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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

BERNARDO HEIGHTS UNIT NO. 14
PLANNED UNIT DEVELOPMENT
(Maintenance Association)

LAS FLORES HOMES

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS is made as of May 14, 1985, by UDC DEVELOPMENT COMPANY, a California corporation (hereinafter referred to as "Declarant"), with reference to the following

RECITALS:

A. Declarant is the owner of, or will own, that certain real property located in The City of San Diego, County of San Diego, State of California, which is more particularly described as:

Lots 1 through 128, inclusive, of BERNARDO HEIGHTS UNIT NO. 14 according to Map thereof No. 11155 filed in the Office of the County Recorder of San Diego County, California, on February 27, 1985.

B. The property described in Recital A above is a planned unit residential development and is planned to be developed in seven (7) phases. The first phase is planned to be constructed on Lots 25 through 44 ("Phase 1"). Phase 1 is planned to consist of twenty (20) residential units. The subsequent phases are planned to be developed as follows:

<u>Phase</u>	<u>Residential Lots</u>	<u>Number of Residential Lots</u>
2	45-47; 113-125; 66-69	20
3	48-65	18
4	70-87; 109-112	22
5	88-108	21
6	7-24; 126-128	21
7	1-6	6

There is no guarantee that all phases will be completed or that the phasing will occur as planned.

C. The owners of Lots will be members of BERNARDO HEIGHTS UNIT NO. 14 MAINTENANCE ASSOCIATION, a California nonprofit mutual benefit corporation ("Maintenance Association"). The Maintenance Association will maintain portions of the Lots ("Common Maintenance Area").

D. Before selling any of the Lots, Declarant wishes to impose on each the following plan of covenants, conditions and restrictions.

NOW, THEREFORE, Declarant hereby certifies and declares and does hereby establish the following general plan for the protection and benefit of all of the real property described above and has fixed and does hereby fix the following protective covenants, conditions and restrictions upon each and every ownership interest in the real property described as Phase 1 above and, upon annexation, phases 2 through 7 described above, under which said covenants, conditions and restrictions each ownership interest therein shall be hereafter, held, used, occupied, leased, sold, encumbered, conveyed and/or transferred. Each and all of said covenants, conditions and restrictions are for the purpose of protecting the value and desirability of and shall inure to the benefit of all of the real property described as Phase 1 above and, upon annexation, phases 2 through 7 described above, and shall run with and be binding upon and pass with said real property and each and every ownership interest therein and shall inure to the benefit of, apply to and bind the respective successors in title or interest of Declarant.

ARTICLE I

DEFINITIONS

Section 1. "Articles" shall mean and refer to the Articles of Incorporation of the Maintenance Association as they may from time to time be amended.

Section 2. "Board" shall mean and refer to the Board of Directors of the Maintenance Association.

Section 3. "Bylaws" shall mean and refer to the Bylaws of the Maintenance Association as they may from time to time be amended.

Section 4. "Common Maintenance Area" shall mean and refer to those portions of Lots over which easements for common maintenance are conveyed to the Maintenance Association. All Lots will be subject to a Common Maintenance Area easement.

Section 5. "Declarant" shall mean and refer to UDC DEVELOPMENT COMPANY, a California corporation, its successors and assigns, should its successors or assigns acquire five (5) or more Lots within the Properties for purposes of development.

Section 6. "Declaration" shall mean and refer to this enabling Declaration of Covenants, Conditions and Restrictions as it may from time to time be amended.

Section 7. "FHA" shall mean and refer to the Federal Housing Administration.

Section 8. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties.

Section 9. "Maintenance Association" shall mean and refer to BERNARDO HEIGHTS UNIT NO. 14 MAINTENANCE ASSOCIATION, a California Nonprofit Mutual Benefit Corporation, its successors and assigns.

Section 10. "Member" shall mean and refer to an Owner as defined in Section 13, Article I of the Declaration, who is entitled to membership in the Maintenance Association as provided in the Declaration.

Section 11. "Mortgage" shall mean and refer to a Deed of Trust as well as a mortgage.

Section 12. "Mortgagee" shall mean and refer to the beneficiary of a Deed of Trust as well as the mortgagee of a mortgage encumbering a Lot.

Section 13. "Owner" shall mean and refer to the record owners, whether one (1) or more persons or entities, of fee simple title to any Lot which is part of the Properties, including contract sellers, but excluding those having such interests merely as security for the performance of an obligation.

Section 14. "Properties" shall mean and refer to that certain real property described in Recital A to the Declaration, and such additions thereto as may hereafter be brought within the jurisdiction of the Maintenance Association.

Section 15. "VA" shall mean and refer to the Veterans Administration.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS IN
MAINTENANCE ASSOCIATION

Section 1. Membership. Every Owner of a Lot which is subject to assessment shall be a Member of the Maintenance Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 2. Voting Rights. The Maintenance Association shall have two (2) classes of voting membership:

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

Class B. Class B Member(s) shall be Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur:

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

(ii) two (2) years following the date of original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a phase of development of the Properties; or

(iii) four (4) years following the date of the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for Phase 1 of the development of the Properties.

ARTICLE III

COVENANT FOR MAINTENANCE ASSESSMENTS TO
MAINTENANCE ASSOCIATION

Section 1. Creation of Lien and Personal Obligation for Assessments. Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of a Lot by accep-

tance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Maintenance Association: (a) annual assessments or charges which shall include an adequate reserve fund for the periodic maintenance, repair and replacement of the Common Maintenance Area, and (b) special assessments, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs and reasonable attorney's fees, shall (except as otherwise provided in Section 4 below) be a charge on the land and shall be a continuing lien upon the property against which each such assessment is made, the lien to be effective upon recordation of a notice of delinquent assessments. Each such assessment, together with interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to his successors in title, unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Maintenance Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Properties and for the improvement and maintenance of the Common Maintenance Area, and to reimburse the Maintenance Association for the costs incurred in bringing an Owner into compliance with the Articles, Bylaws, Declaration and rules and regulations adopted by the Board.

Section 3. Maximum Annual Assessment.

(a) Until January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment shall be \$525.00 per Lot.

(b) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased each year without the vote of the membership of the Maintenance Association in an amount not more than the greater of (i) ten percent (10%), or (ii) the percentage by which the United States Bureau of Labor Statistics San Diego Consumer Price Index for All Urban Consumers has increased as of the date of the increase over the level of the Index as of the date the maximum annual assessment was last established.

(c) From and after January 1 of the year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the amount provided in Subparagraph (b) above by the vote or written assent of fifty-one percent (51%) of each class of Members of the Maintenance Association; provided, however, that following the conversion of

the Class B membership to Class A membership, the maximum annual regular assessment may be increased more than the amount provided in Subparagraph (b) above by the vote or written assent of (i) a majority of the voting power of the Members of the Maintenance Association, and (ii) at least a majority of the voting power of Members of the Maintenance Association other than Declarant.

(d) The Board may fix the annual assessment at an amount not in excess of the maximum.

Section 4. Special Assessments. In addition to the annual assessments authorized above, the Maintenance Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Maintenance Area, including fixtures and personal property related thereto, provided that any such assessment shall have the vote or written assent of fifty-one percent (51%) of each class of Members; provided, however, that following the conversion of the Class B membership to Class A membership, any such assessment shall have the vote or written assent of (i) a majority of the voting power of Members of the Maintenance Association, and (ii) at least a majority of the voting power of Members of the Maintenance Association other than Declarant. The Maintenance Association may also levy a special assessment against any Member to reimburse the Maintenance Association for costs incurred in bringing a Member and his Lot into compliance with the provisions of the Declaration, Articles, Bylaws and rules and regulations adopted by the Board; provided, however, such special assessment (other than a special assessment assessed to pay the cost of collecting assessments) shall not constitute a lien against the Member's Lot. No such assessment shall be effective unless the Member has been given fifteen (15) days' prior notice of the assessment and the reasons therefor and the Member has been given an opportunity to be heard by the Board, orally or in writing, not less than five (5) days prior to the effective date of the assessment. Notice may be given to the Member by any method reasonably calculated to provide actual notice, but if given by mail must be given by first-class or registered mail sent to the last address of the Member shown on the records of the Maintenance Association.

Section 5. Notice and Quorum for Any Action Authorized Under Section 3 and Section 4. Any action authorized under Section 3 or Section 4 requiring the vote of the Members, shall be taken at a meeting called for that purpose, written notice of which shall be sent to all Members not less than ten (10) nor more than ninety (90) days in advance of the meeting. A quorum for such meeting shall be fifty-one percent (51%) of each class

of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half ($\frac{1}{2}$) of the required quorum for the preceding 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 fifty-one percent (51%) of each class of Members, Members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by the appropriate officer of the Maintenance Association not later than thirty (30) days from the date of such meeting.

Section 6. Uniform Rate of Assessment. Both annual and special assessments (other than a special assessment levied against an Owner to bring the Owner or his Lot into compliance with the Declaration, Articles, Bylaws or rules and regulations of the Board) shall be fixed at a uniform rate for all Lots and may be collected on a monthly basis.

Section 7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots in Phase 1 on the first day of the month following the conveyance of the first Lot in Phase 1 to an Owner. The annual assessments provided for herein shall commence as to all Lots in phases 2 through 7, respectively, on the first day of the month following the conveyance of the first Lot in phases 2 through 7, respectively, to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board.

Section 8. Effect of Non-Payment of Assessments; Remedies of Maintenance Association. Any assessment made in accordance with this Declaration shall be a debt of the Owner of a Lot from the time the assessment is due. Any assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the rate of ten percent (10%) per annum. The Maintenance Association may bring an action at law against the Owner personally obligated to pay the same, and in addition thereto, or in lieu thereof, may foreclose the lien against the Lot.

Any assessment not paid within thirty (30) days after the due date shall be delinquent. Except as otherwise provided in Section 4 above, the amount of any such delinquent assessment plus any other charges thereof, as provided for in this Declaration, shall be and become a lien upon the Lot when the

Maintenance Association causes to be recorded with the County Recorder a Notice of Delinquent Assessment, which shall state the amount of such delinquent assessment and such other charges thereon as may be authorized by this Declaration, a description of the Lot against which the same has been assessed and the name of the record owner thereof. Such notice shall be signed by the President or Vice President and the Secretary or Assistant Secretary of the Maintenance Association. Upon payment of such delinquent assessment and charges in connection with which such notice has been so recorded, or other satisfaction thereof, the Maintenance Association shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof.

