

14116-1

RECORDING REQUESTED BY  
FIRST AMERICAN TITLE INSURANCE COMPANY

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

Paul Amante Jr., Esq.  
LAW OFFICES OF PAUL AMANTE JR.  
3111 North Tustin Avenue, Suite 110  
Orange, California 92665-1750  
(714) 974-3955

RECEIVED FOR RECORD  
AT 2:00 O'CLOCK P.M.

APR 18 1989  
Recorded in Official Records  
of Riverside County, California  
Walter J. [Signature]  
Fees: \$3.00

DECLARATION OF ESTABLISHMENT  
OF  
COVENANTS, CONDITIONS AND RESTRICTIONS  
for

SANTA ROSA RANCHOS

A Planned Residential Development

Located Within an Unincorporated Territory  
of the County of Riverside, State of California

Project Development By:  
SANTA ROSA DEVELOPERS, LTD.  
A California Limited Partnership

83  
39

# TABLE OF CONTENTS

I	Definitions . . . . .	2
II	Description of Project . . . . .	4
III	Owners' Property Rights . . . . .	7
IV	Homeowners Association . . . . .	8
V	Powers of the Association . . . . .	10
VI	Project Management . . . . .	13
VII	Assessments . . . . .	14
VIII	Remedies For Non-payment of Assessments . . . . .	17
IX	Party Walls . . . . .	19
X	Architectural Control Committee . . . . .	19
XI	Use Restrictions . . . . .	21
XII	Enforcement . . . . .	22
XIII	Insurance . . . . .	24
XIV	Destruction of Improvements . . . . .	26
XV	Condemnation . . . . .	27
XVI	Accounting . . . . .	28
XVII	Mortgage Protection . . . . .	30
XVIII	Amendment and Annexation . . . . .	33
XIX	General Provisions . . . . .	35
XX	Special Covenants in Favor of the County of Riverside . . . . .	36

122923

122923

DECLARATION OF ESTABLISHMENT OF  
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION OF ESTABLISHMENT OF COVENANTS, CONDITIONS AND RESTRICTIONS (hereinafter referred to as the "Declaration") is made by SANTA ROSA DEVELOPERS, LTD, a California Limited Partnership (hereinafter referred to as the "Declarant"), with reference to the following facts:

1. Declarant is the owner of that certain real property and improvements located in the unincorporated territory of the County of Riverside, State of California, more particularly described as:

(i) Lots 1-57, inclusive, of Tract No. 14116-1 in the unincorporated territory of the County of Riverside, State of California, as per Map filed in Book 161, Pages 65-70 of Maps, in the Office of the County Recorder of said County; and

(ii) Upon annexation pursuant to the procedure set forth in the Declaration (hereinafter defined), Lots 1-36, inclusive, of Tract No. 14116-2 in the unincorporated territory of the County of Riverside, State of California, as per Map filed in Book 163, Pages 48-51 of Maps in the Office of the County Recorder of said County.

(iii) Such other real property as may be annexed into the Project under and pursuant to the procedure set forth in the Declaration.

2. Declarant desires to develop, sell and convey residential Lots in the Project to third parties subject to certain protective restrictions, limitations, easements, covenants, conditions, reservations, servitudes, liens and charges, as hereinafter set forth.

NOW, THEREFORE, with reference to the foregoing facts, Declarant hereby declares that the project shall be held, conveyed, hypothecated or encumbered, leased, rented, used, occupied, owned and improved, subject to the following protective covenants, conditions, restrictions, reservations, limitations, easements, servitudes, liens and charges, in furtherance of Declarant's plan for the creation, subdivision, improvement and sale of the residential Lots, and all of which are established for the purpose of enhancing and protecting the value, desirability and attractiveness of the Project, and all of the lots and Common Areas therein. Each and all of the provisions hereof shall run with the land and shall bind any and all parties having or acquiring any right, title or interest in the Project, in any lot within the Project, or in any part thereof. The provisions of this Declaration shall be unenforceable by any owner of an interest in the Project, or any part hereof, against

Page 1

DECLARATION OF C C & RS  
Revised 2/15/89

any other owner or owners of the project, or a part thereof, and shall also be enforceable by the Board of Directors of the homeowners association created hereunder by Declarant for the purpose of governing the Project.

#### I DEFINITIONS

As used in this Declaration, the following terms shall be deemed to have the following definitions:

1.1 Annexation: The term "Annexation" shall mean the addition of real property and improvements thereto into the plan established by this Declaration. Upon annexation, such property shall be governed by, and subject to, each and every provision of this Declaration.

1.2 Articles of Incorporation: The term "Articles of Incorporation" shall mean the Articles of Incorporation of the association duly filed with the California Secretary of State as such may be amended in the future by the Association.

1.3 Association: The term "Association" shall mean an incorporated homeowners' association whose members consist of all Owners of Lots in the Project. Each Owner shall become a Member of the Association contemporaneously with his acquisition of a Lot in the Project, without any further documentation. Transfer of any membership in the Association shall be only by conveyance of the Lot in the Project and such transfer shall occur contemporaneously with such conveyance.

1.4 Board of Directors: The term "Board of Directors" shall mean the governing body of the Association.

1.5 Bylaws: The term "Bylaws" shall mean the duly adopted Bylaws of the Association as such Bylaws may in the future be amended by the Members of the Association.

1.6 Common Area: The term "Common Area" shall mean all real property and improvements thereto, owned and operated 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 the conveyance of the first residential Lot in the Project from Declarant to an unaffiliated third party is as follows:

Lot No. 57 of Tract No. 14116-1 as per Map filed in Book 161, Pages 65 through 70, inclusive, of maps in the Office of the County Recorder of Riverside County; and

The "equestrian trails" located within lots 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 30, 32, 33, 34, 35, 37, 43, 44, 45, 46, 47, and 48 as delineated on the Final Subdivision Tract Map for Tract No. 14116-1 filed on November 18, 1986 in Book 161, Pages 65 through 70, inclusive, of

122923  
Maps in the Office of the County Recorder of Riverside County.

1.7 Declaration: The term "Declaration" shall mean this Declaration of Establishment of Covenants, Conditions and Restrictions as such Declaration may be duly amended, changed or modified by the members of the Association (hereinafter defined) from time to time.

1.8 Institutional Lender: The term "Institutional Lender" shall mean a mortgagee which is a bank, savings and loan association, established mortgage company, or other entity chartered under Federal or State laws, any corporation or insurance company, or any Federal or State agency.

1.9 Member: The term "Member" shall mean an Owner with a membership interest in the Association.

1.10 Mortgage: The term "Mortgage" shall mean a deed of trust, a mortgage, or any other security instrument.

1.11 Mortgagee: The term "Mortgagee" shall mean a person or entity to whom a Mortgage is made and shall specifically include the beneficiary of a deed of trust, or other security instrument.

1.12 Mortgagor: The term "Mortgagor" shall mean a person or entity who gives a security interest in his property to another, such as the maker of a Mortgage, and shall specifically include the trustor of a deed of trust.

1.13 Owner: The term "Owner" shall mean the record owner or owners of a Lot in the Project, or any part thereof, including Declarant as long as any Lots in the Project remain unsold.

1.14 Phase: The term "Phase" shall mean one of the three phases of development of this planned residential development project. Declarant intends to construct certain residential dwelling units and Common Area improvements according to a general plan of development submitted to the California Department of Real Estate and the Veterans Administration.

Phase I: Shall refer to Lots 1 through 56, inclusive, and Common Area within Tract No. 14116-1 hereinabove described.

Phase II: Shall refer to the Lots and Common Area within Tract No. 14116-2 hereinabove described.

1.15 Project: The term "Project" shall mean the real property identified in the recitals hereof, including any and all improvements thereto.

122923  
1.16 The foregoing definitions shall be applicable to this Declaration, to the Bylaws and Articles, and to any amendments or modifications thereto unless the context requires otherwise.

## II DESCRIPTION OF PROJECT

2.1 Purpose: The following description of the Project is included for informational purposes only. Declarant expressly reserves the right to modify the plan for development of the Project, to modify, amend, increase, decrease, and eliminate altogether future phases of development of the Project, and to de-annex property from the Project subject to the restrictions hereinafter set forth.

2.2 Description: The Project is to be developed as a rural multi-phase residential planned development project. Residential lots within the Project are to be improved with "ranch style" homes with tile roofs. Phase I of the Project contains fifty-six (56) lots with residential dwelling units, and certain Common Area consisting of an equestrian center including a large fenced riding arena, a cooling/lunging ring, restrooms, a picnic area with barbecue, a paved entry, as parking area, landscaped areas, and public streets and drives. The Common Area of the project includes Lot No. 57 of Tract No. 14116-1 as per map filed in Book 161, Pages 65 through 70, inclusive, of Maps in the Office of the County Recorder of Riverside County; and the equestrian trails located within Lots 1, 2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 30, 32, 33, 34, 35, 37, 43, 44, 45, 46, 47, and 48 as delineated on the final subdivision tract map for Tract No. 14116-1 filed on November 18, 1986 in Book 161, Pages 65 through 70, inclusive of Maps in the Office of the County Recorder of Riverside County.

