first mortgage, such acquirer of title, his successor and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such lot which became due prior to the acquisition of title to such lot by such acquirer (except

for assessment liens recorded prior to the mortgage). (No amendment of the preceding sentence may be made without the consent of owners of lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated, and the consent of the eligible mortgage holders first mortgages on lots comprising fifty-one percent (51%) of the lots subject to first mortgages.) Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from owners of all of the lots including such acquirer, his successors or assigns.

~~In a voluntary conveyance of a lot the grantee and the grantor shall be jointly and severally liable to the Association for all unpaid assessments against the lot for the grantor's share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Association, dated as of the record date of conveyance, setting forth the amount of the unpaid assessments against the grantor due the Association, and such grantee shall not be liable for, nor shall the lot conveyed be subject to a lien for, any unpaid assessments made by the Association against the grantor in excess of the amount set forth in the statement, provided, however, the grantee shall be liable for any such assessment becoming due after the date of any such statement.~~

Section 4.09.

Priorities; Enforcement of Assessment
Obligation; Remedies; Discipline.

If an assessment is delinquent, the Association may record a notice of delinquent assessments and establish a lien against the lot of the delinquent owner prior and superior to all other liens except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first mortgage of record (meaning any recorded mortgage or deed of trust with first priority over other mortgages or deeds of trust) made in good faith and for value. The notice of delinquent assessments shall state the amount of the assessment, collection costs, attorney's fees, late charges and interest, a description of the separate interest against which the assessment and other sums are levied, the name of the record owner, and the name and address of the trustee authorized by the Association to enforce the lien by sale. The notice shall be signed by any officer of the Association or by any management agent retained by the Association.

An assessment lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to Civil Code Section 2934(a). Any sale shall be conducted in accordance with the provisions of Sections 2924, 2924b, 2924c, and 1367 of the

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

The Association, acting on behalf of the owners, shall have the power to bid for the lot at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Where the purchase of a foreclosure lot will result in a five percent (5%) or greater increase in assessments, the purchase shall require the vote or written consent of a majority of the total voting power of the Association, including a majority of members other than Declarant. During the period a lot is owned by the Association, following foreclosure: (1) No right to vote shall be exercised on behalf of the lot; (2) no assessment shall be assessed or levied on the lot; and (3) each other lot shall be charged, in addition to its usual assessment, its share of the assessment that would have been charged to such lot had it not been acquired by the Association as a result of foreclosure. After acquiring title to the lot at foreclosure sale following notice and publication, the Association may execute, acknowledge and record a deed conveying title to the lot which deed shall be binding upon the owners, successors, and all other parties. Suit to recover a money judgment for unpaid common expenses, and attorney's fees shall be maintainable without foreclosure or waiving the lien securing the same.

The Board may impose reasonable monetary penalties including actual attorneys' fees and costs and may temporarily suspend the Association membership rights of an owner who is in default in payment of any assessment, after notice and hearing according to the Bylaws. The Association shall not nonjudicially foreclose on an owner's lot to recover any monetary penalties imposed by the Association as a disciplinary measure for failure of a member to comply with the project documents or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area and facilities for which a member is allegedly responsible or bringing a member and his lot in compliance with the project documents; provided, however, that this provision does 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 4.10. Unallocated Taxes.

In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the lots, said taxes shall be included in the assessments made under the provisions

of Section 4.01. and, if necessary, a special assessment may be levied against the lots in an amount equal to said taxes, to be paid in two (2) installments, thirty (30) days prior to the due date of each tax installment.

Section 4.11. Proration of Unsegregated Real Property Taxes.

(a) If real property taxes are prorated by Declarant through escrow in connection with the sale of any lot at a time when the actual taxes attributable to such lot are unknown (where such actual taxes will be unknown at the time escrow closes) and if the tax bill is to be an "unsegregated" or "blanket" bill covering the project, the Declarant shall make a good faith estimate of the real property taxes applicable to each lot and escrow shall make the proration based on this good faith estimate. Upon receipt of the "unsegregated" tax bill after close of escrow, any adjustments shall be made outside of escrow by Declarant and the owner of the lots with the Association's cooperation as provided in paragraph (b) hereafter. The Association shall pay before delinquency the entire "unsegregated" tax bill, and immediately after the Association has determined each owner's proper tax (as hereinafter provided), each owner shall pay the entire tax for each owner's lot to the Association in order that the Association may satisfy the "unsegregated" tax bill before delinquency. Each owner for himself and his successors hereby covenants and agrees that the right of the Association to collect the tax may be enforced by any of the procedures described in this Article IV. The "unsegregated" tax bill shall be equally divided among the owners.

(b) Unless the Declarant's good faith estimate is exact, the Declarant and the owner shall promptly furnish the Association with their closing statements as proof of the proration of the "unsegregated" taxes through escrow. The Association shall then promptly determine the difference between the amount of taxes charged to the owner at the close of escrow ("Owner's Charge") and the owner's actual share of taxes based on the "unsegregated" tax bill ("owner's actual share"). If the owner's charge exceeds the owner's actual share, the Association shall pay such excess to the owner, and the Declarant shall immediately reimburse the Association for all such payments. If the owner's actual share exceeds the owner's charge, the Association shall immediately pay the amount of such excess to Declarant, and shall thereafter levy a special assessment against the owner and his lot for reimbursement of such payment.

(c) If further "unsegregated" tax bills are issued or "unsegregated" installments become due following the sale of lots as discussed in paragraph (a) hereinabove, the Association shall be responsible for the payment thereof prior to delinquency but shall have all rights set forth in this

Article to collect from each owner such owner's proper share of the "unsegregated" bill or "unsegregated" installment.

Section 4.12. Proration of Segregated Real Property Taxes.

(a) If real property taxes are prorated by Declarant through escrow in connection with the sale of any lot at a time when the actual taxes attributable to such lot are unknown (where such actual taxes will be unknown at the time escrow closes) and if the tax bill is to be a "segregated" or "individual" bill covering the lot, the Declarant shall make a good faith estimate of the real property taxes applicable to the lot and escrow shall make the proration based on this good faith estimate. Upon receipt of the "segregated" tax bill after close of escrow, any adjustments shall be made outside of escrow by Declarant and the owner of the lot with the Association's cooperation as provided in paragraph (b) hereinabove. The owner shall pay before delinquency the "segregated" tax bill for the lot.

(b) Unless the Declarant's good faith estimate is exact, the Declarant and the owner shall promptly furnish the Association with their closing statements as proof of the proration of the "segregated" taxes through escrow. The Association shall then promptly determine the difference between the amount of taxes charged to the owner at the close of escrow ("Owner's Charge") and the owner's actual share of taxes based on the "segregated" tax bill ("owner's actual share"). If the owner's charge exceeds the owner's actual share, the Association shall pay such excess to the owner, and the Declarant shall immediately reimburse the Association for all such payments. If the owner's actual share exceeds the owner's charge, the Association shall immediately pay the amount of such excess to Declarant, and shall thereafter levy a special assessment against the owner and his lot for reimbursement of such payment. Each owner for himself and his successors hereby covenants to reimburse the amount of any such excess to the Association, and agrees that the right of the Association to collect such excess may be enforced by any of the procedures described in this Article IV.

Section 4.13. Exempt Property.

(a) Lots.

~~These lots having no structural improvements for human occupancy, shall be exempt 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 the structural improvement. The exemption may include:~~

- ~~(1) Roof replacement;~~
- ~~(2) Exterior maintenance;~~

- (3) Cable-television;
- (4) Walkway-lighting;
- (5) Refuse-disposal;
- (6) Domestic-water-supplied-to-dwelling units;
- (7) Insurance-on-unevaluated-residences.