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 following the date of recordation of the Notice of Delinquent Assessment. The one (1) year period may be extended by the Maintenance Association for not to exceed one (1) additional year by recording a written extension thereof.

Such lien may be enforced by sale by the Maintenance Association after failure of the Owner to pay such assessment in accordance with its terms, such sale to be conducted in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the California Civil Code, applicable to the exercise of powers of sale in mortgages or in any other manner permitted by law. The Maintenance Association shall have the power to purchase the Lot at the foreclosure sale and to hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid assessments, rent and attorney's fees shall be maintainable without foreclosing or waiving the lien securing the same.

Section 9. Subordination of the Lien to First Mortgages.
The lien of assessment herein shall be subordinate to the lien of any first Mortgage upon any Lot, and the sale or transfer of any Lot pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage or other purchaser of a Lot obtains title to the same as a result of foreclosure, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Maintenance Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such acquirer, except for a share of such

charges or assessments resulting from a reallocation of such charges or assessments which are made against all Lots.

Section 10. Estoppel Certificate. The Maintenance Association shall furnish or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Maintenance Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Maintenance Association as to the status of assessments on a Lot is binding upon the Maintenance Association as of the date of its issuance.

Section 11. Personal Liability of Owner. No Member may exempt himself from personal liability for assessments, nor any part thereof, levied by the Maintenance Association, nor release the Lot owned by him from the liens and charges hereof by abandonment of his Lot.

Section 12. Exempt Property. All properties dedicated to and accepted by a local public authority, and all properties owned by a charitable non-profit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessment created herein. However, no land or improvements devoted to dwelling use shall be exempt from said assessments.

Section 13. Capitalization of Maintenance Association. Upon acquisition of record title to a Lot from Declarant, each Owner shall contribute to the capital of the Maintenance Association an amount equal to one-sixth (1/6) 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, except as otherwise provided herein, disbursed from the escrow to the Maintenance Association. The same procedure shall be followed in connection with sales of Lots in phases 2 through 7, respectively. The payments required under this Section 13 are in addition to and not in lieu of annual and special assessments of the Maintenance Association.

ARTICLE IV

INSURANCE

(a) The Maintenance Association shall keep (i) any improvements on the Common Maintenance Area insured against loss by fire and the risks covered by a Standard All Risk of Loss Perils insurance policy under an extended coverage casualty policy in the amount of the maximum insurable replacement value thereof, and (ii) all personalty owned by the Maintenance Association insured with coverage in the maximum insurable fair market value of such personalty as determined annually by an

insurance carrier selected by the Maintenance Association. Insurance proceeds for improvements in the Common Maintenance Area and personalty owned by the Maintenance Association shall be payable to the Maintenance Association. In the event of any loss, damage or destruction, the Maintenance Association shall cause the same to be replaced, repaired or rebuilt if it occurred in the Common Maintenance Area. In the event the cost of such replacement, repair or rebuilding of Common Maintenance Area (1) exceeds the insurance proceeds available therefor, or (2) no insurance proceeds are available therefor, the deficiency or full cost thereof shall be assessed to the Owners as a special assessment pursuant to Section 4 of Article III above.

(b) The Maintenance Association shall procure and keep in force public liability insurance in the name of the Maintenance Association and the Owners against any liability for personal injury or property damage resulting from any occurrence in or about the Common Maintenance Area in an amount not less than \$1,000,000.00 in indemnity against the claims of one (1) or more persons in one (1) accident or event, and not less than \$100,000.00 for damage to property.

(c) The Maintenance Association shall maintain a fidelity bond in an amount equal to one hundred fifty percent (150%) of the annual assessments, plus reserves, naming the Maintenance Association as obligee and insuring against loss by reason of the acts of the Board, officers and employees of the Maintenance Association, and any management agent and its employees, whether or not such persons are compensated for their services.

(d) Copies of all such insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Maintenance Association and open for inspection by Owners at any reasonable time(s). All such insurance policies shall (i) provide that they shall not be cancellable by the insurer without first giving at least ten (10) days' prior notice in writing to the Maintenance Association, and (ii) contain a waiver of subrogation by the insurer(s) against the Maintenance Association, Board and Owners.

(e) Anything contained herein to the contrary notwithstanding, the Maintenance Association shall maintain such insurance coverage as may be required by the Federal National Mortgage Association ("FNMA") so long as FNMA holds a mortgage on or owns any Lot.

ARTICLE V

COMMON MAINTENANCE AREA
AND MAINTENANCE RESPONSIBILITIES

Section 1. Improvement of Common Maintenance Area. Declarant will landscape the Common Maintenance Area. The landscaping and wall construction shall be in accordance with the requirements, if any, of The City of San Diego, California, and otherwise shall be as specified by Declarant.

Section 2. Maintenance Association Maintenance. The Maintenance Association shall maintain and provide for the maintenance of all the Common Maintenance Area and all improvements thereon in good repair and appearance. The Maintenance Association shall provide landscaping and gardening properly to maintain and periodically replace when necessary the trees, plants, grass and other vegetation originally placed in the Common Maintenance Area by Declarant pursuant to landscape plans, if any, submitted to The City of San Diego and otherwise as specified by Declarant. The Maintenance Association shall have the right to enter onto any Lot (but not within the dwelling thereon) as may be necessary for the construction, maintenance or emergency repair of the Common Maintenance Area or, if necessary, for the benefit of the Owners in common. Any damage caused to a Lot by entry of the Maintenance Association shall be repaired by the Maintenance Association at its expense.

Section 3. Owner Maintenance. Each Owner shall keep and maintain in good repair and appearance all portions of his Lot and improvements thereon (other than that portion the maintenance of which is the responsibility of the Maintenance Association), including, but not limited to, any fence or wall which is located thereon. The Owner of each Lot shall water, weed, maintain and care for the landscaping located on his Lot (other than that portion the maintenance of which is the responsibility of the Maintenance Association) so that the same presents a neat and attractive appearance. No Owner shall interfere with or damage the Common Maintenance Area nor interfere with or impede the Declarant or Maintenance Association in connection with the maintenance thereof as herein provided.

Section 4. Transfer of Common Maintenance Area to Maintenance Association. The Common Maintenance Area over portions of Lots in Phase 1 shall be conveyed by easement from the Declarant to the Maintenance Association prior to the conveyance of record by Declarant of any Lot to an Owner. The Common Maintenance Area over portions of Lots which are annexed to the Declaration by Declaration of Annexation shall be conveyed by

easement from the Declarant to the Maintenance Association prior to the conveyance of record by Declarant to an Owner of any Lot covered by such Declaration of Annexation.

Section 5. Side Yard Easements.

(a) Upon conveyance by Declarant of a Lot, Declarant may (i) grant to the Owner an appurtenant side yard easement across a portion of an adjacent Lot, and (ii) reserve an appurtenant side yard easement across a portion of the Lot for the benefit of an adjacent Lot. Each Lot to which an appurtenant side yard easement is granted is referred to herein as a "Dominant Tenement". Each Lot over which an appurtenant side yard easement is reserved is referred to herein as a "Servient Tenement". The granted and reserved easement is referred to herein as a "Side Yard Easement".

(b) Each Side Yard Easement shall be appurtenant to the Dominant Tenement and shall be exclusively for the benefit of the Dominant Tenement, subject to the rights set forth in this Declaration, utility easements and licenses, and the rights set forth in all documents recorded prior to the recordation of the deed in which the Side Yard Easement is granted or reserved.

(c) Each Side Yard Easement may be used by the Owner(s) of the Dominant Tenement to which it is appurtenant for access, landscaping (including irrigation systems) and recreational purposes. The Owner(s) of the Dominant Tenement shall not improve or use the appurtenant Side Yard Easement in violation of any law or in a manner which would unreasonably interfere with the use of adjoining Lots by the Owners thereof. The Owners of the Dominant Tenement shall maintain the Side Yard Easement area appurtenant to their Lot.

(d) The Owner(s) of the Servient Tenement across which a Side Yard Easement is reserved shall retain the following rights with respect to the Side Yard Easement on the Servient Tenement:

(i) At all reasonable times to enter the Side Yard Easement area for purposes of inspecting, maintaining and repairing any structure located on the Servient Tenement, provided that such entry does not unreasonably interfere with the use thereof by the Owner(s) of the Dominant Tenement. The right of entry shall include the right of reasonable access across the Dominant Tenement to enter the Side Yard Easement area.

(ii) To drain water on, over and across the Side Yard Easement area so long as such drainage results from the

normal use of the Servient Tenement. The Owner(s) of the Dominant Tenement shall neither alter nor interfere with the drainage established by Declarant.

(iii) To install and maintain in the Side Yard Easement area roof overhangs, eaves, rain gutters and other appurtenances which are a part of the structure located on the Servient Tenement, provided that such appurtenances (other than downspouts) are not located below a height of seven (7) feet measured from the finished grade elevation of the Side Yard Easement area as established by Declarant; downspouts may extend to the finished grade elevation.

ARTICLE VI

ANNEXATION

Section 1. By Maintenance Association. Additional residential property and Common Maintenance Area may be annexed to the Properties or to the Declaration upon the vote or written assent of two-thirds (2/3) of the voting power of Members of the Maintenance Association, excluding the vote of Declarant. Upon such approval, the owner of the property wishing it to be annexed may file of record a Declaration of Annexation which shall extend the scheme of this Declaration to such property.

Section 2. By Declarant. Additional land within the Properties may be annexed as Lots and to the jurisdiction of the Maintenance Association by Declarant without the consent of Members of the Maintenance Association or the Board at any time 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 a phase of the development of the Properties; provided, however, that the FHA and VA shall determine that the annexation is in accord with the general plan approved by each.

ARTICLE VII

RIGHTS OF LENDERS

Section 1. Priority of Lien of Mortgage. No breach of the covenants, conditions or restrictions herein contained shall affect, impair, defeat or render invalid the lien or charge of any first Mortgage made in good faith and for value encumbering any Lot, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise, with respect to a Lot.

Section 2. Curing Defaults. A Mortgagee who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 3. Approval of First Mortgagees. Unless the Mortgagees of first Mortgages encumbering sixty-seven percent (67%) or more of the Lots which are subject to a Mortgage have given their prior written approval, the Maintenance Association shall not be entitled to:

(a) By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Maintenance Area. The granting of easements for public utilities or for other public purposes shall not be deemed a transfer within the meaning of this Subsection.