2.3 Title to the Common Area: Declarant hereby covenants for itself, its successors and assigns, that it will convey fee simple title to the Common Area, except the equestrian trails, to the association, free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record including this Declaration, except as herein after provided. The conveyance of the Common Area shall be made to the Association prior to or concurrently with the close of escrow of the first residential Lot in the Project to an unaffiliated Owner.

The Common Area(s) of the future Phases of the development of the Project, if any, shall be conveyed to the Association (following annexation of such Phase into the Project) prior to, or concurrently with, the close of escrow of the first residential Lot in that particular Phase to an unaffiliated Owner.

2.4 Owners' Easements of Enjoyment: Every Owner of a Lot

within the Project shall have a right and easement of ingress to, egress from, and enjoyment of the Common Area, which right shall be appurtenant to and shall pass with the title to every such lot, subject to the following rights of Declarant and the Association:

(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility including the Equestrian Center situated within the Common Area;

(b) The right of the Association to suspend the right to use of the recreational facilities within the Common Area by an Owner for any period during which any assessment against such Owner's lot remains unpaid; and for a period not to exceed thirty (30) days from any infraction of the Association's published Rules and Regulations after reasonable written notice and an opportunity for a hearing before the Board of Directors of the Association as set forth in the Bylaws, which notice and hearing shall satisfy the minimum requirements of Section 7341 of the California Corporations Code.

(c) The right of the Association to dedicate or transfer all or substantially all of its assets, including 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. Notwithstanding any contrary provision in the Articles or Bylaws, so long as there is any Common Area for which the Association is obligated to provide management, maintenance, preservation, or control, no such dedication or transfer shall be effective unless approved by the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of both classes of Members of the association, or following the conversion of Class B to Class A members, by the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of the Members of the Association, excepting Declarant, and an instrument executed by both the President and Secretary of the Association affecting such dedication or transfer, has been recorded.

(d) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the Common Area and in aid thereof, and with the assent of two-thirds (2/3) of each class of Members, to hypothecate any or all real or personal property owned by the Association. After conversion of the Class B membership to Class A membership, the action herein requiring membership approval shall require the vote or written consent of (i) two-thirds (2/3) of the voting power of Members of the Association and (ii) for so long only as the Declarant holds or directly controls twenty-five percent (25%) or more of the voting power of Members of the Association, two-thirds (2/3) or more of the voting power of the Members of the Association other than Declarant.

(e) Subject to a concomitant obligation to restore, Declarant and its agents shall have:

(1) A non-exclusive easement over the Common Area for the purpose of making repairs to the Common Area or to the Lots provided access thereto is otherwise not reasonably available;

(2) The right to the non-exclusive use of the Common Area for the purpose of maintaining model homes, sales offices and signs reasonably necessary to market the Lots, for a period of not more than three (3) years after conveyance of the Common Area to the Association, or the sale of all residential Lots within the Project, or annexed to the Project, whichever shall first occur. The use of the Common Area by Declarant and its agents shall not unreasonably interfere with the use thereof by the individual Lot Owners.

2.5 Reciprocal Easements: Upon the annexation of additional land and improvements to the Project, as hereinafter provided, the Owners of Lots in the annexed areas shall have non-exclusive easements for ingress, egress, and recreational use over the Common Areas in Phase I of the Project. Similarly, the Owners of Lots within the original scheme (Phase I) of this Declaration, including previously annexed areas, shall have non-exclusive easements for ingress, egress, and recreational use over the Common Areas of the Newly annexed areas.

2.6 Utility Easements. Declarant hereby grants, reserves, and establishes non-exclusive easements over, under, and through each and every Lot and the Common Area within the Project (herein the "Special Easement Areas") as necessary for the installation, operation and maintenance of underground utility conduits and lines for the sole purpose of providing such Lots with electrical power.

2.6.1 Each Lot, which obtains electrical power through an underground utility conduit located within a Special Easement Area of another Lot or Lots, is hereby granted and shall have the benefit of a non-exclusive easement through and under such Lot or Lots for the installation, operation and maintenance of such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.6.2 Each Lot, containing a Special Easement Area within which there lies an underground utility conduit and utility lines is hereby declared to be, and shall be conveyed subject to, a non-exclusive easement by reservation for the benefit of the Lot or Lots serviced by such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.6.3 Said easements granted and reserved shall include incidental rights of maintenance, repair and access subject to the following limitations:

(i) Repair and replacement of the utility lines within any such conduit shall be performed only at either end of the



conduit.

(ii) Excavation of any such conduit for any purpose is expressly prohibited except at either end thereof.

2.6.4 The easements hereinabove described shall bind and inure to the benefit of Declarant's heirs, personal representatives, successors and assigns.

2.6.5 Subject easements shall be construed as covenants running with the land, or equitable servitudes as necessary to achieve Declarant's intent. Declarant hereby acknowledges that it is its express intent to subject each Lot within the Project which contains an underground utility conduit, as described hereinabove, to such restrictions, covenants, easements, and servitudes as are necessary to provide for the continued operation and existence of such utility conduit and utility lines.

2.7 Right of Declarant to Modify Plan of Development. Declarant hereby reserves the right to modify, amend, change, or eliminate altogether, the multi-phase plan of development hereinbefore described. Such right shall include, without limitation, the right to delete any and all subsequent Phases of development, and to divide the subsequent Phases into additional Phases. There is no guarantee by, or obligation of, Declarant to complete all Phases of development or to annex same into the Project. Any change or modification of the general plan of development shall, however, require the prior approval of the California Department of Real Estate.

### III OWNERS' PROPERTY RIGHTS

3.1 Vehicle Use: Declarant hereby covenants for itself and for its successors and assigns that each and every Owner shall have a non-exclusive easement appurtenant to his Lot for vehicular traffic over all private streets and drives, if any, within the Project.

3.2 Delegation of Use of Common Area: In accordance with the terms of the Bylaws, any Owner may delegate his right to the use and enjoyment of the Common Area to the members of his family, his guests and invitees, his tenants, or contract purchasers which contract purchasers reside within the Project.

3.3 No Exemption: No Owner may exempt himself from personal liability for regular or special assessments duly levied by the Association, nor release such Owner's Lot from the liens and charges of such assessments by waiver of the use and enjoyment of the Common Area and the facilities therein or by abandonment of his Lot.

3.4 Leasing of Lots: Any Owner may lease his Lot subject

Page 7

to the following:

3.4.1 No Owner shall be permitted to lease his Lot for transient or hotel purposes.

3.4.2 No Owner may lease less than the entire Lot.

3.4.3 Any lease or rental agreement for a Lot within the Project shall expressly provide that the terms of such agreement shall be subject in all respects to the provisions of the Declaration and the Bylaws, and that any failure by the lessee or renter to comply with the terms of such agreement shall constitute a material default thereunder.

3.4.4 All leases and rental agreements shall be in writing, shall be executed by both the Owner and the tenants, and shall be made available to the Association upon fourteen (14) days' prior written request.

3.5 Continuing Covenants: The Declarant, its successors and assigns, and all Owners of Lots in the Project by their acceptance of their respective deeds, covenant and agree as follows:

3.5.1 Non-Exclusive Easement: A non-exclusive easement for ingress, egress, use and support through the Common Area shall be appurtenant to each Lot within the Project.

#### IV HOMEOWNERS ASSOCIATION

4.1 Association: Declarant has, at its cost and expense, formed an incorporated homeowners association known as "Santa Rosa Ranchos Homeowners Association," a California nonprofit mutual benefit corporation (herein defined as the "Association"), which has the general attributes, characteristics and purposes hereinafter set forth.

4.2 Membership: There shall be one membership in the Association allocated for each residential Lot in the Project, which membership shall be appurtenant to such Lot.

4.3 Membership Held by Declarant: All of the memberships in the Association shall initially be held by Declarant or its successors in interest, and shall automatically pass to the respective purchasers of the Lots in the Project as set forth above.

4.4 Compliance By Members: Each Member of the Association shall promptly, fully and faithfully comply with each and every provision of this Declaration, the Bylaws of the Association, and any Rules and Regulations which from time to time may be prescribed or adopted by the Association's officers or Board of Directors.

162563  
4.5 Classes of Membership: The Association shall have two (2) classes of voting Members, as follows:

4.5.1 Class A: Class A Members shall be all Owners of residential Lots in the Project with the sole exception of Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one person owns an interest in any Lot all such persons shall be Class A Members, and the one (1) vote for such Owners' Lot shall be exercised as the Owners among themselves determine. In no event shall more than one (1) vote be cast with respect to any Lot, except as provided in the Bylaws for cumulative voting.

4.5.2 Class B: The Class B Member shall be Declarant, and shall be entitled to three (3) votes for each residential Lot owned by Declarant upon which Declarant is then paying the appropriate monthly assessments as hereinafter provided. The Class B membership shall cease and be converted to Class A membership upon the happening of the first to occur of the following events:

(i) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(ii) Not later than the second (2nd) anniversary of the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for a phase of the overall Project; or

(iii) Four (4) years from the date of the original issuance of the Final Subdivision Public Report for the first phase of the overall Project.

4.6 Prescribed Percentage of Votes: Any provision in this Declaration, the Bylaws or Articles calling for the Members' approval of certain proposed actions of the Association, except any provision with respect to action to enforce the obligations of the Declarant under any completion bond, if any, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Any requirement elsewhere in the Articles, Bylaws or Declaration that the vote of Declarant shall be excluded in any such determination, except with respect to the action to enforce the obligations of Declarant under any completion bond shall be applicable only if there has been a conversion of the Class B Member to a Class A Member, and shall be deemed to require the vote of the prescribed percentage of the Class A Members and the vote of the prescribed percentage of the Class A Members other than Declarant.

4.7 Vesting of Voting Rights: The voting rights in the Association attributed herein to any Lot in the Project shall not

vest until the assessments hereinafter provided have been levied by the Association against such Lot(s).

122923  
4.8 Restrictions or Transfer: The Association membership held by any Owner shall not be separately transferred, pledged or alienated in any way, except upon the sale or encumbrance of the Lot to which it is appurtenant. In the event of the sale of encumbrance of a Lot, the Association membership appurtenant thereto may only be transferred, pledged or alienated to the bona fide purchaser of such Lot, or to the Mortgagee or third-party purchaser of such Lot upon foreclosure sale or sale by trustee. Any attempt by an Owner to make a prohibited transfer of the membership in the Association is void from inception and will not be reflected upon the books and records of, nor recognized by the Association.

4.9 Limitation of Membership: Membership in the Association is not intended to apply to persons or entities holding an encumbrance on a Lot within the Project merely as security for the performance of an obligation to pay money.

4.10 General Purpose: The purpose of this Association is to further and promote the common interests and welfare of Members, and to operate, preserve, manage and maintain the Common Areas of the Project.

#### V POWERS AND DUTIES OF THE ASSOCIATION

The Association, as more fully delineated in the Bylaws, shall have the general and specific power to perform all of the following acts:

5.1 Management and Maintenance: The Association shall have the sole and exclusive right, power and duty to manage, operate, control, repair, replace and restore, all the improvements, trees, shrubbery, plants, grass and other landscaping of the Common Areas of the Project.

5.2 Assessment: The Association shall have the right and power to fix, levy, collect and enforce assessments.

5.3 Pay Taxes: The Association shall have the right, power and duty to pay the taxes and assessments, if any, which may be levied by any governmental authority on the Common Areas of the Project, or any part thereof, or on the Owners or Members in common.

5.4 Bank Accounts: The Association shall have the right, power and duty to maintain a bank account or accounts for any and all funds coming under the control of the Association.

5.5 Rules and Regulations: The Association shall have the right and power to adopt rules and regulations not inconsistent

with the terms of this Declaration or of the Bylaws (hereinafter referred to as the "Rules and Regulations") including, but not limited to, Rules and Regulations relating to the use of the Common Area and common facilities, if any, of the Project.

122923  
5.6 Enforcement: The Association shall have the right power and duty to enforce the provisions of this Declaration, the Bylaws and the Rules and Regulations, provided that nothing contained in this paragraph shall be construed to prohibit enforcement of this Declaration by any Owner.

5.7 Insurance: The Association shall have the right, power and duty to contract for and maintain fire, casualty, liability, worker's compensation, errors and omissions, and other insurance insuring the Owners in common, members of the Board of Directors, Officers of the Association, other persons required to be insured hereunder, and the Common Areas of the Project.

5.8 Contracting Services: The Association shall have the right, power and duty to contract, provide and pay for (i) maintenance, utility, gardening and other services benefitting the Common Areas of the Project; (ii) the employment of persons or entitles necessary to accomplish the obligations of the Association; and (iii) legal and accounting services. The foregoing notwithstanding, the Association, acting through its Board of Directors, may not enter into any contract binding for a term longer than one (1) year from its effective date without the vote or written consent of a majority of the voting power of the Members of the Association other than the Declarant, except as specifically authorized herein.

5.9 Contracting Equipment: The Association shall have the right and power to contract for the purchase or rental of tools, equipment, materials, supplies and other personal property and services reasonably necessary for the maintenance and repair of the facilities and improvements of the Common Areas of the Project which the Association is hereby obligated to maintain.

5.10 Damage Repair: The Association shall have the right, power and duty to contract and pay for the reconstruction of any portion or portions of the Common Areas damaged or destroyed.

5.11 Delegation of Duties: The Association shall have the right and power to delegate its powers and duties to others where such delegation is permissible pursuant to this Declaration, the Bylaws and the laws of the State of California.

5.12 Legal Action: The Association shall have the right, power and duty under the name of the Association to prosecute or defend any action affecting or relating to the Common Areas of the Project, or the personal property therein owned by the Association or by the Owners in common, or any action in which all Owners share a common interest in the subject matter.

5.13 Borrowing: Subject to the vote or written consent from a majority of the voting power of the Members, excluding the votes of Declarant, the Association shall have the right and power to borrow money and in connection therewith, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for the money borrowed or debts incurred.

5.14 General Corporate Powers: The Association shall have the right and power to do any and all things that a non-profit mutual benefit corporation organized under the laws of the State of California may lawfully do, and may generally perform all other acts necessary for, or incidental to, the exercise of any of the foregoing express powers and duties and any other powers and duties granted by the laws of the State of California.

5.15 General Business: The Association may acquire by gift, by purchase, or otherwise, any own, hold, enjoy, lease, operate, maintain, convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real and/or personal property in connection with the business of the Association; provided, that the Association shall not acquire or sell any real property by purchase or lease without first obtaining the vote or written consent therefor from a majority of the voting power of the Members excluding the vote(s) of Declarant.

5.16 Suspension of Voting Rights: The Association shall have the right and power to suspend a Member's voting rights and a Member's right to use the recreational facilities within the Common Areas, if any, for any period during which any assessment against such Member's Lot remains unpaid and delinquent, and for a period not to exceed thirty (30) days for any single infraction of the Rules and Regulations of the Association. Any suspension of a Member's voting rights or right to use the recreational facilities, except for failure to pay assessments, shall be made only by the Association, or a duly appointed committee thereof, after written notice to such Member, and a hearing given and held in accordance with the Bylaws.

5.17 Limitations On Forfeiture: The Association shall have no power to cause a forfeiture of an Owner's right to use and enjoy his Lot for failure of such Owner to comply with the provisions of this declaration, the Bylaws or the Rules and Regulations except (i) by judgment of court or decision arising out of arbitration, or (ii) by foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Association, as hereinafter set forth.

5.18 Access to Common Area Through Lots: The Association, through its duly authorized agents, employees or contractors, shall have the right and power after reasonable notice to the Owner, to enter into any Lot in the Project for the purpose of maintaining and repairing the Common Area as authorized herein.

5.19 Emergency Entry: The Association, through its duly authorized agents, employees or contractors, shall have the right and power to enter into any Lot within the Project to effect emergency or other necessary repairs to the Common Area or to the Lot which the Owner thereof has failed or refused to perform.

5.20 Monetary Penalties: The Association shall have the right and power to impose monetary penalties upon any Owner as a disciplinary measure (i) for failure of any Owner to comply with the Bylaws, the Declaration or the Rules and Regulations, (ii) as a means of reimbursing the Association for costs incurred by the Association to repair damages to Common Areas and/or common facilities for which the Owner or such Owner's guests or tenants are allegedly responsible, or (iii) to bring any Owner or such Owner's Lot into compliance with the Declaration, Bylaws or Rules and Regulations.

5.21 Necessary and Proper Powers: The Association shall have the right and power to take any and all lawful action which may be necessary, advisable, proper, authorized or permitted by the Association under any condition, covenant, restriction, reservation, charge or assessment affecting the Project or any portion thereof, and to do and perform any and all acts which may be either necessary for, or incidental to, the exercise of any of the foregoing express powers or duties of the Association and for the peace, health, comfort, safety or general welfare of the Members.

## VI PROJECT MANAGEMENT

6.1 Management: The management and complete control of the Association's affairs and of the Common Areas shall be the direct responsibility of the Board of Directors which shall consist of Members of the Association who will be elected by the total membership of the Association.

6.2 Powers: The Board of Directors shall have all the rights, powers and duties of the Association as delineated in paragraph 5.1 through 5.21, inclusive, of this Declaration and as further provided in the Bylaws.

6.3 Delegation of Management: The Board of Directors may delegate its responsibility for day to day management of the Common Areas and of the Association to a manager or management company if it so chooses. The foregoing notwithstanding, if a manager or management company is chosen to manage the Common Areas, such manager shall at all times be responsive to the dictates and orders of the Board of Directors and of the officers of the Association.

6.4 Management By Declarant: The Declarant will manage and control the Common Areas until such time as the Board of

122923  
Directors shall have its first meeting.

#### VII ASSESSMENTS

7.1 Regular and Special Assessments: Declarant, for each Lot within the Project owned by it hereby covenants, and each Owner of a Lot in the Project by acceptance of the deed therefor, whether or not it shall be so expressed in such deed, is hereby deemed to covenant and agree to pay to the Association: (i) regular assessments or charges, and (ii) special assessments for capital improvements and other extraordinary expenses, such assessments to be established and collected as directed and prescribed by the Board of Directors. The regular and special assessments, together with interest thereon, as hereinafter prescribed, together with costs, and reasonable attorneys' fees shall be the personal obligation of the person(s) who was (were) the Owner(s) of such Lot at the time the assessment fell due. The personal obligation for delinquent assessments shall not pass to an Owner's Successor in title or interest unless expressly assumed.