Any exemption from the payment of assessments shall be in effect only until the earliest of the following events:--(i)-A notice of completion of the structural improvements has been recorded;--(ii)-A certificate of occupancy has been filed;--(iii)-the third anniversary of the original issuance of the final subdivision public report for the lot included in the public report.

(b) Common Area.

The Declarant and any other lot owner may 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 use of Common Area facility that is not complete at the time assessments commence. Any exemption from the payment of assessments shall be in effect only until the earliest of the following events:--(i)-A notice of completion of the Common Area facility has been recorded;--(ii)-the Common Area facility has been placed into use;--(iii)-not later than the estimated completion date for the Common Area facility submitted by the Declarant in the application for the original final public report.

Section 4.13. Capitalization of Association.

Upon acquisition of record title to a lot in Tract 31024 from Declarant, each owner shall contribute to the capital of the Association an amount equal to one-sixth (1/6th) the amount of the then annual assessment for that lot as determined by the Board. This amount shall be deposited by the buyer into the purchase and sales escrow and disbursed therefrom to the Association.

ARTICLE V

DUTIES AND POWERS OF THE ASSOCIATION

Section 5.01. Duties.

In addition to the duties enumerated in its Articles of Incorporation and Bylaws, or elsewhere provided for in this Declaration, and without limiting the generality thereof, the Association shall perform the following duties:

(a) Maintenance.

The Association shall maintain and repair the following:

(1) The Common Area, all improvements and landscaping thereon, and all property owned by the Association, including without limitation, pool, pool equipment, cabana, recreational facilities, parking areas, driveways, private streets, irrigation systems, lighting fixtures, and utility, sewer or drainage systems not maintained by a public entity, utility company, or improvement district.

(2) Landscape maintenance of the manufactured slope portion(s) of Lot 19 (as distinguished from the natural slope area) as shown and set forth in Exhibit "A" attached hereto and made a part hereof.

If the Association incurs any maintenance or repair costs because of the willful or negligent act or omission of any owner or the owner's agents, occupants, or invitees, and such cost was not covered by insurance maintained by the Association, the Association shall charge the responsible owner who immediately shall pay the charge to the Association together with interest thereon at the rate of twelve percent (12%) per annum (but not in excess of the maximum interest rate authorized by law) from the date the cost was incurred by the Association until the date the charge is paid by the owner. If the owner disputes the charge, the owner shall be entitled to a notice and a hearing as provided in Section 5.02(g). hereof before the charge may be collected.

(b) Insurance.

The Association shall obtain and maintain the following insurance:

(1) A casualty policy insuring all improvements and fixtures on the Common Area;

(2) Worker's compensation insurance to the extent required by law;

(3) Fidelity bonds or insurance covering officers, directors, and employees that have access to any Association funds;

(4) Flood insurance on Common Area improvements if the project is located in an area designated by an appropriate governmental agency as a special flood hazard area;

(5) Officers and directors liability insurance; and

(6) Such other insurance as the Board in its discretion considers necessary or advisable.

The amount, term and coverage of any policy required hereunder (including the type of endorsements, the amount of the deductible, the named insureds, the loss payees, standard mortgage clauses, and notices of changes or cancellations) shall satisfy the minimum requirements imposed for this type of project by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") or any successor thereto. If the FNMA or FHLMC requirements conflict, the more stringent requirement shall be met. If FNMA and FHLMC do not impose requirements on any policy required hereunder, the term, amount and coverage of such policy shall be no less than that which is customary for similar policies on similar projects in the area.

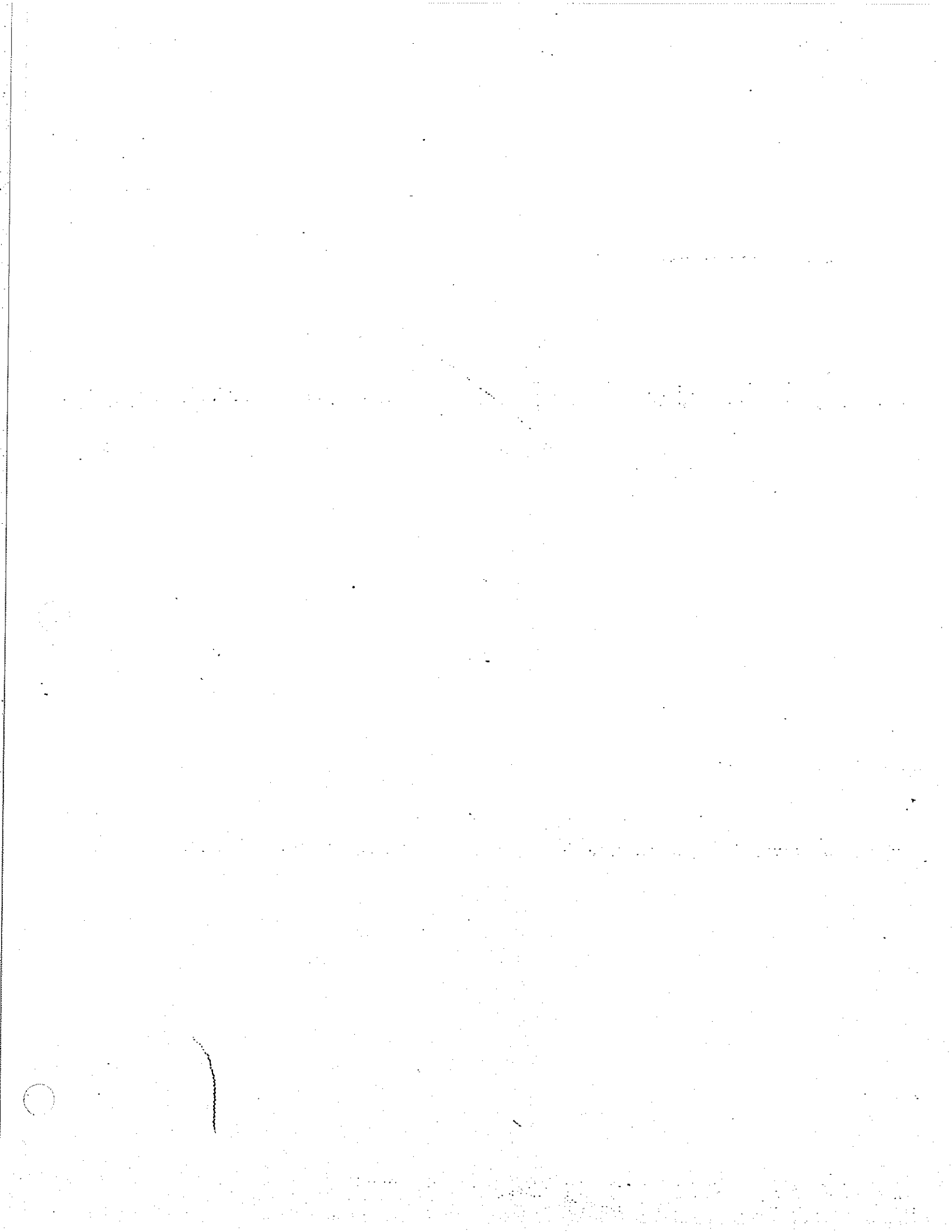
Each owner appoints the Association or any insurance trustee designated by the Association to act on behalf of the owners in connection with all insurance matters arising from any insurance policy maintained by the Association, including without limitation, representing the owners in any proceeding,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

Any insurance maintained by the Association shall contain "waiver of subrogation" as to the Association and its officers, directors and members, the owners and occupants of the lots (including Declarant) and mortgagees, and, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The Association shall periodically (and not less than once every three (3) years) review all insurance policies maintained by the Association to determine the adequacy of the coverage and to adjust the policies accordingly.