(b) Change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner.

(c) By act or omission, change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or exterior appearance of residences, the exterior maintenance of residences, the maintenance of Common Maintenance Area walks or common fences and driveways, or the upkeep of lawns and plantings in the project.

(d) Fail to maintain fire and extended coverage insurance on the Common Maintenance Area on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost).

(e) Use hazard insurance proceeds for losses to any portion of the Common Maintenance Area for other than the repair, replacement or reconstruction of such Common Maintenance Area.

Section 4. Restoration of Common Maintenance Area. Any restoration or repair of the Common Maintenance Area after partial condemnation or damage due to an insurable event, shall be performed substantially in accordance with this Declaration and original plans and specifications unless other action is approved by eligible holders of Mortgages on Lots which have at least fifty-one percent (51%) of the votes of Lots subject to eligible Mortgage holders. "Eligible Mortgage holder" as used in this Article, means a holder of a first Mortgage on a Lot who has

requested notice from the Maintenance Association of those matters described in Section 6 below.

Section 5. Professional Management. When professional management has been previously required by any eligible Mortgage holder, whether such entity became an eligible Mortgage holder at that time or later, any decision to establish self-management by the Maintenance Association shall require the prior consent of at least sixty-seven percent (67%) of the voting power of the Maintenance Association and the approval of eligible holders of Mortgages on Lots which have at least fifty-one percent (51%) of the votes of Lots subject to Mortgages of eligible Mortgage holders.

Section 6. Notice to Eligible Mortgagees. Upon written request to the Maintenance Association identifying the name and address of the holder and the Lot number or address, any eligible Mortgage holder will be entitled to timely written notice of:

(a) Any condemnation loss or any casualty loss which affects a material portion of the project or any Lot on which there is a first Mortgage held by such eligible Mortgage holder.

(b) Any delinquency in the payment of assessments or charges owed by an Owner subject to a first Mortgage held by such eligible holder which remains uncured for a period of sixty (60) days.

(c) Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Maintenance Association.

(d) Any proposed action which would require the consent of a specified percentage of eligible Mortgage holders as specified above.

Section 7. Documents to be Available. The Maintenance Association shall make available to Owners and Mortgagees, and holders, insurers or guarantors of any first Mortgage, current copies of the Declaration, the Bylaws, other rules concerning the project and the books, records and financial statements of the Maintenance Association. "Available" means available for inspection, upon request, during normal business hours or under other reasonable circumstances. The holders of first Mortgages encumbering fifty-one percent (51%) or more of the Lots subject to a Mortgage shall be entitled to have an audited statement for the immediately preceding fiscal year prepared at their expense if one is not otherwise available. Any such financial statement so requested shall be furnished within a reasonable time following such request.

Section 8. Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of this Declaration, the provisions of this Article shall control.

ARTICLE VIII

GENERAL PROVISIONS

Section 1. Enforcement. The Maintenance Association, Declarant and any Owner shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration. Failure by the Maintenance Association, Declarant or any Owner to enforce any covenants or restrictions herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. Severability. Should any provision in this Declaration be void or become invalid or unenforceable in law or equity by judgment or court order, the remaining provisions hereof shall be and remain in full force and effect.

Section 3. Amendments. Except as may otherwise be stated in this Declaration, during the period of time prior to conversion of the Class B membership in the Maintenance Association to Class A membership, this Declaration may be amended at any time and from time to time by an instrument in writing signed by seventy-five percent (75%) of the voting power of each class of Members of the Maintenance Association, any which amendment shall become effective upon the recording thereof with the Office of the County Recorder of San Diego County, California. After conversion of the Class B membership in the Maintenance Association to Class A membership, the Declaration may be amended at any time and from time to time by an instrument in writing signed by (a) seventy-five percent (75%) of the total voting power of the Maintenance Association, and (b) at least seventy-five percent (75%) of the voting power of Members of the Maintenance Association other than Declarant. Anything herein stated to the contrary notwithstanding, no material amendment may be made to this Declaration without the prior written consent of Mortgagees of first Mortgages encumbering seventy-five percent (75%) or more of the Lots within the Properties which are subject to a Mortgage. "Material amendment" shall mean, for purposes of this Section 3, any amendments to provisions of this Declaration governing any of the following subjects:

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

(b) Assessments, assessment liens and subordination thereof.

(c) The reserve for repair and replacement of the Common Maintenance Area.

(d) Property maintenance obligations.

(e) Casualty and liability insurance and fidelity bonds.

(f) Reconstruction in the event of damage or destruction.

(g) Rights to use the Common Maintenance Area.

(h) Leasing of Lots.

(i) The boundaries of any Lot.

(j) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Lot.

(k) Voting.

(l) Expansion or contraction of the Properties or the addition, annexation or withdrawal of property to or from the Properties.

(m) Any provision which, by its terms, is specifically for the benefit of first Mortgagees, or specifically confers rights on first Mortgagees.

Section 4. Extension of Declaration. Each and all of these covenants, conditions and restrictions shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which date they shall automatically be extended for successive periods of ten (10) years, unless the Owners have executed and recorded at any time within six (6) months prior to the end of said twenty (20) year period, or within six (6) months prior to the end of any such ten (10) year period, in the manner required for a conveyance of real property, a written instrument in which it is agreed that said restrictions shall terminate at the end of said twenty (20) year period or at the end of any such ten (10) year period.

Section 5. FHA and VA Approval. As long as there is a Class B membership in the Maintenance Association, the following actions will require the prior approval of the FHA and the VA: Annexation of additional property to the Properties, mergers and

consolidations, special assessments and amendment of this Declaration.

Section 6. Encroachment Easement. In the event any improvement to a Lot encroaches upon the Common Maintenance Area as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion thereof, an easement for the encroachment and for maintenance of the same shall exist so long as the encroachment exists; provided, however, that in no event shall an easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure on any Lot is partially or totally destroyed and then rebuilt, or repaired, the minor encroachments over adjoining Common Maintenance Area shall be permitted and there shall be easements for maintenance of such encroachments so long as they shall exist.

Section 7. Special Responsibilities of Maintenance Association. In the event that the improvements to be installed by Declarant to the Common Maintenance Area have not been completed prior to the issuance by the California Department of Real Estate of a Final Subdivision Public Report covering the Properties, and in the further event that the Maintenance Association is the obligee under a bond to secure performance by the Declarant to complete such improvements, then if such improvements have not been completed and a Notice of Completion filed within sixty (60) days after the completion date specified in the Planned Construction Statement appended to the bond, the Board shall consider and vote upon the question of whether or not to bring action to enforce the obligations under the bond. If the Maintenance Association has given an extension in writing for the completion of any such improvement, then the Board shall consider and vote on said question if such improvements have not been completed and a Notice of Completion filed within thirty (30) days after the expiration of the extension period. In the event that the Board determines not to take action to enforce the obligations secured by the bond, or does not vote on the question as above provided, then, in either such event, upon petition signed by Members representing five percent (5%) or more of the voting power of the Maintenance Association (excluding the voting power of Declarant), the Board shall call a special meeting of the Members of the Maintenance Association to consider the question of overriding the decision of the Board or of requiring the Board to take action on the question of enforcing the obligations secured by the bond. Said meeting of Members shall be held not less than thirty-five (35) days nor more than forty-five (45) days following receipt of the petition. At said meeting a vote of a majority of the voting power of Members of the Maintenance Association, excluding the vote of Declarant, to take action to

enforce the obligations under the bond shall be deemed to be the decision of the Maintenance Association, and the Board shall thereafter implement the decision by initiating and pursuing appropriate action in the name of the Maintenance Association. Nothing contained herein shall indicate or imply that the VA has or would approve any such bonding arrangement.

Section 8. Litigation. In the event of litigation arising out of or in connection with this Declaration, the prevailing party shall be entitled to receive costs of suit and such sum for attorney's fees as the Court deems reasonable.

IN WITNESS WHEREOF, the undersigned, being Declarant herein, has set its hand and seal as of the date first hereinabove written.

UDC DEVELOPMENT COMPANY, a
California corporation

By *Herb Palmtag*
Herb Palmtag, Vice President

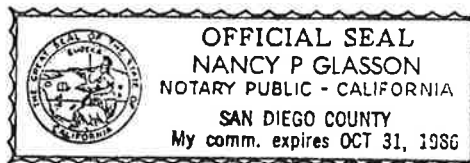
By _____

STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On this 3rd day of June, in the year 1985, before me, Nancy P. Glasson, a Notary Public in and for said State, personally appeared Herb Palmtag, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Vice President, and _____, personally known to me (or proved to me on the basis of satisfactory evidence) to be the _____ Secretary of the corporation that executed the within instrument, known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

Nancy P. Glasson
NOTARY PUBLIC



STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN DIEGO)

On this _____ day of _____, 19____, before me,
_____, a Notary Public in and for said
state, personally appeared ALEX C. McDONALD, personally known to
me (or proved to me on the basis of satisfactory evidence) to be
the person whose name is subscribed to the within instrument and
acknowledged that he executed the same.

WITNESS my hand and official seal.

NOTARY PUBLIC

BERNARDO HEIGHTS 14

Phase	Lots	Sq.Ft.	Acres	Landscaping	W A T E R			Budget
					Consumption	Meters	Total	
/cum				1230	\$0.71	\$12.20		
I	20	186,000	4.270	24,600				
cum	20	186,000	4.270	24,600	\$43.67	\$12.20	\$55.87	
II	20	161,950	3.718	24,600				
cum	40	347,950	7.988	49,200	\$87.33	\$12.20	\$99.53	
III	18	169,113	3.882	22,140				
cum	58	517,063	11.870	71,340	\$126.63	\$12.20	\$138.83	
IV	22	215,950	4.958	27,060				
cum	80	733,013	16.828	98,400	\$174.66	\$12.20	\$186.86	
V	21	204,925	4.704	25,830				
cum	101	937,938	21.532	124,230	\$220.51	\$12.20	\$232.71	
VI	20	237,952	5.463	24,600				
cum	121	1,175,890	26.995	148,830	\$264.17	\$12.20	\$276.37	
VII	7	45,362	1.041	8,610				
cum	128	1,221,252	28.036	157,440	\$279.46	\$12.20	\$291.66	

Plot	Sq. In.	Sq. Ft.
1	6.1	2,440
2	2.8	1,120
3	2.6	1,040
4	2.8	1,120
5	3.3	1,320
6	2.6	1,040
7	3.0	1,200
8	3.2	1,280
9	1.4	560
10	1.1	440
11	4.0	1,600
12	2.6	1,040
13	2.5	1,000
14	4.5	1,800
15	2.6	1,040
16	3.2	1,280
17	2.5	1,000
18	2.9	1,160
19	2.5	1,000
20	5.1	2,040

=====

1,226 ave

1275631

**ENDORSED
FILED**
in the office of the Secretary of State
of the State of California

MAY 16 1985

**MARCH FONG EU, Secretary of State
Leslie Glenn
Deputy**

ARTICLES OF INCORPORATION

OF

BERNARDO HEIGHTS UNIT NO. 14 MAINTENANCE ASSOCIATION

ARTICLE I

The name of this corporation (hereinafter called the "Maintenance Association") is BERNARDO HEIGHTS UNIT NO. 14 MAINTENANCE ASSOCIATION.