7.2 Purpose of Assessments: The regular assessments levied by the Association through the Board of Directors shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Project and for the maintenance of the Common Area and common facilities therein, if any. The Association shall maintain a separate reserve fund for maintenance, repair and replacement of the elements of the Common Area that must be replaced on a periodic basis, which reserve shall be funded by a portion of the monthly regular assessments.

7.3 Uniform Rate: Except as may otherwise be provided in Paragraph 7.6 of this Declaration, both regular and special assessments shall be fixed at a uniform rate for all Lots in the Project and shall be levied and collected on a monthly basis.

7.4 Maximum Regular Assessments: The Board of Directors shall comply with the following provisions in establishing maximum regular assessments.

7.4.1 First Year: Until January first of the year immediately following the conveyance of the first Lot in the Project to an Owner, the maximum monthly assessment shall be as provided in the budget approved by the California Department of Real Estate and specified in the Final Subdivision Public Report for the Project also approved by the Department of Real Estate.

7.4.2 Increases Without Members' Approval: From and after January first of the year immediately following the conveyance of the first Lot to an Owner, the maximum regular assessment may be increased effective January first of each year by the Board of Directors without a vote of the membership, provided that any such increase shall not be more than twenty percent (20%) of the



122923

previous year's assessment or the percentage by which the U.S. Bureau of Labor Statistics Los Angeles Area Consumer Price Index for all Urban Consumers has increased as of the date of the increase over the level of the same index as of the date the annual assessment was last established without a vote of the membership, whichever is greater. Any increased monthly assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period.

7.4.3 Increases With Members' Approval: From and after January first of the year immediately following the conveyance of the first Lot to an Owner, the maximum regular assessment may be increased by the Board of Directors in an amount greater than that provided in Paragraph 7.4.2 for the next succeeding twelve (12) months, and for each succeeding period of twelve (12) months, provided that any such increase shall be approved by the vote or written consent of at least two-thirds (2/3) of the voting power of the Members, other than Declarant.

7.4.4 Lower Assessments: After consideration of current maintenance costs and future reserve and other needs of the Association, the Board of Directors may fix the regular monthly assessment at a lesser amount than provided above.

7.5 Special Assessments - Restrictions: In any fiscal year, the Board of Directors may not, without the vote or written consent of the majority of the voting power of the Members other than Declarant, levy special assessments for the purpose of defraying in whole or in part the cost of any construction, reconstruction, repair or replacement of a capital improvement to the Common Area, including fixtures and personal property related thereto, which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

7.6 Exemption from Special Assessment Restriction: The restriction on special assessments shall not apply where a monetary penalty is imposed against any Owner as a disciplinary measure by the Association for (i) failure of an Owner to comply with the Bylaws, the Declaration or the Rules and Regulations, or (ii) as a means of reimbursing the Association for costs incurred by the Association for the repair of damages to the Common Area or common facilities, if any, for which the Owner or such Owner's guests or tenants are allegedly responsible, or (iii) to bring an Owner or its Lot into compliance with provisions of this Declaration, the Bylaws or the Rules and Regulations.

7.7 Enforcement Meeting: Any action authorized under Paragraph 7.4.3 and 7.5 shall be taken at a meeting of the Association duly called for such purpose, written notice of which shall be sent to all Members not less than thirty (30) days nor more than sixty (60) days prior to the meeting. If the proposed action is favored by a majority of the votes cast at such meeting, but such vote is less than the requisite percent for

122923

passage, Members who were not present at the meeting in person or by proxy may give their assent in writing, provided such assent is obtained by the Board of Directors not later than thirty (30) days from the date of the meeting.

7.8 Commencement of Assessments; Due Dates: The regular assessments provided for herein shall commence as to all Lots within the Project covered by this Declaration on the first day of the month following the conveyance of the first Lot in the Project to an Owner. The first regular assessment shall be adjusted according to the number of months remaining in the calendar year. The Board of Directors shall fix the amount of the regular assessments against each Lot at least thirty (30) days in advance of each annual assessment period and a single ten (10) days' prior written notice of each annual regular assessment and each special assessment shall be sent to the Owner or Owners of every Lot wherein the due dates for the payments of installments thereof shall be specified. The due dates for the payment of installments or regular assessments and special assessments shall normally be the first day of each month unless some other due date is established by the Board. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether and through what date the assessments on a specified Lot have been paid.

7.9 Assessments On Future Phases: All Lots located within any property annexed into the Project, as provided in Article II hereof, shall pay regular and special assessments as hereinabove set forth. The assessments shall automatically commence as to all residential lots within such annexed areas on the first day of the first month following either the conveyance of the first Lot within such annexed area, or the conveyance of the Common Area in such annexed area to the Association, whichever shall first occur.

7.10 Capitalization of Association: Upon acquisition of record title to a lot from Declarant, each Owner shall contribute to the capital of the Association an amount equal to one-sixth (1/6) of the amount of the then annual assessment for that Lot as determined by the Board. This amount shall be deposited by the Buyer into the purchase and sale escrow and disbursed from the escrow to the Association. Prior to the close of escrow for the sale of the first Lot in the Project (or in any subsequent phase) by Declarant as Seller, Declarant shall deposit into an escrow an amount equal to one-sixth (1/6) of the then annual assessment for any and all Lots not yet sold in that phase. Escrow shall remit these funds to the Association. Upon the close of escrow of any Lot in a phase for which the capitalization fund was prepaid by Declarant, escrow shall remit the capitalization fee collected from the Buyer to the Declarant.

7.11 Emergency Assessments: Notwithstanding any other provision of the governing documents to the contrary, the Board

of Directors may increase assessments necessary for emergency situations. For purposes of this paragraph, an emergency situation is any one of the following:

- (i) An extraordinary expense required by an order of a court.
- (ii) An extraordinary expense necessary to repair or maintain subdivided property or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered.
- (iii) That extraordinary expense necessary to repair or maintain the subdivided property or any part of it for which the Association is responsible that could not have been reasonably foreseen by the governing body in preparing and distributing the pro forma operating budget. However, prior to the imposition or collection of an assessment of this subdivision, the governing body shall pass a resolution containing written findings as to a 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.

#### VIII REMEDIES FOR NON-PAYMENT OF ASSESSMENTS

8.1 Non-Payment: Any regular or special assessment levied by the Association under the terms of this Declaration which is not paid when due, shall be delinquent. For each assessment not paid within thirty (30) days after its due date, the Association may, at its election, require the delinquent Owner to pay a "late charge" in a sum equal to interest calculated at a monthly rate of one and one-half percent (1.5%) on so much of the outstanding balance which does not exceed One Thousand Dollars (\$1,000.00) and one percent (1%) of any excess over One Thousand Dollars (\$1,000.00), from the due date through and including the date full payment is received by the Association. If the late charge so computed is less than Ten Dollars (\$10.00) for any month, then the late charge shall be ten dollars (\$10.00). If any assessment is not paid within thirty (30) days after the delinquency date, the assessment shall bear interest from the date of delinquency at the then legal rate. The amount of any delinquent assessment, together with late fees, interest, costs and reasonable attorneys' fees in the event enforcement is commenced, shall be and become a lien upon the delinquent Owner's Lot where the Association causes to be recorded with the County Recorder of Riverside County, a Notice of Assessment. The Association may, at its option, bring an action for damages against the Owner personally obligated to pay the delinquent assessment or may foreclose the assessment lien provided above upon compliance with the notice provisions set forth in Paragraph 8.2 hereof. In either event, there shall be added to the amount of such assessment the late charge(s), if any, the cost of preparing and filing the Complaint in such action, and in the event a judgment is obtained, such judgment shall include the costs of the action,

interest and reasonable attorneys' fees. Each Owner hereby vests in the Association or its assigns, the right and power to bring all actions at law and lien foreclosure proceedings against such Owner and against the other Owners of Lots in the Project for the collection of all delinquent assessments.

**8.2 Limitations On Foreclosure:** No action shall be brought to foreclose any assessment lien or to proceed under the power of sale herein provided until thirty (30) days after the date of a copy of the Notice of Assessment is deposited in the United States Mail, certified or registered, postage prepaid, to the Owner of the affected Lot, and a copy thereof is recorded by the Association in the office of the County Recorder in which the Project is located. The Notice of Assessment must recite a good and sufficient legal description of the affected Lot, the record Owner or reputed Owner thereof, the amount claimed to be delinquent which may at the Association's option include interest on the unpaid assessment at the legal rate, plus reasonable attorneys' fees and expenses of collection in connection with the amount secured by the lien, and the name and address of the claimant. Unless sooner satisfied and released, or the enforcement thereof initiated as hereinafter provided, such lien shall expire and be of no further force and effect one (1) year from the date of recordation of the Notice of Assessment. The one (1) year period may be extended by the Association for not to exceed one (1) additional year by recording a written extension thereof.

**8.3 Foreclosure Sale:** Any such sale provided for above shall be conducted in accordance with the provisions of Sections 2924 et seq. of the California Civil Code applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association after a vote by at least a majority of the voting power of the Members, excluding the vote of Declarant, may, through its duly authorized agents, bid on the Lot at any foreclosure sale, and acquire and hold, lease, mortgage and convey such Lot.

**8.4 Release of Lien:** Upon the timely curing of any default for which a Notice of Assessment was recorded by the Association, the Board of Directors shall record an appropriate release of such Notice, upon payment of the defaulting Owner of a fee, to be determined by the Association, but not to exceed the actual costs of preparing and recording such release.

**8.5 Non-Exclusive Remedy:** The assessment lien and the rights of foreclosure and sale shall be in addition to and not in substitution for all rights and remedies which the Association and its assigns may have hereunder or may have a law including, but not limited to, a suit to recover a money judgment for unpaid assessments.

**8.6 Nonapplicable to Certain Debts:** The provisions of this Article VIII shall not apply to monetary penalties imposed

by the Association as a disciplinary measure (i) for failure of an Owner to comply with the Bylaws, the Declaration or the Rules and Regulations, (ii) as a means of reimbursing the Association for costs incurred by the Association to repair damages to the Common Areas or facilities for which an Owner or such Owner's guests or tenants are allegedly responsible, or (iii) to bring an Owner or such Owner's Lot into compliance with the Declaration, Bylaws or Rules and Regulations.

#### IX PARTY WALLS

The rights and duties of the Owners of Lots with respect to common party walls shall be governed as follows:

9.1 Defined: Each wall which is constructed between separate Lots shall constitute a party wall. With respect to any party wall, each of the adjoining Owners shall assume the burdens, shall be subject to an easement for that portion of his party wall, which lies within the adjoining Lot, and shall be liable for all property damage due to negligence or willful acts or omissions.

9.2 Damage By One Owner: If any party wall is damaged or destroyed through the act of one of the adjoining Owners, or any member of either Owner's family, guests, or agents (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, the Owner responsible for the damage or destruction thereon shall be required to make any and all necessary repairs thereto, without cost to the adjoining Owner.

9.3 Damage By Neither Owner: If any party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, their agents, guests or family (including, but not limited to, earthquake damage), each adjoining Owner shall be required to make any and all necessary repairs thereto at their joint and equal expense.

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

9.5 Resolution of Disputes: In the event of a dispute between Owners with respect to the repair of a party wall or with respect to the sharing of the cost of repairs thereof, upon the written request of either Owner, the matter shall be submitted to the Board of Directors for resolution. Any decision of the Board of Directors shall be final and conclusive upon the parties.

#### X ARCHITECTURAL CONTROL COMMITTEE

10.1 Prior Consent Required: No building, fence, wall, or

122923  
other structure shall be commenced, erected or maintained upon or within the Project, nor shall any exterior addition, change or alteration therein, be made until the plans and specifications showing the nature, kind, shape, height, materials and location of same shall have been submitted to and approved in writing by the Architectural Control Committee provided for in Paragraph 10.2 hereof. In the event such Committee or its designated representatives, fails to approve or disapprove the proposed design and location within sixty (60) days after such plans and specifications have been submitted to it, approval will not be required, and this Article will be deemed to have been fully complied with.

10.2 Architectural Control Committee: The committee for the control of the structural and landscaping architecture and design (hereinafter the "Architectural Control Committee") within the Project shall consist of not less than three (3) nor more than five (5) Members of the Association. Declarant may appoint all of the original members of the Architectural Control Committee and all replacements of same until the first anniversary of the original issuance of the Final Subdivision Public Report for the Project. Thereafter, Declarant may appoint a majority of the Members of the Committee until ninety percent (90%) of the Lots in the Project have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the Project, whichever first occurs. After one year from the date of original issuance of the Subdivision Public Report for the Project, the Board of Directors shall have the power to appoint one member of the Architectural Control Committee until ninety percent (90%) of the Lots in the Project have been sold or until the fifth (5th) anniversary of the original issuance of the Final Subdivision Public Report for the Project, whichever first occurs. Thereafter, the Board of Directors shall have the power to appoint all of the members of the Architectural Control Committee. Individuals appointed to the Architectural Control Committee by the Board of Directors shall be Members of the Association. Individuals appointed to the Committee by Declarant need not be Members of the Association.

10.3 Outbuildings: All outbuildings within the residential Lots shall be located behind the main residential dwelling so as to be obscured from the view of the streets adjoining such Lot. Such outbuilding shall utilize the same architectural design and color scheme as the main residential dwelling within such Lot and shall utilize tile roofs.

10.4 Apartment/Guest House: Subject to the other provisions of this Article, and to the zoning, building, health and safety laws, statutes and ordinances of the County of Riverside, in addition to the main residential dwelling within each Lot, each Lot may contain one (1) additional residential unit, or apartment or guest house, provided such additional

dwelling unit does not contain separate kitchen facilities.

#### XI USE RESTRICTIONS

11.1 Restrictions: The use and enjoyment of the Project and each Lot therein shall be subject to the following use restrictions.

11.1.1 Residential Use Only. No Lot shall be occupied and/or used except for residential purposes by the Owners, their families, tenants and social guests, and no trade or business shall be conducted therein, except by Declarant, its successors or assigns, who may use any Lot or Lots in the Project owned by Declarant for model home sites, display and sales offices until the last Lot in the Project is sold by Declarant. No tent, shack, trailer, garage, outbuilding or structure of a temporary character shall be used at any time as a residence, either temporarily or permanently within the Project.

11.1.2 No Non-Residential Uses: No part of the Project shall ever be used or caused to be used directly or indirectly for any business, commercial, manufacturing, mercantile, storing, vending or other non-residential purpose, except as provided in Section 19.2 hereof.

11.1.3 No Signs: No sign or bill board of any kind shall be displayed by any Owner in any portion of the Project or Lot, except one sign of reasonable size, advertising that a particular Lot is for sale or rent, or except by Declarant as provided in Section 19.2 hereof.

11.1.4 No Offensive Activity: No noxious or offensive activity shall be carried on in any Lot or any part of the Project, nor shall any act be performed which may be or may become an annoyance or nuisance to the neighborhood, which may in any way interfere with the quiet enjoyment by each of the Owners of their respective Lots, or which may in any way increase the rate of insurance on the Common Area or on any particular Lot.

11.1.5 Pets: An Owner may keep and maintain within his Lot domesticated animals in reasonable numbers not to exceed the maximum number and type of animals provided by zoning and other ordinances of the County of Riverside. Owners keeping animals shall be fully accountable to the other Owners for the acts of such pets. No animals shall be permitted in Common Areas at any time without continuous supervision and control.

11.1.6 No Oil, Mineral or Mining Activities: No oil drilling or oil development operations, oil refining, quarrying or mining operations of any kind, shall be permitted within the Project, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of or within five hundred (500) feet below the surface of the Project. No

122923  
derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted within the Project.

11.1.7 Trash and Rubbish: All rubbish, trash and garbage shall be regularly removed from each Lot, and shall not be allowed to accumulate therein unless obscured from view of the adjoining Lots and both public and private streets.

11.1.8 Provisions for Initial Development: Conveyance of a substantial number of the Lots is essential to the establishment and welfare of this Project as a residential community. In order that all work necessary to complete the Project and to establish a substantially occupied residential community proceed as rapidly as possible, nothing in this Declaration shall be interpreted or construed to:

11.1.8.1 Prevent Declarant, its contractors or subcontractors, from performing work on the Project or any part thereof whenever Declarant determines such work to be reasonably necessary or advisable in connection with the completion of the Project; or

11.1.8.2 Prevent Declarant, or its representatives from erecting, constructing and maintaining on any part or parts of the Project owned or controlled by Declarant, its contractors, or subcontractors, such structures as may be reasonably necessary for completing the work and establishing the Project as a residential community and disposing of the Lots by sale, lease, or otherwise.

11.1.9 No Unreasonable Interference: Declarant, in exercising its rights hereunder shall not unreasonably interfere with the Members' use of the Common Area and facilities, if any.

## XII ENFORCEMENT

12.1 Covenants or Servitudes: The limitations, restrictions, conditions and covenants set forth in this Declaration constitute a general scheme for the maintenance, protection and enhancement of the value of the Project and are for the benefit of all Owners. The limitations, restrictions, conditions and covenants of this Declaration are and shall be covenants running with the land or equitable servitudes, as the case may be, and shall be interpreted so as to maximize their enforceability and duration.

12.2 Non-Cumulative Remedy: Each remedy provided for in this Declaration shall be cumulative and not exclusive. The Association and/or any Owner shall have the right to enforce all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this



Declaration or any amendment thereto by any proceeding at law or in equity; provided, however, that with respect to assessment liens, the Association shall have the sole and exclusive right of enforcement thereof. The failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

12.3 Violations Are Nuisances: The result of, or condition caused by any violation of any of the provisions of Declaration is hereby deemed to be, and shall be a nuisance and every remedy in law or equity now or hereafter available against public or private nuisance may be exercised by any Owner affected thereby or by the Association itself.

12.4 Prior Notice: Any other provision of this Declaration to the contrary notwithstanding, no action to enforce the terms of this Declaration shall be instituted by the Association unless and until a written notice of the alleged violation setting forth the facts and circumstances of such violation has been delivered by certified mail to the Owner allegedly responsible therefor.

12.5 Attorneys' Fees and Costs: In the event the Association or any Owner or Owners should commence litigation to enforce any of the provisions of this Declaration, the prevailing party shall be entitled to recover reasonable attorneys' fees and costs as part of its judgment.

12.6 Discipline of Members: The Association may not cause a forfeiture or abridgment of an owner's right to the full use and enjoyment of his individually owned subdivision interest on account of the failure by the owner to comply with the provisions of the governing instruments or of duly enacted rules of operation for Common Areas and facilities except by judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the owner to pay assessments duly levied by the Association.

12.7 Monetary Penalties: The governing body of the Association may impose monetary penalties, temporary suspensions of an owner's rights as a member of the Association or other appropriate discipline for failure to comply with the governing instruments provided that the procedures for notice and hearing, satisfying the minimum requirements of §7341 of the Corporation's Code, are followed with respect to the accused member before a decision to impose discipline is reached.

12.8 Monetary Penalties Not an Assessment: A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association and the repair of damage to Common Areas and facilities for which the member was responsible or in bringing

the member and his subdivision interest into compliance with the governing instruments may not be characterized nor treated, nor shall they be construed as an assessment which may become a lien against the member's subdivision interest enforceable by the sale of the interest in accordance with the provisions of §§2924, 2924(b) and 2924(c) of the Code of Civil Procedure, unless the charges imposed against an owner consist 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 attorney's fees) in its efforts to collect delinquent assessments.

### XIII INSURANCE

13.1 Casualty Insurance: A master or blanket policy of public liability and property, damage insurance covering the Common Area shall be purchased by the Board of Directors as promptly as possible following its election and shall be maintained in force at all times. The premiums for such insurance shall be paid out of the monies collected from the regular assessments. The minimum amounts of coverage under such policy shall be One Million Dollars (\$1,000,000.00) for personal injury to or death of any one person, Three Million Dollars (\$3,000,000.00) for any one occurrence and One Million Dollars (\$1,000,000.00) for property damage. The policy shall name the Association as insured, together with Declarant during such time as Declarant shall remain the Owner of one or more Lots. The manager, if any, shall also be a named insured on such policy, during such time as his agency shall continue. The policy shall insure against injury or damage occurring in the Common Area and within the equestrian trails located within the Project. The policy shall also contain a cross-liability endorsement to cover negligent injury by one Owner to another.

13.2 Hazard Insurance: A master or blanket policy of fire insurance on the Common Area shall also be purchased by the Board of Directors as promptly as possible following its election and shall thereafter be maintained in force at all times. The premiums for such insurance shall also be paid out of the monies collected from the regular assessments. Such policy shall insure against loss from fire or any other hazard normally covered, for the full insurable value of all improvements within the Common Area. Such policy shall contain extended coverage and replacement cost endorsements and may also contain vandalism and malicious mischief coverage, special form endorsement, stipulated amount clause and determinable cash adjustment clause or similar clause to permit cash settlement for the full value of the improvements in the event of partial destruction and decision by the Association not to rebuild. The policy shall be in such amounts as shall be determined from time to time by the Board of Directors. The policy shall name as insured the Association, Declarant so long as Declarant is the Owner of any Lot in the Project, and all mortgagees of record of the Common Area as their

respective interests may appear.

122923 13.3 Proceeds to Association: All insurance proceeds payable under Paragraph 13.2 of this Article shall be paid to the Board of Directors, subject to the rights of mortgagees under Paragraph 13.7 hereof, to be held and expended for the benefit of the Owners, and shall be paid out in accordance with Article XIV hereof. In the event repair or reconstruction is authorized, the Board of Directors shall have the duty to contract for such work, as provided in Article XIV hereof.

13.4 Other Insurance: The Board may purchase and maintain demolition insurance in an adequate amount to cover the cost of demolition of the Common Area of the Project in the event of destruction and a decision not to rebuild. The premium(s) for such insurance shall be paid out of the monies collected from the regular assessments. Such policy, if purchased, shall contain a determinable demolition clause or similar clause, to allow for the coverage of the cost of demolition in the event of destruction and a decision not to rebuild. The Board of Directors shall also purchase and maintain worker's compensation insurance to the extent that such insurance shall be required by law for employees of the Association, if any. The Board of Directors may also purchase and maintain insurance on commonly owned personal property and such other insurance as it deems necessary and the premiums thereof shall be paid out of the monies collected from the regular assessments.

13.5 Fidelity Bond/Insurance: The Board of Directors shall require that all directors, officers and employees of the Association handling or responsible for Association funds shall be covered by a fidelity bond or insurance in an amount not less than one and one-half times the Association's estimated annual budget for the maintenance and operation of the Project and for the accumulation of reserves. The premium on such bond shall be paid by the Association out of the monies collected from the regular assessments.

13.6 Other Owners' Insurance: Any Owner may carry such additional personal liability and property damage insurance respecting such Owner's Lot as he or she may desire.

13.7 Mortgagees Payable: With respect to insurance coverage under Paragraph 13.2 hereof, any mortgagee of record on the Common Area shall have the option to apply insurance proceeds payable to him to reduce the obligation secured by his mortgage.

13.8 Annual Insurance Review: The Board of Directors shall review the insurance carried hereunder by the Association at least annually for the purpose of determining the amount of the casualty and hazard insurance referred to in Paragraphs 13.1 and 13.2 above. The Board of Directors shall obtain a current appraisal of the full replacement value of the improvements in the Common Area except for foundations and footings and without

122923

deduction for depreciation by a qualified independent insurance appraiser prior to each such annual review.

#### XIV DESTRUCTION OF IMPROVEMENTS

14.1 Destruction-Sufficient Insurance Proceeds: In the event of the total or partial destruction of the improvements in the Common Area, and if the available proceeds of the insurance policies carried pursuant to Article XIII, are sufficient to cover not less than eighty-five percent (85%) of the cost of repair or reconstruction thereof, the improvements to the Common Area shall be promptly repaired and/or rebuilt, unless, within ninety (90) days from the date of such destruction, seventy-five percent (75%) of each class of Members present and entitled to vote in person or by proxy at a duly constituted meeting, determine that such reconstruction shall not take place. If reconstruction is to take place, the Board of Directors shall be required to execute, acknowledge, file and record, not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Owners to rebuild the Common Area improvements.

14.2 Destruction-Insufficient Insurance Proceeds: If the proceeds of such insurance are less than eighty-five percent (85%) of the cost of repair or reconstruction, such reconstruction shall take place, if within ninety (90) days from the date of such destruction, sixty-six and two-thirds percent (66-2/3%) of each class of Members elect to rebuild.

14.3 Additional Funds: If the Owners determine to rebuild pursuant to either Paragraphs 14.1. or 14.2 hereof, each Owner shall be obligated to contribute such funds as shall be necessary to pay his proportionate share of the cost of reconstruction over and above the available insurance proceeds, and the proportionate share of each Owner shall be based upon the total number of residential Lots then within the Project. In the event of the failure or refusal by any Owner to pay his proportionate share of such additional cost after notice to him and should such Owner's failure or refusal continue for a period of sixty (60) days, the Board of Directors may levy a special assessment against such Owner, which may be enforced under the lien provisions contained in Article VIII hereof.

14.4 Bidding Reconstruction: If the Owners determine to rebuild, the Board of Directors shall obtain bids from at least three (3) licensed reputable, general contractors and shall award the construction work to the lowest bidder. The Board of Directors shall have the authority to enter into a written contract with such contractor for such reconstruction and the insurance proceeds held by the Board of Directors shall be disbursed to the contractor according to the terms of the agreement. It shall be the obligation of the Board of Directors to take all steps necessary to insure the commencement and

122923

completion of such reconstruction at the earliest possible date.

14.5 Procedure Where No Rebuilding: If the vote of the Owners shall be insufficient to authorize rebuilding pursuant to either Paragraph 14.1. or 14.2 above, subject to the rights of mortgagees, set forth in Paragraph 13.7 hereof, any insurance proceeds available for such rebuilding shall be distributed among the Owners and their individual mortgagees by the Board of Directors, as their respective interests may appear. The proportionate interests of each Owner in such insurance proceeds in relation to other Owners shall be based upon the total number of residential Lots then within the Project.

14.5.1 Certificate of no Intent to Rebuild: The Board of Directors shall have the duty, within one hundred twenty (120) days of the date of the damage or destruction to execute, acknowledge and record a certificate setting forth the determination of the Owners not to rebuild, if such be the case, shall promptly cause to be prepared and filed, such revised maps and other documents as may be necessary for the conversion of the Common Area to the status of unimproved land.