Each lot owner shall separately insure the improvements on his or her lot against loss by fire or other casualty. Any owner can insure his or her personal property against loss and obtain any personal liability insurance that he or she desires. In addition, any improvements made by an owner within his or her lot may be separately insured by the owner, but the insurance is to be limited to the type and nature of coverage commonly known as "tenant's improvements".

Each buyer of a lot shall pay the portion of the premium(s) attributable to the buyer's lot (pro-rated to the date of close of escrow) for the policy or policies purchased by Declarant for the Association.

The Association and its directors and officers, shall have no liability to any owner or mortgagee if, after a good faith effort, it is unable to obtain the liability insurance required hereunder, because the insurance is no longer available or, if available, can be obtained only at a cost that



the Board in its sole discretion determines is unreasonable under the circumstances, or the members fail to approve any assessment increase needed to fund the insurance premiums. In such event, the Board immediately shall notify each member and any mortgagee entitled to notice that the liability insurance will not be obtained or renewed.

(c) Discharge of Liens.

The Association shall discharge by payment, if necessary, any lien against the Common Area and charge the cost thereof to the member or members responsible for the existence of the lien after notice and hearing as provided in Section 5.02(g) hereof.

(d) Assessments.

The Association shall fix, levy, collect and enforce assessments as set forth in Article IV hereof.

(e) Payment of Expenses.

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

(f) Enforcement.

The Association shall enforce this Declaration.

Section 5.02.

Powers.

In addition to the powers enumerated in its Articles of Incorporation and Bylaws, or elsewhere provided for in this Declaration, and without limiting the generality thereof, the Association shall have the following powers:

(a) Utility Service.

The Association shall have the authority (but not the obligation) to obtain, for the benefit of all the owners, all water, gas, electric service, refuse collection and CATV.

(b) Easements.

The Association shall have authority to grant easements in addition to those shown on the Subdivision Map where necessary for utilities, cable television and sewer facilities over the Common Area to serve the Common Areas and lots.

(c) Manager.

The Association may employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, except for the responsibility to levy fines, impose discipline, hold hearings, file suit, record or foreclose liens, or make capital expenditures, provided that any contract with a firm or person appointed as a manager or managing agent shall not exceed a one (1) year term, shall provide for the right of the Association to terminate the same at the first annual meeting of the members of the Association, and to terminate the same without cause or payment of a termination fee on ninety (90) days' written notice, or for cause on thirty (30) days' written notice.

(d) Adoption of Rules and Regulations.

The Association or the Board may adopt reasonable rules and regulations not inconsistent with this Declaration relating to the use of the Common Area and all facilities thereon, and the conduct of owners and their tenants and guests with respect to the property and other owners.

(e) Access.

The Board or its agents may enter any residence, balcony area, patio area, storage area, and/or garage area as necessary in connection with any maintenance or emergency repairs for which the Association is responsible. Such entry shall be made with as little inconvenience to the owners as practicable, and any damage caused thereby shall be repaired by the Association at the expense of the common fund. Except in case of emergency, twenty-four (24) hour advance notice shall be given to the owner or occupant.

(f) Assessments, Liens and Fines.

The Association shall have the power to levy and collect assessments in accordance with the provisions of Article IV hereof. The Association may impose fines or take disciplinary action against any owner for failure to pay assessments or for violation of any provision of the project documents. Penalties may include but are not limited to fines, temporary suspension of voting rights, rights to the use of recreational facilities or other appropriate discipline, provided the member is given notice and a hearing as provided in Section 5.02(g) hereinbelow before the imposition of any fine or disciplinary action.

(g) Enforcement (Notice and Hearing).

(1) Association Enforcement Rights.

In the event of an alleged violation of the provisions of this Declaration, the Bylaws or duly enacted Rules and Regulations for the operation and use of the Common Area and facilities, and after written notice of such alleged failure is delivered, personally or by certified mail to the owner ("respondent") alleged to be in default, the Association shall have the right, after affording the respondent an opportunity for an appropriate hearing (as hereinafter provided) to take any one or more of the following actions: (i) suspend an owner's voting privileges as an owner; (ii) impose a monetary penalty which shall not exceed One Hundred Dollars (\$100.00) for any one violation or One Thousand Dollars (\$1,000.00) in any one calendar year. Any such suspension pursuant to (i) above shall be for a period not exceeding thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board to enforce the provisions of this Declaration, the Bylaws or duly enacted Rules and Regulations for the operation and use of the Common Area and facilities shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and as otherwise provided in this Declaration, shall be cumulative and none shall be exclusive. However, the Board must exhaust all available internal remedies of the Association prescribed by this Declaration, the Bylaws or duly enacted Association Rules and Regulations, before the Board may resort to a court of law for relief with respect to any alleged violation; provided that, the foregoing limitation pertaining to exhaustion of administrative remedies shall not apply to the Board where the complaint alleges nonpayment of assessments.

(2) Written Complaint.

A hearing to determine whether a right or privilege of the respondent should be suspended or conditioned, or whether a monetary penalty should be imposed shall be initiated by the filing of a written complaint by any owner, or by any officer or member of the Board, with the President of the Association or other presiding member thereof. The complaint shall constitute a written statement of charges which shall set forth in concise language the acts or omissions with which the respondent is charged and a reference to the specific provision(s) of this Declaration, the Bylaws or duly enacted Association Rules and Regulations for the operation and use of the Common Area and facilities which the respondent is alleged to have violated. A copy of the complaint shall be delivered to the respondent in accordance with the notice provisions set forth below.

(3) Notice of Hearing.

The Board shall serve a notice of hearing on all parties at least ten (10) days prior to the hearing date. The notice to the respondent shall be substantially in the following form, but may include other information:

"You are hereby notified that a hearing will be held before the Board of Directors of the Association at _____ on the _____ day of _____, 19____, at the hour of _____ upon the charges made in the complaint served upon you. You may be present at the hearing and may, but need not be represented by counsel, may present any relevant evidence and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors."

(4) Hearing.

The hearing shall be held in executive session pursuant to the notice, affording the respondent a reasonable opportunity to be heard. Prior to the effectiveness of any sanction, proof of notice and the invitation to be heard shall be placed in the minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery is entered by the officer or director who delivered or mailed the notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(5) Limitation on Association Enforcement Rights.

Notwithstanding the foregoing enforcement rights, the Association is not empowered to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of his individually owned lot because of the failure of the owner to comply with the provisions of this Declaration, the Bylaws or duly enacted Association Rules and Regulations for the operation and use of the Common Area and facilities, except by judgment of a court or a decision arising out of arbitration or because of a foreclosure or sale under a power of sale for failure of the owner to pay assessments duly levied by the Association. A monetary penalty imposed by the Association as a disciplinary measure for failure of an owner to comply with the provisions of this Declaration, the Bylaws or duly enacted Rules and Regulations for the operation and use of the Common Area and facilities, or as a means of reimbursing the Association for costs incurred in the repair of damage to the Common Area and facilities for which the owner was allegedly

responsible, or in bringing the owner and his subdivision interest into compliance with this Declaration, cannot be characterized or treated as an assessment which may become a lien against the owner's lot enforceable by a sale of the lot in accordance with the provisions of Sections 2924, 2924b and 2924c of the California Civil Code. However, the immediately preceding prohibition does 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.

(h) Acquisition and Disposition of Property.

The Association shall have the power to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real or personal property in connection with the affairs of the Association. Any transfer of property shall be by document signed or approved by two-thirds (2/3) of the total voting power of the Association which shall include two-thirds (2/3) of the members other than Declarant, or where the two (2) class voting structure is still in effect, two-thirds (2/3) of the voting power of each class of members.

(i) Loans.

The Association shall have the power to borrow money, and only with the assent (by vote or written consent) of three-fourths (3/4) of the total voting power of the Association including three-fourths (3/4) of the members other than Declarant, or where the two (2) class voting structure is still in effect, three-fourths (3/4) of the voting power of each class of members, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

(j) Dedication.