ARTICLE II

The principal office for the transaction of business of the Maintenance Association is located in San Diego County, State of California.

ARTICLE III

The Maintenance Association is a Nonprofit Mutual Benefit Corporation organized pursuant to the Nonprofit Mutual Benefit Corporation Law. The purpose of the Maintenance Association is to engage in any lawful act or activity for which a corporation may be organized under such Law. More specifically, the Maintenance Association will provide for management, administration, maintenance and preservation of a portion of a planned residential development project within that certain real property situated in The City of San Diego, County of San Diego, California, more particularly described as:

Lots 1 through 128, inclusive, of BERNARDO HEIGHTS UNIT NO. 14 according to Map thereof No. 11155 filed in the Office of the County Recorder of San Diego County, California, on February 27, 1985,

and to promote the health, safety and welfare of all of its members who shall be owners of Lots (as defined in the Declaration to which reference is hereafter made) within the above-described property and any additions thereto which may be brought within the jurisdiction of the Maintenance Association for these purposes.

ARTICLE IV

In furtherance of said purposes, the Maintenance Association shall have the power to perform all of the duties and obligations of the Maintenance Association as set forth in the Declaration of Covenants, Conditions and Restrictions ("Declaration") applicable to the property, owners of which are required by the Declaration to be members of the Maintenance Association, and recorded or to be recorded in the Office of the County Recorder of San Diego County, California.

Notwithstanding any of the above statements of purposes and powers, the Maintenance Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of the Maintenance Association.

ARTICLE V

The name and address in this state of the Maintenance Association's initial agent for service of process is HERB PALMTAG, 438 Camino del Rio South, Suite 112B, San Diego, California 92108.

ARTICLE VI

Every person or entity who is a record owner of a fee or undivided fee interest in any Lot which is subject by covenants of record to assessment by the Maintenance Association shall be a member of the Maintenance Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment by the Maintenance Association.

ARTICLE VII

The Maintenance Association shall have two classes of voting membership:

Class A. Class A members shall be all owners of a Lot with the exception of Declarant (as defined in the Declaration) and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be members. The vote for such Lot shall be exercised as

they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B member shall be the Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

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

(b) Two (2) years following the date of original issuance by the California Department of Real Estate of the most recently issued Final Subdivision Public Report for a phase of development of the property described in Article III; or

(c) Four (4) years following the date of original issuance by the California Department of Real Estate of the Final Subdivision Public Report for the first phase of the development of the property described in Article III.

ARTICLE VIII

The affairs of the Maintenance Association shall be managed by a Board of five (5) directors. At the first annual meeting of members, three (3) directors shall be elected for a term of one (1) year and two (2) directors shall be elected for a term of two (2) years. Thereafter, directors shall be elected at each annual meeting of members to fill the vacancies of those directors whose

term then expires and the term of each such director so elected shall be two (2) years.

ARTICLE IX

Upon dissolution of the Maintenance Association other than incident to a merger or consolidation, the net assets of the Maintenance Association shall be distributed to the members of the Maintenance Association as their interests may appear.

ARTICLE X

Amendment to these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Maintenance Association, and (ii) members representing seventy-five percent (75%) or more of the voting power of each class of members; provided, however, that after conversion of the Class B membership to Class A membership, amendment to these Articles of Incorporation shall require the assent (by vote or written consent) of (a) a bare majority of the Board of Directors of the Maintenance Association, (b) seventy-five percent (75%) or more of the total voting power of members,

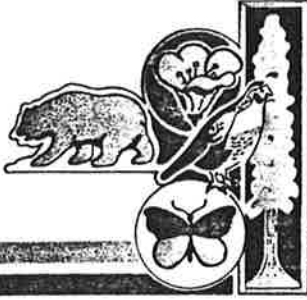
and (c) seventy-five percent (75%) or more of the voting power of members other than Declarant.

DATED: May 15, 1985

/s/ Alex C. McDonald
ALEX C. McDONALD, Incorporator

I declare that I am the person who executed the above Articles of Incorporation, and that this instrument is my act and deed.

/s/ Alex C. McDonald
ALEX C. McDONALD



State
of
California

OFFICE OF THE SECRETARY OF STATE

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

MAY 16 1905

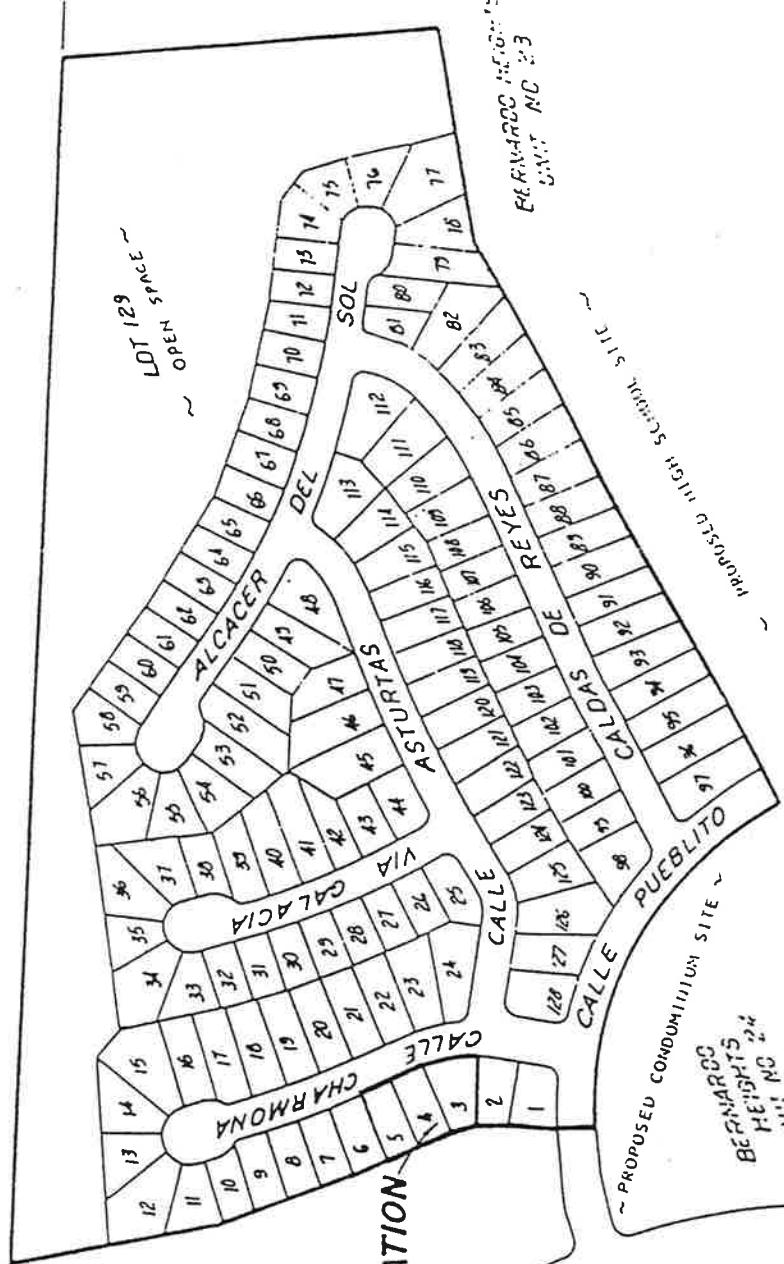


March Fong Eu

Secretary of State

POMERADO ROAD

~ EXIST. COMMERCIAL BLDGS. ~



LOCATION

BERNARDO HEIGHTS PARKWAY

~ EXIST. SHOPPING CENTER ~

BERNARDO HEIGHTS UNIT NO 11

BERNARDO HEIGHTS UNIT NO 13

PROPOSED CHURCH SITE

~ EXIST. REC. BLDG. ~

AVENIDA VILLAHA

~ PROPOSED CONDOMINIUM SITE ~

BERNARDO HEIGHTS UNIT NO 24

BERNARDO HEIGHTS UNIT NO 23

1.4 Pursuant to an "Instrument of Imposition and Declaration of Annexation for the Community of Bernardo Heights," filed for record June 15, 1981, File/Page No. 81-186275, Official Records of San Diego County, California, UDC and Declarant imposed the Community Declaration upon the Annexation Property to the same extent as if Declarant had owned the Annexation Property as of the date the Community Declaration was filed for record; the execution and recordation of the Instrument of Imposition did not constitute the annexation of the Annexation Property.

1.5 Declarant and UDC intend to annex the Annexation Property to the Community of Bernardo Heights pursuant to the provisions of the Community Declaration. By such annexation procedure, it is the intention of Declarant and UDC that the covenants, conditions and restrictions of the Community Declaration apply to the Annexation Property in the same manner as if the Annexation Property were originally covered by the Community Declaration as a part of the Community. None of the provisions of this Declaration of Annexation will in any event be construed as revoking, modifying or adding to the limitations, restrictions and covenants established by the Community Declaration, nor will it discriminate between owners of the Annexation Property and other owners of any other property within the Community, except as otherwise expressly provided in the Community Declaration. No amendment, addition, change or deletion in this Declaration of Annexation will be deemed to alter or change the general common plan or scheme created by the Community Declaration or affect the provisions thereof as covenants running with the land or as equitable servitudes to be uniformly applicable to all portions of the Community, including those portions added thereto by annexation.