14.6 Arbitration: In the event of a dispute among the Owners with respect to the provisions of this Article, any Owner may cause the dispute to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. Notice of arbitration shall be given to the members of the Board of Directors and to all Owners as promptly as possible after referral to arbitration is made and all Owners shall have an opportunity to appear and be heard at the arbitration proceedings. The decision of the arbitrator in the matter shall be final and conclusive upon all Owners, and the arbitrator may include in its decision an award for costs and reasonable attorneys' fees against any one or more of the parties to the arbitration.

#### XV CONDEMNATION

15.1 Procedures: In the event that an action for condemnation of all or any portion of the Common Area is proposed or commenced by any governmental body having the right of eminent domain, the following provisions shall apply:

15.1.1 With Consent of Owners: If such action or proposed action is for the condemnation of the entire Common Area, upon the written consent of seventy-five (75%) of the Owners, the Common Area may be sold to the condemning authority prior to judgment and the proceeds of such sale shall be distributed equally to the Owners and their mortgagees as their respective interests may appear, based upon the total number of residential Lots then within the Project. Lacking such consent, the compensation for the taking shall be distributed in like manner, unless the judgment of condemnation shall by its terms apportion the

122923

compensation among the individual Lot Owners.

#### XVI ACCOUNTING

16.1 Books and Records: The Association shall maintain complete books of account of all its receipts and expenditures. Each Owner shall at reasonable times be entitled to inspect the books and records of the Association, and to have such books and records examined at such Owner's expense by an attorney or an accountant representing such Owner, and may make excerpts or copies of such books and records or portions thereof, and each Owner shall at his own expense have the right to have such books and records independently audited by an accountant.

16.2 Budget: A pro forma operating statement (budget) for each fiscal year shall be prepared by the Association and distributed to each Owner not less than forty-five (45) days nor more than sixty (60) before the beginning of the fiscal year. The budget shall contain the following information:

(i) Estimated revenue and expenses of the Association for the upcoming fiscal year on an accrual basis.

(ii) The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

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

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

(v) A statement as to the Association's policies and practices in enforcing the lien rights or other legal remedies for the default in the payment of its assessments against its members.

16.2.1 Summary of Financial Statement: In lieu of the distribution of the Financial Statement required hereunder, the Board of Directors may elect to distribute a summary of the Statement to all of its members with a written notice that the Statement is available at the business office of the Association or at another suitable location within the boundaries of the Development and that copies will be provided upon request and at the expense of the Association. If any member requests a copy of the Financial Statement required hereunder to be mailed to the member, the Association shall provide the copy to the member by

first class United States Mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association members shall be in at least ten-point bold type on the front page of the summary of the Statement.

16.3 Balance Sheet and Operating Statement: The Association shall prepare a balance sheet, as of an accounting date, which is the last day of the month closest in time to six (6) months from the date of the closing of the first sale of a Lot in the Project, and an operating statement for the period from the date of the first closing to said accounting date, and distribute such statements to each Owner within sixty (60) days after the accounting date. The operating statement shall include a schedule of assessments received and receivable, identified by the number of the Lot and the name of the record Owner assessed.

16.4 Annual Report: An annual report shall be prepared by the Association and distributed to each Owner within one hundred twenty (120) days after the close of the fiscal year consisting of the following:

16.4.1 Balance Sheet: A balance sheet as of the end of the fiscal year.

16.4.2 Operating Statement: An operating (income) statement for the fiscal year.

16.4.3 Statement of Changes: A statement of changes in financial position for the fiscal year.

16.4.4 Other Data: Any information required to be reported under Section 8322 of the Corporations Code.

16.4.5 Internal Audit: A review of the annual report for the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00).

16.5 Preparation By CPA: Ordinarily the annual report referred to in Section 16.4 above shall be prepared by a licensee of the State Board of Accountancy for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00).

16.6 Board of Directors' Duties: Within ten (10) days of receipt of any written request therefor, the Board of Directors shall furnish any Owner or prospective Owner with a copy of this Declaration, the Articles of Incorporation, the Bylaws and Rules and Regulations of the Association, as amended to date, together with a copy of the Association's most recent annual financial report as described in Paragraph 16.4 hereof, and a true state-

ment of any delinquent assessments, penalties, late charges, attorneys' fees or other charges under this Declaration on such Owner's Lot as of the date the statement is issued. The Board of Directors may charge a reasonable fee for providing such documents and reports not to exceed the reasonable cost to prepare and reproduce same.

16.7 Certification of Reports: If the report referred to in Paragraph 16.5 above is not prepared by a licensee of the State Board of Accountancy, it must be accompanied by the certificate of an authorized officer of the Association stating that the statements were prepared without audit from the books and records of the Association.

16.8 Quarterly Reconciliations: The Board of Directors shall do the following not less frequently than quarterly:

(i) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(ii) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

(iii) Review the current years actual reserve revenues and expenses compared to the current years budget.

(iv) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(v) Review income and expense statement for the Association's operating and reserve accounts.

16.9 Reserve Account Withdrawals: Withdrawal of funds from the Association's reserve account shall require the signatures of either:

(i) Two (2) members of the Board of Directors; or

(ii) One (1) member of the Board of Directors and an officer of the Association who is not also a member of the Board of Directors.

16.10 Policies and Procedures: In addition to financial statements, the Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against members for default in the payment of regular and special assessments including a recording and foreclosure of liens against members subdivision interests.



XVII MORTGAGE PROTECTION

17.1 FNMA/FHLMC/GNMA: Notwithstanding any other provisions in this Declaration to the contrary, in order to induce FHLMC, FNMA and GNMA together with other lenders and investors to participate in the financing of the sale of Lots in the Project, the following provisions are added hereto and to the extent such provisions conflict with any other provisions in this Declaration, these added provisions shall control.

17.1.1 No Invalidity of Mortgage Lien: No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall default or 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 such 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.

17.1.2 Written Notice to Mortgagee: Each holder of a first mortgage encumbering any Lot shall be entitled upon request to timely written notification from the Association of any default by the Mortgagor of such Lot, in the performance of such mortgagor's obligations under this Declaration or the Bylaws which is not cured within sixty (60) days.

17.1.3 No Right of First Refusal: Each holder of a first mortgage encumbering any Lot which obtains title to such Lot pursuant to (i) remedies provided in such mortgage, or (ii) by accepting a deed (or assignment) in lieu of foreclosure in the event of default by a mortgagor, shall be exempt from any "right of first refusal", if any, contained in the Declaration, or the Bylaws. Further, any such "right of first refusal" shall not impair the rights of a first mortgagee or interfere with a subsequent sale or lease of a Lot so acquired by the Mortgagee.

17.1.4 Assessment Liens: Each holder of a first mortgage or third party foreclosure purchaser which obtains title to a Lot pursuant to foreclosure of the first mortgage, shall take the Lot free of any claim for unpaid dues, assessments or charges against such mortgaged lot which shall have accrued prior to the time the holder obtains title to such Lot except for any claim for a share of such assessments or charges resulting from a reallocation of such dues, assessments or charges among all Lots in the Project, including the mortgaged lot. The assessment lien provided for herein shall be subordinate to the lien of any first mortgage now or hereafter placed upon the Lot subject to assessment; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Lot pursuant to a decree of foreclosure or trustee's sale. Such sale or transfer shall not release such Lot from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

122923

17.1.5 Specific Restrictions: Unless seventy-five percent (75%) of the institutional lenders holding a first mortgage on a Lot within this Project, based upon one vote for each first mortgage owned, and two-thirds (2/3) of the Owners, other than the Declarant, have given their prior written approval, the Association and/or its Members shall not be entitled to:

17.1.5.1 By act or omission, seek to abandon or terminate the Common Area, except as otherwise provided herein in the event of substantial destruction of the Common Area by fire or other casualty or in the event of a taking by condemnation or eminent domain;

17.1.5.2 Change the pro-rate interest or obligations of any Lot for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

17.1.5.3 Partition or subdivide any Lot, except as provided in Paragraph 3.5.1 hereof;

17.1.5.4 By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Common Area or partition the Common Area except as provided for herein. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Common Area and the Project shall not be deemed a transfer within the meaning of this clause;

17.1.5.5 Use hazard insurance proceeds from losses to the Common Area for other than repair, replacement or reconstruction of such Common Area, except as provided by Statute in case of substantial damage to the Common Area; and

17.1.5.6 Effectuate any decision of the Association to terminate professional management, if any, and assume self management of the Common Area.

17.1.6 Right to Examine Books: First mortgagees shall have the right to examine the books and records of the Association during normal business hours.

17.1.7 Reserves: The assessments shall include an adequate reserve fund for maintenance, repairs and replacement of the Common Area and those portions thereof that must be replaced on a periodic basis, and shall be payable through the monthly assessments rather than by special assessments.

17.1.8 Notice and Non-Priority: In the event of substantial damage to or destruction of any element of the Common Area, or the possible condemnation or eminent domain procedure, the institutional holder of any first mortgage on a Lot shall be entitled to timely written notice of any such damage, destruction

122923

or proposed acquisition and no provision in the Bylaws, or in this Declaration shall be interpreted to entitle the Owner of the Lot or any other party to priority over any first mortgagee with respect to the distribution to such Owner of any insurance proceeds or condemnation awards for losses to or taking of the Common Area.

17.1.9 Termination of Contracts: Any agreement for professional management of the Common Area, or any other contract providing for services of the Declarant shall provide for termination by either party without cause or payment of a termination fee upon thirty (30) days' written notice, and that the term of any such contract shall not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods.

17.1.10 Notice of Meetings: The Association shall, upon the request of any institutional holder of a first mortgage on a Lot, (i) give written notice of all meetings of the Association and permit the lender to designate a representative to attend all such meetings, and (ii) transmit to such lender an annual audited financial statement of the Association within ninety (90) days following the end of any fiscal year of the Association.

17.1.11 Legal Action: No breach of any of the foregoing covenants shall cause any forfeiture of title, reversion, or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Declarant, its successors and assigns, the Association, or any Owner may commence a legal action in any court of competent jurisdiction to enjoin or abate such violation, and/or to recover damages; provided, that any such violation shall not defeat or render invalid the lien of any mortgage made in good faith and for value as to the Project or any Lot therein, or any part thereof. These covenants shall be finding upon and effective against any Owner of the Project, or any portion thereof, whose title thereto is acquired by foreclosure, trustee sale or otherwise.

#### XVIII AMENDMENT AND ANNEXATION

18.1 Vote of Members: This Declaration may be amended only by an affirmative vote of not less than seventy-five percent (75%) of each class of Members, and further, this amendment provision shall not be amended to allow amendments by vote of less than seventy-five percent (75%) of each class of Members. At such time when the Class B membership shall cease and be converted to Class A membership, any and all amendments to this Declaration shall be enacted by the vote or written assent of Members representing not less than (i) seventy-five percent (75%) of the total voting power of the Association; and (ii) seventy-five percent (75%) of the votes of Members other than the Declarant, provided, however, that the percentage rent of the

voting power necessary to amend a specific provision shall not be less than the percentage of affirmative votes prescribed for action to be taken under such provision.

18.2 Effective Date: Each amendment made pursuant to the preceding Paragraph shall, from and after its effective date, be as effective as this instrument as to all of the Project and the Owners/Members and their respective successors in interest.

18.3 Annexation of Additional Property by Association: Upon approval in writing of the Association, pursuant to a two-thirds (2/3) vote of the voting power of its Members, or the written assent of such Members, excluding the voting power or written assent of Declarant, the Owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may file of record a Notice of Annexation which shall extend the scheme of this Declaration to such property.

18.4 Annexation of Additional Property by Declarant: Additional land within the property defined as Phase II may be annexed as Lots and Common Area to the Project by the Declarant without the consent of the Members of the Association within three (3) years following the original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for Phase I of the overall development, provided, however, that the Federal Housing Administration and the Veterans Administration determine that the annexation is in accordance with the general plan, heretofore approved by them and the Commissioner of the Department of Real Estate makes the following additional determinations:

18.4.1 That the proposed annexation will not result in an overburdening of the Common Area;

18.4.2 That the proposed annexation will not result in a substantial increase in the assessments of the existing Lots which was not disclosed in the Final Subdivision Public Reports under which the existing Owners purchased their respective Lots;

18.4.3 That the land and the total number of residential units proposed to be annexed were adequately identified; and

18.4.4 That Declarant executes a written commitment concurrently with the closing of escrow for the first sale of a Lot in the annexed property to pay to the Association appropriate amounts for reserves for replacement or deferred maintenance of Common Area improvements in the annexed property necessitated by, or arising out of, the use and occupancy of Lots under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrows for the first sale of a Lot in the annexed property.

18.5 Annexation Procedure: The annexation of additional

property authorized under Paragraphs 18.3. and 18.4 shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional property, which Notice of Annexation shall expressly provide that the scheme of this Declaration shall extend to such additional property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Declaration which are necessary to reflect the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Declaration. Except as set forth in this Paragraph, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Declaration.

18.6 Obligations of Annexed Property: The obligation of Lot Owners to pay dues to the Association and the right of such Lot Owners to exercise voting rights in the Association in such annexed property shall not commence until the first day of the month following close of the first sale of a Lot by Declarant in that particular Phase of development.

18.7 De-Annexation: Declarant hereby reserves the right to de-annex any property which may be annexed to the Project pursuant to this Declaration and delete said property from the scheme of this Declaration and from the jurisdiction of the Association, provided and on condition that the de-annexation shall be made prior to the closing date of the sale of the first Lot in the Property to be de-annexed.

#### XIX GENERAL PROVISIONS

19.1 Covenants Running With the Land: The provisions of this Declaration shall run with the land and bind the Project, and shall inure to the benefit of and shall be enforceable by the Association and the Owner of any interest subject to this Declaration, together with their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time the provisions of this Declaration shall be automatically extended for successive periods of then (10) years, unless an instrument, signed by sixty-six and two-thirds percent (66-2/3%) of the then Owners has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Declaration as it may be supplemented and amended in whole or in part.

19.2 Declarant's use of Common Areas: The right of Declarant and its sales agents and representatives to the non-exclusive use of the Common Area and the recreational facilities, if any, owned by the Association for display and exhibit purposes in connection with the sale of Lots, which right Declarant hereby reserves, shall be for a period of not more than three (3) years

after the close of escrow for the conveyance of the first Lot in the Project. No such use by Declarant or its sales agents or representatives shall restrict the Members in their use and enjoyment of the Common Area or Facilities therein.

**19.3 Multiple Ownership:** An ownership interest in a Lot may pass under the estate of a deceased person to more than one person provided that only one individual living shall be entitled to have membership privileges in the Association derived from such ownership.

**19.4 Severable:** In the event any limitation, restriction, condition, covenant or provision contained in this Declaration is held to be invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Declaration shall be and remain in full force and effect.

**19.5 Liberal Interpretation:** The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a planned residential community and for the maintenance of community recreational facilities, if any.

**19.6 Easements for Encroachment:** In the event any portion of the Common Area encroaches upon any Lot or any Lot encroaches upon the Common Area, each Lot within the Project is hereby declared to have an easement for the purpose of accommodating any such encroachment due to engineering errors, errors in original construction, repair, reconstruction, settlement or shifting of the building, or any other cause. There shall be valid easements for the maintenance of such encroachments, if any, so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by such 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 such encroachment occurred due to the willful misconduct of any Owner or Owners.

**19.7 Declarant's Bulk Purchase Successors:** In the event Declarant shall convey all of its right, title and interest in and to the Project 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.

**19.8 Number/Gender:** The singular shall include the plural and the plural the singular unless the context requires to the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

**19.9 Limit of Declarant's Liability:** Each Owner, by

122923  
acceptance of a deed shall be deemed to have agreed that Declarant shall have no liability whatsoever resulting from any term or provision thereof having been held to be unenforceable in whole or in part.

19.10 Binding On Owners: Each grantee of a conveyance or purchaser under a contract or agreement of sale, by accepting the deed or contract of sale or agreement of purchase, accepts the same subject to all of the limitations, restrictions, conditions and covenants, and agreements set forth in this Declaration, and agrees to be bound by same as amended from time to time.

XX SPECIAL COVENANTS IN FAVOR  
OF THE COUNTY OF RIVERSIDE

20.1 Special Covenants: The following special covenants are included for the benefit of the County of Riverside. To the extent any such covenant conflicts with any other provision of this Declaration, such covenant shall prevail and supersede the conflicting provision of this Declaration.

20.1.1 Equestrian Trails: The equestrian trails within the Project as delineated on the Final Subdivision Tract Map(s) for the Project shall be regularly maintained by the Association. The Association's maintenance of the equestrian trails shall not include manure removal, the responsibility for which shall be assumed by the Owner(s) of the Lot through which such equestrian trail runs.

20.1.2 No Motorcycle Riding: The Association shall cause the equestrian trails within the Project to be posted and enforced as for Equestrian and Pedestrian Use Only - motorcycle and bicycle use are prohibited.

20.1.3 No Street Parking: The parking of any and all vehicles on or along the public streets within the Project is hereby expressly prohibited.

20.1.4 Traffic Enforcement: The Association hereby requests that the County of Riverside enforce traffic and parking regulations on the streets within the Project pursuant to California Vehicle Code Section 21107.5.

IN WITNESS WHEREOF, the undersigned, deemed the Declarant herein, has hereunto set his hand and seal this 14th day of April, 1989.

SANTA ROSA DEVELOPERS, LTD.  
A California Limited Partnership

By: *Dave Theissen*  
DAVE THEISSEN  
Chief Operating Officer

Page 37

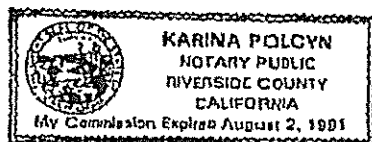
DECLARATION OF C C & RS  
Revised 2/15/89

NOTARY ACKNOWLEDGMENT

County of Riverside       )  
                                  ) ss.  
State of California       )

On April 14, 1989, before me, a Notary Public in and for said State and County, personally appeared Dave Theisen, personally known to me or proved to me on satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged that he executed the same as Chief Operating Officer of Santa Rosa Developers, Ltd., A California Limited Partnership, pursuant to authority granted to him by said Partnership.

WITNESS my hand and official seal.



*Karina Polcyn*  
Notary Public