The Association shall have the power to dedicate, sell, or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication shall be effective unless an instrument has been signed or approved by three-fourths (3/4) of the total voting power of the Association including three-fourths (3/4) of the members other than Declarant, or where the two (2) class voting structure is still in effect, three-fourths (3/4) of the voting power of each class of members, agreeing to such dedication, sale or transfer.

(k) Contracts.

The Association shall have the power to contract for goods and/or services for the Common Areas, facilities and interest or for the Association, subject to limitations of the Bylaws, or elsewhere set forth in the project documents.

(l) Delegation.

The Association, the Board, and the officers of the Association shall have the power to delegate their authority and powers to committees, officers or employees of the Association, or to a manager employed by the Association, provided that the Board shall not delegate its responsibility:

(1) To make expenditures for capital additions or improvements chargeable against the reserve funds;

(2) To conduct hearings concerning compliance by an owner or his tenant, lessee, guest or invitee with the Declaration, Bylaws or rules and regulations promulgated by the Board;

(3) To make a decision to levy monetary fines, impose special assessments against individual lots, temporarily suspend an owner's rights as a member of the Association or otherwise impose discipline;

(4) To make a decision to levy regular or special assessments; or

(5) To make a decision to bring suit, record a claim of lien or institute foreclosure proceedings for default in payment of assessments.

(m) Use of Recreational Facilities.

The Association shall have the power to limit the number of an owner's tenants or guests who may use the recreational facilities, provided that all limitations apply equally to all owners, unless imposed for disciplinary reasons, after notice and hearing as provided in Section 5.02(g) hereof.

(n) Water and Garbage Service.

The Association shall have the authority to acquire and pay for water service and trash or garbage service for all homes situated on the property. All funds collected from lot owners for water service or trash and garbage service shall be segregated from all other funds and shall be used for no purpose other than providing water service, and trash and garbage service.

(o) Appointment of Trustee.

The Association, or the Board acting on behalf of the Association, has the power to appoint or designate a trustee to enforce assessment liens by sale as provided in Article IV and as provided in California Civil Code Section 1367(b).

(p) Other Powers.

In addition to the powers contained herein, the Association may exercise the powers granted to a non-profit mutual benefit corporation under California Corporations Code Section 7140.

Section 5.03. Limitations on Authority of Board.

The Board, acting on behalf of the Association, is prohibited from taking any of the following actions except with the vote or written assent of a majority of the voting power of the Association which shall include a majority of votes residing in members other than Declarant:

(a) Entering into a contract with a third person, wherein 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: (i) a management contract, the terms of which have been approved by the Federal Housing Administration and/or the Veterans Administration; (ii) a contract with a public utility company if the rates charged for the services or materials are regulated by the Public Utility Commission; provided that, the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty and/or liability insurance policies not exceeding three (3) years duration; provided that, the policies permit for short-rate cancellation by the Association; (iv) lease agreements for laundry room fixtures and equipment not exceeding five (5) years; 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; (v) agreements for cable television services and equipment or satellite dish television services and equipment not exceeding five (5) years duration; provided that, the supplier under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and (vi) agreements for the sale or lease of burglar alarm and/or fire alarm equipment not exceeding five (5) years duration; provided that, the supplier under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(b) 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.

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

(d) 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.

Section 5.04. Commencement of Association's Duties and Powers.

Until incorporation of the Association, all duties and powers of the Association as described herein, including all rights of consent and approval, shall be and remain the duties and powers of Declarant. From and after the date of incorporation of the Association, the Association shall assume all duties and powers, and Declarant shall be relieved of any further liability therefor.

ARTICLE VI

ARCHITECTURAL CONTROL

The provisions of this Article VI shall apply only to improvements or modifications made by an owner that are visible from any street or the Common Area; conversely, if an owner is making improvements or modifications and they will not be visible from any street or the Common Area, the provisions of this Article VI shall be inapplicable, except for Section 6.04. Governmental Approval.

Section 6.01. Approval of Plans.

No building, fence, wall, pool, spa, obstruction, outside or exterior wiring, balcony, screen, patio, patio cover, tent, awning, carport, carport cover, trellis, improvement or structure of any kind shall be commenced, installed, erected, painted or maintained upon the property, nor shall any alteration or improvement of any kind be made thereto, or to the exterior of any residence, until the same has been approved in writing by the Board, or by an Architectural Control Committee appointed by the Board. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Board or to the Architectural Control 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, topography, and finish grade elevation. No fence or wall shall be erected, placed or altered on any lot nearer to any street than the minimum building set back line. No permission or approval shall be required to repaint in accordance with Declarant's original color scheme previously approved by the Committee or the Board, or to rebuild in accordance with plans and specifications previously approved by the Committee or by the Board. Nothing contained herein shall be construed to limit the right of an owner to remodel the interior of his residence, or to paint the interior of his residence any color desired.

Section 6.02. Architectural Control Committee Action.

The Architectural Control Committee shall consist of three (3) members. Declarant may appoint all of the original members of the Committee and all replacements until the first anniversary of the issuance of the original final public report for the project. The Declarant reserves to itself the power to appoint a majority of the members to the Committee until ninety percent (90%) of all the lots in the project including subsequent phases if any, have been sold or until the fifth anniversary of the issuance of the final public report for the first phase of the project, whichever first occurs. After one (1) year from the date of the issuance of the original public report for the first phase of the project, the Board shall have the power to appoint one (1) member to the Architectural Control Committee until ninety percent (90%) of all of the lots in the overall development have been sold or until the fifth anniversary date of the issuance of the final public report, for the first phase of the project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Control Committee. Members appointed to the Architectural Control Committee by the Board shall be from the membership of the Association. Members appointed to the Architectural Control Committee by the Declarant need not be members of the Association. A majority of the Architectural Control Committee may designate a representative to act for it. In the event of death or resignation of any member of the Committee, the successor shall be appointed by the person, entity or group which appointed such member until Declarant no longer has the right to appoint any members to the Committee, and thereafter the Board shall appoint such a successor. Neither the members of the Committee nor its designated representative shall be entitled to any compensation for services performed pursuant hereto. In the event the Committee fails to approve or disapprove plans and specification within thirty (30) days after the same have been submitted to it, approval will not be required and the related covenants shall be deemed to have been fully complied with.

Section 6.03. Landscaping.

No landscaping of patios or yards or portions of lots visible from the street or from any Common Area shall be undertaken by any owner until plans and specifications showing the nature, kind, shape, and location of the materials shall have been submitted to and approved in writing by the Architectural Control Committee, or the Board.

Section 6.04. Governmental Approval.

Before commencement of any alteration or improvements approved by the Architectural Control Committee, the owner shall comply with all appropriate governmental laws and regulations. Approval by the Committee does not satisfy the appropriate approvals that may be required by any governmental entity with appropriate jurisdiction.

Section 6.05. Special Provision Regarding Solar Energy Systems.

Notwithstanding any provision in this Declaration to the contrary, nothing shall prevent an owner from installing a solar energy system on his lot, provided that such solar energy system complies with all applicable zoning district regulations, the Uniform Building Code and any other applicable state and local rules and regulations. Plans, specifications, and means of installation for any solar energy system must first be submitted to the Architectural Control Committee for approval. The following general guidelines for the installation of solar panels, collectors, or like equipment shall be observed:

(a) Solar panels and collectors shall be placed on the roof of the dwelling at the same slope and as near the roof plan as possible, and not elsewhere on any lot.