ARTICLE 2 - Annexation of Annexation Property

2.1 Declarant and UDC hereby declare the following:

2.1.1 This Declaration of Annexation is issued in compliance with the Community Declaration.

2.1.2 Upon the recordation of this Declaration of Annexation in the Office of the Recorder of the County of San Diego, the annexation of the Annexation Property shall be and become accomplished and all of the incidents of the annexation of said property, as set forth in the Community Declaration, shall be in full force and effect.

ARTICLE 3 - Application of Community Declaration

3.1 The terms and provisions of the covenants, conditions and restrictions of the Community Declaration will apply to the Annexation Property as if it were originally covered by the Community Declaration as a part of the Community.

3.2 After this annexation, the Community Assessments established in Paragraph 4.2 et seq. of the Community Declaration will be reassessed with the Annexation Property being assessed for a proportionate share of the total Community expenses on the same basis of assessment as other property in the Community.

3.3 In accordance with Paragraph 4.6 of the Community Declaration, Regular Community Assessments will commence as to all the Annexation Property upon the first day of the calendar month next following the closing of the sale of the first lot or unit in the Annexation Property to an owner other than Declarant or a Merchant Builder.

3.4 Upon annexation, the Bernardo Heights II Recreation Association, a California nonprofit mutual benefit corporation, will be the Neighborhood Association (as defined in the Community Declaration) for the Annexation Property.

ARTICLE 4 - General Provisions

4.1 Words, terms and phrases used herein and in the Community Declaration shall have the meaning ascribed thereto in the Community Declaration.

4.2 All exhibits referred to in this Declaration of Annexation are attached to, and a part of, this Declaration of Annexation.

IN WITNESS WHEREOF, this Declaration of Annexation has been executed at San Diego, California, as of the dates set forth adjacent to each party's signature.

GENSTAR DEVELOPMENT INC., a
New York corporation (Genstar
Southwest Development)

By 
M. R. Scott
Assistant Vice President

By 
LaDonna K. Monsees
Assistant Secretary

7/23/ 1986

UDC-UNIVERSAL DEVELOPMENT L.P.,
a Delaware Limited Partnership
doing business in California
as UDC Homes, Limited Partnership

By: UDC Corporation, a Delaware
corporation, General Partner

July 21, _____, 1986

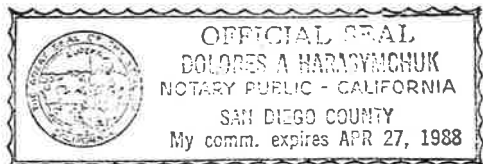
By *Deel Polity*
Vice President

By *Thomas J. Parsons*
Asst Secretary

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN DIEGO)

On *July 23*, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared M.R. Scott, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Assistant Vice President, and LADONNA K. MONSEES, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Assistant Secretary of GENSTAR DEVELOPMENT, INC., a New York corporation, and acknowledged to me that they are the persons who executed the within instrument as Assistant Vice President and Assistant Secretary on behalf of the corporation therein named and further acknowledged to me that the corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.

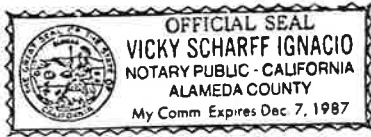


Dolores A. Harasymchuk
Notary Public in and for said
County and State

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN DIEGO)

On July 21, 1986, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Herb Palmtag, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Vice president, and Thomas T. Parsons, personally known to me (or proved to me on the basis of satisfactory evidence) to be the Asstn. secretary of UDC Homes Corporation, a Delaware corporation, and acknowledged to me that they are the persons who executed the within instrument as Vice president and Asstn. secretary on behalf of the corporation therein named and further acknowledged to me that the corporation executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.



Vicky Scharff Ignacio
Notary Public in and for said
County and State

EXHIBIT A

LOTS 48 through 65, LOTS 70 through 87 and LOTS 109 through 112, inclusive, of BERNARDO HEIGHTS UNIT NO. 14, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11155 filed in the Office of the County Recorder of San Diego County on February 27, 1985.

LOTS 4 and 5 of BERNARDO HEIGHTS UNIT NO. 24, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11156 filed in the Office of the County Recorder of San Diego County on February 27, 1985.



LA FLORES
(HOMES)
11/20/95

(F14) FB.

GENSTAR

Genstar Southwest Development
9404 Genesee Avenue, Suite 340
La Jolla, CA 92037
Telephone 619-455-1230

Dee Valle

RECORDED
AUG 12 1986

Mailing Address: Post Office Box 85034, San Diego, CA 92138

August 12, 1986

Ms. Carol Byrnes
Professional Community Management
12540 Oaks North Drive, Ste 7
San Diego, Ca 92129

Subject: Bernardo Heights Units 14 and 24

Dear Carol:

Please find enclosed for your files copy of a recorded Declaration of Annexation for Lots 48-65; 70-87; 109-112 of Unit 14 and Lots 4 and 5 of Unit 24.

Sincerely,

GENSTAR SOUTHWEST DEVELOPMENT

Dee Valle

Dee Valle
Sales Administrator

DAV:pek
enclosure

April 6, 1991

~~UDC Homes
438 Camino Del Rio South
Suite 112-B
San Diego, California 92108~~

Re: Las Floras patio homes:
tile roof failure

Attn: Ms. Lisa Eagerton

Dear Ms. Eagerton:

Confirming our telephone conversation, April 4th, 1991, we request that you present the homeowner's concern to the roofing contractor and UDC management.

During the inclement weather last month, several owners found tile nails scattered about on the ground as well as tiles which had fallen from the roof. This has created a considerable amount of concern from a liability standpoint.

A few months ago after losing tiles, one of the homeowners, through UDC, arranged for correction of the problem. The contractor re-nailed tiles around the roof edge. It appeared the nails initially used were sub-standard length and had not engaged the wood.

A dangerous condition exists with falling tiles which could cause serious injury, as well as contribute to potential roof leakage and the resultant water damage. We feel sure UDC and the roofing contractors both share with the homeowners in their concern for the integrity of the roof tiles and the liability potential that exists.

Concerned homeowners are listed on the attached pages.

Very truly yours,

Las Floras Homeowners Group
as per attachment

Copy:
NN Jaeschke, Inc., Attn: Irene Waring
8847 Complex Dr., San Diego, CA 92123

Bernardo Heights Unit 14 Maintenance Ass'n
Attn: Mr. Alan Groh

Bernardo Heights II Recreation Ass'n
Attn: Mr. Gary Beckstead

CABH, Attn: Clare Rice, President

File

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

Subdivider has transmitted herewith to TICOR TITLE INSURANCE COMPANY
OF CALIFORNIA
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 5,969.88.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as BERNARDO HEIGHTS UNIT NO 14
("Las Floras") PHASE 4,
(Name and/or Tract No.)

DRE File No. 058988LA F00, County of San Diego,
to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
is the marketing plan) and (2) escrow depository has received a
certified copy of a resolution of the governing body of the owners
association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
which he is obligated.

In the event of a dispute between subdivider and the aforesaid
association with respect to the question of satisfaction of the
conditions for exoneration or release of the security, the issue or

issues shall, at the request of either party, be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) before an arbitrator selected from the panels of the arbitrators of AAA. In the event of referral to arbitration, subdivider will remit the fee to initiate the arbitration. The parties agree, however, that the costs of arbitration shall ultimately be borne as determined by the arbitrator.

The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

UDC-UNIVERSAL DEVELOPMENT L.P., a Delaware limited partnership, doing business in California as UDC HOMES LIMITED PARTNERSHIP

BY: UDC CORPORATION, A Delaware corporation

By: [Signature]

(Title)

438 Camino del Rio South, Suite B-112
(Address)

San Diego, California 92108
(City and State)

Dated: 5/21/82

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS
(Owner's Association)

By: [Signature]

PRESIDENT
(Title)

16005 Bernardo Heights Parkway
(Address)

San Diego, California 92128
(City and State)

Dated: _____

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA,
a California corporation
(Escrow Depository)

By: _____

(Title)

925 "B" Street
(Address)

San Diego, California 92101
(City and State)

Dated: _____

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

Subdivider has transmitted herewith to TICOR TITLE INSURANCE COMPANY
OF CALIFORNIA
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 5,117.04.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as BERNARDO HEIGHTS UNIT NO 14
("Las Floras") PHASE 3,
(Name and/or Tract No.)

DRE File No. 058987LA FOO, County of San Diego,
to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
is the marketing plan) and (2) escrow depository has received a
certified copy of a resolution of the governing body of the owners
association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
which he is obligated.

In the event of a dispute between subdivider and the aforesaid
association with respect to the question of satisfaction of the
conditions for exoneration or release of the security, the issue or

issues shall, at the request of either party, be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) before an arbitrator selected from the panels of the arbitrators of AAA. In the event of referral to arbitration, subdivider will remit the fee to initiate the arbitration. The parties agree, however, that the costs of arbitration shall ultimately be borne as determined by the arbitrator.

The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

-UNIVERSAL DEVELOPMENT L.P., a Delaware limited partnership, doing business in California as HOMES LIMITED PARTNERSHIP

UDC CORPORATION, A Delaware corporation

By: [Signature]

(Title)

438 Camino del Rio South, Suite B-112
(Address)

San Diego, California 92108
(City and State)

Dated: 5/2/86

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS
(Owner's Association)

By: [Signature]

PRESIDENT

(Title)

16066 Bernardo Heights Parkway
(Address)

San Diego, California 92128
(City and State)

Dated: _____

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA,
a California corporation
(Escrow Depository)

By: _____

(Title)

925 "B" Street
(Address)

San Diego, California 92101
(City and State)

Dated: _____

DEPARTMENT OF REAL ESTATE

C.A.
FILE COPY

ESCROW DEPOSITORY
2.9 (FOR SINGLE
30/80)

BOND # 9333045

TICOR TITLE INSURANCE COMPANY
OF CALIFORNIA

Subdivider has transmitted herewith to
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 6,254.16

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as BERNARDO HEIGHTS UNIT NO 14
("Las Floras") PHASE 4
(Name and/or Tract No.)

DRE File No. 058988LA F00, County of San Diego
to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
is the marketing plan) and (2) escrow depository has received a
certified copy of a resolution of the governing body of the owners
association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
which he is obligated.

