

BYLAWS OF
FAIRWAY HEIGHTS
OWNERS' ASSOCIATION, INC.

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BYLAWS
OF
FAIRWAY HEIGHTS
OWNERS' ASSOCIATION, INC.

ARTICLE 1 - DEFINITIONS

1.1 Articles.

1.1.1 "Articles" shall mean the Articles of Incorporation of the Neighborhood Association, as such Articles of Incorporation may from time to time be amended.

1.2 Board of Directors.

1.2.1 "Board of Directors" shall mean the Board of Directors of the Neighborhood Association.

1.3 Bylaws.

1.3.1 "Bylaws" shall mean this instrument as the same may from time to time be amended.

1.4 Community Association.

1.4.1 "Community Association" shall mean The Community Association of Bernardo Heights, a California nonprofit mutual benefit corporation, or any successor entity charged with the duties, obligations and powers of said Community Association.

1.5 Community Declaration.

1.5.1 "Community Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights, dated September 29, 1980, and recorded in the Office of the County Recorder of San Diego County, California, on September 30, 1980, as File/Page No. 80-319018, as amended by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions, dated June 16, 1981, and recorded in the Office of the County Recorder of San Diego County, California, on July 31, 1981, as File/Page No. 81-243645, and as further amended by that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions dated

January 25, 1983, and recorded in the Office of the Recorder of San Diego County, California, on December 14, 1983, as File/Page No. 83-456035, and as said Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights may hereafter from time to time be further amended.

1.6 Declarant.

1.6.1 "Declarant" shall mean (i) W. Wolf Properties, Inc., a California corporation, which constitutes the Declarant under the Neighborhood Restrictions (defined below) and (ii) any successor in interest of said W. Wolf Properties, Inc., to whom all or any of the rights of Declarant under the Neighborhood Restrictions and these Bylaws have been transferred and who is (a) a grantee under a deed, executed and delivered prior to the conveyance of the first Lot (defined below), which conveys the entire Project (defined below) or (b) a grantee under a deed conveying two or more Lots. Notwithstanding the provisions of the Article hereof entitled "Amendments to Bylaws" to the contrary, this Paragraph may not be amended without the approval of Declarant.

1.7 Lots; Lot.

1.7.1 "Lots" shall mean all of Lots more particularly described in the Neighborhood Restrictions; "Lot" shall mean any one of the Lots.

1.8 Member.

1.8.1 "Member" shall mean an Owner, as defined hereinbelow, entitled to membership in the Neighborhood Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot.

1.9 Neighborhood Association.

1.9.1 "Neighborhood Association" shall mean the Fairway Heights Owners' Association, Inc., a California nonprofit mutual benefit corporation, composed of the Owners as defined hereinbelow.

1.10 Neighborhood Restrictions.

1.10.1 "Neighborhood Restrictions" shall mean that certain Declaration of Neighborhood Restrictions For Fairway Heights Planned Development recorded _____, 19____, File/Page No. _____, Official Records of San Diego County, California, as such Declaration of Neighborhood Restrictions may from time to time be (i) amended pursuant to the Article thereof entitled Amendment,

or (ii) affected by any "Declaration of Annexation and Restrictions" described in the Article thereof entitled "Annexation."

1.11 Open Space.

1.11.1 "Open Space" shall mean the same property described in the Declaration as to which the Neighborhood Association holds the title for use for roadway, parking and/or landscaping purposes.

1.12 Owner.

1.12.1 "Owner" shall mean Declarant prior to the first conveyance of a Lot and thereafter, shall mean the person(s) who hold(s) record title to any Lot, including Declarant for as long as Declarant holds title to a Lot.

1.13 Project.

1.13.1 "Project" shall mean the Fairway Heights Planned Development, encompassing the Lots.

1.14 Recreation Area.

1.14.1 "Recreation Area" shall mean the same property described in the Declaration as to which the Neighborhood Association holds fee title for recreation purposes.

ARTICLE 2 - FUNCTIONS OF THE NEIGHBORHOOD ASSOCIATION

2.1 Purpose.

2.1.1 The Neighborhood Association shall (i) act as a "management body" for the management, preservation, maintenance, architectural control and improvement of the Project (ii) be the owner in fee of the Open Space and the Recreation Area for the common benefit of the Owners, and (iii) provide for the representation of the Owners at meetings of the Community Association as permitted by the Community Declaration. The Neighborhood Association is subject to the limitations, covenants, conditions, restrictions, terms and provisions of the Neighborhood Restrictions.

2.2 Assessments.

2.2.1 Pursuant to the Article of the Neighborhood Restrictions entitled "The Neighborhood Association," it shall be the duty of the Board of Directors to fix, alter, collect and enforce assessments, charges and penalties upon Owners. Each Owner shall

be liable to pay to the Neighborhood Association each charge or penalty levied upon such Owner's Lot(s) under the provisions of the Neighborhood Restrictions.

ARTICLE 3 - MEMBERSHIP

3.1 Members.

3.1.1 The Neighborhood Association shall have one class of Members only, and the property and other rights, interests and privileges of each Member in good standing shall be equal; except that there shall be two classes of Members for the purposes of voting as set forth in Article 5 hereof. No Owner shall hold more than one membership in the Neighborhood Association. No certificate of membership, identity card or other document evidencing membership in the Neighborhood Association shall be issued except by resolution of the Board of Directors and in conformance with California Corporations Code Sections 7313 and 7314.

3.2 Transfer of Membership.

3.2.1 Each Owner shall be and become a Member of the Neighborhood Association contemporaneously with its acquisition of a Lot (whether such acquisition occurs by (i) conveyance of a Lot by Declarant, (ii) voluntary transfer, assignment or conveyance of a Lot, (iii) involuntary transfer of a Lot, including without limitation by reason of the death of an Owner, or (iv) foreclosure [by trustee's power of sale or by judicial process] of a deed of trust or other lien on a Lot), without necessity of documentation or other action, of any kind, by any person. The Neighborhood Association may require that any person acquiring a Lot shall notify the Neighborhood Association in writing of such acquisition so as to facilitate accurate record keeping of the membership. When two or more persons hold, as joint tenants or otherwise, a Lot, they shall constitute a single Member. Prior to the conveyance of a Lot by Declarant, Declarant shall be a Member as to such Lot. Transfer of membership in the Neighborhood Association shall be only by the above-specified means.

ARTICLE 4 - MEETINGS OF MEMBERS

4.1 Place of Meetings.

4.1.1 All meetings of Members shall be held within the Project or at such other place in San Diego County, California, in reasonable proximity to the Project, as may be designated for that purpose from time to time by the Board of Directors. Unless

unusual conditions exist, as determined solely by the Board of Directors, Members' meetings shall not be held outside of said County.

4.2 Annual (Regular) Meetings.

4.2.1 A regular meeting of Members shall be held annually. The first annual meeting of Members shall be held on such date and at such time as shall be designated by the Board of Directors, which date shall be within 45 days after the sale and conveyance by Declarant of a majority of the Lots in the Project. Subsequent annual meetings of Members shall be held on the anniversaries of the first annual meeting of Members and shall be held at such time and in such place as may be designated by the Board of Directors. If the date of the annual meeting as so determined is a legal holiday, then the meeting shall be held on the next-succeeding regular business day, at the same hour.

4.2.2 At the annual meeting, Members shall elect a Board of Directors, consider reports of the affairs of the Neighborhood Association and transact such other business as may properly be brought before the meeting.

4.3 Special Meetings.

4.3.1 Special meetings of Members, for any lawful purpose or purposes whatsoever, shall be called by the Board of Directors upon (i) the vote for such a meeting by a majority of a quorum of the Board of Directors or (ii) receipt by the Board of Directors of a written request for such a meeting signed by Members representing at least five percent of the total voting power of the Neighborhood Association.

4.3.2 Until such time as 75 percent of the Lots have been sold to Owners other than Declarant, a special meeting of Members shall be called by the Board of Directors for any issue which requires the approval of a specified percentage of the "Community Voting Rights" as contemplated by Paragraph 3.4 of the Community Declaration. Anything in these Bylaws to the contrary notwithstanding, the notice of such special meeting of Members shall inform the Members of the issue which is the subject of the special voting procedures as contemplated by said Paragraph 3.4 of the Community Declaration.

4.3.3 Notwithstanding the provisions of Paragraph 4.4.1 to the contrary, whenever a special meeting of Members is called by Members representing at least five percent of the total voting power of the Neighborhood Association, upon request in writing signed by Members entitled to call a meeting of Members and delivered by first class, registered or certified mail to the

Board of Directors at the principal office of the Neighborhood Association, or delivered to the Board of Directors in person, it shall be the duty of the Board of Directors forthwith to cause notice to be given to the Members that a meeting will be held at a time fixed by the Board of Directors not less than 35 nor more than 90 days after the receipt of the request. If said notice is not given within 20 days after receipt of the request, the Members entitled to call the meeting may fix the date and time of the meeting and give notice thereof in the manner provided by these Bylaws. The date of any meeting fixed by Members as hereinabove provided shall be at such time in the future as will permit adherence to the notice requirements set forth in Paragraph 4.4.

4.4 Notice of Meetings.

4.4.1 Written notice for meetings called by the Board of Directors, whether annual or special, shall be given to Members who are entitled to vote at such meetings not less than 10 days nor more than 90 days before the date of such meeting; provided, however, that, if notice is given by mail and the notice is not mailed by first-class, registered or certified mail, notice shall be given not less than 20 days before the meeting. Notice of any meeting of Members, whether annual or special and whether called by the Board of Directors or by Members entitled to call a meeting of Members, shall specify the place, the date and time of the meeting and (i) in case of a special meeting, the general nature of the business to be transacted and that no other business may be transacted or (ii) in the case of an annual meeting, those matters which the Board of Directors, at the time notice is given, intends to present for action by the Members; provided, however, notwithstanding the foregoing, any proper matter may be presented for action by the Members at an annual meeting. The notice of any meeting at which directors are to be elected shall include the names of all those who are nominees for election to the Board of Directors at the time notice is given to Members.

4.4.2 Notices of meetings, whether annual or special, shall be given by the Board of Directors, or in the case of neglect or refusal by the Board of Directors, by any officer, director or Member. All notices shall be given either personally or by mail sent to the address of each Member appearing on the books of the Neighborhood Association or to the address supplied by it to the Neighborhood Association for the purpose of receiving notice. A notice mailed or delivered as part of a newsletter, magazine or other circular regularly sent to Members shall constitute written notice when addressed and mailed or delivered to the Member or, in the case of Members who are residents of the same household and who have the same address on the books of the Neighborhood

Association, when addressed and mailed or delivered to one of such Members, at the address appearing on the books of the Neighborhood Association.

4.4.3 When a Members' meeting, either annual or special, is adjourned to another time or place, notice of the adjourned meeting need not be given if the time and place thereof are announced at the meeting which is adjourned. A meeting adjourned for lack of quorum by those in attendance shall be set for a date not less than 5 days nor more than 30 days from the original meeting date. If (i) a time and place for the adjourned meeting are not fixed by those in attendance at the original meeting, (ii) for any reason a new date is fixed for the adjourned meeting after adjournment or (iii) the adjournment is for more than 30 days, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings. At the adjourned meeting the Neighborhood Association may transact any business which might have been transacted at the original meeting.

4.5 Consent to, Approval of or Attendance at Members' Meetings.

4.5.1 The transactions of any meeting of Members, whether annual or special, however called and noticed, shall be valid as though having occurred at a meeting duly held after regular call and notice if a quorum is present either in person or by proxy, and if, either before or after the meeting, each Member entitled to vote thereat not present in person or by proxy, signs a (i) written consent to the holding of such meeting or (ii) written approval of the minutes thereof. All such consents or approvals shall be filed with the records of the Neighborhood Association or made part of the minutes of the meeting. Attendance of a Member at a meeting shall constitute a waiver of notice of and presence at such meeting, except when the Member objects, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice but not so included, if such objection is expressly made at the meeting.

4.6 Action by Written Ballot.

4.6.1 Any action which may be taken at any regular or special meeting of Members, except for an election in which positions on the Board of Directors are to be filled, may be taken without a meeting if the Neighborhood Association distributes a written ballot to every Member entitled to vote on the matter. Such ballot shall (i) set forth the proposed action, (ii) indicate the number of responses needed to meet the quorum

requirement, (iii) provide an opportunity to specify approval or disapproval of any proposal (iv) state the percentage of approvals necessary to pass the proposal, (v) provide that where the Member solicited specifies a choice with respect to the proposal the vote shall be cast in accordance therewith and (vi) provide a reasonable time within which to return the ballot to the Neighborhood Association. Approval by written ballot pursuant to this paragraph shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. A written ballot may not be revoked.

4.6.2 Ballots shall be solicited in a manner consistent with the requirements of Paragraph 4.4.2. All such solicitations shall indicate the number of responses needed to meet the quorum requirement and shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

4.7 Quorum.

4.7.1 The presence in person or by proxy of Members entitled to exercise a majority of the voting power of the Neighborhood Association shall constitute a quorum at all meetings of Members for the transaction of business thereat. Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum, provided any action taken (other than adjournment) is approved by at least a majority of the number of Members required to constitute a quorum.

4.7.2 In the absence of a quorum at the commencement of any meeting of Members, the Members entitled to vote thereat, present in person or by proxy, shall have the power, by the vote of a majority of the votes represented, to adjourn the meeting from time to time until the requisite number of Members shall be present or represented, but no other business may be transacted; provided, however, that any such adjournment shall be to a date not less than five and not more than 30 days from the date of the originally scheduled meeting. At such adjourned meeting the quorum requirement shall be reduced to the presence in person or by proxy of Members entitled to exercise 33-1/3 percent of the voting power of the Neighborhood Association. If the requisite number of Members constituting the reduced quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally noticed.

ARTICLE 5 - VOTING RIGHTS

5.1 Members' Right to Vote.

5.1.1 Only persons who are Members of the Neighborhood Association shall be entitled to vote at a meeting of Members.

5.2 Classes of Voting Members.

5.2.1 Members shall be divided into two classes for the purposes of voting, Class A and Class B. Class A Member(s) shall be all Owners except Declarant and said Class A Member(s) shall be entitled to one vote for each Lot owned. The lone Class B Member shall be Declarant, who shall be entitled to three votes for each Lot owned. Declarant's Class B voting status shall cease and convert to Class A voting status on the earlier occurrence of one of the following: (i) when the total votes outstanding in Class A equal the total votes outstanding in Class B, (ii) on that certain date which is two years after the original issuance by the California Department of Real Estate of the most recent Final Subdivision Public Report for a phase of development of the Project or (iii) on that certain date which is four years after the original insurance by the California Department of Real Estate of a Final Subdivision Public Report with respect to the first phase of development of the Project. If record title to a Lot is held in the name of more than one person, such persons shall collectively constitute a single Member and there shall be only one vote attributable to such Member (unless such Member is Declarant, in which case such Member shall have the number of votes attributable to Declarant as set forth in this paragraph). Each of such persons collectively constituting a single Member shall otherwise be individually entitled to the benefits of membership in the Neighborhood Association. The manner of casting and counting such vote shall be controlled by the provisions of the paragraph of these Bylaws entitled "Voting Rights; Required Vote; Cumulative Voting."

5.3 Voting Rights; Required Vote; Cumulative Voting.

5.3.1 On all matters, including the election of each director to be elected, a Member shall have the number of votes as set forth above for each Lot owned by said Member.

5.3.2 When a quorum is present at any regular or special meeting of Members, the affirmative vote of a majority of the Members of each voting class of the Neighborhood Association present at such meeting shall be required for Members to transact any business thereat, except (i) where the vote is with regard to an issue subject to the special voting procedures contemplated by Subparagraph 4.3.2 of these Bylaws, or (ii) as may be otherwise provided in these Bylaws or the Neighborhood Restrictions.

5.3.3 When a quorum is present at any special meeting of Members called for a vote with regard to an issue which is subject to the special voting procedures contemplated by Subparagraph 4.3.2 of these Bylaws, the vote of the Owners (other than Declarant) shall be determined and recorded so as to reflect the number of votes cast by the Owners in favor and the number of votes cast against such issue. The proportion of Owners in favor of and against such issue shall be conclusively determined by such vote and the President, or the Vice President, as the case may be, shall cast the vote of the Neighborhood Association in favor of or against such issue (or in favor of or against each alternative for any such issue presenting multiple alternatives) in the same proportion as that of the vote so cast by the Owners in favor of or against such issue (or in favor of or against each alternative for any such multiple alternatives), at a meeting of the Community Association called to determine the vote on such issue.

5.3.4 Every Member entitled to vote at any election of directors of the Neighborhood Association may cumulate its votes and give one candidate a number of votes equal to the number of directors to be elected multiplied by the number of votes to which it is entitled, or distribute its votes on the same principle among as many candidates as it may desire. Cumulative voting shall be required in all elections in which more than two positions on the Board of Directors are to be filled. Notwithstanding the foregoing, no Member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidates' names have been placed in nomination prior to the voting and the Member has given notice at the meeting prior to the voting of the Member's intention to cumulate votes. If any one Member has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of directors to be elected shall be elected directors of the Neighborhood Association.

5.3.5 For as long as (i) a majority of the voting power of the Neighborhood Association resides in Declarant or (ii) there are two outstanding classes of Members for the purpose of voting as set forth in Article 5 hereof, Declarant shall not be entitled to vote in the election of one director or 20 percent of the directors to be elected, whichever is greater.

5.3.6 If a membership stands of record in the names of two or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, husband and wife as community property, tenants by the entirety, persons entitled to vote under a voting agreement or otherwise, or if two or more persons (including proxyholders) have the same fiduciary relationship re-

specting the same membership, unless the secretary of the Neighborhood Association is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (i) if only one votes, such act binds all, or (ii) if more than one vote, the act of the majority so voting binds all.

5.4 Proxies.

5.4.1 Every Member entitled to vote or to authorize action may do so either in person or by one or more agents authorized by a written proxy executed by such Member and filed with the Secretary of the Neighborhood Association. No proxy shall be valid after the expiration of 11 months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three years from the date of execution. Every proxy continues in full force and effect until revoked by the person executing it prior to the vote pursuant thereto, except as otherwise provided in this section. Such revocation may be effected by a writing delivered to the Neighborhood Association stating that the proxy is revoked or by a subsequent proxy executed by the person executing the prior proxy and presented to the meeting or, as to any meeting, by attendance at such meeting and voting in person by the person executing the proxy. The dates contained on the forms of proxy presumptively determine the order of execution.

5.4.2 Anything to the contrary notwithstanding, any revocable proxy covering matters requiring a vote of the Members with respect to (i) the removal of directors, (ii) the election of a director(s) to fill any vacancy(ies) on the Board of Directors, (iii) amendment of these Bylaws (iv) repealing, restricting, creating or expanding proxy rights, (v) the winding up and dissolving of the Neighborhood Association or (vi) any other matters specifically set forth in California Corporations Code Section 7613(g) is not valid as to such matters unless it sets forth the general nature of the matter to be voted on.

5.4.3 A proxy is not revoked by the death or incapacity of the maker or the termination of a membership as a result thereof unless, before the vote is counted, written notice of such death or incapacity is received by the Neighborhood Association. Except as aforesaid, all proxies shall be revocable and shall automatically terminate upon transfer of title of a Lot by the Owner, or upon the death or incapacity of the Member giving the proxy; provided, however, Declarant may execute proxies which may be irrevocable for the maximum period allowed by law.

ARTICLE 6 - DIRECTORS; MANAGEMENT

6.1 General Powers.

6.1.1 Subject to the limitations of the Neighborhood Restrictions, of the Articles, of these Bylaws and of the laws of the State of California as to action to be authorized or approved by shareholders of a corporation, all Neighborhood Association powers shall be exercised by or under authority of, and the business and affairs of the Neighborhood Association shall be controlled by, the Board of Directors. The Board of Directors may delegate the management of the activities of the Neighborhood Association to any person or persons, management company or committee however composed, provided that the activities and affairs of the Neighborhood Association shall be managed and all Neighborhood Association powers shall be exercised under the ultimate direction of the Board of Directors.

6.2 Specific Powers.

6.2.1 In addition to the general powers described above, the Board of Directors shall have the following specific powers:

(i) To adopt regulations not inconsistent with the provisions of the Neighborhood Restrictions and these Bylaws.

(ii) To maintain bank account(s) for funds coming under the control of the Neighborhood Association.

(iii) To levy charges or penalties and otherwise act as set forth in, and subject to the provisions of, the Neighborhood Restrictions and these Bylaws.

(iv) To enforce the provisions of the Neighborhood Restrictions, the Articles, these Bylaws, and any other instruments for the management and control of the Project; however, nothing contained in this Article shall be construed to prohibit enforcement of the Neighborhood Restrictions by any Owner.

(v) To contract, provide and pay for (a) maintenance, gardening and other services and (b) legal and accounting services.

(vi) To contract for and purchase tools, equipment, materials, supplies and other personal property and services for maintenance and gardening.

(vii) To enter at all reasonable times, by it or its agents or independent contractors, any Lot when necessary in

connection with maintenance, construction or emergency repair as to which the Neighborhood Association has rights hereunder or under the Neighborhood Restrictions.

(viii) To suspend temporarily the (a) right of an Owner to use any recreational facilities within the community contemplated by the Community Declaration and (b) voting privileges of an Owner, for default in the payment of any charges or penalties levied by the Neighborhood Association pursuant to the Neighborhood Restrictions, or for violating any provision of the Neighborhood Restrictions, the Articles or these Bylaws. Any suspension must be done in good faith and in a fair and reasonable manner. The Member must be given 15 days' prior notice of the suspension. Notice must set forth reasons for the suspension and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Member shown on the Neighborhood Association's records. The Member must be provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the suspension by a properly convened meeting of the Board of Directors.

(ix) To impose reasonable monetary charges and penalties provided for in the Neighborhood Restrictions or these Bylaws, upon an Owner for any breach of any of (a) the limitations, restrictions, conditions or covenants set forth in the Neighborhood Restrictions (b) the Articles or (c) the provisions of these Bylaws. The imposition of such fine(s) must be done in good faith and in a fair and reasonable manner. The Member must be given 15 days' prior notice of the imposition of a fine(s). Notice must set forth reasons for the imposition of a fine(s) and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Member shown on the Neighborhood Association's records. The Member must be provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the imposition of a fine(s) by a properly convened meeting of the Board of Directors.

(x) To contract for and maintain (a) fire, casualty, liability, worker's compensation, medical, hospital directors' and officers' liability and other insurance insuring Owners, directors and officers of the Association and other persons and (b) bonds of directors and other persons.

(xi) To contract for and pay for reconstruction of any portion(s) of the Project damaged or destroyed.

(xii) To pay taxes which would be a lien upon the entire Project or any portion thereof, and to pay and discharge any lien or encumbrance levied against the entire Project or any portion thereof.

(xiii) To prosecute or defend, in the name of the Association, any action affecting or relating to the Open Space or the Recreation Area or any action in which all of the Owners have an interest in the subject thereof.

6.2.2 No right or power conferred on the Board of Directors in this Article shall be construed as a duty, obligation or disability charged upon the Board of Directors or any director. If any right or power herein granted be exercised, any directors so exercising or voting for such exercise shall act in good faith, in a manner such director believes to be in the best interests of the Neighborhood Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

6.2.3 Any contract entered into, or instrument executed, by any two or more directors pursuant to resolution of the Board of Directors shall be (i) valid and subsisting according to the tenor of such contract or instrument and (ii) a charge upon all cash, bank accounts and other personal property under the control of the Board of Directors. So long as it acts within the scope of its authority as a director, no director shall have any personal liability under any such contract or instrument; however, the foregoing shall not be construed to relieve any director who is also an Owner from liability as such Owner.

6.2.4 Anything in this Article to the contrary notwithstanding, unless the Members have approved such action (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two voting classes of the Neighborhood Association or (ii) upon cessation of one of the two voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant, the Board of Directors may not:

(i) Sell, during any fiscal year of the Neighborhood Association, property of the Neighborhood Association having an aggregate fair market value greater than five percent of the budgeted gross expenses of the Neighborhood Association for that fiscal year;

(ii) Fill a vacancy on the Board of Directors created by the removal of a director; or

(iii) Pay any compensation to any director or officer of the Neighborhood Association for services performed in the conduct of the Neighborhood Association's business; however, the Board of Directors may reimburse any such director or officer for expenses incurred by it in carrying on the business of the Neighborhood Association.

6.2.5 Anything contained in this Paragraph 6.2 to the contrary notwithstanding, the Board of Directors shall not have the power to authorize or approve any contract for the professional management of the Project, or any contract providing for the services of Declarant, which has a term greater than three years.

6.2.6 The Board of Directors may, from time to time and as permitted by law, delegate any of the powers enumerated herein to the officers, committees and employees of the Neighborhood Association.

6.3 Number.

6.3.1 The authorized number of directors of the Neighborhood Association shall be three until changed by an amendment to this Paragraph of these Bylaws.

6.4 Election and Tenure of Office.

6.4.1 The Board of Directors shall be elected by secret and written ballot at the annual meeting of Members, to serve for one year and until their successors are elected and have qualified or until their earlier resignation or removal. The term of office for directors shall begin immediately after their election.

6.4.2 In advance of any meeting of Members, the Board of Directors may appoint inspectors of election to act at the meeting and any adjournment thereof. If inspectors of election are not so appointed, or if any persons so appointed fail to appear or refuse to act, the chairman of any meeting of Members may, and on the request of any Member or a Member's proxy shall, appoint inspectors of election (or persons to replace those who so fail or refuse) at the meeting. The number of inspectors shall be either one or three. If appointed at a meeting at the request of one or more Members or proxies, the majority of Members represented in person or by proxy shall determine whether one or three inspectors are to be appointed. If there are three inspectors of election, the decision of a majority of inspectors of election shall govern in all respects as to the matters before them. The inspectors of election shall determine the number of memberships outstanding and the voting power of each, the number represented at the meeting, the existence of a quorum and the authenticity,

validity and effect of proxies, receive votes, ballots or consents, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes or consents, determine when the polls shall close, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all Members.

6.5 Vacancies.

6.5.1 A vacancy or vacancies shall be deemed to exist in any of the following instances: (i) the death, resignation or removal of any director, (ii) the authorized number of directors shall be increased by amendment to these Bylaws and the Members shall fail to elect the additional director(s), (iii) Members shall fail at any time to elect the full number of authorized directors, or (iv) any director shall fail to qualify to serve in the office within 30 days after notice of its election. The Board of Directors may declare vacant the office of a director who has been declared of unsound mind by a final order of court or convicted of a felony.

6.5.2 Vacancies in the Board of Directors may be filled by a majority of the remaining directors, whether or not less than a quorum, or by a sole remaining director; provided, however, that vacancies in the Board of Directors resulting from the removal of directors may only be filled by a vote of the Members as provided in the Article hereof entitled "Voting Rights." Each director so elected shall hold office until its successor is elected at an annual, regular or special meeting of Members or until its earlier resignation or removal.

6.5.3 Members may at any time elect a director to fill any vacancy not filled by the Board of Directors and may elect additional directors at such time as an amendment to these Bylaws is adopted which authorizes an increase in the number of directors.

6.5.4 Any director may resign effective upon giving written notice to the chairman of the Board of Directors, the president, the secretary or the Board of Directors, unless the notice specifies a later time for the effectiveness of such resignation. If the Board of Directors accepts the resignation of a director tendered to take effect at a future time, the Board of Directors, or if the Board of Directors should fail to act, the Members, shall have power to elect a successor to take office when the resignation shall become effective.

6.5.5 No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of its term of office.

6.6 Removal of Directors.

6.6.1 The entire Board of Directors or any individual director may be removed from office by an affirmative vote (or written ballot) of Members holding a majority of the voting power in each voting class entitled to vote at an election of directors; provided, however, unless the entire Board of Directors is removed, an individual director shall not be removed prior to the expiration of its term of office when the votes cast against removal would be sufficient to elect such director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the director's most recent election were then being elected. If any director(s) is so removed, a new director(s) may be elected at the same meeting.

6.6.2 Notwithstanding the foregoing, a director who, pursuant to Paragraph 5.3 hereof, has been elected solely by the votes of Members other than Declarant may be removed from office prior to expiration of its term of office only by the vote of at least a majority of the voting power residing in Members other than Declarant.

6.7 Place of Meetings.

6.7.1 Meetings of the Board of Directors shall be held within the Project.

6.8 Organizational Meetings; Notice.

6.8.1 Annual organizational meetings of the Board of Directors shall be held immediately following the adjournment of the annual meetings of Members or at such other date, time and place as the Board of Directors may designate by resolution. No notice of organizational meetings need be given to directors except that written notice setting forth the date, time and place of said meeting shall be posted at a prominent place (or places) within the Project at least four days prior to the scheduled date of said meeting.

6.9 Other Regular Meetings; Notice.

6.9.1 Regular meetings of the Board of Directors, other than the annual organizational meeting, shall be held at such date, time and place within the Project as may be agreed upon from time to time by the Board of Directors except that said meetings shall be held at least every six months if business to be transacted by the Board of Directors does not justify more frequent meetings; or may be called at any time by the chairman of the Board of Directors or the president, any vice president,

secretary or by any two directors of the Neighborhood Association. If said date shall fall upon a holiday such meeting shall be held on the next succeeding business day thereafter.

6.9.2 Notice of the date, time and place of a regular meeting shall be given to each of the members of the Board of Directors at least four days before such meeting by (i) telephone, (ii) telegraph, (iii) written notice personally delivered or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Neighborhood Association or, if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Written notice of the resolution, if any, establishing a date of the month, the time and place of a regular meeting shall also be given to each director. Notices of the date, time and place of a regular meeting shall also be posted at a prominent place (or places) within the Project at least four days before the date of the meeting.

6.9.3 Notice of a meeting need not be given to any director who has signed a waiver of notice or a written consent to holding the meeting, whether before or after the meeting, or who attends the meeting without protesting prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents and approvals shall be filed with the Neighborhood Association records or made a part of the minutes of the meetings.

6.10 Special Meetings; Notice.

6.10.1 Special meetings of the Board of Directors for any purpose or purposes shall be called by written notice signed by the President or by any two directors other than the President.

6.10.2 Notice of the date, time and place of a special meeting shall be given to each of the members of the Board of Directors by (i) telephone, (ii) telegraph, (iii) written notice personally delivered or (iv) letter, charges prepaid, addressed to a director at the address of such director as it is shown upon the records of the Neighborhood Association or if it is not shown on such records or is not readily ascertainable, at the place where meetings of the Board of Directors are regularly held. Such notice of a special meeting shall set forth the general nature of the business to be considered thereat. In case such notice is mailed, it shall be deposited in the United States mail at least four days prior to the date of the holding of the meeting. In case such notice is delivered personally or by telephone or telegraph, it shall be so delivered at least 72

hours prior to the date of the holding of the meeting. Such mailing, telephoning, telegraphing or personal delivery shall be due, legal and proper notice to such director.

6.10.3 Notice of a special meeting need not be given to any director who signed a waiver of notice or a written consent to holding of the meeting, whether before or after the meeting, or who attend the meeting without protesting prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents or approvals shall be filed with the Neighborhood Association records or made a part of the minutes of the meetings.

6.10.4 Written notice of every special meeting of the Board of Directors, specifying the date, time and place of the meeting and the general nature of the business to be considered, shall be posted at a prominent place (or places) within the Project at least 72 hours prior to the scheduled time of such meeting.

6.11 Adjournment.

6.11.1 A majority of the directors present at a meeting of the Board of Directors, whether or not a quorum is present at such meeting, may adjourn the meeting to another date, time and place. If the meeting is adjourned for more than 24 hours, notice of any adjournment to another date, time or place shall be given prior to the time of such adjourned meeting to the directors who are not present at the time of the adjournment.

6.12 Quorum; Required Vote.

6.12.1 A majority of the authorized number of directors as designated by these Bylaws shall be necessary to constitute a quorum for the transaction of business. The action of a majority of the directors present at any meeting at which there is a quorum, when duly assembled, is valid as a corporate act; provided that a meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting. A majority of the directors present at any meeting at which a quorum is not present may adjourn from time to time, but may not transact any business.

6.13 Open Meetings; Executive Sessions.

6.13.1 All organizational, regular and special meetings of the Board of Directors shall be open to all Members; however, Members who are not on the Board of Directors may not participate in deliberations or discussions at any such meeting unless expressly so authorized by the vote of a majority of a quorum of the Board of Directors.

6.13.2 Notwithstanding anything to the contrary contained in this Article, the Board of Directors may, with the approval of a majority of a quorum thereof, adjourn any meeting and reconvene in executive session to discuss, consider or vote upon (i) items related to or involving personnel, (ii) litigation in which the Neighborhood Association is or may become involved and/or (iii) matters of a similar nature, provided that the nature of any and all such business to be considered in executive session shall first be announced in the open meeting.

6.14 Action by Unanimous Written Consent.

6.14.1 Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board of Directors shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board of Directors. Such action by written consent shall have the same force and effect as a unanimous vote of the directors.

6.14.2 If the Board of Directors takes action by unanimous written consent as provided in Paragraph 6.14.1 above, an explanation of such action shall be posted at a prominent place or places within the Project within three days after all of the written consents of the directors have been received by the Secretary of the Neighborhood Association.

ARTICLE 7 - OFFICERS

7.1 Officers.

7.1.1 The officers of the Neighborhood Association shall be a president, vice president, secretary and chief financial officer. The Neighborhood Association may also have, at the discretion of the Board of Directors, a chairman of the Board of Directors, one or more additional vice presidents, one or more assistant secretaries, one or more assistant chief financial officers, and such other officers as may be appointed in accordance with the provisions of Paragraph 7.3. Any two or more offices, except those of president and secretary, may be held by the same person.

7.2 Appointment.

7.2.1 Each officer of the Neighborhood Association, except such officers as may be appointed in accordance with the provisions of Paragraphs 7.3 or 7.5 shall be chosen annually by the

Board of Directors, and shall hold office until a successor shall be appointed or until the earlier resignation, removal or disqualification of such officer.

7.3 Subordinate Officers.

7.3.1 The Board of Directors may at any time appoint, or may designate an officer to appoint, such other officers as the business of the Neighborhood Association may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board of Directors may from time to time determine.

7.4 Removal and Resignation.

7.4.1 Any officer may be removed, either with or without cause, by the Board of Directors; and additionally, any subordinate officers not appointed by the Board of Directors may be removed by any officer upon whom such power of removal has been conferred by the Board of Directors.

7.4.2 Any officer may resign at any time by giving written notice to the Board of Directors, or to the president or to the secretary of the Neighborhood Association. Any such resignation shall take effect as of the date of the receipt of such notice or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

7.5 Vacancies.

7.5.1 A vacancy in any office because of death, resignation, removal, disqualification or any other cause shall be filled in the manner prescribed in these Bylaws for regular appointments to such office.

7.6 Chairman of the Board.

7.6.1 The chairman of the Board of Directors, if there be such an officer, shall, if present, preside at all meetings of the Board of Directors, and exercise and perform such other powers and duties as may be from time to time assigned to the chairman by the Board of Directors or prescribed by these Bylaws.

7.7 President.

7.7.1 Subject to such supervisory powers, if any, as may be given by the Board of Directors to the chairman of the Board of Directors, if there be such an officer, the president shall be the general manager and the chief executive officer of the

Neighborhood Association and, subject to the control of the Board of Directors, shall have the general power to supervise, direct and control the business and officers of the Neighborhood Association. The president shall preside at all meetings of the Members and in the absence of the chairman of the Board of Directors, or if there be none, at all meetings of the Board of Directors. The president shall be an ex officio member of all standing committees and shall have the general powers and duties of management usually vested in the office of president of a corporation and shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws. The president shall represent the Neighborhood Association at meetings of the Community Association. In those instances in which specific provision is made for the matter regarding which the president shall cast a vote(s) at meetings of the Community Association by either the Community Declaration, the Neighborhood Restrictions or these Bylaws, the president shall cast such vote(s) as so provided.

7.8 Vice President(s).

7.8.1 In the absence or disability of the president, the vice president or, if there is more than one vice president, the vice presidents in order of their rank as fixed by the Board of Directors (or if not ranked, the vice president designated by the Board of Directors), shall perform all the duties of the president, and when so acting shall have all the powers of, and be subject to all the restrictions upon the president. The vice president(s) so performing the duties of the president shall have such other powers and perform such other duties as from time to time may be prescribed by the Board of Directors or these Bylaws.

7.9 Secretary and Assistant Secretary.

7.9.1 The secretary shall keep, or cause to be kept, at the principal office of the Neighborhood Association or such other place as the Board of Directors may order, a book of minutes of all meetings of the Board of Directors and Members showing (i) the date, time and place of holding; (ii) whether regular or special, and if special, how authorized; (iii) the notice thereof given; (iv) the names of those present at the Board of Directors meetings; (v) the number of Members present or represented at the Members' meetings; and (vi) the proceedings thereof.

7.9.2 The secretary shall keep, or cause to be kept, at the principal office of the Neighborhood Association or at such other place as the Board of Directors may designate, a membership book showing the names and addresses of the Members and the date on which membership ceased.

7.9.3 The secretary shall (i) give, or cause to be given, notice of all the meetings of the Members and of the Board of Directors required by these Bylaws or by statute to be given, (ii) keep the seal of the Neighborhood Association in safe custody and (iii) have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

7.9.4 The assistant secretary, if there shall be such an officer or if there be more than one, the assistant secretaries in the order determined by the Board of Directors (or if there be no such determination, then in the order of their appointment), shall, in the absence of the secretary or in the event of the inability or refusal of the secretary to act, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

7.10 Chief Financial Officer and
Assistant Chief Financial Officer.

7.10.1 The chief financial officer shall keep and maintain, or cause to be kept and maintained, adequate and correct accounts of the properties and business transactions of the Neighborhood Association, including accounts of its assets, liabilities, receipts, disbursements, gains, losses and surplus. The books of account shall at all reasonable times be open to inspection by any director.

7.10.2 The chief financial officer shall deposit all moneys and other valuables in the name and to the credit of the Neighborhood Association with such depositories as may be designated by the Board of Directors. The chief financial officer shall disburse the funds of the Neighborhood Association as may be ordered by the Board of Directors, shall render to the president and Board of Directors, whenever they request it, an account of all transactions by the chief financial officer and of the financial condition of the Neighborhood Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws.

7.10.3 If required by the Board of Directors, the chief financial officer shall give the Neighborhood Association a bond in such sum and with such surety or sureties as shall be satisfactory to the Board of Directors for (i) the faithful performance of the duties of the chief financial officer's office and (ii) the restoration to the Neighborhood Association of all books, papers, vouchers, money and other property, of whatever kind belonging to the Neighborhood Association and in the pos-

session or under control of the chief financial officer upon the death, resignation or removal from office of the chief financial officer.

7.10.4 The assistant chief financial officer, if there shall be such an officer or if there shall be more than one, the assistant chief financial officers in the order determined by the Board of Directors (or if there be no such determination, then in the order of their appointment), shall, in the absence of the chief financial officer or in the event of the inability or refusal of the chief financial officer to act, perform the duties and exercise the powers of the chief financial officer and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

ARTICLE 8 - COMMITTEES

8.1 Neighborhood Architectural Control Committee.

8.1.1 There shall be a Neighborhood Architectural Control Committee for the purposes of performing such duties as may have been delegated to it pursuant to the Neighborhood Restrictions and such other responsibilities as may be delegated to it, from time to time, by the Board of Directors.

8.1.2 The Neighborhood Architectural Control Committee shall, at all times, consist of three individuals. Prior to the first conveyance of a Lot, Declarant shall appoint three individuals who shall constitute the first Neighborhood Architectural Control Committee and shall serve for one year from the date of their original appointment and until their successors are appointed or until their earlier resignation or removal. Declarant has, pursuant to the Article of the Neighborhood Restrictions entitled "Neighborhood Architectural Control," reserved the power to appoint a majority of the members of the Neighborhood Architectural Control Committee (who need not be Members or directors) until (i) 90 percent of the Lots have been sold by Declarant in all phases of development of the Project or (ii) the fifth anniversary of the original issuance of the Final Subdivision Public Report for the first phase of development of the Project, whichever is the first to occur. All members of the Neighborhood Architectural Control Committee who are appointed by Declarant shall serve at the pleasure of Declarant.

8.1.3 Commencing one year after the date of the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for the first phase of development of the Project, and so continuing each year thereafter until (i) 90 percent of the Lots are sold by Declarant in all phases of

development of the Project or (ii) the fifth anniversary of the original issuance of the Final Subdivision Public Report for the first phase of development of the Project, whichever first occurs, the Board of Directors shall appoint one of the members of the Board of Directors to serve on the Neighborhood Architectural Control Committee for a term of one year and until such director's successor is appointed or until such director's earlier resignation or removal. All members of the Neighborhood Architectural Control Committee appointed by the Board of Directors shall serve at the pleasure of the Board of Directors.

8.1.4 Any vacancy on the Neighborhood Architectural Control Committee by reason of death, resignation or removal by the Board of Directors of any of its appointees shall be promptly filled by the Board of Directors with a member of the Board of Directors within 30 days after such vacancy first occurs. Notwithstanding anything contained in this Article to the contrary, any vacancy on the Neighborhood Architectural Control Committee by reason of death, resignation or removal by Declarant of any of Declarant's appointees shall be promptly filled by Declarant with a person (who need not be a Member or a director) within 30 days after such vacancy first occurs.

8.1.5 At the end of the term of the last member of the Neighborhood Architectural Control Committee appointed by Declarant pursuant to this Article, the Neighborhood Architectural Control Committee shall be and become a committee of the Board of Directors and the members of the Neighborhood Architectural Control Committee shall at all times thereafter be (i) appointed by the Board of Directors and (ii) members of the Board of Directors.

8.1.6 Meetings of the Neighborhood Architectural Control Committee shall be held, from time to time, at such times as deemed necessary by any two of the three members of the Neighborhood Architectural Control Committee in order for the Neighborhood Architectural Control Committee to properly perform its duties. All meetings of the Neighborhood Architectural Control Committee shall be held within the Project. Notice of all meetings of the Neighborhood Architectural Control Committee shall be given and posted in the same manner as required by these Bylaws for regular meetings of the Board of Directors. Additionally, the provisions of these Bylaws pertaining to waivers of notice, written consents, quorum requirements, required vote, open meetings, executive sessions and unanimous written consents as related to Board of Directors' meetings shall also pertain to meetings of the Neighborhood Architectural Control Committee. The Neighborhood Architectural Control Committee shall keep and maintain a record of all actions taken by it at such meetings or otherwise.

8.2 Executive and Other Committees.

8.2.1 The Board of Directors may by resolution adopted by a majority of the number of directors then in office, provided that a quorum is present, create an Executive Committee, and such other committees as may be necessary from time to time, each consisting of two or more directors and with such powers as it may designate, consistent with these Bylaws and the laws of the State of California. Appointments to such committees shall be by a majority vote of the directors in office at the time of appointment. The Board of Directors may appoint one or more directors as alternate members of any committee, who may replace any absent member at any meeting of the committee. Such committees shall hold office at the pleasure of the Board of Directors and need not be reappointed annually.

ARTICLE 9 - NEIGHBORHOOD ASSOCIATION
RECORDS AND REPORTS; INSPECTION

9.1 Records.

9.1.1 The Neighborhood Association shall maintain adequate and correct accounts, books and records of its business and properties, a register of its Members and minutes of proceedings of the Neighborhood Association, the Board of Directors, the Executive Committee, if any, the Architectural Committee and other committees of the Neighborhood Association. All such books, records, accounts, registers and minutes shall hereinafter be referred to collectively as the "Books and Records." The Books and Records shall be kept at the principal place of business of the Neighborhood Association in the State of California or at such other place as may be designated by the Board of Directors from time to time.

9.2 Inspection of Books and Records.

9.2.1 Each Member (or its duly appointed representative) and Mortgagee, and each holder, insurer and guarantor of any first mortgage encumbering a Lot (hereinafter referred to collectively as "Interested Persons"), shall be entitled to inspect the Books and Records of the Neighborhood Association, during normal business hours and to have such Books and Records examined at the expense of any such Interested Persons by an attorney or an accountant representing such Interested Persons, and may make such excerpts or copies of the Books and Records or portions thereof, and each of such Interested Persons, at its own expense, shall have the right to have Books and Records independently audited by a public accountant. The Books and Records shall be

exhibited at any time when required by a demand of the Members' meeting of at least ten percent of the Members represented at such meeting.

9.2.2 Every director of the Neighborhood Association and every director of the Community Association shall have the absolute right at any reasonable time to inspect all books, records and documents of the Neighborhood Association and the physical properties owned or controlled by the Neighborhood Association. The foregoing right of inspection includes a right to make extracts and copies of documents, and, when such right is exercised by a director of the Community Association, all extracts and copies of documents requested by such director shall be at his or her expense.

9.2.3 An inspection demand other than at a Members' meeting shall be made in writing upon the president, secretary or assistant secretary of the Neighborhood Association. The Board of Directors shall establish reasonable rules with respect to (i) hours and days of the week when such an inspection may be made, which hours shall include normal business hours, (ii) the place where such an inspection may be made, which shall be at the Office of the Neighborhood Association or such other place within the Project as the Board of Directors shall prescribe, and (iii) payment of the cost of reproducing copies of the Books and Records requested by a Member, a director or any of the Interested Persons.

9.3 Certification and Inspection of Bylaws.

9.3.1 The original or a copy of these Bylaws as amended or otherwise altered from time to time, certified by the secretary, shall be open to inspection by any Interested Persons at the Neighborhood Association's principal office at all reasonable times during normal business hours.

9.4 Checks, Drafts, Etc.

9.4.1 All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Neighborhood Association, shall be signed or endorsed by such person or persons and in such manner as shall be determined from time to time by resolution of the Board of Directors.

9.5 Contracts, Etc.; How Executed.

9.5.1 The Board of Directors, except as otherwise provided in these Bylaws, may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in

the name of and on behalf of the Neighborhood Association. Such authority may be general or confined to specific instances. Unless so authorized by the Board of Directors, no officer, agent or employee shall have any power or authority to bind the Neighborhood Association by any contract or engagement, or to pledge its credit, or to render it liable for any purpose or to any amount.

9.6 Financial Statements.

9.6.1 The Board of Directors shall cause to be prepared and shall distribute to each Member, the following financial statements concerning the Neighborhood Association:

(i) A budget for each fiscal year consisting of at least the following information shall be distributed not less than 45 days prior to the beginning of the fiscal year. The budget shall include all of the following:

(a) Estimated revenue and expenses on an accrual basis.

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

(c) An itemized estimate of the remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the common areas and facilities for which the Neighborhood Association is responsible.

(d) A general statement setting forth the procedures used by the Board of Directors in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Neighborhood Association is responsible.

(ii) A balance sheet (as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of a Lot) and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the Lot and the name of the entity assessed.

(iii) A report consisting of the following shall be distributed within 120 days after the close of each fiscal year.

(a) A balance sheet as of the end of the fiscal year.

(b) An operating (income) statement for the fiscal year.

(c) A statement of changes in financial position for the fiscal year.

(d) A statement of the place where the names and addresses of the current Members are located.

(e) Any other information required to be reported under Section 8322 of the California Corporations Code.

(iv) For any fiscal year in which the gross income to the Neighborhood Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

9.6.2 If the report referred to in Paragraph 9.6.1 (iii) above is not prepared by an independent accountant, it shall be accompanied by the certificate of the Secretary of the Neighborhood Association that the statement was prepared from the books and records of the Neighborhood Association without independent audit or review.

9.6.3 In addition to financial statements, the Board of Directors shall annually distribute within 60 days prior to the beginning of the fiscal year a statement of the Neighborhood Association's policies and practices in enforcing its remedies against Members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against a Members' Lot.

ARTICLE 10 - CORPORATE SEAL

The Association's corporate seal shall be circular in form, and shall have inscribed thereon the name of the Association, the date of its formation and the word "California."

ARTICLE 11 - AMENDMENTS TO BYLAWS

11.1 By Members.

11.1.1 New bylaws may be adopted or these Bylaws may be repealed or amended (i) by a vote or written ballot of Members

entitled to exercise a majority of the voting power in each of the two voting classes of the Neighborhood Association or (ii) upon cessation of one of the two voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant. Notwithstanding the foregoing, these Bylaws shall not be amended, modified or rescinded at any time prior to September 30, 1990 without the prior written consent of Genstar Development Inc., a New York corporation (Genstar Southwest Development), or its successor, nor at any time without the prior written consent of the Board of Directors of the Community Association; no such amendment, modification or rescission shall be effective without the filing of said written consent or consents, as appropriate, with the secretary of the Community Association.

11.2 No Amendment by Board of Directors.

11.2.1 Anything contained herein to the contrary notwithstanding, the Board of Directors shall not have any right or power to adopt, amend or repeal any of these Bylaws.

11.3 Record of Amendments.

11.3.1 Whenever an amendment or new bylaw is adopted, a notation of such amendment or new bylaw and a copy of the same shall be filed in the appropriate place in the book of Bylaws with the original Bylaws. If any bylaw is repealed, the fact of repeal with the date of the meeting at which the repeal was enacted or the date specified in the written ballots by which the same were to be received by the Neighborhood Association shall be stated in said book.

ARTICLE 12 - AMENDMENTS TO ARTICLES

12.1 Amendments.

12.1.1 Except as hereinafter provided, amendments to the Articles may only be adopted by a vote of a majority of the directors of the Association and (i) by a vote or written ballot of Members entitled to exercise a majority of the voting power in each of the two voting classes of the Association or (ii) upon cessation of one of the two voting classes, by a vote or written ballot of Members entitled to exercise a majority of the voting power in the remaining voting class, provided that said vote or written ballot shall include the votes of a majority of the Members other than Declarant.

12.1.2 Any written instrument amending the provisions of Article 6 of the Articles of the Association, shall comply not only with the provisions of Paragraph 12.1.1 of these Bylaws, but shall also bear, or have attached thereto, the written consent of 51 percent (based upon one vote for each first mortgage or first deed of trust owned) of all holders of a first mortgage or first deed of trust encumbering a Lot as of the time of recording such amendment, who have requested, in writing, that the Association notify such holder of any proposed action that requires the consent of a specified percentage of such holders of such first mortgages or first deeds of trust.

12.2 Record of Amendments.

12.2.1 Amendments shall be reflected in the book containing the original Articles. Upon the adoption of an amendment, the secretary of the Association shall file a certificate of amendment or restated Articles of Incorporation pursuant to California Corporations Code Section 7814 and 7819.

ARTICLE 13 - SUPREMACY OF NEIGHBORHOOD RESTRICTIONS

No provision of these Bylaws, and no action of the Neighborhood Association, in violation or contravention of any provision of the Neighborhood Restrictions shall be valid, subsisting or of any effect whatsoever.

THE UNDERSIGNED, being the sole Member of the Neighborhood Association, as of the date hereinbelow set forth, hereby assents to the foregoing Bylaws and adopts the same as the Bylaws of the Neighborhood Association.

IN WITNESS WHEREOF, the undersigned has hereunto subscribed its name this 14th day of November, 1984.

W. WOLF PROPERTIES, INC.,
a California corporation

By: Edward W. [Signature]
VICE President

By: Elaine M. Huston
Secretary

FAIRWAY HEIGHTS
OWNERS' ASSOCIATION, INC.

Certification

The undersigned, being the secretary of FAIRWAY HEIGHTS OWNERS' ASSOCIATION, INC., a California nonprofit mutual benefit corporation (the "Association"), does hereby certify that:

1. W. Wolf Properties, Inc., a California corporation, is the sole Member, as of the date hereinbelow set forth, of the Association; and

2. The foregoing Bylaws, comprising 30 pages, constitute the Bylaws of the Association as duly adopted by the sole Member of the Association by written ballot dated November 14, 1984.

IN WITNESS WHEREOF, the undersigned has executed this Certification this 14th day of November, 1984.

Elaine M. Huston
Secretary of Fairway Heights
Owners' Association, Inc.

FAIRWAY HEIGHTS
OWNERS' ASSOCIATION, INC.

Written Ballot of Sole Member

The undersigned, being the only person or entity who or which would be entitled to vote at a meeting of the Members of FAIRWAY HEIGHTS OWNERS' ASSOCIATION, INC., a California nonprofit mutual benefit corporation (the "Association"), does hereby [check one] approve _____ disapprove the adoption of the following resolution:

RESOLVED that the form of Bylaws presented to the sole Member of the Association is hereby adopted as the Bylaws of such Association.

The undersigned hereby acknowledges that (i) only the response of the undersigned is necessary to meet any quorum requirement, (ii) only an affirmative response of the undersigned is necessary for adoption of the above-proposed resolution, (iii) the vote represented by this written ballot shall be cast in accordance with the choice of approval or disapproval and (iv) this ballot must be received by the Association by November 14, 1984, in order to be counted.

IN WITNESS WHEREOF, the undersigned has executed this Written Ballot of Sole Member this 14th day of November, 1984.

W. WOLF PROPERTIES, INC.,
a California corporation

By: _____

Edward Way, Sr.
Vice President

FAIRWAY HEIGHTS
OWNERS' ASSOCIATION, INC.

Unanimous Written Consent of Directors

The undersigned, being all of the directors of FAIRWAY HEIGHTS OWNERS' ASSOCIATION, INC., a California nonprofit mutual benefit corporation (the "Association"), do hereby adopt the following resolutions:

RESOLVED that the following persons are hereby appointed to hold the office(s) set forth opposite their respective names and to serve in such office(s) at the pleasure of the directors.

<u>Name</u>	<u>Office</u>
Walter E. Wolf	President
Edward Way	Vice President
Elaine Huston	Secretary
Edward Way	Chief Financial Officer

RESOLVED that the president individually or the secretary and vice president jointly may act in the name of and on behalf of the Association and, by their respective signature(s), execute and deliver on behalf of the Association all agreements, contracts, notes conveyances, deeds, leases, mortgages and other documents requiring the signature of the Association.

IN WITNESS WHEREOF, the undersigned have executed this Unanimous Written Consent of Directors pursuant to the Bylaws of the Association as of this 14th day of November, 1984, at San Diego, California.

W. WOLF PROPERTIES, INC.,
a California corporation

By: 

Edward Way, Sr.
Vice President

84-475416

RECORDED IN
OFFICIAL RECORDS
OF SAN DIEGO COUNTY, CALIF.

1984 DEC 20 PM 3:58

VERIFIED
COUNTY RECORDER

RECORDING REQUESTED BY

WHEN RECORDED MAIL TO:

W. WOLF PROPERTIES, INC.
c/o Lawrence T. Dougherty, Esq.
STERNBERG, EGGERS, KIDDER & FOX
225 Broadway, Suite 1900
San Diego, California 92101

Y
Y
Y
Y
Y
Y
Y
Y
Y

SPACE ABOVE FOR RECORDER'S
USE

RF 53-
MG 2-

876 354-12

FAIRWAY HEIGHTS PLANNED DEVELOPMENT
DECLARATION OF NEIGHBORHOOD RESTRICTIONS

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DECLARATION OF NEIGHBORHOOD RESTRICTIONS
FOR FAIRWAY HEIGHTS PLANNED DEVELOPMENT

THIS DECLARATION OF NEIGHBORHOOD RESTRICTIONS is made and executed by W. WOLF PROPERTIES, INC., a California corporation, herein referred to as "Declarant" (more specifically defined in Article 1 hereof).

W I T N E S S E T H T H A T :

WHEREAS, Declarant is the owner of the property in San Diego County, California, described as:

Lots 20 through 51, inclusive, Lots 62 through 65, inclusive, and Lots 66 and 68, of BERNARDO HEIGHTS NORTH, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11111, filed in the Office of the County Recorder of San Diego County, California, December 18, 1984.

WHEREAS, Declarant will create, on the property described above, a Planned Development pursuant to California Business and Professions Code Section 11003.

WHEREAS, it is presently intended that there will be three phases of development in said Planned Development. Phase I will be developed on the aforesaid Lots 20 through 51, Lots 62 through 65, and Lots 66 and 68 of said Bernardo Heights North, and will consist of 36 single-family residential dwelling units. Phase II, if completed as presently intended, will be constructed on the land described as Parcel 1 in Exhibit A attached hereto and will consist of 29 single-family residential dwelling units. Phase III, if completed as presently intended, will be constructed on the land described as Parcel 2 in said Exhibit A and will consist of 43 single-family residential dwelling units. Open space, consisting primarily of private roads will exist on Lot 68 in Phase I, and, if annexed, on Lot 44 in Phase III. Recreation areas, consisting primarily of landscaped areas and non-structural recreation facilities, will exist on Lot 66 in Phase I, and, if annexed, on Lot 67 in Phase II and Lots A, B, C and D in Phase III.

WHEREAS, the property described above, including the property described in Exhibit A hereto, is a portion of the Community of Bernardo Heights subject to that certain Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights, dated September 29, 1980, and recorded in the Office of the County Recorder of San Diego County, California, on September 30, 1980 as File/Page No. 80-319018, as amended by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions dated June 16, 1981, and recorded in the Office of the County Recorder of San Diego County, California, on July 31, 1981 as File/Page No. 81-243645, and as further amended by that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions dated January 25, 1983, and recorded in the Office of the Recorder of San Diego County, California, on December 14, 1983, as File/Page No. 83-456035.

WHEREAS, Declarant is about to sell and convey portions of the property first described above and Declarant desires and intends to hereby subject said property first described above to mutual, beneficial restrictions under a general plan or scheme of improvement not only for the benefit of said property and the future owners thereof but also for the purpose of complying with the aforesaid Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights, as so amended.

NOW, THEREFORE, Declarant hereby declares that all of the property first described above is a separate Neighborhood as contemplated by the aforesaid Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights, as so amended, and all or any part of the property described in Exhibit A hereto which is annexed into the Project as contemplated by the Article of these Neighborhood Restrictions entitled "Annexation," shall, upon such annexation, be and become a part of such separate Neighborhood. All of said property first above described, and any such property described in Exhibit A if and when annexed, shall be held by Declarant and shall be hereafter, or thereafter, owned, held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and/or improved subject to the limitations, restrictions, conditions and covenants herein set forth, all of which are declared and agreed to be in furtherance of a plan for the subdivision, improvement and sale of said property and are established and agreed upon for the purposes of enhancing and protecting the value, desirability and attractiveness of said property and every part thereof. All of the limitations, restrictions, conditions and covenants herein set forth shall run with the land and shall be binding on all parties having or acquiring any right, title or interest in said property or any part thereof.

ARTICLE 1 - DEFINITIONS

1.1 Each of the following words and phrases shall, in this instrument, have the respective meaning shown below, unless a contrary meaning shall, by the context, be evident:

1.1.1 "Board of Directors" shall mean the governing body of the Neighborhood Association (hereinafter defined).

1.1.2 "Community" shall mean all of the real property subject to the Community Declaration (hereinafter defined).

1.1.3 "Community Architectural Committee" shall mean the Community Architectural Committee established pursuant to Article VIII of the Community Declaration.

1.1.4 "Community Articles" shall mean the Articles of Incorporation of the Community Association as said Articles of Incorporation may from time to time be amended.

1.1.5 "Community Assessments" shall mean any assessments from time to time levied or imposed upon a Lot pursuant to the Community Declaration.

1.1.6 "Community Association" shall mean The Community Association of Bernardo Heights, a California nonprofit mutual benefit corporation, or any successor entity charged with the duties, obligations and powers of said Community Association of Bernardo Heights.

1.1.7 "Community Board" shall mean the Board of Directors of the Community Association.

1.1.8 "Community Bylaws" shall mean the Bylaws for the Community Association duly adopted by the Community Board.

1.1.9 "Community Declaration" shall mean that certain Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights, dated September 29, 1980, and recorded in the Office of the County Recorder of San Diego County, California, on September 30, 1980 as File/Page No. 80-319018, as amended by that certain First Amendment to Declaration of Covenants, Conditions and Restrictions, dated June 16, 1981, and recorded in the Office of the County Recorder of San Diego County, California, on July 31, 1981 as File/Page No. 81-243645, and as further amended by that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions dated January 25, 1983, and recorded in the Office of the Recorder of San Diego County, California, on December 14, 1983, as File/Page No. 83-456035, and as said Declaration of Covenants, Conditions and Restrictions for the Community of Bernardo Heights may hereafter from time to time be further amended.

1.1.10 "Declarant" shall mean (i) W. Wolf Properties, Inc., a California corporation, and (ii) any successor in interest of W. Wolf Properties, Inc., a California corporation, to whom all or any of the rights of Declarant under the Neighborhood Bylaws and these Neighborhood Restrictions have been transferred and who is (a) a grantee under a deed, executed and delivered prior to the conveyance of the first Lot (defined below), which conveys the entire Project (defined below) or (b) a grantee under a deed conveying two or more Lots. Notwithstanding the provisions of the Article hereof entitled "Amendment" to the contrary, this Paragraph may not be amended without the prior written consent of Declarant, which consent, to be effective, must be filed for record in the Office of the County Recorder of San Diego County, California.

1.1.11 "First Mortgage" shall mean any deed of trust or mortgage which is the only deed of trust or mortgage encumbering a Lot or which is first in priority, under the recording laws of the State of California, of a series of two or more mortgages or deeds of trust encumbering the same Lot.

1.1.12 "First Mortgagee" shall mean a Mortgagee whose mortgage or deed of trust, as the case may be, is a First Mortgage.

1.1.13 "Interested Person" shall mean any First Mortgagee or any insurer or guarantor of a First Mortgage.

1.1.14 "Lots" shall mean (i) all of Lots 20 through 51 and Lots 62 through 65 of Bernardo Heights North described above, (ii) any of the Lots described in Exhibit A which hereafter may be from time to time annexed to and made a part of the Project in accordance with the Article hereof entitled "Annexation," or (iii) any improved or unimproved subdivision lot or parcel into which any of the lots described in items (i) and (ii) of this subparagraph is subdivided as shown on a recorded subdivision map or parcel map affecting any such lot; "Lot" shall mean any one of the Lots. "Lot" shall include any Open Space Lot or Recreation Area Lot unless the context otherwise requires.

1.1.15 "Member" shall mean an Owner, as defined hereinbelow, entitled to membership in the Neighborhood Association. Membership shall be appurtenant to and may not be separated from ownership of a Lot.

1.1.16 "Mortgagee" shall mean the mortgagee under any real property mortgage or beneficiary under any deed of trust which mortgage or deed of trust encumbers any Lot.

1.1.17 "Neighborhood Architectural Control Committee" shall mean the Neighborhood Architectural Control Committee

established and formed as set forth in Article 6 of these Neighborhood Restrictions.

1.1.18 "Neighborhood Articles" shall mean the Articles of Incorporation of the Neighborhood Association, as said Articles of Incorporation may from time to time be amended.

1.1.19 "Neighborhood Association" shall mean the Fairway Heights Owners' Association, Inc., a California nonprofit mutual benefit corporation composed of the Owners as defined hereinbelow.

1.1.20 "Neighborhood Bylaws" shall mean the Neighborhood Bylaws of the Neighborhood Association as said Neighborhood Bylaws may from time to time be amended.

1.1.21 "Neighborhood Restrictions" shall mean this instrument, as the same may from time to time be (i) amended pursuant to the Article hereof entitled "Amendment," or (ii) affected by any "Declaration of Annexation and Restrictions" described in the Article hereof entitled "Annexation."

1.1.22 "Open Space" shall mean the open space and other common area which is to be conveyed by Declarant in fee to the Neighborhood Association for use for roadway, parking, open space and/or landscaping purposes and shall consist of (i) Lot 68 of the above described Bernardo Heights North, and (ii) Lot 44 of Bernardo Heights South described in Exhibit A attached hereto, if said Lot is annexed into the Project and made a part of the Open Space in accordance with the Article hereof entitled "Annexation."

1.1.23 "Owner" shall mean Declarant prior to the first conveyance of a Lot, and thereafter shall mean the person(s) who hold(s) record title to any Lot, including Declarant for as long as Declarant holds title to a Lot.

1.1.24 "Project" shall mean the Fairway Heights Planned Development, encompassing the Lots.

1.1.25 "Recreation Area" shall mean that Lot (or those Lots) which is (are) to be conveyed in fee to the Neighborhood Association for use for recreation purposes and shall consist of (i) Lot 66 of Bernardo Heights North first above described, (ii) Lot 67 of Bernardo Heights North described in Exhibit A, if said Lot 67 is annexed into the Project and made part of the Recreation Area in accordance with the Article hereof entitled "Annexation" and (iii) Lots A, B, C and D of Bernardo Heights South described in Exhibit A, if said Lots A, B, C and D, or any of them, are so annexed into the Project.

ARTICLE 2 - RESTRICTIONS ON USE

2.1 As to the Lots and each of them:

2.1.1 None of the Lots shall be used for other than single-family residential purposes. No buildings or structures shall be erected, altered, placed or permitted to remain on any of the Lots, other than the Open Space or Recreation Area, except one single-family dwelling, a private garage and other customary appurtenances incidental to the residential use of a Lot. Notwithstanding the foregoing, Declarant may use any Lot owned by Declarant, not exceeding at any time four in number, for the purpose of maintaining thereon a sales office, a construction office, and/or model homes constructed by or on behalf of Declarant. Such use shall terminate after Declarant has conveyed the last Lot in the Project owned by Declarant. Anything in the Article of this Declaration entitled "Amendment" notwithstanding, this Paragraph shall not be amended, modified or rescinded so long as Declarant owns a Lot which has not been conveyed to an Owner other than Declarant without the (i) prior written consent of Declarant and (ii) recording of said written consent in the Office of the County Recorder of San Diego County, California.

2.1.2 No animals of any kind shall be maintained, bred or kept on any Lot except that dogs, cats or other customary household pets in a reasonable number and size may be kept thereon; provided, however, that they are not kept, bred or maintained for any commercial purposes, and provided further, that the Neighborhood Association may adopt rules or regulations limiting or restricting the keeping of such pets. The Board of Directors shall specifically have the right to prohibit the maintenance of any pet which, in the opinion of the Board of Directors, after notice and hearing, constitutes a nuisance to any Owner.

2.1.3 No structure of a temporary character, trailer, tent, shack or other outbuilding shall be erected or placed on any Lot, either temporarily or permanently. Nothing contained in the foregoing shall be construed to preclude the use of a trailer, outbuilding or other temporary structure used to facilitate construction, or the convenience of persons engaged in construction, during the period of construction of any single-family residence on any Lot, provided that any such trailer, outbuilding or structure shall be removed forthwith upon the completion of any such single-family residence.

2.1.4 No noxious or offensive activity shall be carried on upon any of the Lots, nor shall anything be done thereon which may be or may become an annoyance or nuisance to any person of reasonable sensitivity residing in the Project.

2.1.5 No sign of any kind, except that of a customary address sign, a "For Sale" sign or a "For Rent" sign, and such signs as may be required by legal proceedings, may be displayed to the public view on any of the Lots; provided, however, that any Owner displaying a "For Sale" or "For Rent" sign shall, in good faith and using its reasonable best efforts, endeavor to effect the sale or rental of its Lot, as the case may be. Notwithstanding the foregoing, Declarant may display or post any signs, flags, poles or other objects on any Lot owned by Declarant which Declarant, in Declarant's sole discretion, deems appropriate in connection with the sale of any of the Lots and until Declarant has conveyed the last Lot owned by Declarant in the Project. Anything in the Article of these Neighborhood Restrictions entitled "Amendment" to the contrary notwithstanding, this sentence, and the immediately preceding sentence of this paragraph, shall not be amended, modified or rescinded so long as Declarant owns a Lot which has not been conveyed to an Owner other than Declarant, without the (i) prior written consent of Declarant and (ii) the recording of such written consent in the Office of the County Recorder of San Diego County, California.

2.1.6 All equipment, refuse cans and other containers shall be kept screened and concealed from view from any of the Lots or streets within the Community. All rubbish, trash and refuse shall be regularly removed from each Lot and shall not be allowed to accumulate thereon.

2.1.7 No outside clotheslines or other outside clothes drying or airing facilities shall be erected or maintained on any Lot so as to be visible from any of the Lots or streets within the Community.

2.1.8 No antenna for transmission or reception of television signals or any other form of electromagnetic radiation shall be erected, used or maintained outdoors, whether attached to a building or structure or otherwise.

2.1.9 No commercial vehicle, automobile, truck, truck "cab," tractor, bus, motorcycle, trailer, recreational vehicle, van, camper, camper shell, motor home, mobile home, dune buggy, boat, sailboat, yacht, or other vehicle, sea-going vessel or equipment of any kind shall be parked, stored, deposited, maintained, repaired or otherwise kept on any Lot other than within a garage or other enclosed building on a Lot; provided, however, that passenger automobiles owned or regularly used by an Owner or a member of an Owner's immediate family, or guests thereof, may be temporarily parked in the driveway of such Owner's Lot during the normal waking hours of such Owner or such Owner's family. No dismantled or wrecked vehicle or equipment shall be parked, stored, deposited or the like on any Lot other than within a garage or other enclosed building on a Lot.

2.1.10 No Owner shall, either temporarily or permanently, use his garage for any use other than the parking of vehicles and the storage of miscellaneous personal property; in no event shall any garage be used for human habitation.

2.1.11 No Owner shall lease or rent less than its entire Lot. No Owner shall lease or rent its Lot for a term of less than 30 days, except an Owner who is a lender in possession of a Lot following (i) a default in a First Mortgage, (ii) a foreclosure proceeding or (iii) any deed or other arrangement in lieu of foreclosure. Other than the foregoing, there shall be no restriction on the right of any Owner to lease or rent its Lot. An Owner shall be responsible for any act of any tenant or other occupant of such Owner's Lot which constitutes a breach of any provision of the Neighborhood Bylaws, these Neighborhood Restrictions or any rule or regulation adopted by the Board of Directors.

2.1.12 The Owner of a Lot whose residential structure has been damaged or destroyed by fire or other calamity shall promptly and diligently cause such structure to be repaired or restored. This obligation shall not extend to the installation of furniture and the like, but is for the purpose of preventing unsightliness caused by such damage or destruction and any resultant health or safety problems to other Owners within the Project and to the public.

2.1.13 No commercial trade or business shall be carried on upon any Lot.

2.1.14 All buildings, structures and other improvements upon each Lot, including walkways and paving, shall, at all times, be maintained in good condition and repair. Each Owner shall make all appropriate repairs and replacements as often as the same shall become necessary in order to conform with the foregoing standard. In the event the provisions of this paragraph are violated, the Neighborhood Association or any agent or authorized independent contractor of the Neighborhood Association, after 30 days' prior written notice to the Owner of the Lot on which buildings, structures or improvements are not so maintained, may enter upon such Lot and perform such maintenance as may be necessary in order to put any such buildings, structures or other improvements in good condition and repair. Such entry and maintenance work shall be in addition to all other remedies available to the Neighborhood Association as provided herein. Neither the Neighborhood Association nor any officer, agent or authorized independent contractor of the Neighborhood Association shall, by such entry, be deemed guilty of any manner of trespass.

2.1.15 The first Owner of a Lot other than Declarant shall cultivate and landscape the unimproved areas of said Lot in conformance with standards established by the Community Archi-

tectural Committee. Written and diagrammatic plans and specifications for such cultivation and landscaping shall be submitted to the Community Architectural Committee for review in time reasonably sufficient to enable the cultivation and landscaping contemplated by such plans to be completed within six months after the date upon which said first Owner acquired legal or equitable title to the Lot which is the subject of such plans and specifications; provided, that in any event shall be submitted to the Community Architectural Committee within three months after such first Owner acquires such title. In the event the Community Architectural Committee advises the Owner submitting any such plans and specifications that all or any portion of such plans and specifications do not so comply with such standards as established by the Community Architectural Committee, said Owner shall revise said plans and specifications, or such portion thereof, so as to conform to such standards. Each such first Owner shall diligently seek to obtain approval of such plans and specifications by the Community Architectural Committee and, after receiving such approval, such Owner shall complete the cultivation and landscaping work contemplated by such plans and specifications within six months after the date upon which such Owner acquired such title to such Lot. After the completion of such cultivation and landscaping work, each Owner of each Lot shall maintain the landscaping upon said Owners' Lot in good condition and in conformance with standards established by the Community Architectural Committee, removing all weeds and watering lawns and shrubs as often as the same shall be necessary. In the event any such landscaping is not so maintained, the Neighborhood Association or its agent or authorized independent contractor, after 30 days prior written notice to the Owner of the Lot in question, may enter upon such Lot and perform such landscaping work. Such entry and the performance of such landscaping shall be in addition to all other remedies available to the Neighborhood Association as provided herein. Neither the Neighborhood Association nor any officer, agent or authorized independent contractor of the Neighborhood Association shall, by such entry or the performance of such work, be deemed guilty of any manner of trespass.

2.1.16 No fences, hedges or walls shall be erected or maintained on any Lot, other than as are initially installed by Declarant, unless first approved by the Neighborhood Architectural Control Committee.

2.1.17 There shall be no exterior newspaper tubes or freestanding mailboxes except as may have been initially installed by Declarant or thereafter approved by the Neighborhood Architectural Control Committee.

2.1.18 No basketball standards or fixed sports apparatus shall be erected on any Lot or be attached to any Building located on any Lot, including, but not limited to, a residential structure or garage on any Lot.

2.1.19 Notwithstanding the provisions of this Paragraph 2.1, those portions of the Lots forming the Open Space and the Recreation Area shall be improved and used only in accordance with the provisions of Paragraphs 2.2 and 2.3, respectively.

2.2 As to the Open Space:

2.2.1 The Open Space shall be improved and used only for (i) vehicular and pedestrian movement within the Project, including access to the Lots, (ii) temporary vehicular parking of passenger automobiles, trucks having a gross vehicle weight rating of less than 5,000 pounds and motorcycles in areas, if any, designated by the Board of Directors, (iii) recreational use by the Owners and occupants of Lots and their guests, subject to the rules and regulations established by the Board of Directors and (iv) beautification of the Project and providing privacy to the residents thereof. A nonexclusive easement upon and across the Open Space for private roadway purposes and for vehicular and pedestrian ingress and egress is and shall be appurtenant to each Lot, and a nonexclusive easement upon and across the Open Space for accepting and draining rainwater from the residential structure situated upon each Lot is and shall be appurtenant to each Lot. In addition to the foregoing easements, a nonexclusive easement under, over, upon and across the Open Space for purposes of maintaining, repairing and replacing water, gas, sewer, electric, telephone, cable television, sanitary services, storm drains and other utility pipes, mains, wires, conduits, laterals and poles is and shall be appurtenant to each Lot; any Owner effecting the maintenance, repair or replacement of any of such pipes, mains, wires, conduits, laterals of poles servicing its Lots shall promptly remedy any damage caused thereby to the Open Space and shall restore the Open Space to its condition prior to any such work having been performed.

2.2.2 No activity shall be carried on in the Open Space which shall be contrary to rules and regulations adopted by the Board of Directors relating to use of and activity in the Open Space.

2.2.3 No portion of the Open Space shall be used for any purpose or in any manner which shall cause any structure in the Project to be uninsurable against loss by fire or the perils covered under the extended coverage policy(ies) of hazard insurance which the Board of Directors is required to keep in force pursuant to the Article hereof entitled "Destruction; Insurance," or cause any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof.

2.2.4 No Owner shall make any alteration or improvement to the Open Space, or remove any planting, structure, furnishing or other object therefrom except with the written consent

of the Board of Directors. Subject to the offset of such amounts as Neighborhood Association may receive from insurance carried by Neighborhood Association in accordance with the Article of these Neighborhood Restrictions entitled "Destruction; Insurance," an Owner shall be liable to the Neighborhood Association for all costs incurred by the Neighborhood Association for the replacement or repair of any personal property owned by the Neighborhood Association and damaged in, or removed from, the Open Space by such Owner, its guests or any occupant of such Owner's Lot.

2.2.5 Subject to the offset of such amounts as the Neighborhood Association may receive from insurance carried by the Neighborhood Association in accordance with the Article of these Neighborhood Restrictions entitled "Destruction; Insurance," an Owner shall be liable to the Neighborhood Association for all damage or destruction to the Open Space or to any improvements thereon or thereto, including but not limited to, buildings, recreational facilities and landscaping, caused by the act or omission (including the failure to maintain such Owner's Lot) of such Owner, its guests or any occupant of such Owner's Lot.

2.2.6 Parking shall be allowed in the Open Space subject to rules and regulations of the Neighborhood Association which are not inconsistent with this Declaration. The Neighborhood Association may permit the temporary parking in the Open Space of passenger automobiles, motorcycles and trucks having a gross vehicle weight rating of less than 5,000 pounds. No truck having a gross vehicle weight in excess of 5,000 pounds, truck "cab," tractor, bus, trailer, recreational vehicle, van, camper, camper shell, motor home, mobile home, dune buggy, boat, sailboat, yacht or other vehicle, sea-going vessel or equipment of any kind shall be parked, stored, deposited, maintained, repaired or otherwise kept on or in the Open Space, and no dismantled or wrecked vehicle (including portions thereof), sea-going vessel or equipment shall be parked, stored, deposited, maintained, repaired or otherwise kept in the Open Space. Nothing herein shall in any manner limit or prohibit the Board of Directors from adopting regulations allowing guest parking in the Open Space.

2.2.7 No sign of any nature shall be displayed or posted by an Owner in the Open Space. Notwithstanding the foregoing, and subject to a concomitant obligation to restore, Declarant and its sales agents shall have the right to the nonexclusive use of the Open Space for the purpose of maintaining sales offices and signs reasonably necessary to market the Lots, until the earlier to occur of the following: (i) that certain date which is five years after the conveyance of the Open Space by Declarant to Neighborhood Association, or (ii) the sale by Declarant of the last Lot within the Project, including any development phase which may be annexed to and made a part of the

Project pursuant to the Article hereof entitled "Annexation." Anything in the Article entitled "Amendment" to the contrary notwithstanding, this Paragraph shall not be amended, modified or rescinded prior to the conveyance by Declarant of the last Lot within the Project, including any development phase which may be annexed to and made a part of the Project pursuant to the Article hereof entitled "Annexation," without the (i) prior written consent of Declarant and (ii) recording of said written consent in the Office of the County Recorder of San Diego County, California. The use of the Open Space by Declarant and its agents shall not unreasonably interfere with the use by the other Owners.

2.2.8 No radio or television antenna, or radio transmitter tower or facility of any kind shall be constructed, erected or otherwise placed in the Open Space, excepting therefrom (i) one or more master television antenna(e) which may be erected thereon by Declarant or Neighborhood Association and thereafter maintained or (ii) any facility for cable television which may be contracted for in accordance with an agreement entered into between Neighborhood Association (or the Declarant for the benefit of Neighborhood Association) and a cable television company, provided such cable television services will be made available to each and every Lot.

2.3 As to the Recreation Area:

2.3.1 The Recreation Area shall be improved and used only for recreational use by the Owners and occupants of Lots and their guests, subject to the rules and regulations established by the Board of Directors, which in any event shall not be inconsistent with the uses permitted by the recorded subdivision maps affecting the Project.

2.3.2 No activity shall be carried on in the Recreation Area which is contrary to rules and regulations adopted by the Board of Directors relating to use of and activity in the Recreation Area.

2.3.3 No Owner shall make any alteration or improvement to the Recreation Area, or remove any planting, structure, furnishing or other object therefrom except with the written consent of the Board of Directors. Subject to the offset of such amounts as the Neighborhood Association may receive from insurance carried by the Neighborhood Association in accordance with the Article of these Neighborhood Restrictions entitled "Destruction; Insurance," an Owner shall be liable to the Neighborhood Association for all costs incurred by the Neighborhood Association for the replacement or repair of any personal property owned by the Neighborhood Association and damaged in, or removed from, the Recreation Area by such Owner, its guests or any occupant of such Owner's Lot.

2.3.4 Subject to the offset of such amounts as the Neighborhood Association may receive from insurance carried by the Neighborhood Association in accordance with the Article of these Neighborhood Restrictions entitled "Destruction; Insurance," an Owner shall be liable to the Neighborhood Association for all damage or destruction to the Recreation Area caused by the act or omission of such Owner, its guests or any occupant of such Owner's Lot.

2.3.5 No automobile, truck, truck "cab," tractor, bus, motorcycle, trailer, recreational vehicle, van, camper, camper shell, motor home, mobile home, dune buggy, boat, sailboat, yacht or other vehicle, sea going vessel or equipment of any kind shall be parked, stored, deposited, maintained, repaired or otherwise kept on or in the Recreation Area, and no dismantled or wrecked vehicle (including portions thereof), sea-going vessel or equipment shall be parked, stored, deposited, maintained, repaired or otherwise kept in the Recreation Area, except as permitted by rules and regulations adopted by the Board of Directors.

2.3.6 No sign of any nature shall be displayed or posted by an Owner in the Recreation Area except within areas, or on bulletin boards, provided by the Neighborhood Association for that purpose.

2.3.7 No radio or television antenna, or radio transmitter tower or facility of any kind shall be constructed, erected or otherwise placed in the Recreation Area, excepting therefrom (i) one or more master television antenna(e) which may be erected thereon by Declarant or the Neighborhood Association and thereafter maintained or (ii) any facility for cable television which may be contracted for in accordance with an agreement entered into between the Neighborhood Association (or the Declarant for the benefit of the Neighborhood Association) and a cable television company, provided such cable television services will be made available to each and every Lot.

ARTICLE 3

EASEMENTS ACROSS OPEN SPACE AND RECREATION AREA AND OWNERSHIP OF BENEFICIAL INTEREST IN COMMON PERSONALTY

3.1 Declarant hereby covenants for itself, its successors and assigns, that it will convey to the Neighborhood Association the fee estate in and to the Open Space and the Recreation Area prior to the first conveyance by Declarant of a Lot to an Owner. Such conveyance shall be subject to this Declaration and to such covenants, conditions, reservations, restrictions, easements and other matters of record (except any mortgage, deed of trust or other monetary lien) at the time such conveyance is filed for record with the County Recorder of San Diego County, California.

No sale, transfer, dedication or other conveyance by the Neighborhood Association of the Open Space, or the Recreation Area, or any part thereof, shall be effective unless the instrument(s) evidencing such sale, transfer, dedication or conveyance of record is executed and acknowledged by two-thirds of each class of Members, as such Members are constituted as of a date not more than 30 days before the recordation of such instrument. A certificate of the Secretary of the Neighborhood Association executed, acknowledged and recorded prior to or concurrently with such instrument shall be conclusive evidence of the identity and number of the Members as of the date thereof.

3.2 Notwithstanding anything contained in this Declaration to the contrary, Declarant, for itself and its successors in interest, hereby reserves a nonexclusive easement over, under, upon and across the Open Space, the Recreation Area and each Lot for drainage and encroachment purposes and for ingress and egress, all for Declarant's reasonable use in completing the improvements and performing necessary repair work within the Project (including, but not limited to, improvements and repair work in connection with any development phase annexed to and made a part of the Project pursuant to the Article hereof entitled "Annexation"), said reservation of easement becoming effective concurrently with the conveyance by Declarant of the first Lot within the Project without necessity of Declarant setting forth such reservation in the deed with respect to said conveyance. Said reservation of easement shall expire and be of no further force and effect upon the occurrence of one of the following events, whichever first occurs, (i) five years after the date on which this Declaration has been recorded or (ii) the conveyance by Declarant of the last Lot within the Project, including any development phase which may be annexed to and made a part of the Project pursuant to the Article entitled "Annexation." Notwithstanding the Article entitled "Amendment," no amendment, revocation or rescission of said reservation of easement may be had prior to the conveyance by Declarant (or its successor) of the last Lot within the Project, including any development phase which may be annexed to and made a part of the Project pursuant to the Article entitled "Annexation," without the (i) written consent of the Declarant and (ii) recording of such consent in the Office of the Recorder of San Diego, County, California.

3.3 The Neighborhood Association shall be and become the owner of all maintenance, recreational and other equipment acquired by it (i) for the maintenance and improvement of the Project and (ii) to implement the performance of its other duties hereunder. The transfer of such personal property by the Neighborhood Association pursuant to the Bylaws shall transfer title thereto free and clear of any claim on the part of any Owner.

3.4 The Neighborhood Association shall maintain the Open Space in a manner approved by the City. The facilities to be so maintained shall specifically include, without limitation all (i) private streets and parking areas, including curbs, gutters, pavements, and street lights, and (ii) all storm drains, sewers and water facilities not within a public easement designated for such purpose.

ARTICLE 4

PLANNED DEVELOPMENT CHARACTER OF PROJECT

4.1 The Project is and has been developed as a planned development pursuant to California Business and Professions Code Section 11003.

4.2 The Open Space and the Recreation Area shall remain in the ownership and control of Neighborhood Association and there shall be no judicial partition thereof. Nothing herein shall be deemed to prevent partition of a cotenancy in a Lot other than the Open Space and the Recreation Area.

4.3 Except as set forth in this Article, neither the Owners nor the Neighborhood Association shall, by act or omission, without the prior written consent of at least 67 percent of all first Mortgagees (based upon one vote for each First Mortgage owned) be entitled to:

(i) Abandon or terminate the planned development character of the Project;

(ii) Partition, subdivide, encumber, sell or transfer the Open Space or the Recreation Area or the improvements thereon; provided, however, the granting of easements for public utilities or for other public purposes consistent with the intended use of the Open Space or the Recreation Area, as the case may be, shall not be a transfer within the meaning of this clause;

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

(iv) Waive or abandon any scheme of regulations or the enforcement thereof pertaining to the architectural design or the exterior appearance of the residential improvements situated on the Lots, the exterior maintenance of said residential improvements or the maintenance and upkeep of the Open Space and the Recreation Area and the improvements thereon;

(v) Fail to maintain insurance coverage under an extended coverage hazard policy(ies) against loss by fire and perils with respect to all insurable improvements located in the Open Space and the Recreation Area (if any) and all insurable personalty owned by the Neighborhood Association in an amount not less than 100 percent of the insurable value (based on then current replacement costs) of said improvements and of said personalty as determined annually by an insurance carrier selected by the Board of Directors pursuant to this Declaration; or

(vi) Use hazard insurance proceeds for losses to said improvements located in the Open Space or the Recreation Area and/or said personalty owned by the Neighborhood Association, for other than the repair, replacement or reconstruction of said improvements and/or personalty.

ARTICLE 5

THE NEIGHBORHOOD ASSOCIATION

5.1 The Neighborhood Association is, effective upon the recordation hereof, the "management body" to provide for the management, control, maintenance, architectural control and preservation of the Project, all as more specifically set forth in this Declaration, the Neighborhood Articles, the Neighborhood Bylaws and any regulations from time to time adopted by the Board of Directors pursuant to any of said documents. The Open Space and the Recreation Area (and all improvements within the Open Space and the Recreation Area) shall be maintained by the Neighborhood Association in such a condition as to allow the Open Space and the Recreation Area (and all such improvements) to reasonably operate in the manner, or serve the function, for which they were intended. The Neighborhood Association shall, and hereby does, assume liability for damage to, and repair of, City utilities in the event that damage is caused thereto by the Neighborhood Association or its agents or independent contractors in performing maintenance or repair work upon private utility services within the Project.

5.2 Each Owner shall be and become a Member of the Neighborhood Association contemporaneously with the acquisition by such Owner of a Lot (whether such acquisition occurs by (i) conveyance of a Lot by Declarant, (ii) voluntary transfer, assignment or conveyance of a Lot, (iii) involuntary transfer of a Lot, including without limitation by reason of the death of an Owner, or (iv) foreclosure [by trustee's power of sale or by judicial process] of a deed of trust or other lien on a Lot) without necessity of documentation or other action, of any kind, by any person. The Board of Directors may require that any person acquiring a Lot notify the Neighborhood Association in writing of such acquisition so as to facilitate accurate record

keeping of the membership. Where two or more persons hold or own a Lot, as joint tenants or otherwise, they shall constitute a single Member.

5.3 Members shall be divided into two classes for the purposes of voting, Class A and Class B. Class A Member(s) shall be all Owners of Lots except Declarant and said Class A Members shall be entitled to one vote for each Lot owned. The lone Class B Member shall be Declarant who shall be entitled to three votes for each Lot owned. Declarant's Class B voting status shall cease and convert to Class A voting status on the earlier occurrence of one of the following: (i) when the total votes outstanding in Class A equal the total votes outstanding in Class B, (ii) on that certain date which is two years after the original issuance by the California Department of Real Estate of the most recent Final Subdivision Public Report for a phase of development of the Project or (iii) on that certain date which is four years after the original issuance by the California Department of Real Estate of a Final Subdivision Public Report with respect to the first phase of development of the Project.

5.4 Should any Owner fail to maintain such Owner's Lot and the structures, landscaping and improvements located thereon in a manner as required by this Declaration as determined in the sole and absolute discretion of the Board of Directors, the Neighborhood Association, after approval by a two-thirds vote of the Board of Directors, and after giving at least 15 days' written notice to such Owner regarding the work to be done, shall have the right, through its officers, agents, employees, or independent contractors, to enter onto any such Lot and to maintain, repair and restore the Lot and any structures, landscaping and improvements located thereon to the condition required by the Declaration as determined by the Board of Directors. However, no entry into a residence may be made without the consent of the Owner thereof, and such entry shall be made with as little inconvenience to the Owner as possible and any damage caused thereby shall be repaired by the Neighborhood Association. There is hereby created a nonexclusive easement in favor of the Neighborhood Association, and its officers, agents, employees and independent contractors, to enter onto each Lot to provide maintenance, repair and restoration as hereinabove stated, subject to the foregoing notice and consent requirements.

5.5 In addition to the right of the Neighborhood Association to enter upon any Lot pursuant to Paragraph 5.4, the officers, agents, employees and independent contractors of the Neighborhood Association shall have a nonexclusive easement to enter any Lot for the purpose of performing or satisfying all other rights, duties and obligations of the Neighborhood Association hereunder, provided that such entry shall occur (i) at a reasonable hour and (ii) after reasonable notice has been given to the Owner of such Lot. In the event that there is an emer-

gency and the Owner of such Lot is not available at the time of such emergency, the officers, agents, employees and independent contractors of the Neighborhood Association may enter such Lot immediately and without notice for the sole purpose of taking such action as is necessary under the circumstances.

5.6 The Neighborhood Association shall have the right to grant permits, licenses and easements over, upon, under and across the Open Space and the Recreation Area for utilities and other purposes necessary for the proper operation of the Project. Each Owner, by acquiring its interest in a Lot, shall be deemed to have designated the Neighborhood Association as such Owner's attorney in fact, to execute, on behalf of such Owner, any document effecting the grant of any such permit, license or easement.

5.7 In addition to all other rights, powers and duties possessed by and vested in the Board of Directors under these Neighborhood Restrictions, the Neighborhood Articles and the Neighborhood Bylaws, the Board of Directors shall possess and be vested with the right and power to (i) impose reasonable monetary penalties, in such amounts as determined by the Board of Directors and which do not exceed the sums allowed by law, against an Owner and (ii) seek reimbursement for costs as follows:

5.7.1 As a disciplinary measure for any breach of any of the (i) limitations, restrictions, conditions or covenants set forth in these Neighborhood Restrictions (other than a breach by failure to pay an assessment), (ii) provisions of the Neighborhood Bylaws (iii) provisions of the Neighborhood Articles or (iv) rules or regulations adopted by the Board of Directors pursuant to these Neighborhood Restrictions, the Neighborhood Articles or the Neighborhood Bylaws.

5.7.2 As a means of reimbursing the Neighborhood Association for costs incurred by the Neighborhood Association (i) for the repair of damages to the Open Space or the Recreation Area or any improvements or personalty thereto or thereon allegedly caused by such Owner, its guests or any occupant of such Owner's Lot or (ii) in bringing (a) such Owner, (b) the occupant of such Owner's Lot, (c) any Lot and/or (d) the structures, landscaping and/or improvements on any Lot, into compliance with these Neighborhood Restrictions (other than the payment of assessments), the Neighborhood Bylaws or said rules and regulations.

5.8 Any imposition of a monetary penalty or any reimbursement for costs incurred pursuant to Paragraph 5.7 must be done in good faith and in a fair and reasonable manner. The Neighborhood Association, at its option, shall have the right and power to

institute a legal action against an Owner seeking a personal judgment against such Owner to impose such a monetary penalty and/or to obtain reimbursement of such costs, together with court costs and reasonable attorneys' fees incurred in any such action, and the institution and prosecution of such action shall be deemed to be a fair and reasonable procedure as required by this paragraph. Alternatively, prior to the institution of such a legal action, the Neighborhood Association may follow the non-judicial procedure hereinafter set forth. The Owner shall be given 15 days' prior notice of the imposition of a monetary penalty, or the amount of the costs to be reimbursed. Said notice must set forth the reason for the imposition of the monetary penalty or reimbursement of such costs and may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class, registered or certified mail sent to the last address of the Owner shown on the the Neighborhood Association's records. The Owner must be provided an opportunity to be heard, orally or in writing, not less than five days before the effective date of the imposition of each monetary penalty, or by which such costs are to be so reimbursed, by a properly convened meeting of the Board of Directors. Any such breach which is not remedied in the calendar month in which any such monetary penalty is imposed against an Owner by reason thereof shall, until fully remedied, be deemed to constitute a new breach in each succeeding calendar month for which the Board of Directors may in each such calendar month impose a new monetary penalty pursuant to this Paragraph.

5.9 Upon written request, the Neighborhood Association shall, within ten days after the mailing of such request if such request is sent by mail, or within ten days after delivery of such request if such request is delivered other than by mail, provide to an Owner, Mortgagee or Interested Person making such request, a copy of these Neighborhood Restrictions, the Neighborhood Articles or the Neighborhood Bylaws, together with a true statement in writing as to any delinquent assessments, penalties, attorneys' fees and other charges as of the date of such request on the Lot owned by such Owner or in which such Mortgagee or Interested Person has an interest. The Association may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents. A properly executed statement of the Neighborhood Association as to the status of assessments on a Lot is binding upon the Neighborhood Association as of the date of its issuance.

ARTICLE 6 - NEIGHBORHOOD ARCHITECTURAL CONTROL

6.1 A Neighborhood Architectural Control Committee consisting, at all times, of three persons, shall be formed as set forth below and in the Neighborhood Bylaws, for the purposes of

performing its duties as described in these Neighborhood Restrictions and the Neighborhood Bylaws and as may be delegated to it, from time to time, by the Board of Directors. The original Neighborhood Architectural Control Committee shall be appointed by Declarant. Thereafter, the Neighborhood Architectural Control Committee shall be appointed in accordance with the Neighborhood Bylaws (subject to Declarant's rights herein reserved). Declarant hereby reserves to itself the power to appoint a majority of the members of the Neighborhood Architectural Control Committee until all of the Lots have been sold by Declarant.

6.2 No building, fence, wall or other structure shall be constructed, erected, placed or altered upon any Lot, nor shall any alteration or change be made to the exterior of any residential structure situated upon a Lot, nor shall any trees, bushes, shrubs or plants which are in excess of six feet in height, or are likely to grow to a height in excess of six feet, be planted or placed on any Lot, until the building or alteration plans, landscaping plans, specifications, location plat and color scheme thereof have been approved by the Neighborhood Architectural Control Committee. In considering any such plans, the Neighborhood Architectural Control Committee shall take into account (i) the quality of workmanship and materials to be used, (ii) harmony of external design with existing structures in the Project (iii) the interference, or potential for interference with the view from any Lot and (iv) compliance with this Declaration. In the event the Neighborhood Architectural Control Committee fails to approve or disapprove any such plans, specifications, plats or schemes within 30 days after all necessary documents have been received by the the Neighborhood Architectural Control Committee, the Owner requesting said approval may submit a written notice to the Neighborhood Architectural Control Committee advising the same of its failure to act; only if the Neighborhood Architectural Control Committee fails to approve or disapprove any such plans, specifications, plats or schemes within 30 days after the receipt of said notice from the Owner, said plans, specifications, plats or schemes shall be incontrovertibly deemed to be approved.

6.3 Notwithstanding the Article hereof entitled "Amendment," no amendment, revocation or rescission of this Article may be had, nor shall Declarant, or any successor thereof, or any other "Merchant Builders" as defined in the Community Declaration, be prohibited from completing the construction and development of the Project prior to the conveyance by Declarant (or its successor) of the last Lot owned by Declarant without the (i) written consent of Declarant and (ii) recording of such consent in the office of the Recorder of San Diego County, California. Such written consent shall not be required after the conveyance by Declarant (or its successor or such other Merchant Builder) of all the Lots.

ARTICLE 7 - THE COMMUNITY ASSOCIATION

7.1 The officers, agents, employees and independent contractors of the Community Association shall have a nonexclusive easement to enter upon the Project, or any portion thereof, for the purpose of performing or satisfying the duties and obligations of the Community Association as set forth in the Community Declaration, the Community Bylaws, the Community Articles and the rules and regulations of the Community Board and the Community Architectural Committee.

7.2 The lien of any Assesment imposed upon any Lot pursuant to these Neighborhood Restrictions shall be subordinate and inferior to the lien of any assessment imposed upon such Lot pursuant to the Community Declaration.

7.3 Declarant, for each Lot which it owns within the Project, hereby covenants, and each Owner of any Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, does and is hereby deemed to covenant and agree to pay to the Community Association, any Community Assessments imposed upon such Lot. The Community Assessments shall be levied and collected as provided in the Community Declaration. The Community Association, in its sole and absolute discretion, may elect to require the Neighborhood Association to administer, levy, collect and enforce the Community Assessments imposed upon Lots within the Project. All such funds collected by the Neighborhood Association shall be held in trust by the Neighborhood Association for the benefit of the Community Association, and such funds shall be disbursed to the Community Association as provided in the Community Declaration. The Community Association, in its sole and absolute discretion, may elect to administer, levy, collect and enforce the assessments provided for under these Neighborhood Restrictions. All such funds collected by the Community Association shall be utilized in the manner and for the purposes specified in these Neighborhood Restrictions and in the Community Declaration, the Community Bylaws, the Community Articles, and the rules and regulations of the Community Board and the Community Architectural Committee.

7.4 In addition to all of the rights and obligations which have been conferred or imposed upon the Neighborhood Association pursuant to these Neighborhood Restrictions, the Neighborhood Articles or the Neighborhood Bylaws, the Neighborhood Association shall be entitled to exercise any of the rights conferred upon it and be subject to all of the obligations imposed upon it pursuant to the Community Declaration, the Community Bylaws or the Community Articles. The the Neighborhood Association (including, without limitation, the Neighborhood Architectural Committee of the Neighborhood Association) shall also be subject to all superior rights and powers which have been conferred upon the

Community Association pursuant to the Community Declaration, the Community Bylaws and the Community Articles.

7.5 Each Owner and such Owner's Lot(s) shall be subject to all of the covenants, conditions, restrictions and provisions contained in the Community Declaration. In the event of any conflict between any of the covenants, conditions, restrictions or provisions of these Neighborhood Restrictions, the Neighborhood Articles or the Neighborhood Bylaws with any of the covenants, conditions, restrictions or provisions of the Community Declaration, the Community Bylaws or the Community Articles, then, in such event, the covenants, conditions, restrictions and provisions of the Community Declaration, the Community Bylaws and the Community Articles, as the case may be, shall govern and prevail.

ARTICLE 8 - ACCOUNTING

8.1 The Board of Directors shall maintain books of account of all its receipts and expenditures and shall cause such books to be examined annually as of the close of each fiscal year and a report to be made thereon to the Neighborhood Association. Each Owner (or its duly appointed representative) and each First Mortgagee shall be entitled at reasonable times to inspect the books and records of the Neighborhood Association, to have such books and records examined at said Owner's or First Mortgagee's expense by an attorney or accountant representing such Owner or First Mortgagee and to make excerpts or copies of such books and records or portions thereof, and each such Owner (or its duly appointed representative) or First Mortgagee, at his own expense, shall have the right to have such books and records independently audited by an accountant.

ARTICLE 9 - SCOPE; ENFORCEMENT

9.1 The limitations, restrictions, conditions and covenants set forth in these Neighborhood Restrictions constitute a general scheme for (i) the maintenance, protection and enhancement of the value of the Project and all Lots and (ii) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are imposed on each Lot for the benefit of every other Lot and the present and future Owners thereof. Said limitations, restrictions, conditions and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be. The Community Association is, and shall be deemed to be, a third party beneficiary of the provision of these Neighborhood Restrictions.

9.2 Notwithstanding the provisions of the Article hereof to the contrary, at any time, 65 years after the date of recordation

of these Neighborhood Restrictions, these Neighborhood Restrictions and each and every limitation, restriction, condition and covenant contained herein may be terminated and extinguished upon execution and filing for record in the Office of the County Recorder of San Diego County, California, of a written instrument which (i) declares that the provisions of these Neighborhood Restrictions are thereby terminated and extinguished, (ii) is signed and acknowledged by the Owners entitled to exercise a majority of the total voting power of the Neighborhood Association and (iii) bears, or has attached thereto, the consent of at least 67 percent of all First Mortgagees as of the time of recordation of said written instrument.

9.3 Breach of any of said limitations, restrictions, conditions or covenants (or the continuation thereof) may be enjoined, abated or remedied by appropriate legal proceedings by (i) the Neighborhood Association, (ii) the Community Association, (iii) any Owner, its heirs, devisees, executors, administrators, successors and assigns or (iv) any Mortgagee, any of whom is herein referred to as an "Enforcing Person." Damages at law for any such breach, other than breach by failure to pay assessment(s), are hereby declared to be inadequate.

9.4 The result of or condition caused by a violation of any of said limitations, restrictions, conditions or covenants, other than the payment of assessment(s), is and shall be a nuisance, and every remedy in law or equity now or hereafter available against a public or private nuisance may be exercised by any Enforcing Person.

9.5 The failure of any Enforcing Person to enforce any of said limitations, restrictions, conditions or covenants shall not constitute a waiver of the right to enforce the same thereafter. No liability shall be imposed on or incurred by any Enforcing Person as a result of such failure.

9.6 The prevailing party in any action at law or in equity instituted by an Enforcing Person(s) to enforce or interpret the limitations, restrictions, conditions or covenants contained herein shall be entitled to all costs incurred in connection therewith, including but not limited to court costs and reasonable attorneys' fees.

ARTICLE 10 - RIGHTS OF MORTGAGEES

10.1 Any Owner may voluntarily or involuntarily encumber his Lot with or by a real property mortgage, deed of trust or other instrument of hypothecation.

10.2 A breach of any of the foregoing limitations, restrictions, conditions or covenants shall not defeat or render invalid the lien of any First Mortgage made in good faith and for value as to a Lot or any undivided interest therein; provided, however, such limitations, restrictions, conditions and covenants shall be binding upon and effective against any person whose title to said Lot is acquired by foreclosure, trustee's sale or otherwise.

10.3 Each and every lien created by or pursuant to this Declaration, including but not limited to, the assessment liens described in the Article entitled "Assessments," is and shall be subordinate, inferior and subject to the lien and charge of any (i) First Mortgage of record prior to the date of said lien encumbering any Lot and given for value and (ii) blanket construction (including acquisition) mortgage(s) or deed(s) of trust encumbering all or any part of the Project which mortgage(s) or deed(s) of trust may have been subordinated to these Neighborhood Restrictions.

10.3.1 Any person who acquires title to any Lot by purchasing the same at a foreclosure or trustee's sale of a First Mortgage, shall take title to such Lot free of any (i) claims by or on behalf of the Neighborhood Association for unpaid assessments accruing prior to the time such purchaser takes title to such Lot and (ii) assessment lien then encumbering any such Lot. Such unpaid assessments shall be reallocated among the Owners (other than said purchaser).

10.3.2 In the event any Mortgagee (i) shall acquire title to any Lot by judicial foreclosure, exercise of power of sale contained in any real property mortgage or deed of trust, or deed in lieu of foreclosure and (ii) shall thereafter sell and convey such Lot, any real property mortgage or deed of trust received by such lender as security for all or a portion of the purchase price of such Lot shall be incontrovertibly deemed "given for value." Notwithstanding the provisions of Paragraph 10.3 above, any lien created by or pursuant to these Neighborhood Restrictions, which lien arises from failure to pay assessment(s) accruing during the period of such Mortgagee's holding of title to said Lot, shall be a lien superior to the lien of said real property mortgage or deed of trust received to secure a portion of said purchase price.

10.4 In the event of any breach or default by any Owner in the performance of any obligation under these Neighborhood Restrictions or the Neighborhood Bylaws, and in the further event such breach or default is not cured within 60 days after its occurrence, the Board of Directors shall, if any First Mortgagee shall have so requested of the Neighborhood Association, immediately notify, in writing, such First Mortgagee of such Owner's Lot of said default; provided, however, failure to give such

notice shall in nowise affect any right or remedy of any enforcing person under the Article hereof entitled "Scope; Enforcement."

10.5 Each First Mortgagee shall be entitled, upon request, to (i) receive notice of any and all meetings of the Neighborhood Association and (ii) designate a representative to attend such meetings on its behalf.

10.6 In the event there shall be any express or implied conflict between any provision of this Article and any other provision of these Neighborhood Restrictions, the provisions of this Article shall govern and prevail.

ARTICLE 11

ASSESSMENTS

11.1 The Board of Directors has and shall have the right and power to make, from time to time, reasonable assessments upon the Lots to meet anticipated authorized expenditures of the Neighborhood Association (which shall include the establishment of an adequate reserve fund for replacement of all buildings, facilities and improvements in and to the Open Space and the Recreation Area and all personalty owned by the Neighborhood Association) and to change from time to time the amount, installments and/or frequency of payment of assessments.

11.1.1 No increase or decrease in the amount of such reasonable assessments for anticipated authorized expenditures of the Neighborhood Association in any one fiscal year of the Neighborhood Association which exceeds 20 percent of the regular assessment for the immediately preceding fiscal year may be made without the vote or written ballot of (i) the Owners entitled to exercise a majority of the total voting power in each of the two voting classes as provided in Paragraph 5.3 hereof and in the Article of the Bylaws entitled "Voting Rights," or (ii) upon cessation of one of the two voting classes, the Owners entitled to exercise a majority of the total voting power in the remaining voting class, provided that such vote or written ballot shall include the votes of a majority of the Owners other than Declarant. Each Owner shall be assessed separately for a share of such anticipated authorized expenditures, which share shall be levied against each Owner according to the ratio of the number of Lots owned by the Owner assessed to the total number of Lots subject to assessment.

11.1.2 Separate written notices of the making of such assessment (including in such notice the amount thereof and the frequency of payment) shall be deposited into the United States

mail, postage prepaid, directed to the attention of each Owner, bearing the address of the Lot owned by such Owner (or such other address to which such Owner shall have directed the Neighborhood Association to deliver such notice), at least 60 days prior to the beginning of a fiscal year; such assessment upon a Lot shall be a personal obligation of the Owner of the Lot to which such assessment relates at the time such assessment is made and, unless such assessment has been reduced to a recorded lien as hereinafter provided, the obligation to pay such assessment shall not pass to the successor in title to such Lot unless such successor expressly agrees, in writing, to assume such obligation. The amount of any such assessment together with any late payment penalty, costs and reasonable attorneys' fees in the event enforcement is commenced shall be and become a lien upon any Lot assessed when the Board of Directors causes to be recorded in the Office of the County Recorder of San Diego County, California, a notice of assessment, which shall state the amount of such assessment and any late payment penalty, costs and attorneys' fees, a description of the Lot against which the same has been assessed and the name of the record Owner thereof. Upon payment of such assessment and charges or other satisfaction thereof, the Board of Directors shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof. Unless sooner satisfied and released, or unless the enforcement thereof is initiated as herein provided, such lien shall expire and be of no further force or effect one year after the date of recordation of said notice of assessment; provided, however, that said one-year period may be extended by the Board of Directors for not more than one additional year by recording a written extension thereof.

11.1.3 Such lien may be enforced by sale of the Lot by the Board of Directors, on behalf of the Neighborhood Association, its attorney or other person authorized by the Board of Directors to conduct the same after failure of the Owner to pay such an assessment in accordance with its terms; such sale shall be conducted in accordance with the provisions of California Civil Code Sections 2924, 2924b, 2924c, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Board of Directors, on behalf of the Neighborhood Association, shall have the right to (i) bid at any foreclosure sale of a Lot, (ii) a credit, in any such bidding, in the amount of the aggregate of the unpaid assessment(s), said interest and charges and (iii) hold, lease, mortgage and/or convey said Lot in the name of the Neighborhood Association. Nothing herein shall prohibit the Board of Directors from instituting legal proceedings against an Owner to collect the debt of an assessment(s) owed by such Owner.

11.2 The Board of Directors may also levy and collect special assessment(s) for capital improvements or other purposes

in the same manner as regular assessments are levied and collected as described in Paragraph 11.1. The amount of any such special assessment, together with any late payment penalty incurred pursuant to this Article, costs and reasonable attorneys' fees in the event enforcement is commenced, shall be and become a lien upon any Lot in the same manner as regular assessments become a lien. Provided, however, no such special assessment exceeding, in the aggregate, five percent of the budgeted gross expenses of the Neighborhood Association for the then current fiscal year of the Neighborhood Association may be levied without the vote or written ballot of (i) the Owners entitled to exercise a majority of the total voting power in each of the two voting classes as provided in the Article of the Bylaws entitled "Voting Rights" or (ii) upon cessation of one of the two voting classes, the Owners entitled to exercise a majority of the total voting power in the remaining voting class, provided that such vote or written ballot shall include the votes of a majority of the Owners other than Declarant. The provisions of the preceding sentence shall not apply to special assessment(s) for repair, or the like, described in the Article entitled "Destruction; Insurance."

11.3 In the event the Neighborhood Association does not receive an Owner's payment of the entire amount of a regular or special assessment imposed upon its Lot pursuant to this Article within 30 days after the due date thereof, a late payment penalty by way of damages shall be immediately due and payable by such Owner. Each of the Owners recognizes and acknowledges that the late payment of assessments will cause the Neighborhood Association to incur additional costs and expenses in connection with its management, control, maintenance, architectural control and preservation of the Project. In the event of any such late payment, the Neighborhood Association shall be entitled to damages for the detriment caused thereby, but it is extremely difficult and impractical to ascertain the extent of such damages. Accordingly, each Owner shall pay to the Neighborhood Association a late payment penalty equal to such amount as may be provided under rules or regulations then promulgated by the Board of Directors, provided that such amount shall not exceed the sums for such late payment penalties allowed by law (see, e.g., Title I, Part 4 of Division 3 of the California Civil Code). Such late payment penalties shall be liquidated damages for all such costs and expenses, other than attorneys' fees, court costs and other costs incurred by the Neighborhood Association in connection with the creation and/or foreclosure of a lien for delinquent regular or special assessments. Acceptance of any such late payment penalty by the Neighborhood Association shall in no event constitute a waiver of such Owner's default with respect to the late payment (i.e., the overdue amount), nor prevent the Neighborhood Association from exercising any of its other rights

and remedies hereunder or at law. In addition to the late payment penalty described above, each Owner shall pay to the Neighborhood Association the amount of reasonable attorneys' fees, court costs and other costs incurred by the Neighborhood Association in connection with the creation and/or foreclosure of a lien for delinquent regular or special assessments.

11.4 Until such time as the Board of Directors shall change the same pursuant to Paragraph 11.1, such assessments shall be due and payable monthly on the first day of each calendar month, commencing, as to all Lots, on the first day of the calendar month next following the first conveyance by Declarant of a Lot to an Owner. Recordation of this Declaration shall not constitute a "notice of assessment" under Paragraph 11.1, but shall be the equivalent of "separate written notice of the making of such assessment" described in Paragraph 11.1. Declarant shall be absolutely liable for the monthly installment of any assessment, and any special assessment, constituting a lien on any Lot and accruing prior to the conveyance thereof by Declarant. Provided, however, that insofar as an assessment may be imposed against a subdivision interest which Declarant owns and which does not include a structural improvement for human occupancy (such as an unimproved, annexed phase), Declarant shall be exempt from the payment of that portion of any such assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of structural improvements. Such exception from the payment of assessments shall be in effect only until there has been recorded a notice of completion of a structural improvement constructed on the property subject to the exemption, or until 120 days after the issuance of a building permit for the construction of a structural improvement on such property, whichever first occurs.

11.5 Anything in Paragraph 11.1 to the contrary notwithstanding, if any tax is assessed to Declarant or to the Neighborhood Association upon the entire Project or upon the Open Space or the Recreation Area only, a share thereof shall be included in the assessment upon each Owner which share shall be the portion which bears to the total tax assessed the same relationship as the purchase price of the land which constitutes such Owner's Lot bears to the aggregate of purchase prices of all such land. "Purchase price" means the price charged for such land by Declarant in its regular course of business; as to any land which has never been sold in the regular course of business, it shall mean the price at which such land is offered for sale to the public.

ARTICLE 12

DESTRUCTION; INSURANCE

12.1 The Board of Directors shall keep, under one master policy (i) all buildings (if any) and other insurable improvements (if any) in the Open Space and the Recreation Area and (ii) all fixtures, equipment, supplies and personalty owned by the Neighborhood Association, insured against loss by perils under a multi-peril policy(ies) of hazard insurance for the interest of all Owners, protecting against, at least, (i) loss or damage by fire and all other hazards that are normally covered by the standard extended coverage endorsement, and (ii) perils covered for similar planned development projects, including those covered by the standard "all risk" endorsement. In addition, the master policy shall contain an "agreed amount and inflation guard endorsement" if one is available from the insurance carrier. Further, such master policy shall contain a "construction code endorsements" if, at the time such policy is obtained, there is a construction code provision that requires changes to the undamaged portions of building or other improvements which constitute a part of the Open Space or the Recreation Area, even when only part of the Project is destroyed by an insured hazard. Typically, such endorsements include demolition cost endorsements, contingent liability from operation of building laws endorsement and increased cost of construction endorsement. In addition to the foregoing, such policies shall include such other endorsements as may be required by the FNMA and/or FHLMC to purchase, guarantee, insure or subsidize any mortgage encumbering a Lot at any time that FNMA and/or FHLMC has acquired, or proposes to acquire an interest in any such mortgage. The amount of coverage of such insurance shall be not less than 100 percent of the insurable value (based on then current replacement cost) of said buildings and improvements, fair market value of such fixtures equipment, supplies and personalty as determined annually by an insurance carrier selected by the Board of Directors.

12.1.1 The name of the insured under each policy of such insurance shall be substantially "Fairway Heights Owners' Association, a California nonprofit mutual corporation, for use and benefit of individual owners," followed, if desired by either the Neighborhood Association or the insurance carrier(s), by the designation of the Owners. Authority to adjust losses covered by the Neighborhood Association's policy(ies) shall be vested in the Board of Directors, and insurance proceeds shall be payable to the Neighborhood Association or to Mortgagees, as their interests appear.

12.2 If, within the Open Space or the Recreation Area a steam boiler is in operation, the Board of Directors shall keep in force boiler explosion insurance evidenced by a standard form of boiler and machinery insurance policy and providing coverage as a minimum, \$100,000 per accident per location. If a steam boiler is in operation within a residence located on a Lot, the Owner of said Lot shall provide such insurance.

12.3 If the Project is or becomes located in an area identified by the Secretary of Housing and Urban Development or the Federal Emergency Management Agency as an area having special flood hazards, a "master" or "blanket" policy of flood insurance on the Project must be maintained in the amount of the lesser of (i) the maximum coverage available under the National Flood Insurance Act of 1968, as amended, for all buildings and other insurable property within any portion of the Project which is located within such area identified as having special flood hazards or (ii) the greater of either (a) 100 percent of current "replacement cost" of all such buildings and other insurable property or (b) the outstanding principal balances of mortgage loans on all Lots. The name of the insured under each policy of insurance shall be as set forth in Paragraph 12.1 above.

12.4 In the event of any loss, damage or destruction so insured against, the Board of Directors shall cause the same to be replaced, repaired or rebuilt. In the event the cost of such replacement, repair or rebuilding exceeds the hazard insurance proceeds received therefor, the Board of Directors shall levy and collect a special assessment in an equal amount from each Owner in the Project. In any event, all such hazard insurance proceeds received for such loss, damage or destruction shall be used for such replacement, repair or rebuilding.

12.5 The Board of Directors shall procure and keep in force during the term hereof insurance (containing a "severability of interest" clause or endorsement) in the name of the Neighborhood Association and the Owners against any liability to the public (including the Owners) resulting from any occurrence in or about the Open Space or the Recreation Area with coverage in the amount of at least \$1,000,000 per occurrence, for personal injury (including deaths of persons) and/or property damage in connection with the operation, maintenance or use of the Open Space, and legal liability arising out of lawsuits related to employment contracts in which the Neighborhood Association is a party. The policy(ies) of such insurance shall contain a waiver of subrogation by the insurer(s) against (i) the Neighborhood Association, (ii) each of the directors serving from time to time on the Board of Directors, and (iii) the Owners.

12.6 The Board of Directors shall procure and keep in force during the term hereof insurance in the name of the Neighborhood Association against dishonest acts on the part of the Board of Directors, volunteers and other persons responsible for handling funds belonging to or administered by the Neighborhood Association; such insurance or, in lieu thereof, fidelity bond, shall be written in an amount not less than one and one-half times the Neighborhood Association's estimated annual operating expenses and reserves.

12.7 Each Owner shall keep all buildings and other insurable improvements on such Owner's Lot insured for the interest of such Owner and such Owner's mortgagees, as their interests may appear. Such insurance shall provide, as a minimum, fire and extended coverage, with waiver of any fall of building clause, on a replacement cost basis in an amount not less than that necessary to comply with any coinsurance percentage stipulated in such insurance policy. The amount of coverage of such insurance shall be such that in the event of any damage or loss to the improvements so insured the insurance proceeds shall provide at least the lesser of (i) compensation equal to the full amount of damage or loss or (ii) compensation to such Owner's First Mortgagee equal to the full amount of the unpaid balance of said First Mortgagee's mortgage on such Owner's Lot. In lieu of the insurance to be maintained by each Owner pursuant to this Paragraph 12.7, the Neighborhood Association may procure and maintain a blanket policy of hazard insurance with the same coverage as described above in this Paragraph, insuring the single-family residential structure on each Owner's Lot. Any such blanket policy of insurance must name the Neighborhood Association as the insured for the benefit of the Owners. The premiums for any such blanket insurance policy shall be an expense of the Neighborhood Association and included in the assessments described in Paragraph 11.1.

12.8 Each multi-peril policy(ies) of hazard insurance shall be issued by an insurance carrier which (i) has a financial rating by Best's Insurance Reports of (a) Class VI or better, provided it has a general policy holder's rating of at least B, or (b) Class V or better, provided it has a general policy holder's rating of at least A and (ii) is authorized to transact business within the State of California.

12.9 In the event of any loss, damage or destruction to any improvements in the Open Space or the Recreation Area or personalty owned by the Neighborhood Association not insured against under the policy(ies) of insurance required of the Neighborhood Association hereunder, the Board of Directors shall undertake to cause the same to be replaced, repaired or rebuilt. The cost of such replacement, repair or rebuilding shall be assessed equally to all of the Owners in the Project.

12.10 Copies of all such insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Neighborhood Association and open for inspection by the Owners at any reasonable time(s). All such insurance policies shall (i) provide that they shall not be reducible or cancellable by the insurer, without first giving at least ten days' prior notice in writing to the Neighborhood Association and all First Mortgagees, (ii) contain a waiver of subrogation by the insurer(s) against the Neighborhood Association, the Board of Directors and the Owners, (iii) contain or have attached a standard mortgagee clause or endorsement (customarily used by private institutional lenders in San Diego County, California) in favor of all First Mortgagees, (iv) provide that any insurance trust agreement will be recognized, (v) provide that the insurance will not be prejudiced by any acts or omissions of Owners that are not under the control of the Neighborhood Association, (vi) provide that the policy will be primary, even if an Owner has other insurance that covers the same loss, and (vii) contain such other endorsement(s) as such First Mortgagees may require to fully protect their interests in form and of content as customarily used by private institutional lenders in San Diego County, California.

12.11 Nothing contained in this Article shall be construed to supersede any provision of the Article entitled "Planned Development Character of Project."

ARTICLE 13

CONDEMNATION

13.1 In the event of any conflict between the provisions of this Article and those of any other Article of this Declaration, the provisions of this Article shall govern and control.

13.2 In this Article, the following words and phrases shall have, respectively, the following meanings:

13.2.1 "Appropriation" means any taking of or damage to any part of the Open Space or Recreation Area (or any interest therein) by reason of any exercise of the power of eminent domain (whether by condemnation proceedings, inverse condemnation or otherwise) or by reason of any transfer of any part of the Open Space or Recreation Area (or any interest therein) made in avoidance of such an exercise.

13.2.2 "Condemnor" means any governmental entity or person possessing the right and power of eminent domain which exercises said right and power, or threatens so to do, with respect to any part of the Open Space or the Recreation Area (or any interest therein).

13.2.3 "Award" means compensation, including, but not limited to, monetary and other consideration, paid by a Condemnor for an Appropriation.

13.3 The Board of Directors is hereby irrevocably appointed as the agent for every Owner to (i) negotiate with any Condemnor for settlement of an Award for any Appropriation, (ii) defend any action brought for an Appropriation, and to engage and compensate counsel and expert witnesses therefor or to aid the Board of Directors in the exercise of any of its powers under this Article, (iii) conduct, arrange or supervise an independent appraisal to determine the value of the Open Space or the Recreation Area affected by any Appropriation, (iv) receive in the name of the Neighborhood Association any Award and to retain the same, pending its disbursement, in a noninterest-bearing bank account in the name of the Neighborhood Association and (v) disburse or retain the same, pursuant to the following Paragraphs of this Article.

13.4 If an Award affecting all or a portion of the Open Space or the Recreation Area is not apportioned among the Owners by court judgment or by agreement between the Condemnor and the Board of Directors as the Owners' agent, and after the value of the Open Space or the Recreation Area affected by any Appropriation has been determined by independent appraisal, as soon as may be practicable after the receipt by the Neighborhood Association of any Award, the Board of Directors will disburse the same pursuant to the following:

13.4.1 First, to contractors, subcontractors, materialmen and others for the costs of the repair or restoration of damage or destruction to the Open Space or the Recreation Area caused by an Appropriation, or to the Neighborhood Association in reimbursement for such costs; the balance of the award is hereinafter referred to as "Award Balance."

13.4.2 Second, the Award Balance to the Neighborhood Association. In the event that the entire Open Space or the Recreation Area is appropriated, the Award Balance shall be distributed to the Owners so that each Owner receives one equal share of such Award Balance for each Lot in the Project owned by such Owner. In the event that the Open Space or the Recreation Area is appropriated only in part, the Award Balance shall be retained by the Neighborhood Association or disbursed to the Owners in whole or in part as determined by the Board of Directors.

13.5 In the event there shall be any express or implied conflict between any provision of this Article and any provision of a note or deed of trust held by a Mortgagee, the provisions of said note or deed of trust shall govern and prevail.

ARTICLE 14

DECLARANT'S SECURITY FOR ITS OBLIGATIONS

14.1 If the Neighborhood Association is obligee under a bond (the "Bond") obtained pursuant to Business and Professions Code Section 11018.5 (a)(2)(A), to secure completion of improvements in and to the Open Space or the Recreation Area, the following provisions shall govern any action brought by the Neighborhood Association to enforce the obligations under the Bond:

14.1.1 The Board of Directors shall, within ten days after passage of the Grace Period (hereinafter defined), consider and vote on the question of action to be taken by the Neighborhood Association to enforce the obligations under the Bond with respect to any improvement in or to the Open Space or the Recreation Area for which a Notice of Completion has not been filed within 60 days (the "Grace Period") after the completion date specified for that improvement in the "Planned Construction Statement" appended to the Bond. If the Neighborhood Association has, in writing, extended the time for completion of any improvement in or to the Open Space or the Recreation Area, the Board of Directors shall consider and vote on the question of action to be taken to enforce the obligations under the Bond if a Notice of Completion has not been filed for said improvement within 30 days (the "Grace Period") after the expiration of said extended time period. Any such extension granted by the Neighborhood Association shall override any contrary decision of the Board of Directors.

14.1.2 If the Board of Directors fails to consider and vote on the question of action to be taken by the Neighborhood Association to enforce the obligations under the Bond or should the Board of Directors decide not to initiate action to enforce said obligations, a special meeting of Members shall be held to consider and vote on such action if Members having at least five percent of the voting power of the Neighborhood Association sign and submit to the Board of Directors a petition demanding such meeting. Such meeting shall be held not less than 35 days nor more than 45 days after receipt by the Board of Directors of said petition. At such special meeting, all Members other than Declarant shall be entitled to vote.

14.1.3 If, at such special meeting, Members (other than Declarant) having a majority of the voting power of the Neighborhood Association (exclusive of the voting power attributed to Declarant) vote in favor of taking action to enforce the Bond, the Board of Directors shall immediately initiate and thereafter pursue appropriate action in the name of

the Neighborhood Association to enforce the obligations under the Bond. If the Board of Directors refuses to pursue such action, then any Member(s) may initiate and pursue appropriate action in the name of the Neighborhood Association to enforce the obligations under the Bond. Funds for pursuing such action shall be obtained by means of a special assessment of the Owners pursuant to the Article hereof entitled "Assessments;" such funds shall be kept in a separate account at a bank designated by the Neighborhood Association and used only for initiation and prosecution of said action.

14.1.4 If, at such special meeting, Members (other than Declarant) having a majority of the voting power of the Neighborhood Association (exclusive of the voting power attributed to Declarant) vote against taking action to enforce the Bond, then no such action may be taken by any Director serving on the Board of Directors or by any Member on behalf of the Neighborhood Association for a period of 60 days after said special meeting. If no Notice of Completion is filed for said improvements in or to the Open Space or the Recreation Area within 60 days after the date of said special meeting, the provisions of the foregoing Paragraphs shall govern the action to be taken by the Board of Directors and the Neighborhood Association with respect to enforcing the obligations under the Bond.

14.2 If Declarant posts a surety bond or deposits funds (pursuant to Section 2792.9, Article 12, Chapter 6, Title 10, California Administrative Code) for the benefit of the Neighborhood Association, to assure the fulfillment by Declarant of its obligations to pay assessments, the exoneration or release of such bond or funds being subject to the conditions set forth in said Section 2792.9, and a dispute arises between Declarant and the Neighborhood Association with respect to the question of satisfaction of such conditions for exoneration or release, then, in such event, such dispute shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association, and judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof. The fee payable to the American Arbitration Association to initiate such arbitration shall be remitted by Declarant; however, the costs of such arbitration shall ultimately be borne as determined by the Arbitrator(s) under the aforesaid Commercial Arbitration Rules.

ARTICLE 15

ANNEXATION

15.1 Declarant has, and shall have, the absolute right to impose these Neighborhood Restrictions upon all or any portion of

the property described in Exhibit A, by annexation of any such property in the manner hereinafter set forth and, when such annexation is accomplished, these Neighborhood Restrictions shall be of the same force and effect with respect to such annexed property as if such annexed property was originally described herein. Such annexation may occur from time to time, may affect all or any portion of the property described in Exhibit A and any such annexation shall be accomplished as follows:

15.1.1 Prior to the annexation of all or any portion of the property described in Exhibit A, Declarant shall file for record in the Office of the County Recorder of San Diego County, California, on or before three years after the date of the original issuance of the then most recent Final Subdivision Public Report issued by the California Department of Real Estate for a phase of development of the Project, a Declaration of Annexation and Restrictions describing the property to be annexed and otherwise substantially in form as set forth in Exhibit C;

15.1.2 Following the recordation of any such Declaration of Annexation and Restrictions, the annexation into the Project of the property described in such Declaration of Annexation and Restrictions shall be accomplished upon (i) the first conveyance by Declarant of a Lot in such property to an Owner, and (ii) the conveyance to the Neighborhood Association, in fee, prior to or concurrently with the conveyance of such Lot, of any Open Space Lot or Recreation Area Lot within the property being annexed.

15.1.3 At any time following the recordation of a Declaration of Annexation and Restrictions, but prior to the first conveyance of a Lot in the property described in such Declaration of Annexation and Restrictions, Declarant shall have the right to record a Termination and Extinction of Declaration of Annexation and Restrictions describing all or any portion of such property and otherwise substantially in form as set forth in Exhibit D and, upon recordation thereof, (i) any Declaration of Annexation and Restrictions described therein shall cease to be of any force or effect with respect to the property described in such Termination and Extinction of Declaration of Annexation and Restrictions and (ii) any subsequent conveyance of a Lot in the property described in such Termination and Extinction of Declaration of Annexation and Restrictions (or the conveyance of any other interest therein) shall not accomplish the annexation into the Project of the property described in such Termination and Extinction of Declaration of Annexation and Restrictions.

15.1.4 A Declaration of Annexation and Restrictions may contain complementary additions to and/or reasonable modifications of the provisions of this Declaration as may be appropriate to reflect the different character, if any, of the developmental plan for the property to be annexed.

15.2 Nothing contained herein shall be construed to permit, expressly or by implication, Declarant to (i) annex or deannex any portion of the property described in Exhibit A which does not constitute a legal lot or parcel or (ii) sell a Lot in any phase of development of the Project without first having obtained a Final Subdivision Public Report thereon from the Department of Real Estate of the State of California.

15.3 Upon annexation of all or any portion of the property described in Exhibit A, and except to the extent Declarant may be entitled to an exemption by reason of the provisions of Paragraph 11.4 of this Declaration, assessments (as provided in the Article hereof entitled "Assessments") against the Lots in such annexed property shall commence on the first day of the calendar month next following the recording of the first conveyance by Declarant of a Lot in such annexed property to an Owner. At the time of such commencement of assessments, the anticipated authorized expenses of the Neighborhood Association shall be adjusted to reflect the costs to the Neighborhood Association of the management, operation and maintenance of the Project arising by reason of such annexation, and the assessment upon each Lot then subject to assessment shall be accordingly adjusted so as to apportion all of said costs equally among all of the Lots then subject to assessment.

15.4 During any period in which assessments have not commenced with respect to all or a portion of the property described in Exhibit A, Declarant shall hold harmless the Neighborhood Association (and other Owners) for any charges or costs incurred by the Neighborhood Association with respect to such property for which assessments have not commenced.

15.5 No vote(s) in the Neighborhood Association shall be attributable to ownership of all or any portion of the property described in Exhibit A until such property has been annexed into the Project. Upon annexation of such property, the Owner (including Declarant) of Lot(s) within such annexed property shall be entitled to the number of votes as provided in this Declaration.

15.6 Notwithstanding the Article hereof entitled "Amendment," no amendment, revocation or rescission of this Article may be had so long as Declarant owns a Lot which has not been conveyed to an Owner other than Declarant without the (i) written consent of Declarant and (ii) recording of such consent in the Office of the Recorder of San Diego County, California.

15.7 Unless otherwise specifically provided in this Declaration, each Owner shall have equal rights and obligations with respect to the Open Space or the Recreation Area, without regard

to whether such Open Space or the Recreation Area is created, or became a part thereof, before or after such Owner acquires its Lot.

ARTICLE 16

AMENDMENT

16.1 These Neighborhood Restrictions may be amended only by written instrument (or counterparts thereof) (i) signed and acknowledged (a) by the Owners entitled to exercise 67 percent of the total voting power in each of the two voting classes of the Neighborhood Association, as provided in the Article of the Neighborhood Bylaws entitled "Voting Rights" or (b) upon cessation of one of the two voting classes, by the Owners entitled to exercise 67 percent of the total voting power in the remaining voting class, provided that such signatures include the signatures of not less than a majority of Owners other than Declarant and (ii) filed for record in the Office of the County Recorder of San Diego County, California. Any written instrument amending these Neighborhood Restrictions shall bear, or have attached thereto, the written consent of (i) the Community Board or other governing body of the Community Association, and (ii) until September 30, 1990, of the "Declarant" identified in the Community Restrictions. Further, any written instrument amending these Neighborhood Restrictions shall bear, or have attached thereto, the written consent of 51 percent (based upon one vote for each First Mortgage owned) of all those holders (hereinafter referred to individually as "Eligible Mortgage Holder" and collectively as "Eligible Mortgage Holders"), of a First Mortgage encumbering a Lot as of the time of recording such amendment who have requested in writing that the Association notify such holders of any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders, if such amendment would (i) affect to any degree the rights, powers, privileges, interests or security of first Mortgagees as set forth in the Article hereof entitled "Planned Development Character of Project," "The Neighborhood Association," "Accounting," "Scope; Enforcement," "Rights of Mortgagees" and the following paragraphs hereof: 1.1.16, 2.1 and 16.1 (ii) change the boundaries of any Lot or convert any Lot into Open Space or any other type of common area, or vice versa, (iii) impose any restriction on an Owner's right to sell or transfer his or her Lot, other than as set forth in subparagraph 2.1.5 hereof, or (iv) establish self management when professional management had been required previously by an Eligible Mortgage Holder pursuant to guidelines of the Federal National Mortgage Association.

16.2 If for any reason, the consent of any Eligible Mortgage Holder is desired but not required by the provisions of Paragraph

16.1 above, any such Eligible Mortgage Holder shall be conclusively deemed to have consented to an addition or amendment to these Neighborhood Restrictions for which such consent is not so required if any of such Eligible Mortgage Holder fails to submit a response to any written proposal for such an addition or amendment within 30 days after the delivery of such proposed addition or amendment to such Eligible Mortgage Holder.

16.3 It is the intent of Declarant that these Neighborhood Restrictions, the Neighborhood Articles, the Neighborhood Bylaws and the Project meet all requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a Lot by the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and such other similar entities, agencies or organizations. In the furtherance of that intent, Declarant expressly reserves the right, and shall be entitled by unilateral amendment of these Neighborhood Restrictions as long as Declarant owns more than 25 percent of the Lots, to incorporate any provisions that are, in the opinion of the cited entities or governmental agencies, required to conform these Neighborhood Restrictions, the Neighborhood Articles, the Neighborhood Bylaws or the Project to the requirements or policies of any such entities or governmental agencies. Provided, however, that any such provision shall first have been approved by the California Department of Real Estate in connection with its issuance of a Final Subdivision Public Report or amendment to it with respect to the Project. Each Owner and each Mortgagee by acceptance of a deed of or encumbrance against a Lot consents to the incorporation into these Neighborhood Restrictions of any such provisions as if set forth herein in full. The Board of Directors and each Owner shall take any action or shall adopt any resolutions required by Declarant or any Mortgagee to conform these Neighborhood Restrictions or the Project to the requirements of any of the cited entities or agencies.

16.4 Each such amendment to this instrument shall become effective only upon being filed for record as hereinabove provided and shall, from and after its effective date, be as effective as this instrument as to all (i) the Lots, (ii) the Project and (iii) the Owners (as of the effective date) and their successors in interest.

ARTICLE 17

GENERAL PROVISIONS

17.1 Notices required by these Neighborhood Restrictions, or desired, to be given shall be conclusively deemed served (i) if personally served, at the time of such service, and (ii) if

mailed, 48 hours after deposit thereof in the United States mail, postage prepaid, addressed to the person(s) to whom such notice is to be given at the last known address of such person(s).

17.2 In the event any limitation, restriction, condition, covenant or provision contained in these Neighborhood Restrictions is held to be invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of these Neighborhood Restrictions shall, nevertheless, be and remain in full force and effect.

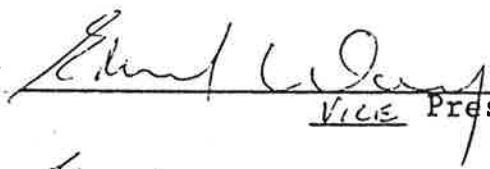
17.3 No provision of the Neighborhood Bylaws or the Neighborhood Articles, and no action of the Neighborhood Association, in violation or contravention of any provision of these Neighborhood Restrictions shall be valid, subsisting or of any effect whatsoever.

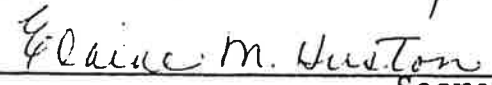
17.4 Captions in these Neighborhood Restrictions are inserted for convenience of reference only and do not define, describe or limit the scope or the intent of these Neighborhood Restrictions or any of the terms hereof.

17.5 These Neighborhood Restrictions and every provision hereof shall be construed to facilitate the operation of the Project.

IN WITNESS WHEREOF, these Neighborhood Restrictions have been executed as of the 30th day of October, 1984.

W. WOLF PROPERTIES, INC.,
a California corporation

By 
VICE President

By 
Secretary

STATE OF CALIFORNIA)
) SS
COUNTY OF SAN DIEGO)

On October 30, _____, 19 84, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Edward Way, Sr., known to me to be the Vice President, and Elaine M. Huston, known to me to be the X Secretary, of W. WOLF PROPERTIES, INC., a California corporation, and acknowledged to me that such corporation executed the within instrument pursuant to its Neighborhood Bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.



[Signature]
Notary Public in and for said
County and State *[Signature]*

SUBORDINATION TO DECLARATION OF RESTRICTIONS

FOR GOOD, VALUABLE AND ADEQUATE CONSIDERATION, receipt of which is hereby acknowledged, FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, a federally chartered savings and loan association, as beneficiary under that certain deed of trust and assignment of rents recorded March 30, 1984, at File/Page No. 84-117798 Official Records of San Diego County, California, hereby consents to the recordation of, and subordinates the lien and charge of said deed of trust and assignment of rents to, the foregoing Declaration of Restrictions.

Dated: November 6, 1984

FIDELITY FEDERAL SAVINGS AND
LOAN ASSOCIATION, a federally
chartered savings and loan
association

By *[Signature]* President

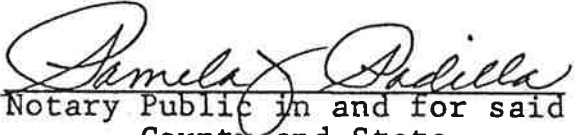
By *[Signature]* Secretary

Illinois

STATE OF ~~CALIFORNIA~~)
) SS
 COUNTY OF KNOX)

On Nov. 6, 1984, before me, the undersigned, a Notary Public in and for said County and State, personally appeared Jerry A. Bills, known to me to be the _____ President, and JEAN L. MUSOLF, known to me to be Ass't. Secretary of FIDELITY FEDERAL SAVINGS AND LOAN ASSOCIATION, a federally chartered savings and loan association, and acknowledged to me that such association executed the within instrument pursuant to its bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.



 Notary Public in and for said
 County and State

My Commission Expires February 2, 1987

PROPERTY WHICH MAY BE ANNEXED INTO PROJECT

PARCEL 1:

Lots 1 through 19, inclusive, Lots 52 through 61, inclusive, and Lot 67 of BERNARDO HEIGHTS NORTH, in the City of San Diego, County of San Diego, State of California, according to Map thereof No. 11111, filed in the Office of the County Recorder of San Diego County, California, December 18, 1984.

PARCEL 2:

Lots 2 through 5, inclusive, of BERNARDO HEIGHTS UNIT NO. 10, according to Map thereof No. 9857, filed in the Office of the County Recorder of San Diego County, California, on October 30, 1980, together with Parcel 1 of Parcel Map No. 13376, filed in the Office of the County Recorder of San Diego County, California, on July 16, 1984, as File/Page No. 84-266302 of Official Records, all being in the City of San Diego, County of San Diego, State of California.

RECORDING REQUESTED BY:

OWNER

WHEN RECORDED MAIL TO:

XXXXXXXXXXXX

SPACE ABOVE FOR REPORTER'S USE

DECLARATION OF ANNEXATION AND RESTRICTIONS

THIS DECLARATION OF ANNEXATION AND RESTRICTIONS, made and executed by [Name of Declarant] herein referred to as "Declarant,"

WITNESSETH THAT:

WHEREAS, Declarant is the owner of the property described as:

[LEGAL DESCRIPTION OF PROPERTY TO BE ANNEXED]

WHEREAS, Declarant (or Declarant's predecessor in interest) has caused to be executed, acknowledged and recorded a Declaration of Restrictions, recorded _____, 19____, File/Page No. _____, Official Records of _____ County, California (the "Declaration of Restrictions").

WHEREAS, the Declaration of Restrictions provides, inter alia, for the annexation and incorporation into the Project described in the Declaration of Restrictions of certain property described therein, including but not limited to, the property described above (the "Annexation Property").

WHEREAS, Declarant desires to effect said annexation and incorporation and to subject the Annexation Property to the Declaration of Restrictions in the manner provided for in the Declaration of Restrictions.

NOW, THEREFORE, by this Declaration of Annexation and Restrictions, Declarant hereby declares that upon the first conveyance by Declarant of a Lot in the Annexation Property to an

an Owner and the conveyance of Lot(s) _____ to the Fairway Heights Owners Association, (i) the Annexation Property shall be annexed into the Project described in the Declaration of Restrictions and (ii) the Annexation Property, and each and every Lot therein, shall be held, leased, encumbered, sold and/or conveyed by Declarant, and each and every successor in interest of Declarant, subject to the limitations, restrictions, conditions and covenants set forth in the Declaration of Restrictions and this Declaration of Annexation and Restrictions.

IN WITNESS WHEREOF, this Declaration of Annexation and Restrictions has been executed at _____, California, as of the ___ day of _____, 19____,

**EXHIBIT
DO NOT SIGN**

RECORDING REQUESTED BY:

OWNER

WHEN RECORDED MAIL TO:

X
X
X
X
X
X
X
X
X
X
X

SPACE ABOVE FOR RECORDER'S
USE

TERMINATION AND EXTINCTION OF
DECLARATION OF ANNEXATION AND RESTRICTIONS

THIS TERMINATION AND EXTINCTION OF DECLARATION OF ANNEXATION
AND RESTRICTIONS, made and executed by [Name of Declarant] herein
referred to as "Declarant,"

WITNESSETH THAT:

WHEREAS, Declarant is the owner of the property described
as:

[LEGAL DESCRIPTION OF PROPERTY TO BE DELETED]

WHEREAS, Declarant (or Declarant's predecessor in interest)
has caused to be executed, acknowledged and recorded a Declara-
tion of Restrictions, recorded _____, 19__, File/Page
No. _____, Official Records of _____ County,
California (the "Declaration of Restrictions").

WHEREAS, the Declaration of Restrictions provides, inter
alia, for the annexation and incorporation into the Project
described in the Declaration of Restrictions of certain property
described therein, including, but not limited to, the property
described above (the "Subject Property").

WHEREAS, Declarant has caused to be executed, acknowledged
and recorded a Declaration of Annexation and Restrictions,
recorded _____, 19__, File/Page No. _____, Official
Records of _____ County, California, which describes the
Subject Property.

WHEREAS, the Declaration of Restrictions provides that prior to the conveyance by Declarant of a Lot in the property described in said Declaration of Annexation and Restrictions to an Owner, Declarant has the right to record a Termination and Extinction of Declaration of Annexation and Restrictions substantially in form as set forth herein.

WHEREAS, Declarant has not conveyed a Lot in the property described in said Declaration of Annexation and Restrictions.

WHEREAS, Declarant desires to terminate and extinguish the effect of said Declaration of Annexation and Restrictions as set forth herein.

NOW, THEREFORE, by this Termination and Extinction of Declaration of Annexation and Restrictions, Declarant hereby declares that upon the first conveyance of a Lot, or any other interest, in the Subject Property (i) the Subject Property shall not be annexed into the Project described in the Declaration of Restrictions and (ii) the Subject Property and each and every Lot therein shall be hereafter held, leased, encumbered, sold and/or conveyed by Declarant, and each and every successor in interest of Declarant, free and clear of the limitations, restrictions, conditions and covenants set forth in the Declaration of Restrictions.

IN WITNESS WHEREOF, this Termination and Extinction of Declaration of Annexation and Restrictions has been executed at _____, California, as of the _____ day of _____, 19__.

**EXHIBIT
DO NOT SIGN**