(b) Generally, solar panels shall be required to be placed on a side-facing roof; however, if lot orientation is such that side oriented roof faces are more than twenty-two and one-half degrees (22-1/2) from true south and the street-facing roof provides the more favorable southward orientation, panels and collectors may be located on the street facing roof under the following conditions: (i) if panels can be obscured from view by other portions of the roof without shading then such placement shall be required; (ii) exposed pipes must be painted to blend with the roof; (iii) wood frames shall be installed around panels to conceal pipe runs at panels; (iv) panels shall not be installed in a random, patchwork fashion. If more than one field of solar panels is required, they shall relate to each other in size and parallel orientation.

The Architectural Control Committee may vary the foregoing requirements in appropriate cases if the owner can satisfactorily show that strict compliance therewith would be cost prohibitive.

ARTICLE VII

USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the property and each lot is subject to the following:

Section 7.01. Use of Lot.

No lot shall be occupied and used except for residential purposes by the owners, their tenants, and social guests, except that Declarant, its successors or assigns, may use the property for a model homesite or sites, and display and sales office during construction until the last lot is sold by Declarant, or, where Declarant elects to retain one (1) or more lots as an investment, until five (5) years from the date of closing of the first sale in the project. No tent, shack, trailer, basement, garage, outbuilding or structure of a temporary character shall be used on any lot at any time as a residence, either temporarily or permanently.

No health care facilities operating a business or charity and serving the sick, elderly, disabled, handicapped or retarded shall be permitted in the project.

No lot or lots or any portion thereof in the project shall be leased, subleased, occupied, rented, let, sublet, or used for or in connection with any time sharing agreement, plan, program or arrangement, including, without limitation, any so called "vacation license", "travel club", "extended vacation", or other membership or time interval ownership arrangement. The term "time sharing" as used herein shall be deemed to include, but shall not be limited to, any agreement, plan, program, or arrangement under which the right to use, occupy, or possess the lot or lots or any portion thereof in the project rotates among various persons, either corporate, partnership, individual, or otherwise, on a periodically recurring basis for value exchanged, whether monetary or like kind use privileges, according to a fixed or floating interval or period of time of twenty-five (25) consecutive calendar days or less. Provided, this Section shall not be construed to limit the personal use of any lot or any portion thereof in the project by any lot owner or his or her or its social or familial guests.)

Section 7.02. Nuisances.

No noxious, illegal, or seriously offensive activities shall be carried on or upon any lot, or any part of the property, nor shall anything be done thereon which may be or may become a serious annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the owners of his respective lot.

Section 7.03. Vehicle Restrictions.

No trailer, camper, mobile home, commercial vehicle, truck (other than standard size pickup truck or standard size van), boat, inoperable automobile, or similar equipment shall be permitted to remain upon any area within the property, other than temporarily (which shall mean not more than four (4) hours), unless placed or maintained within an enclosed garage or carport. Commercial vehicles shall not include sedans (or standard size vans or pickup trucks) which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smoky vehicles shall be operated on the property. No unlicensed motor vehicles shall be operated upon the property. Twenty-four (24) hours after notice has been personally delivered to the vehicle owner by an agent of the Association or placed on the windshield of a vehicle, or seventy-two (72) hours after notice has been mailed to the address of the registered owner of a vehicle parked, stored, or maintained on the premises, in violation of the provisions of this Declaration, the vehicle owner shall be deemed to have consented to the removal of said vehicle from the project, and the Association or its agents or employees shall have the authority to tow away and store any such vehicle, whether said vehicle shall belong to a lot owner, or his tenant, a member of his family, or his guest or invitee. Charges for such towing and storage shall be paid by the lot owner responsible for the presence of such vehicle.

Section 7.04. Parking.

On street parking (on both sides of the streets) shall only be available for temporary guest parking and shall be regulated by rules and regulations as may be adopted, from time to time, by the Board. Garage space may be partially used for storage or a workshop area, only if in so using, it does not prevent the parking of a vehicle that the garage was designed to contain, it being the intent of this Declaration that owners use their garages for vehicle parking. However, the Board may adopt rules and regulations from time to time that allow some or all the lot owners to park their passenger automobiles (as distinguished from those types of vehicles set forth in Section 7.03) on the driveways between the street and the garage; criteria that may be used by the Board in so deciding may include (a) the size of the driveway; (b) the

distance from the street to the garage; and (c) the degree of the grade of the driveway from the street to the garage.

Section 7.05. Commercial Activity Prohibited.

No business, professional, or commercial activity of any kind shall be conducted on any lot.

Section 7.06. No Storage In Or On Common Area.

Nothing shall be stored in or on the Common Area without the prior consent of the Board.

Section 7.07. Signs.

No signs shall be displayed to the public view on any lot or on any portion of the property except such signs as are approved by the Board or committee appointed by the Board. "For Sale" or "For Rent" signs shall be allowed, provided they do not exceed five (5) square feet in size. Only one (1) such sign shall be permitted on any lot. The sign shall not be attached to the outside of the house or fence. It may be displayed in the window, or staked in the yard.

Section 7.08. Animals.

No animals of any kind shall be raised, bred, or kept on any lot or in the Common Area except two (2) usual and ordinary household pets such as dogs or cats provided they are not kept, bred, or maintained for any commercial purposes, and are kept under reasonable control at all times. Notwithstanding the foregoing, no pets may be kept on the property which result in an annoyance or are obnoxious to other owners. No pets shall be allowed in the Common Area except as may be permitted by rules of the Board. No owner shall allow his or her dog to enter the Common Area except on a leash. After making a reasonable attempt to notify the owner, the Association or any owner may cause any unleashed dog found within the Common Area to be removed by the Association (or any owner) to a pound or animal shelter under the jurisdiction of the County of Los Angeles, by calling the appropriate authorities, whereupon the owner may, upon payment of all expenses connected therewith, repossess the dog. Owners shall prevent their pets from soiling the Common Area and shall promptly clean up any mess left by their pets. Owners shall be fully responsible for any damage caused by their pets.

Section 7.09. Garbage and Refuse Disposal.

All rubbish, trash and garbage shall be regularly removed from the lots, and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. All equipment for the storage or disposal of such materials shall be kept in a clean

and sanitary condition, and shall be screened from view of neighboring lots, Common Areas and streets.

Section 7.10. Radio and Television Antennas.

No alteration to or modification of a central radio and/or television antenna system or cable television system, whichever is applicable, as developed by Declarant, and as maintained by the Association, shall be permitted, and no owner may be permitted to construct and/or use and operate his own external radio and/or television transmitting or receiving antenna without the written consent of the Board. All fees for the use of any cable television system shall be borne by the respective lot owners, and not by the Association.

Section 7.11. Clothes Lines.

No exterior clothes lines visible from any street shall be erected or maintained and there shall be no outside laundering or drying of clothes that is visible from any street. No draping of towels, carpets, or laundry over railings shall be allowed.

Section 7.12. Power Equipment and Car Maintenance.

No power equipment, hobby shops, or car maintenance or boat maintenance (other than emergency work) shall be permitted except within any enclosed garage and then only after the prior written approval of the Board. Approval shall not be unreasonably withheld and in deciding whether to grant approval the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception, and similar objections.

Section 7.13. Liability of Owners for Damage to Common Area.

The owner of each lot shall be liable to the Association for all damage to the Common Area improvements (including landscaping) caused by such owner or the owner's agents, occupants, invitees, or pets, except for that portion of damage covered by insurance carried by the Association. The responsible owner shall be charged with the cost of repairing such damage (including interest thereon) as described in Article V.

Section 7.14. Leasing of Lots.

No owner shall be permitted to lease his lot for any period less than thirty (30) days. Any lease agreement shall be required to provide that the term of the lease shall be subject in all respects to the provisions of the Declaration, Articles and Bylaws and to all house rules and regulations adopted by the board and that any failure of the lessee to

comply with the terms of such documents shall be a default under the lease. All leases shall be required to be in writing. Other than the foregoing, there is no restriction in the right of any owner to lease his lot. All owners leasing or renting their lots shall promptly notify the Secretary of the Association in writing of the names of all tenants and members of tenant's family occupying such lot and of the address and telephone number where such owner can be reached.