In the event of a dispute between subdivider and the aforesaid
association with respect to the question of satisfaction of the
conditions for exoneration or release of the security, the issue or

issues shall, at the request of either party, be submitted to arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association (AAA) before an arbitrator selected from the panels of the arbitrators of AAA. In the event of referral to arbitration, subdivider will remit the fee to initiate the arbitration. The parties agree, however, that the costs of arbitration shall ultimately be borne as determined by the arbitrator.

The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

UDC-UNIVERSAL DEVELOPMENT L.P., a Delaware limited partnership, doing business in California as UDC HOMES LIMITED PARTNERSHIP

BY: UDC CORPORATION, A Delaware corporation

By: [Signature]

(Title)

438 Camino del Rio South, Suite B-112
(Address)

San Diego, California 92108
(City and State)

Dated: 4/20/86

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS
(Owner's Association)

By: [Signature]

(Title)

1600 Bernardo Bernardo Heights Parkway
(Address)

San Diego, California 92128
(City and State)

Dated: _____

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA,
a California corporation
(Escrow Depository)

By: [Signature]

(Title)

925 "B" Street
(Address)

San Diego, California 92101
(City and State)

Dated: 6-26-86

STATE OF CALIFORNIA

DEPARTMENT OF REAL ESTATE

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

Subdivider has transmitted herewith to TICOR TITLE INSURANCE COMPANY OF CALIFORNIA
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 5,970.00.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as BERNARDO HEIGHTS UNIT NO. 14, PHASE, 5
(Name and/or Tract No.)

DRE File No. 059866LA F00, County of San Diego,
to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS.

~~ASSOCIATION~~

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
is the marketing plan) and (2) escrow depository has received a
certified copy of a resolution of the governing body of the owners
association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
which he is obligated.

In the event of a dispute between subdivider and the aforesaid
association with respect to the question of satisfaction of the
conditions for exoneration or release of the security, the issue or

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The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

UDC UNIVERSAL DEVELOPMENT L.P., a Delaware limited partnership doing business in California as UDC HOMES LIMITED PARTNERSHIP

(Subdivider)
 UDC CORPORATION, a Delaware corporation,
 General Partner

Thomas Parsons
 (Title)

438 Camino del Rio South, Suite B-112
 (Address)

San Diego, California 92108
 (City and State)

Dated: _____

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS
 (Owner's Association)

By: [Signature]

President
 (Title)

1650 Bernardo Heights Parkway
 (Address)

San Diego CA 92128
 (City and State)

Dated: 10/24/89

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA
 (Escrow Depository)

By: _____

 (Title)

438 Camino del Rio South, Suite B-112
 (Address)

San Diego, California 92108
 (City and State)

Dated: _____



438 Camino del Rio South
Suite 112B
San Diego, California 92108

(619) 298-8070

UDC Homes
Limited Partnership

October 22, 1986

Ms. Cindy Sorenson
Bernardo Heights Community Association
16150 Bernardo Heights Pkwy.
San Diego, Ca 92128

Re: Bond Request Form

Dear Cindy:

Please have George Cathcart sign the enclosed form and return same to me as soon as possible.

It is imperative that we have the form back by early next week, since a Department of Real Estate filing is dependent on it.

Should you have any questions, please feel free to call.

Sincerely,

A handwritten signature in blue ink that reads "Deborah J. D'Andria".

Deborah J. D'Andria
Administrative Assistant

/djd
Encl.

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

*file
maint
Bond*

Subdivider has transmitted herewith to Ticor Title Insurance Company
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 4,237.20 BOND No. 9114595.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as Bernardo Heights Unit No. 14 (Phase, 1)
(Name and/or Tract No.)

DRE File No. 057100LA F00, County of San Diego,
to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to The Community Association of Bernardo Heights
~~Association~~.

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
is the marketing plan) and (2) escrow depository has received a
certified copy of a resolution of the governing body of the owners
association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
which he is obligated.

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association with respect to the question of satisfaction of the
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The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

UDC UNIVERSAL L.P., a Delaware limited partnership, doing business in the State of California as UDC HOMES LIMITED PARTNERSHIP.

BY: UDC CORPORATION, a Delaware Corporation, doing business in the State of California as UDC HOMES CORPORATION

By: [Signature]
its U.P.

By: _____
its _____

438 Camino del Rio South, Suite B-112
San Diego, California 92108

Dated: 7/19/85

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS
(Owner's Association)

By: [Signature]
(Title) President

(Address) _____

(City and State) _____

Dated: _____

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA
(Escrow Depository)

By: _____
(Title) _____

220 "A" Street
(Address) _____

San Diego, California 92101
(City and State) _____

Dated: _____

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

Subdivider has transmitted herewith to Ticor Title Insurance Company
(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 4,237.20 BOND No. 911459S.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as Bernardo Heights Unit No. 14 (Phase,1)
(Name and/or Tract No.)

DRE File No. 057100LA F00, County of San Diego,

to pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to The Community Association of Bernardo Heights
~~Association.~~

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
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subdivision (or that he has leased 80% of the lots and/or units if that
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association adopted not more than 30 days prior to its receipt, stating
that subdivider is not delinquent in the payment of assessments for
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association with respect to the question of satisfaction of the
conditions for exoneration or release of the security, the issue or

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The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

UDC UNIVERSAL L.P., a Delaware limited partnership, doing business in the State of California as UDC HOMES LIMITED PARTNERSHIP.

BY: UDC CORPORATION, a Delaware corporation, doing business in the State of California as UDC HOMES CORPORATION

By: Albert M. Valby
its U.P.

By: _____
its _____

438 Camino del Rio South, Suite B-112
San Diego, California 92108

Dated: 7/19/88

THE COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS

(Owner's Association)

By: M. Matt

(President)
(Title)

16150
(Address)

(City and State)

Dated: _____

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY OF CALIFORNIA
(Escrow Depository)

By: _____

(Title)

220 "A" Street
(Address)

San Diego, California 92101
(City and State)

Dated: _____

INSTRUCTIONS TO ESCROW DEPOSITORY
UNDER REGULATION 2792.9 (FOR SINGLE
PHASE SUBDIVISIONS)

RE FORM 643 (Rev. 9/30/80)

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(escrow depository) as trustee, a surety bond cash deposit in
the amount of \$ 4,237.20.

This bond or deposit, is given in compliance with Section 2792.9,
Chapter 6, Title 10, California Administrative Code, as security for the
fulfillment of obligation of subdivider under Covenants, Conditions, and
Restrictions for the subdivision known as Bernardo Heights Unit No. 14 (Phase, 1)
(Name and/or Tract No.)

DRE File No. 057100LA F00, County of San Diego,

pay regular and special assessments allocable to lots and/or units in
the aforesaid subdivision to BERNARDO HEIGHTS COMMUNITY
Association.

The security shall remain in the custody of escrow depository until
(1) subdivider has given written notice to escrow depository that he has
conveyed title to 80% of the lots and/or units comprising the
subdivision (or that he has leased 80% of the lots and/or units if that
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association with respect to the question of satisfaction of the
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The parties further agree to abide by the determination of the arbitrator with respect to the exoneration or release of the security and with respect to payment of the costs of arbitration.

UDC DEVELOPMENT COMPANY
(Subdivider)

By: *Joseph J. Gross*
Joseph J. Gross
(Title)

438 Camino Del Rio South, Suite B-112
(Address)

San Diego, California 92108
(City and State)

Dated: *July 10th, 1985*

BERNARDO HEIGHTS COMMUNITY ASSOCIATION
(Owner's Association)

By: *Michael*
President
(Title)

(Address)

(City and State)

Dated: _____

Escrow depository acknowledges receipt of an executed copy of the above instructions and agrees to carry out the terms thereof.

TICOR TITLE INSURANCE COMPANY
(Escrow Depository)

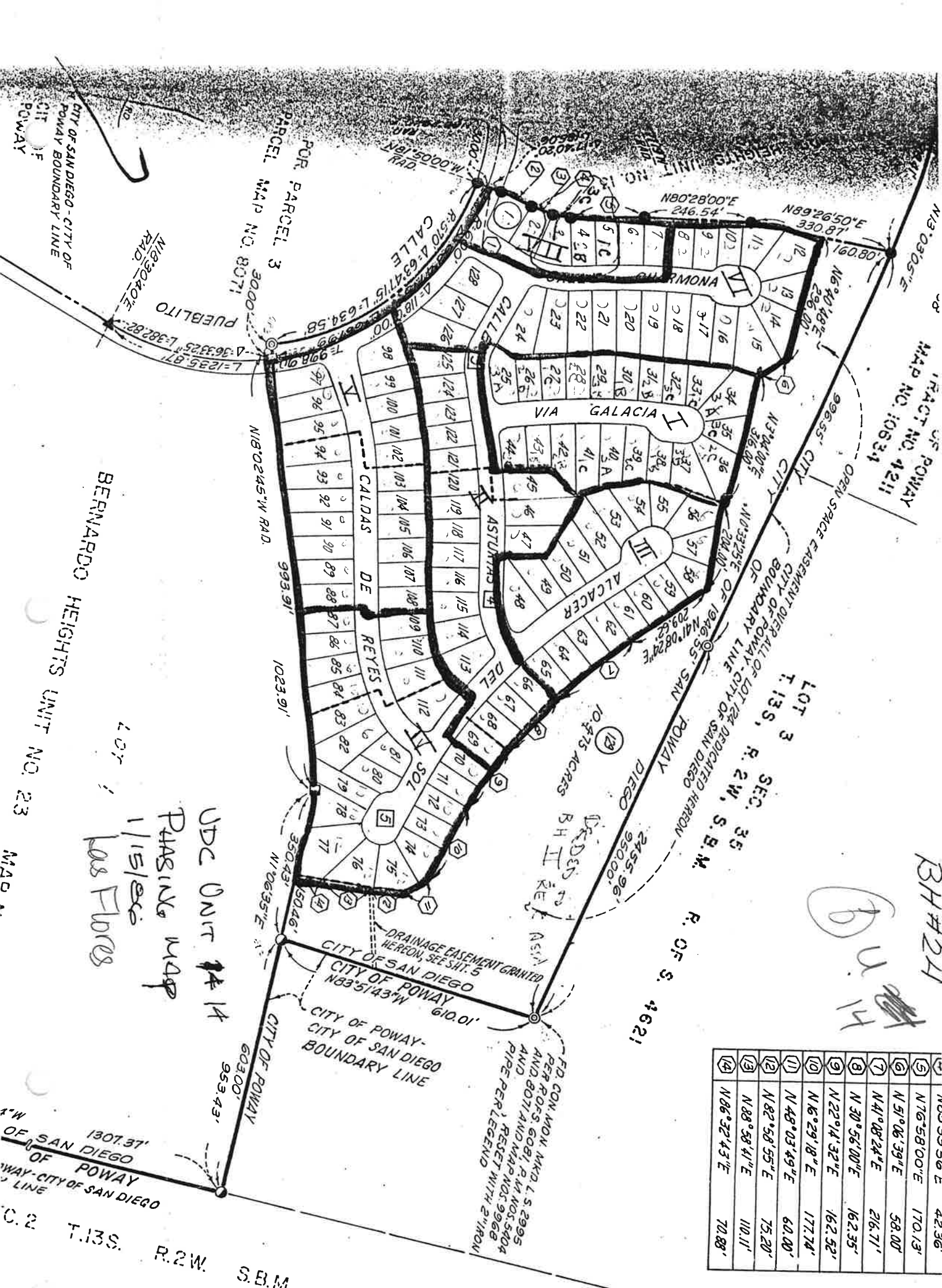
By: _____

(Title)

220 "A" Street
(Address)

San Diego, California 92101
(City and State)

Dated: _____



1	N 86° 32' 43" E	70.88'
2	N 82° 58' 55" E	75.20'
3	N 88° 58' 41" E	110.11'
4	N 48° 03' 49" E	60.00'
5	N 6° 29' 18" E	177.74'
6	N 22° 14' 32" E	162.52'
7	N 30° 56' 00" E	162.35'
8	N 41° 08' 24" E	216.71'
9	N 51° 06' 39" E	58.00'
10	N 76° 58' 00" E	170.13'
11	N 00° 33' 36" E	42.36'

- ⊙ INDICATES WILL SET 2" X 24"
- INDICATES FOUND 2" IRON PIPE UNLESS OTHERWISE NOTE
- INDICATES FOUND 2" IRON PIPE
- INDICATES FOUND 2" IRON PIPE NO. 8071 AND MAP NO.
- INDICATES FOUND STREET SL MAP NOS. 9968 AND
- ▲ INDICATES FOUND STREET PER MAP NO.
- INDICATES ABUTTERS
- INDICATES S

- UNLESS OTHERWISE SHOWN ON:
1. ALL LOT CORNERS EXCEPT A BY A 1/2-INCH BY 1/8-INCH IRON
 2. LOT CORNERS ALONG THE SIDEWALK WILL BE MONUMENTED BY A DI EXTENSION OF THE LOT LINE AT THE OFFSET SHALL BE MEASURED RIGHT OF WAY LINE.
 3. ALL POINTS OF CURVE OF THE S MONUMENTED BY A DISC, STAIN 7- FEET IN THE SIDEWALK. THE

1 INDICATES 1

129 INDICATES 1

TOTAL AREA -----

BASIS OF BEARINGS

THE BASIS OF BEARINGS FOR THE LINE OF BERNARDO HEIGHTS PA

RECORDED IN OFFICIAL RECORDS OF SAN DIEGO COUNTY

RECEIVED PCM
MAY - 6 1986

1985 DEC 20 PM 1:20

VERA L. LYLE
COUNTY RECORDER

RF	7
AR	5
TLR	
MG	1

Recording Requested By:
 Declarant
 When Recorded Mail To:
 Genstar Development Inc.
 La Jolla Eastgate Bldg.
 Suite 340
 9404 Genesee Ave.
 La Jolla, California 92037
 Attention: Ms. Nancy Douglas

File UDC

) Space Above For Recorder's Use

AMENDMENT OF COMMUNITY DECLARATION,
 DECLARATION OF ANNEXATION AND SUPPLEMENTAL RESTRICTIONS
 FOR THE COMMUNITY OF BERNARDO HEIGHTS

GENSTAR DEVELOPMENT INC., a New York corporation ("Declarant"), and UDC-UNIVERSAL DEVELOPMENT L.P., a Delaware limited partnership ("UDC"), make this Amendment of Community Declaration, Declaration of Annexation and Supplemental Restrictions for the Community of Bernardo Heights on the terms and conditions stated herein with reference to the facts set forth in Article 1.

ARTICLE 1 - Recitals

1.1 UDC owns the real property described in Exhibit A ("the Annexation Property").

1.2 Declarant caused to be filed for record on September 30, 1980, File/Page No. 80-319018, Official Records of San Diego County, California, that certain "Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights" dated September 29, 1980 ("the Community Declaration"); the Community Declaration was amended by a "First Amendment to Declaration of Covenants, Conditions and Restrictions" recorded July 31, 1981, File/Page No. 81-243645, Official Records of San Diego County, California.

1.3 The Annexation Property was included in Exhibit B to the Community Declaration as property subject to annexation by Declarant into the Community of Bernardo Heights ("the Community") even though at the time the Community Declaration was filed for record, the Annexation Property was owned by UDC Development Company, a California corporation.

1.4 Pursuant to an "Instrument of Imposition and Declaration of Annexation for the Community of Bernardo Heights," filed for record June 15, 1981, File/Page No. 81-186275, Official Records of San Diego County, California, UDC DEVELOPMENT COMPANY and Declarant imposed the Community Declaration upon the Annexation Property to the same extent as if Declarant had owned the Annexation Property as of the date the Community Declaration was filed for record; the execution and recordation of the Instrument of Imposition did not constitute the annexation of the Annexation Property.

1.5 Declarant and UDC intend to annex the Annexation Property to the Community of Bernardo Heights pursuant to the provisions of the Community Declaration. By such annexation procedure, it is the intention of Declarant and UDC that the covenants, conditions and restrictions of the Community

Declaration apply to the Annexation Property in the same manner as if the Annexation Property were originally covered by the Community Declaration as a part of the Community. None of the provisions of this Declaration of Annexation will in any event be construed as revoking, modifying or adding to the limitations, restrictions and covenants established by the Community Declaration, nor will it discriminate between owners of the Annexation Property and other owners of any other property within the Community, except as otherwise expressly provided in the Community Declaration. No amendment, addition, change or deletion in this Declaration of Annexation will be deemed to alter or change the general common plan or scheme created by the Community Declaration or affect the provisions thereof as covenants running with the land or as equitable servitudes to be uniformly applicable to all portions of the Community, including those portions added thereto by annexation.

ARTICLE 2 - Annexation of Annexation Property

2.1 Declarant and UDC hereby declare the following:

2.1.1 This Declaration of Annexation is issued in compliance with the Community Declaration.

2.1.2 Upon the recordation of this Declaration of Annexation in the Office of the Recorder of the County of San Diego, the annexation of the Annexation Property shall be and become accomplished and all of the incidents of the annexation of said property, as set forth in the Community Declaration, shall be in full force and effect.

ARTICLE 3 - Application of Community Declaration

3.1 The terms and provisions of the covenants, conditions and restrictions of the Community Declaration will apply to the Annexation Property as if it were originally covered by the Community Declaration as a part of the Community.

3.2 After this annexation, the Community Assessments established in Paragraph 4.2 et seq. of the Community Declaration will be reassessed with the Annexation Property being assessed for a proportionate share of the total Community expenses on the same basis of assessment as other property in the Community.

3.3 In accordance with Paragraph 4.6 of the Community Declaration, Regular Community Assessments will commence as to all the Annexation Property upon the first day of the calendar month next following the closing of the sale of the first lot or unit in the Annexation Property to an owner other than Declarant or a Merchant Builder.

3.4 Upon annexation, the Bernardo Heights II Recreation Association, a California nonprofit mutual benefit corporation, will be the Neighborhood Association (as defined in the Community Declaration) for the Annexation Property.

ARTICLE 4 - General Provisions

4.1 Words, terms and phrases used herein and in the Community Declaration shall have the meaning ascribed thereto in the Community Declaration.

4.2 All exhibits referred to in this Declaration of Annexation are attached to, and a part of, this Declaration of Annexation.

PARCEL 1:

Lots 91 through 97, inclusive, of BERNARDO HEIGHTS UNIT NO. 11, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 9968 filed in the Office of the County Recorder of San Diego County on January 14, 1981.

PARCEL 2:

Lot 103 of BERNARDO HEIGHTS UNIT NO. 12, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 9970 filed in the Office of the County Recorder of San Diego County on January 15, 1981.

PARCEL 3:

Lots 25 through 44, inclusive, of BERNARDO HEIGHTS UNIT NO. 14, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11155 filed in the Office of the County Recorder of San Diego County on February 27, 1985.

PARCEL 4:

Lot 2 of BERNARDO HEIGHTS UNIT NO. 24, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11156 filed in the Office of the County Recorder of San Diego County on February 27, 1985.

333 Wilshire
Anaheim, California 92801
(714) 999-1471
(213) 402-7877

BOND NO. 911459s
ADDITIONAL PREMIUM: \$24.00
Annually

INCREASE OR DECREASE PENALTY RIDER

AGGREGATE BOND AMOUNT: \$5,464.00

AGGREGATE PREMIUM: \$109.00

KNOW ALL MEN BY THESE PRESENTS:

That we, Developers Insurance Company, a corporation organized and doing business under and by virtue of the laws of the State of California and duly licensed to conduct a general surety business in the State of California as Surety, are held and firmly bound unto Bernardo Heights Community Association

as Obligee, upon the bond of UDC - Universal Development L.P., a Delaware limited partnership doing business in California as UDC Homes Limited Partnership

dated the 2nd day of July, 19 85, in the penalty of Four thousand two hundred thirty seven and 20/100ths Dollars (\$ 4,237.20).

At the request of said Obligee Developers Insurance company does hereby decrease increase the penalty of said bond to the sum of Five thousand four hundred sixty four and no/100 Dollars (\$ 5,464.00), to be effective as of the 13th day of November, 19 85, and does hereby agree that the continuity of protection under said bond, subject to changes in penalty, shall not be impaired hereby, provided that the aggregate liability of Developers Insurance Company shall not exceed the larger of the above-mentioned items.

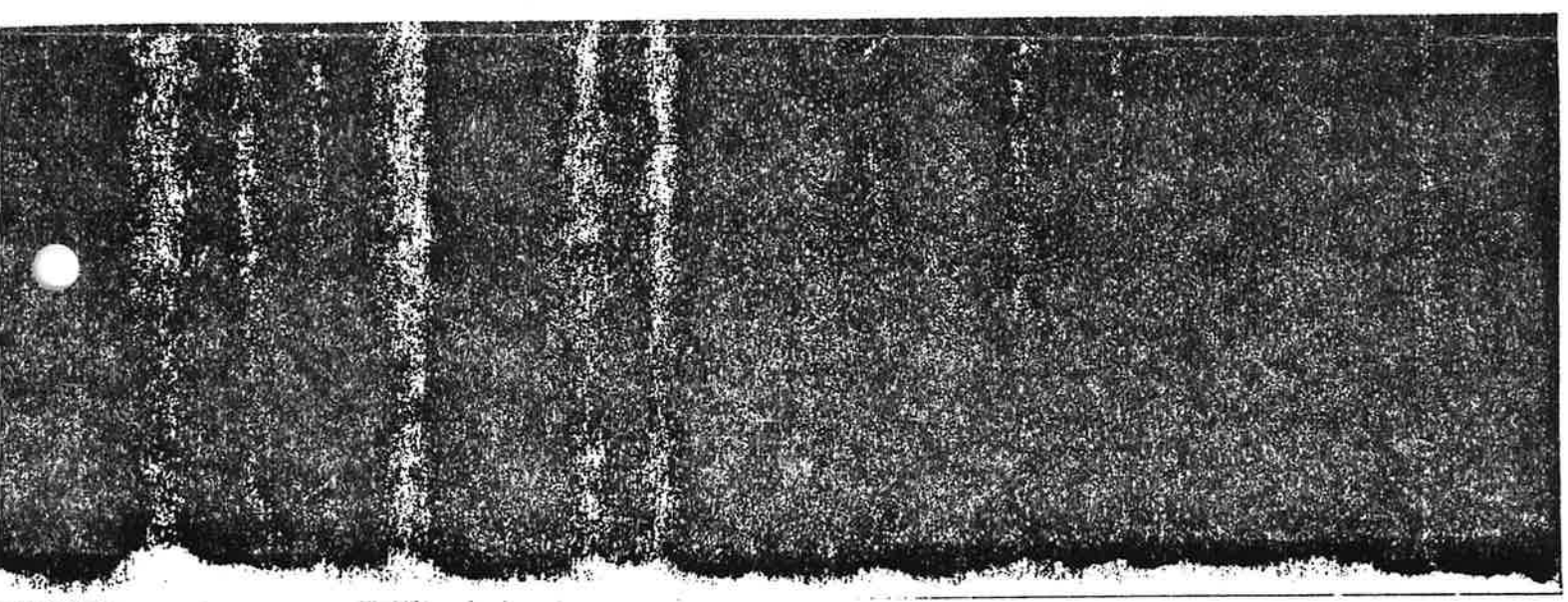
IN WITNESS WHEREOF, the seal and signature of said Surety is hereto affixed and attested by its duly authorized Attorney-in-Fact at San Diego, California.

this 13th day of November, 19 85.

DEVELOPERS INSURANCE COMPANY

BY: Jerome L. Hren Attorney in Fact

Acknowledged By: _____
Obligee



RIDER

TO BE ATTACHED TO AND FORM PART OF BOND NO. 911459S

ON BEHALF OF UDC DEVELOPMENT COMPANY

IT IS AGREED THAT:

NAME OF PRINCIPAL IS HEREBY AMENDED TO READ:

UDC - UNIVERSAL DEVELOPMENT L.P., A DELAWARE LIMITED PARTNERSHIP
DOING BUSINESS IN CALIFORNIA AS UDC HOMES LIMITED PARTNERSHIP

AGREED AND CONSENTED TO THIS 25TH DAY OF JULY 1985.

THIS RIDER IS EFFECTIVE AS OF NOON ON JULY 25, 1985, STANDARD TIME
AS SPECIFIED IN THE ATTACHED BOND.

DEVELOPERS INSURANCE COMPANY

BY: *Jerome L. Hren*
JEROME L. HREN, ATTORNEY-IN-FACT

DICO

CORPORATION

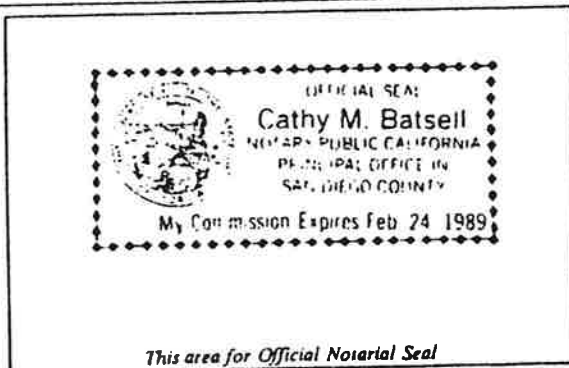
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO } SS.
On JULY 25, 1985

before me, the undersigned, a Notary Public in and for said State.

personally appeared JEROME L. HREN
personally known to me (or proved to me on the basis of satisfactory
evidence) to be the person who executed the within instrument as Power of
Attorney on behalf of Developers Insurance Company, the corporation
therein named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

Signature *Cathy M. Batsell*



The Insko/Dico Group

DICO

STATE OF CALIFORNIA
DEPARTMENT OF
REAL ESTATE

BOND NO: 9114595

INITIAL PREMIUM: \$85.00
SUBJECT TO RENEWAL.

MAINTENANCE ASSESSMENT BOND

KNOW ALL MEN BY THESE PRESENTS:

That we, UDC DEVELOPMENT COMPANY, as Principal, and DEVELOPERS INSURANCE COMPANY, a corporation organized and doing business under and by virtue of the laws of the State of California and duly licensed to conduct a general surety business in the State of California as Surety, are held and firmly bound unto BERNARDO HEIGHTS COMMUNITY ASSOCIATION

as Obligee, in the sum of "FOUR THOUSAND TWO HUNDRED THIRTY SEVEN AND 20/100THS" (\$ 4,237.20) Dollars, for which payment, well and truly to be made, we bind ourselves, our heirs, executors and successors, jointly and severally firmly by these presents.

WHEREAS, the above named Principal is the owner and developer of a project, in the County of SAN DIEGO, State of California, known as BERNARDO HEIGHTS UNIT NO. 14, (PHASE 1), Tract No. BH UNIT 14

WHEREAS, said Principal, in order to comply with Section 2792.2 of Regulations of the California Real Estate Commissioner may furnish a corporate bond, as hereinafter conditioned.

NOW THEREFORE, the condition of this obligation is such, that the security shall remain in the custody of Escrow Depository known as TICOR TITLE INSURANCE COMPANY and located at 220 "A" STREET, SAN DIEGO, CA 92101

until the subdivider has given written notice to Escrow that it has conveyed title to 80% of the units comprising the subdivision; and Escrow has received a certified copy of the resolution of a board of Directors of Homeowners Association adopted not more than 30 days prior to its receipt, stating that subdivider is not delinquent in the payment of assessments for which it is obligated. In the event of a dispute between subdivider and the Homeowners Association, the costs of arbitration shall be borne by the subdivider.

DICO

for exoneration or of the Commercial Arbitrators of the arbitrators of however, that costs of termination of the bond.

CORPORATION

STATE OF CALIFORNIA }
COUNTY OF SAN DIEGO } SS.
On JULY 2, 1985

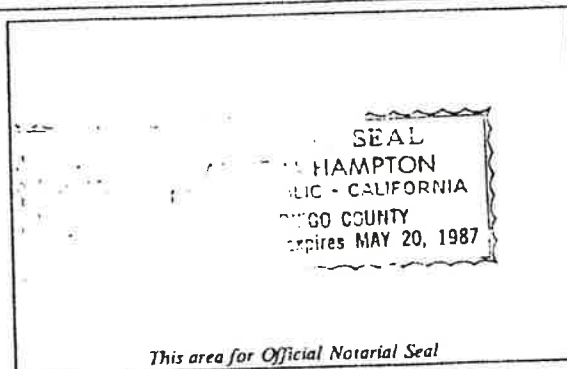
before me, the undersigned, a Notary Public in and for said State.

name of the said

personally appeared CATHY M. BATSELL
personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Power of Attorney on behalf of Developers Insurance Company, the corporation therein named, and acknowledged to me that the corporation executed it.

WITNESS my hand and official seal.

Signature *Cathy M. Batzell*



19 85

Attorney-in-Fact

JAN 12 1987

RECORDING REQUESTED BY

AND WHEN RECORDED MAIL TO

UDC HOMES
438 CAMINO DEL RIO SO
SUITE 112
SAN DIEGO, CA 92108

MAIL TAX STATEMENTS TO

SPACE ABOVE THIS LINE FOR RECORDER'S USE

CAT. NO. NN00582
TO 1923 CA (2-83)

Individual Grant Deed

THIS FORM FURNISHED BY TICOR TITLE INSURERS

The undersigned grantor(s) declare(s): -0- NONE, EASEMENT ONLY

Documentary transfer tax is \$ _____
() computed on full value of property conveyed, or
() computed on full value less value of liens and encumbrances remaining at time of sale.
() Unincorporated area: (X) City of SAN DIEGO, and

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged,

ROBERT E. HOVEY AND MARY ELLEN HOVEY, HUSBAND AND WIFE

hereby GRANT(S) to

COMMUNITY ASSOCIATION OF BERNARDO HEIGHTS

the following described real property in the CITY OF SAN DIEGO
County of SAN DIEGO, State of California:

AN EASEMENT FOR IRRIGATION LINES, OVER THAT PORTION OF LOT 76
OF BERNARDO HEIGHTS UNIT NO. 14, ACCORDING TO MAP THEREOF NO.
11155, AS MORE PARTICULARLY DESCRIBED ON ATTACHED EXHIBIT "A".

Dated: January 11, 1988

Robert E. Hovey
ROBERT E. HOVEY

STATE OF CALIFORNIA
COUNTY OF San Diego } ss.

Mary Ellen Hovey
MARY ELLEN HOVEY

On January 11, 1988 before
me, the undersigned, a Notary Public in and for said State,
personally appeared **Robert E. Hovey and

Mary Ellen Hovey***
personally known to me or proved to me on the basis of sat-
isfactory evidence to be the person s whose name are
subscribed to the within instrument and acknowledged
that they executed the same.
WITNESS my hand and official seal.

Signature Donna L. Hamilton



(This area for official notarial seal)

Title Order No. _____

Escrow or Loan No. _____

MAIL TAX STATEMENTS AS DIRECTED ABOVE