A copy of the lease agreement between a lot owner and his tenant shall be given to the management agent of the project immediately upon execution by the parties.

Section 7.15. Window Covers.

No window shall be covered with a sheet or aluminum foil or other similar material.

Section 7.16. Owner List.

Unless prior Board approval is obtained, no owner shall use any list of names and addresses of Association members, compiled by the Association, for commercial purposes, nor shall any owner, without prior Board approval, distribute such a membership list to any third party.

Section 7.17. Drainage.

No owner shall do any act or construct any improvement or substantially alter the natural landforms of his lot or any other portion of the property in any way which would interfere with the natural and established drainage systems or patterns within the project.

Section 7.18. No Warranty of Enforceability.

While Declarant has no reason to believe that any of the restrictive covenants contained in this Article VII or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any owner acquiring a lot in the project in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring the lot, agrees to hold Declarant harmless therefrom.

ARTICLE VIII

INSURANCE; DAMAGE OR DESTRUCTION

Section 8.01. Reconstruction by Lot Owner.

In the event of damage to or destruction of any improvement on a lot, other than Common Area, the owner shall reconstruct the same as soon as reasonably practicable, and substantially in accordance with the original plans and specifications therefor. Each owner shall have an easement of reasonable access onto any adjacent lot for purposes of repair or reconstruction of his lot as provided in this Section.

Section 8.02. Association Liability Insurance.

The Association shall obtain and continue in effect comprehensive public liability insurance insuring the Association, the Declarant and the agents and employees of each and the owners and the respective family members, guests and invitees of the owners against any liability incident to the ownership or use of the Common Area, and including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured, and a "severability of interest" endorsement precluding the insurer from denying coverage to one owner because of the negligence of other owners or the Association. The scope of the coverage must include all other coverage in the kinds and amounts required by private institutional mortgage investors for project similar in construction, location, and use. Coverage shall be for at least One Million Dollars (\$1,000,000.00) per occurrence, for personal injury and/or property damage.

Section 8.03. Association Hazard Insurance.

Additionally, the Association shall obtain and continue in effect a policy of fire and extended coverage insurance for no less than one hundred percent (100%) of replacement cost of insurable real and personal property within the Common Area. Such policy may also contain vandalism and malicious mischief coverage, special form endorsement, stipulated amount clause and a determinable cash adjustment clause, or a similar cause to permit cash settlement covering fully value of the improvements on the Common Area in the event of destruction and a decision not to rebuild pursuant to this Declaration. Such policy shall be in a form and amount as determined by the Board, and shall name as insured the Association, for the benefit of the owners and Declarant (so long as Declarant is an owner of any lots).

Section 8.04. Additional Association Insurance.

The Association may purchase such other insurance as it may deem necessary, including without

limitation, plate-glass insurance, worker's compensation, directors liability and errors and omissions insurance and shall purchase fidelity coverage against dishonest acts on the part of directors, managers, trustees, employees or volunteers of the Association who are responsible for handling funds collected from and held for the benefit of the owners. The fidelity insurance shall name the Association as the insured and shall be written in an amount ~~sufficient to provide protection which is in no event less than one and one-half (1-1/2) times the Association's estimated annual operating expenses and reserves in connection with such fidelity coverage,~~ equal to at least the estimated maximum funds, including reserves, the custody of the Association or a management agent at any given time during the term of the fidelity bond. However, the bond shall not be less than a sum equal to three (3) months aggregate assessments in all lots, plus reserve funds. In addition, said fidelity coverage shall include an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

Section 8.05. Choice of Carriers; Insurance Premiums.

The insurance policies required under this Article VIII, shall be acquired from carriers meeting the qualifications of private institutional mortgage investors for projects similar in construction, location and use. Insurance premiums shall be a common expense to be included in the assessments levied by the Association. The acquisition of insurance by the Association shall be without prejudice to the right of any owner to obtain additional individual homeowner's insurance.

Section 8.06. Proceeds from Insurance.

If any of the Common Area improvements are damaged by fire or other casualty, insurance proceeds payable to the Association shall be used to rebuild or repair such damage substantially in accordance with the original plans and specifications therefor. Any excess insurance proceeds shall be deposited to the general funds of the Association. If the proceeds of the Association's insurance policy are insufficient to rebuild or repair such improvements, then a majority of the voting power of the Association shall decide to either (a) use funds from its account or if necessary from levying a special assessment on all owners (or on those responsible for the damage) to restore or rebuild said improvements; or (b) landscape the Common Area for use as a community park, in which case excess proceeds shall, in the discretion of the Board, be retained in the general funds of the Association or be distributed to the owners pro-rata.

Section 8.07.

Waiver of Subrogation.

All property and liability insurance carried by the Association or the owners shall contain provisions whereby the insurer waives rights of subrogation as to the Association, officers, and directors, and any members, their guests, agents and employees.

ARTICLE IX

RIGHTS OF FIRST LENDERS

No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall render invalid the lien of any first mortgage (meaning a mortgage with first priority over any other mortgage) on any lot made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any owner whose title is derived through foreclosure or trustee's sale, or otherwise. Notwithstanding any provision in this Declaration to the contrary, first lenders shall have the following rights:

Section 9.01.

Copies of Project Documents.

The Association shall make available to lot owners and first lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, Bylaws, Articles or other rules concerning the project and the books, records and financial statements of the Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances.

Section 9.02.

Financial Statement.

Any holder, insurer or guarantor of a first mortgage shall be entitled, upon written request, to a financial statement for the immediately preceding fiscal year, free of charge to the party so requesting. Such statement shall be furnished within a reasonable time following such request.

Section 9.03.

Notice of Action.

Upon written request to the Association, identifying the name and address of the eligible mortgage holder or eligible insurer or guarantor, and the lot number or address, such eligible mortgage holder or eligible insurer or guarantor will be entitled to timely written notice of: (1) Any condemnation loss or any casualty loss which affects a material portion of the project or any lot on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, as applicable; (2) any default in performance of obligations under the project documents or delinquency in the payment of assessments or

charges owed by an owner of a lot subject to a first mortgage held, insured or guaranteed by such eligible mortgage holder or eligible insurer or guarantor, which remains incurred for a period of sixty (60) days; (3) any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; (4) any proposed action which would require the consent of a specified percentage of eligible mortgage holders as specified in Section 9.04. The Association shall discharge its obligation to notify eligible holders or eligible insurers or guarantors by sending written notices required herein to such parties, at the address given on the current request for notice, in the manner hereinabove prescribed.

Section 9.04. Consent to Action.

(a) Except as provided by statute or by other provision of the project documents in case of substantial destruction or condemnation of the project, and further excepting any reallocation of interests in the Common Areas which might occur pursuant to any plan of expansion or phased development contained in the original project documents:

(1) The consent of owners of lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated and the approval of eligible mortgage holders holding mortgages on lots which have at least sixty-seven percent (67%) of the votes of lots subject to eligible holder mortgages, shall be required to terminate the legal status of the project as a planned unit development project;

(2) The consent of owners of lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated and the approval of eligible mortgage holders holding mortgages on lots which have at least fifty-one percent (51%) of the votes of the lots subject to eligible holder mortgages, shall be required to add or amend any material provisions of the project documents which establish, provide for, govern or regulate any of the following: (i) voting; (ii) assessments, assessment liens or subordination of such liens; (iii) reserves for maintenance, repair and replacement of the Common Areas (or lots if applicable); (iv) insurance or fidelity bond; (v) rights to use of Common Areas; (vi) responsibility for maintenance and repair of the several portions of the project; (vii) expansion or contraction of the project or the addition, annexation or withdrawal of property to or from the project (except as provided in paragraph (a) above; (viii) boundaries of any lot; (ix) the interests in the general Common Areas; (x) convertibility of lots into Common Areas or of Common Areas into lots; (xi) leasing of lots; (xii) imposition of any right of first refusal or similar restriction on the right of a lot owner to sell, transfer, or otherwise convey his or her lot; (xiii) any provisions which are for the express benefit of mortgage

holders, eligible mortgage holders, or eligible insurers or guarantors of first mortgages on lots.

(3) An addition or amendment to such document shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An eligible mortgage holder 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.

(b) Unless the holder(s) of at least two-thirds (2/3) of the first mortgages (based upon one (1) vote for each mortgage or deed of trust owned), or two-thirds (2/3) of the owners (other than Declarant) of the individual lots in the project have given their prior written approval, the Association and/or the owners shall not be entitled to:

(1) By act or omission, seek to abandon or terminate the project, or abandon, partition, subdivide, encumber, sell or transfer the Common Area or property owned directly or indirectly, by the Association (the granting of easements for public utilities or for other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause) except for abandonment or termination provided by law in the case of substantial destruction by fire or other casualty or in the case of a taking of condemnation or eminent domain; or

(2) Change the method of determining the obligations, assessments or dues or other charges which may be levied against an owner; or

(3) By act or omission, change, waiver or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the 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; or

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

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

Section 9.05. Right of First Refusal.

The Declaration contains no provisions creating a "right of first refusal," but should any such rights be created in the future, such rights shall not impair the rights of any first lender to: (1) foreclose or take title to a lot pursuant to the remedies provided in the mortgage, or (2) accept a deed (or assignment in lieu of foreclosure in the event of a default by a mortgagor, or (3) sell or lease a lot acquired by the mortgagee.

Section 9.06. Contracts.

Any agreement for professional management of the project, or lease or any other contract providing for services of the developer, sponsor, or builder, may not exceed one (1) year. Any agreement, contract, or lease, including a management contract entered into prior to passage of control of the Board of Directors of the Association to lot purchasers, must provide for termination by either party for cause on thirty (30) days' written notice, or without cause and without payment of a termination fee or penalty on ninety (90) days' or less written notice.

Section 9.07. Reserves.

Association dues or charges shall include an adequate reserve fund for maintenance, repairs, and replacement of those improvements which the Association is obligated to maintain that must be replaced on a periodic basis, and the assessments therefor shall be payable in regular installments rather than by special assessments.

Section 9.08. Priority of Liens.

Any first lender who obtains title to a lot pursuant to the remedies provided in the mortgage or foreclosure of the mortgage will not be liable for such lot's unpaid assessments and fees, late charges, fines or interest levied in connection therewith which accrue prior to the acquisition of title to such lot by the mortgagee (except for claims for a pro rata share of such assessments or charges to all project lots including the mortgaged lot, and except for assessment liens recorded prior to the mortgage).

Section 9.09. Distribution of Insurance or Condemnation Proceeds.

No owner, or any other party shall have priority over any rights of first lenders pursuant to their mortgages in the case of a distribution to lot owners of insurance proceeds or condemnation awards for losses to or taking of Common Area property.

Section 9.10. Restoration or Repair.

Any restoration or repair of the project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially in accordance with the Declaration and the original plans and specifications, unless other action is approved by eligible mortgage holders holding mortgages on lots which have at least fifty-one percent (51%) of the votes of lots subject to eligible holder mortgages.

Section 9.11. Termination.

Any election to terminate the legal status of the project after substantial destruction or a substantial taking in condemnation of the project property 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 holder mortgages.

Section 9.12. Reallocation of Interests.

No reallocation of interests in the Common Areas resulting from a partial condemnation or partial destruction of the project may be effected 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 holder mortgages.

Section 9.13. Termination of Professional Management.

When professional management has been previously required by any eligible mortgage holder or eligible insurer or guarantor, whether such entity became an eligible mortgage holder or eligible insurer or guarantor at that time or later, any decision to establish self management by the Association shall require the prior consent of owners of lots to which at least sixty-seven percent (67%) of the votes in the Association are allocated and 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 holder mortgages.

Section 9.14. Payment of Taxes or Insurance by Lenders.

First lenders may, jointly or singly, pay taxes or other charges which are in default and 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 a policy, for such Common Area property and first lenders making such payment provided that said lender(s) have given notice to the Association prior to the making of such payment(s) and the Association has failed to pay the same.

ARTICLE X

GENERAL PROVISIONS

Section 10.01. Enforcement.

The Association, any owner, and any governmental agency or municipality having jurisdiction over the project, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration, the Articles and Bylaws and in such action shall be entitled to recover reasonable attorneys' fees as are ordered by Court. Failure by the Association, by any owner, or any governmental agency or municipality, to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 10.02. Invalidity of Any Provision.

Should any provision or portion hereof be declared invalid or in conflict with any law of the jurisdiction where this project is situated, the validity of all other provisions and portions hereof shall remain unaffected and in full force and effect.

Section 10.03. Term of Declaration.

The covenants and restrictions of this Declaration shall run with and bind the property, and shall inure to the benefit of and shall be enforceable by the Association or the owner of any property subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) 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 in writing, signed by a majority of the then owners of the lots, has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change said covenants and restrictions in whole or in part, or to terminate the same.

Section 10.04. Amendment of Declaration.

Prior to the conveyance of the first lot, the Declarant, acting alone, may amend this Declaration. After the conveyance of the first lot, except as may be in accordance with California Civil Code Sections 1355 and 1356, this Declaration may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the total voting power of the Association, and a majority of the affirmative votes or written consent of members other than the Declarant, or where the two (2) class voting structure is still in effect, a majority of each class of

membership. However, the percentage of voting power necessary to amend a specific clause shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

Any amendment must be certified in writing executed and acknowledged by the President and recorded in the Recorder's Office of the County of Los Angeles. No amendment shall adversely affect the rights of the holder of any mortgage of record prior to the recordation of such amendment.

Section 10.05. Owner's Right and Obligation to Maintain and Repair.

Except for those portions of the project which the Association is required to maintain and repair, each lot owner shall, at his sole cost and expense, maintain and repair his lot and all improvements thereon (including the block walls on those lots along Sierra Highway and Rainbow Glen Drive) and all landscaping thereon, except for the landscaping which shall be maintained by the Association as herein provided, keeping the same in good condition.

(a) In the event an owner of any lot shall fail to maintain his lot and improvements thereon as required herein, the Association's agents may, after notice and a hearing as provided in Article V, Section 5.02(g), enter the lot and perform the necessary maintenance. The cost of such maintenance shall immediately be paid to the Association by the owner of such lot, together with interest at the rate of twelve percent (12%) per annum (but not to exceed the maximum interest rate authorized by law) from the date the cost was incurred by the Association until the date the cost is paid by the owner.

(b) Subject to the provisions of Section 6.03, an owner shall install within ninety (90) days after close of escrow for his lot (and thereafter maintain in accordance with this Section 10.05.) all of his lot's landscaping. If any owner fails to install his landscaping within the time provided in a manner which the Board deems necessary to preserve the appearance and value of the property, the Board may notify the owner of the work required and request that it be done within sixty (60) days of the giving of such notice. If the owner fails to install such landscaping in said period, the Board may cause the work to be done and may recover the cost thereof from the owner, together with interest at the rate of twelve percent (12%) per annum (but not to exceed the maximum rate authorized by law) from the date the cost was incurred by the Association until the date the cost is paid by the owner.

Section 10.06. Condemnation.

If all or any part of a lot (except the Common Area) is taken by eminent domain, the award shall be

disbursed to the owner of the lot subject to the rights of the owner's mortgagees. If the taking renders the lot uninhabitable, the owner shall be divested of any further interest in the project, including membership in the Association, and the interests of the remaining owners shall be adjusted accordingly. If all or any part of the Common Area is taken by eminent domain, the proceeds of condemnation shall be used to restore or replace the portion of the Common Area affected by condemnation, if restoration or replacement is possible, and any remaining funds, after payment of any and all fees and expenses incurred by the Association relating to such condemnation, shall be distributed among the owners in the same proportion as such owners are assessed, subject to the rights of mortgagees. If necessary, the remaining portion of the project shall be resurveyed to reflect such taking. The Association shall participate in the negotiations, and shall propose the method of division of the proceeds of condemnation, where lots are not valued separately by the condemning authority or by the court. The Association shall represent the lot owners in any condemnation proceedings or in negotiations, settlements and agreements with the condemning authority for acquisition of the Common Areas or part thereof.

Section 10.07. Limitation of Restrictions on Declarant.

Declarant is undertaking the work of construction of a planned unit development and incidental improvements upon the property. The completion of that work and the sale, rental, and other disposal of lots is essential to the establishment and welfare of said property as a residential community. In order that said work may be completed and said property be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its contractors, or subcontractors from doing on the property or any lot, whatever is reasonably necessary or advisable in connection with the completion of said work; or

(b) Prevent Declarant or its representatives from erecting, constructing and maintaining on the property (except upon lots owned by others), such structures as may be reasonable and necessary for developing said property as a residential community and disposing of the same by sale, lease or otherwise; or

(c) Prevent Declarant from conducting on the property (except upon lots owned by others) its business of completing said work and of establishing a plan of residential ownership and of disposing of said property in lots by sale, lease or otherwise; (use of the Common Area facilities by Declarant as a sales office after close of escrow on the first

sale of a lot shall require payment of a reasonable rental fee by Declarant to the Association); or

(d) Prevent Declarant from maintaining such sign or signs on the property (except upon lots owned by others) as may be necessary for the sale, lease or disposition thereof.

The foregoing rights of Declarant shall terminate upon sale of Declarant's entire interest in the project, or five (5) years after the date of recordation of the deed of the first lot to be sold in the project, whichever occurs first.

So long as Declarant, its successors and assigns, owns one (1) or more of the lots described herein, Declarant, its successors and assigns, shall be subject to the provisions of this Declaration. Declarant shall make reasonable efforts to avoid disturbing the use and enjoyment of lots and the Common Area by their owners, while completing any work necessary to said lots or Common Area.

Section 10.08. Termination of Any Responsibility of Declarant.

In the event Declarant shall convey all of its rights, title and interest in and to the property to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

Section 10.09. Owners' Compliance.

Each owner, tenant or occupant of a lot shall comply with the provisions of this Declaration, and (to the extent they are not in conflict with the Declaration) the Articles and Bylaws, and the rules and resolutions of the Association or the Board, as lawfully amended from time to time. Failure to comply with any such provisions, rules, or resolutions, shall be grounds for an action (1) to recover sums due, (2) for damages, (3) for injunctive relief, or (4) for costs and attorneys fees, or (5) for any combination of the foregoing.

All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or the Articles or Bylaws, shall be deemed to be binding on all lot owners, their successors and assigns.

Section 10.10. Notices.

Any notice permitted or required by the Declaration, Articles or Bylaws may be delivered either personally or by mail. If delivery is by mail, it 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, first class or registered, postage prepaid, addressed to the person to be notified at the current address given by such person to the Secretary of the Board or addressed to the residence of such person if no address has been given to the Secretary.

Section 10.11. Conflict in Project Documents.

If there is any conflict among or between the project documents, the provisions of this Declaration shall prevail; thereafter, the priority shall be given to project documents in the following order: Articles; Bylaws; and rules and regulations of the Association.

Section 10.12. Special Provisions Relating to Enforcement of Declarant's Obligation to Complete Common Area Improvements.

Where the project includes Common Area improvements which have not been completed prior to the close of escrow and the sale of the first lot and where the Association is obligee under a bond or other arrangement (hereafter "bond") to secure performance of the commitment of Declarant to complete said improvements, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvement for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that improvement in the planned construction statement appended to the bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall 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. 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 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%) or more of the total voting power of the Association. At such special meeting a vote of a majority of members of the Association other than the Declarant shall be required to take action to enforce the obligations under the bond and a vote of a majority of the voting power of the Association, excluding Declarant, 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.

Section 10.13. Fair Housing.

No owner shall, either directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing, or mortgaging, or occupancy of his lot to any person of a specified race, sex, adulthood, marital status, color, religion, ancestry, physical handicap, or national origin.

Section 10.14. Binding Arbitration.

In case of any claim or dispute between the Declarant, its builder, general contractor, or broker, or their agents or employees, on the one hand, and any lot owner(s), on the other hand, which claim or dispute relates to the rights and/or duties of the parties under the project documents, or relates to the design or construction of the project or any part thereof (except for disputes relating to alleged Common Area deficiencies), the procedure shall be as follows: The aggrieved party or parties shall notify the other party or parties of the grievance, in writing. When such a notice is received by Declarant, it shall promptly respond with an investigation, inspection, meeting, discussion, or other action reasonably appropriate to the circumstances. Appropriate action shall include, without limitation, prompt communication with the aggrieved party or parties, and a proposed course of action to resolve the problem. All parties involved in the matter shall negotiate in a good faith attempt to amicably resolve the problem. If the parties are unable to resolve the problem within a reasonable period of time (not to exceed ninety (90) days after the first notice of claim or dispute) the matter shall be submitted to binding arbitration pursuant to the rules of the American Arbitration Association, provided that if the dispute or claim involves a sum not in excess of the jurisdictional limit of the Small Claims Court, the lot owner shall have the option of taking the matter to Small Claims Court in lieu of binding arbitration.

Section 10.15. Reports to Prospective Purchasers; Estoppel Certificate.

In accordance with California Civil Code Section 1368, 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 Declaration, Bylaws, Articles of Incorporation and Rules and Regulations of the Association, if any;

(b) A copy of the most recent financial reports described in Article IX, Section 9.07 of the Bylaws;

(c) A certificate signed by an authorized representative of the Association as to the amount of any assessments levied upon the owner's lot which are unpaid on the date of the statement. The certificate shall also include information on late charges, interest and costs of collection which, as of the date of the certificate, are or may be made a lien upon the owner's lot pursuant to California Civil Code Section 1367. A properly executed certificate of the Association as to the status of assessments on a lot is binding upon the Association as of the date of its issuance.

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 hereinabove. The Association may charge a fee for this service, which shall not exceed the reasonable cost to prepare and reproduce the requested items.

Section 10.16. Additional Rights of VA and FHA.

So long as there is a Class B membership in the Association, the following action shall require the prior approval of the Veterans Administration and Federal Housing Administration; annexation or de-annexation of additional property to the project, any merger or consolidation affecting the Association, any special assessment levied by the Association, and any amendment to this Declaration, a draft of which must be approved by the Veterans Administration prior to recordation.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration this ____ day of _____, 19 ____.

GLENFED DEVELOPMENT CORPORATION,
A CALIFORNIA CORPORATION

BY: _____
Neil Ryan, President

BY: _____
Kathleen Dantagnan, Vice-President

STATE OF CALIFORNIA)
) SS.
COUNTY OF LOS ANGELES)

On this _____ day of _____, 198_, before me, the undersigned, a Notary Public in and for said State, personally appeared Mel Wynn personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the President, and Kathleen Dantagnan personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the Vice President of Glenfed Development Corporation, the Corporation that executed the within instrument and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature _____