

WHEN RECORDED, RETURN TO:

THE ANLEN GROUP (SMITH)
2483 EAST BAYSHORE ROAD, #102
PALO ALTO, CA 94303-3282

304038

I N D E X
TO

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF
EDGEWATER ISLE SOUTH
A CONDOMINIUM PROJECT

RF	52
LN	
MF	1
AF	50
HB	103

85127921

RECORDED AT REQUEST OF

FIRST AMERICAN TITLE INSURANCE CO.
SAN MATEO COUNTY TITLE DIVISION

NOV 27 10 52 AM '85

MARVIN GURCH, RECORDER
SAN MATEO COUNTY
OFFICIAL RECORDS

ARTICLES

PAGE

I.	INTENTION OF DECLARATION	1.1
	1.1 Facts	1.1
	1.2 Applicability of Restrictions	1.2
II.	DEFINITIONS	2.1
III.	OWNERSHIP AND EASEMENTS	3.1
	3.1 Non-Severability	3.1
	3.2 Ownership of Units	3.1
	3.3 Ownership of Common Area	3.1
	3.4 Easements	3.1
	3.5 Judicial Partition	3.4
IV.	USES AND RESTRICTIONS	4.1
	4.1 Use and Occupancy of Units	4.1
	4.2 Rental Of Units	4.1
	4.3 Animals	4.1
	4.4 Use of Common Area	4.2
	4.5 Permitted Vehicles	4.2
	4.6 Parking	4.3
	4.7 Signs	4.3
	4.8 Storage of Waste Materials	4.4
	4.9 Antennas	4.4
	4.10 Invitees	4.4
	4.11 Restriction on Business	4.4
	4.12 Window Coverings	4.4
	4.13 Building Identification	4.5
V.	MAINTENANCE, REPAIR AND RECONSTRUCTION OF IMPROVEMENTS	5.1
	5.1 Maintenance of Common Area	5.1
	5.2 Alterations to Common Area (Excluding Restricted Common Area)	5.2
	5.3 Maintenance of Units	5.2
	5.4 Alterations to Units	5.2
	5.5 Maintenance and Repair of Restricted Common Area	5.3
	5.6 Alterations to Restricted Common Area	5.3
	5.7 Landscaping	5.3
	5.8 Right of Maintenance and Entry By Association	5.4
	5.9 Damage and Destruction	5.4

85127921

<u>ARTICLES</u>	<u>PAGE</u>	
5.10	Condemnation	5.7
5.11	Mechanic's Liens	5.7
VI.	FUNDS AND ASSESSMENTS	6.1
6.1	Covenants to Pay	6.1
6.2	Regular Assessments	6.2
6.3	Special Assessments	6.3
6.4	Reimbursement Assessments	6.4
6.5	Accounts	6.4
6.6	Enforcement of Assessments	6.4
6.7	Statement of Assessment Lien	6.7
6.8	Subordination of Lien	6.7
VII.	MEMBERSHIP IN THE ASSOCIATION	7.1
7.1	The Organization	7.1
7.2	Membership	7.1
7.3	Classes of Membership	7.1
VIII.	DEVELOPMENT RIGHTS	8.1
8.1	Limitations of Restrictions	8.1
8.2	Rights of Access and Completion of Construction	8.1
8.3	Size and Appearance of Project	8.1
8.4	Marketing Rights	8.1
8.5	Title Rights	8.2
8.6	Amendment	8.2
IX.	RIGHTS OF MORTGAGEES	9.1
9.1	Conflict	9.1
9.2	Liability for Unpaid Assessments	9.1
9.3	Reserve Fund	9.1
9.4	Termination of Contracts and Agreements	9.1
9.5	Notices to Eligible Holders	9.1
9.6	Inspection of Books and Records	9.2
9.7	Financial Statements	9.2
9.8	Termination of Project	9.2
9.9	Actions Requiring Consent	9.3
9.10	Self-Management	9.3
9.11	Mortgage Protection	9.3
X.	AMENDMENT AND ENFORCEMENT	10.1
10.1	Amendments	10.1
10.2	Enforcement	10.2
10.3	Rights of City	10.3
XI.	ANNEXATION	11.1
11.1	Restriction on Annexation	11.1
11.2	Property Which May Be Annexed; Approval of Members	11.1
11.3	Procedure for Annexation	11.1

85127921

ARTICLES

PAGE

11.4	Effect of Annexation	11.2
11.5	Deannexation	11.2
11.6	Amendment	11.2

XII.

	MISCELLANEOUS PROVISIONS	12.1
12.1	Term of Declaration	12.1
12.2	Construction of Provisions	12.1
12.3	Binding	12.1
12.4	Severability of Provisions	12.1
12.5	Gender, Number and Captions	12.1
12.6	Redistribution of Management Documents	12.1
12.7	Exhibits	12.1
12.8	Enforcement of Bonded Obligations	12.1
12.9	Conflict	12.3
12.10	Fair Housing	12.3
	Exhibits	12.4

85127921

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF
EDGEWATER ISLE SOUTH
A Condominium Project

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS OF EDGEWATER ISLE SOUTH ("Declaration") is made this 19th day of NOVEMBER, 1985, by THE ANDEN GROUP, a California general partnership ("Declarant").

ARTICLE I

INTENTION OF DECLARATION

1.1 FACTS: This Declaration is made with reference to the following facts:

1.1.1 Property Owned by Declarant: Declarant is the owner of all the real property and Improvements thereon located in the City of San Mateo, County of San Mateo, State of California, described as follows:

Lot 1 as shown on the subdivision map entitled "Edgewater Isle Unit No. 2, Phase II" filed for record on March 25, 1985, in Volume 113 of Maps at Pages 7 and 8 in the Official Records of the County of San Mateo, State of California.

1.1.2 Nature of Project: Declarant intends to develop the Subject Property and the Additional Property as a condominium project within the meaning of California Civil Code Section 1350(3) and in conformity with the provisions of the California Condominium Act (California Civil Code, Sections 1350-1370, inclusive). To establish the Condominium Project, Declarant desires to impose on the Subject Property, and any property annexed thereto, these mutually beneficial restrictions, easements, assessments and liens under a comprehensive general plan of improvement and development for the benefit of all of the Owners, the Units and Common Area within the Subject Property and any property annexed thereto.

1.1.3 Phases of Project: The Subject Property and the Additional Property are intended to be developed in two (2) or more Phases. The first Phase consists of the Subject Property. Declarant may but shall have no obligation to annex all or any portion of the Additional Property to the Subject Property. After annexation, the

85127921

property annexed shall constitute a part of the Project and shall be subject to this Declaration.

1.2 APPLICABILITY OF RESTRICTIONS: Pursuant to California Civil Code Section 1355, Declarant hereby declares that the Subject Property and all Improvements thereon are subject to the provisions of this Declaration. The Subject Property shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the covenants, conditions and restrictions stated in this Declaration. All such covenants, conditions and restrictions are declared to be in furtherance of the plan for the subdivision, improvement and sale of the Subject Property as a condominium project. All of the limitations, easements, uses, obligations, covenants, conditions, and restrictions stated in this Declaration shall run with the Subject Property and shall inure to the benefit of and be binding on all Owners and all other parties having or acquiring any right, title or interest in any part of the Subject Property. Upon the recordation of a Declaration of Annexation, the property described therein shall be a part of the Project and shall be subject to this Declaration. The Project is subject to the provisions of (i) the Enabling Declaration Establishing Master Association recorded on January 4, 1984, as Document No. 84000928, in the Official Records of the County (the "Master Declaration") and (ii) the Enabling Declaration Establishing Master Association recorded on January 4, 1984, as Document No. 84000926, in the Official Records of the County (the "Commercial Declaration").

85127921

ARTICLE II

DEFINITIONS

Unless the context clearly indicates a different meaning, the terms used in this Declaration, the Map, the Plan and any grant deed to a Condominium shall have the meanings specified in this Article.

2.1 ADDITIONAL CHARGES: The term "Additional Charges" shall mean costs, fees, charges and expenditures, including without limitation, attorneys' fees, late charges, interest and recording and filing fees actually incurred by the Association in collecting and/or enforcing payment of assessments, fines and/or penalties.

2.2 ADDITIONAL PROPERTY: The term "Additional Property" shall mean Lots 2 and 3 as shown on the Map and all Improvements situated on such real property.

2.3 ARTICLES: The term "Articles" shall mean the Articles of Incorporation of EDGEWATER ISLE SOUTH OWNERS' ASSOCIATION, which are or shall be filed in the Office of the Secretary of State of the State of California.

2.4 ASSOCIATION: The term "Association" shall mean EDGEWATER ISLE SOUTH OWNERS' ASSOCIATION, its successors and assigns, a nonprofit mutual benefit corporation incorporated under the laws of the State of California.

2.5 BOARD: The term "Board" shall mean the Board of Directors of the Association.

2.6 BYLAWS: The term "Bylaws" shall mean the Bylaws of the Association and any amendments thereto.

2.7 CITY: The term "City" shall mean the City of San Mateo, County of San Mateo, State of California.

2.8 COMMON AREA: The term "Common Area" shall mean all of the Subject Property, Improvements and airspace which are not expressly made a part of any Unit. The term "Common Area" shall also mean those portions of the Additional Property described as Common Area in the Declaration of Annexation for a particular Phase. Common Area shall include all Improvements situated within Common Area including without limitation all portions of utility systems which are not dedicated to the public and/or which are not accepted for maintenance by the public.

85127921

2.9 CONDOMINIUM: The term "Condominium" shall mean an estate in real property consisting of an undivided interest in common in a portion of the Common Area, a fee interest in a Unit and easements in portions of the Project as provided in this Declaration.

2.10 COUNTY: The term "County" shall mean the County of San Mateo, State of California.

2.11 DECLARANT: The term "Declarant" shall mean The Anden Group, a California general partnership. The term "Declarant" shall also mean successors in interest of Declarant, if (i) such successor(s) in interest acquires all or any portion of Declarant's interest in the Subject Property and/or the Additional Property for the purposes of development and/or sale, and (ii) a certificate, signed by Declarant, has been recorded in the County in which the successor(s) in interest assumes the rights and duties of Declarant to the portion of the Subject Property and/or the Additional Property so acquired. There may be more than one Declarant.

2.12 DECLARATION: The term "Declaration" shall mean this Declaration of Covenants, Conditions and Restrictions of Edgewater Isle South and any amendments hereto.

2.13 DECLARATION OF ANNEXATION: The term "Declaration of Annexation" shall mean any instrument recorded in the County which annexes all or a portion of the Additional Property or any other property to the Project by imposing the provisions of this Declaration upon such property.

2.14 ELIGIBLE HOLDER: The term "Eligible Holder" shall mean any Institutional Mortgagee who has delivered a written notice to the Association containing its name, address and the number or address of the Condominium encumbered by the Mortgage and requesting that the Association deliver written notice to it of any or all of the events specified in Section 9.5.

2.15 FIRST MORTGAGE: The term "First Mortgage" shall mean a Mortgage which has priority under the recording statutes of the State of California over all other Mortgages encumbering a specific Condominium.

2.16 FIRST MORTGAGEE: The term "First Mortgagee" shall mean the Mortgagee of a First Mortgage.

85127921

2.17 IMPROVEMENTS: The term "Improvements" shall mean buildings, facilities, streets, driveways, fences, walls and other structures and all landscaping constructed or to be constructed upon property subject to this Declaration.

2.18 INSTITUTIONAL MORTGAGEE: The term "Institutional Mortgagee" shall mean a First Mortgagee which is (i) a bank, savings and loan association, insurance or mortgage company or other entity or institution chartered under or regulated by any federal and/or state law; (ii) an insurer or governmental guarantor of a First Mortgage including without limitation the Federal Housing Authority and the Veteran's Administration; (iii) the State of California; or (iv) Declarant.

2.19 INVITEE: The term "Invitee" shall mean any person whose presence within the Project is approved by or is at the request of a particular Owner, including, but not limited to, lessees, tenants, and the family, guests, employees, licensees or invitees of Owners, tenants or lessees.

2.20 MANAGER: The term "Manager" shall mean the person or entity appointed or hired to manage and operate the Project.

2.21 MAP: The term "Map" shall mean the subdivision map entitled "Edgewater Isle Unit No. 2 Phase II" recorded on March 25, 1985, in Volume 113 of Maps at Pages 7 and 8 in the Official Records of the County. The term "Map" shall also mean any recorded subdivision map described in a Declaration of Annexation.

2.22 MEMBER: The term "Member" shall mean an Owner.

2.23 MORTGAGE: The term "Mortgage" shall mean any duly recorded mortgage or deed of trust encumbering a Condominium.

2.24 MORTGAGEE: The term "Mortgagee" shall mean a Mortgagee under a Mortgage as well as a beneficiary under a deed of trust.

2.25 NOTICE AND HEARING: The term "Notice and Hearing" shall mean the procedure which gives an Owner notice of an alleged violation of the Project Documents and the opportunity for a hearing before the Board.

85127921

9

2.26 OWNER: The term "Owner" shall mean the holder of record fee title to a Condominium, including Declarant as to each Condominium owned by Declarant. If more than one person owns a single Condominium, the term "Owner" shall mean all owners of that Condominium. The term "Owner" shall also mean a contract purchaser (vendee) under an installment land contract but shall exclude any person having an interest in a Condominium merely as security for performance of an obligation.

2.27 PARKING AREA: The term "Parking Area" shall mean each Parking Space and all uncovered open parking wherever located within the Project. The term "Parking Area" does not include Garages.

2.28 PHASE: The term "Phase" shall mean Common Area and two or more Units which will simultaneously be made subject to the provisions of this Declaration either by recording this Declaration or by recording a Declaration of Annexation.

2.29 PLAN: - The term "Plan" shall mean that certain condominium plan prepared in accordance with Section 1351 of the California Civil Code and recorded on NOV 27TH, 1985, in Volume of Maps at Page et seq. as Series No. 85127920 in the Official Records of the County. The term "Plan" shall also mean any recorded condominium plan described in a Declaration of Annexation.

2.30 PROJECT: The term "Project" shall mean the Subject Property and any property described in a Declaration of Annexation.

2.31 PROJECT DOCUMENTS: The term "Project Documents" shall mean the Articles, Bylaws, this Declaration and the Rules.

2.32 PUBLIC REPORT: The term "Public Report" shall mean a Final Subdivision Public Report issued by the Department of Real Estate of the State of California for a Phase of the Project.

2.33 RESTRICTED COMMON AREA: The term "Restricted Common Area" shall mean those portions of the Common Area which are shown on the Plan and defined below. The term "Restricted Common Area" shall also mean those portions of the Common Area assigned by the Association to and for the exclusive use of a particular Owner.

85127921

(a) Deck: The term "Deck" shall mean each portion of the Common Area which is shown on the Plan as an individually numbered space designated with the letter "D". The perimeter boundaries of each Deck are to the interior unfinished surfaces of the fences and/or railings and to the exterior finished surfaces of any Common Area walls enclosing the Deck. The vertical boundaries of each Deck are to the interior unfinished surface of the floor and to a plane extended from the ceiling of the Unit which adjoins the Deck. The approximate dimensions of each Deck are shown on the Plan. Each Deck includes the airspace encompassed within the boundaries.

(b) Garage: The term "Garage" shall mean each portion of the Common Area which is shown on the Plan as an individually numbered space designated with the letter "G". The perimeter and vertical boundaries of each Garage are to the interior unfinished surfaces of the doors, walls, floor and ceiling. The approximate dimensions of each Garage are shown on the Plan. Each Garage includes the airspace encompassed within its boundaries.

(c) Parking Space: The term "Parking Space" shall mean each portion of the Common Area which is shown on the Plan as an individually numbered space designated with the letters "PS". The vertical boundaries of each Parking Space are to the interior finished surface of the ground and to a horizontal plane seven (7) feet above the finished floor. The perimeter boundaries of each Parking Space consist of the vertical planes extended from the floor to the ceiling along the dimension lines shown on the Plan. The approximate dimensions of each Parking Space are shown on the Plan. Each Parking Space includes the airspace encompassed within the boundaries.

(d) Patio: The term "Patio" shall mean each portion of the Common Area which is shown on the Plan as an individually numbered space designated with the letter "P". The perimeter boundaries of each Patio are to the interior unfinished surfaces of the fences and/or railings and to the exterior finished surface of any Common Area walls enclosing the Patio. The vertical boundaries of each Patio are to the surface of the ground and a horizontal plane extended from the ceiling of the Unit which adjoins the Patio. The approximate dimensions of each Patio are shown on the Plan. Each Patio includes the airspace encompassed within the boundaries and so much of the area beneath the surface of the earth that is necessary for the cultivating, landscaping and drainage of the Patio.

85127921

//

2.34 RULES: The term "Rules" shall mean the rules adopted by the Association, including architectural guidelines, restrictions and procedures.

2.35 SUBJECT PROPERTY: The term "Subject Property" shall mean Lot 1 as shown on the Map and all improvements thereon.

2.36 UNIT: The term "Unit" shall mean that portion of the Project which is shown on the Plan as an individually numbered space bounded by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows, window frames, doors, door frames and trim. Each Unit includes the airspace encompassed by its boundaries but does not include load bearing walls except for the finished surfaces thereof. The airspace within bay windows and fireplaces or fireboxes are included within the Unit as are utility systems and components thereof, and fixtures and appliances which are located wholly within the boundaries of a Unit or which service only that Unit. Chimneys, flues, soffits and exposed beams in ceilings and areas within dropped ceilings are not part of a Unit. Each Unit includes both the portions of the building so described and the airspace so encompassed. The approximate dimensions of each Unit are shown on the Plan; however, the existing physical boundaries of a Unit as originally constructed or as reconstructed in accordance with the original construction shall be conclusively presumed to be its boundaries.

85127921

ARTICLE III

OWNERSHIP AND EASEMENTS

3.1 NON-SEVERABILITY: The interests in the Common Area of any Phase cannot be changed after the conveyance of the first Condominium in that particular Phase. The undivided interests in the Common Area, the fee title to the respective Units conveyed therewith and the easements appurtenant thereto shall not be separated or separately conveyed. Each undivided interest in the Common Area and each easement appurtenant to the Unit shall be deemed to be conveyed or encumbered with the respective Unit even though the description in the grant deed or other instrument of conveyance or encumbrance may refer only to the Unit. The ownership interests in the Common Area and Units described in this Article are subject to the easements granted and reserved in this Declaration. Each of the easements reserved or granted herein shall be established upon the recordation of this Declaration and shall be covenants running with the land for the use and benefit of the Owners and their Condominiums superior to all other encumbrances applied against or in favor of any portion of the Project.

3.2 OWNERSHIP OF UNITS: Title to each Unit in the Project shall be conveyed in fee to an Owner. If more than one person and/or entity owns an undivided interest in the same Unit, such persons and/or entities shall constitute one Owner.

3.3 OWNERSHIP OF COMMON AREA: Each Owner of a Unit situated within a Common Area lot shall be conveyed an undivided interest in that Common Area lot as a tenant-in-common with the other Owners of Units situated in that Common Area lot. The tenancy-in-common interest of each Owner shall be determined by a fraction, the numerator of which is one (1) and the denominator of which is the total number of Units contained within that particular Common Area lot. As to the initial Phase of the Project, each Owner of a Unit situated on Lot 1 shall own an equal undivided one-thirty-fifth (1/35th) tenancy in common interest in Lot 1. The specific interests in the Common Area of a subsequent Phase to be conveyed to the Owners within that Phase shall be specified in the Declaration of Annexation for that particular Phase.

3.4 EASEMENTS: Individual grant deeds to Condominiums may, but shall not be required to, set forth the easements specified in this Article.

85127921

3.4.1 Easements On Map: The Common Area and Units are subject to the easements and rights of way shown on the Map.

3.4.2 Easements For Common Area: There is reserved and granted to each Unit, as dominant tenement, over and across the Common Area (excluding Restricted Common Area), as servient tenement, a non-exclusive appurtenant easement for ingress, egress, use and enjoyment of the Common Area. Every Owner shall have a non-exclusive right and easement of use and enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Condominium, subject to the following provisions:

(a) The right of the Board, after Notice and Hearing, to suspend an Owner's right to use any recreational facilities; and

(b) The right of the Association to dedicate and/or grant easements over all or any portion of the Common Area.

3.4.3 Restricted Common Area: There are reserved and granted to each Unit and each Owner of a Unit exclusive appurtenant easements for the use, possession and enjoyment of the Deck, Patio, Garage and/or Parking Space designated on the Plan which bear the numbers that correspond to that of the Unit and of the building in which the Unit is situated. All easements to Restricted Common Area are subject, however, to the right of the Association to enter in and upon Restricted Common Area for the purpose of maintaining and repairing Restricted Common Area and for enforcing the terms of this Declaration.

3.4.4 Utilities: There are reserved and granted for the benefit of each Unit, as dominant tenement, over, under, across and through the Project (including the Common Area and each other Unit, jointly), as the servient tenement, non-exclusive easements for utility services.

3.4.5 Encroachment: There are reserved and granted for the benefit of each Unit, as dominant tenement, over, under and across each other Unit and the Common Area, as servient tenements, and for the benefit of the Common Area, as dominant tenement, over, under and across each Unit, as servient tenement, non-exclusive easements for encroachment, support, occupancy and use of such portions of Units and/or Common Area as shall be encroached upon, used and occupied by the dominant tenement as a result of any original construction design, accretion, erosion, addition, deterioration, decay, errors in original construction, move-

85127921

ment, settlement, shifting or subsidence of any building or structure or any portion thereof, or any other cause. In the event any portion of the Project is partially or totally destroyed, the encroachment easement shall exist for any replacement structure which is rebuilt pursuant to the original construction design. The easement for maintenance of the encroaching Improvement shall exist for as long as the encroachment exists; provided, however, that no valid easement for encroachment shall be created due to the willful misconduct of the Association or any Owner. Any easement for encroachment may but need not be cured by repair or restoration of the structure.

3.4.6 Support, Maintenance and Repair: There is hereby reserved and granted a non-exclusive easement appurtenant to the Common Area and to all other Units, as dominant tenements, through each Unit and the Common Area, as servient tenements, for the support, maintenance and repair of the Common Area and all Units.

3.4.7 Easement to Declarant For Adjoining Property: Declarant shall have, and hereby expressly reserves, an easement over and across the Common Area, as servient tenement, for the purposes of reasonable ingress to and egress from, over and across the Project, including private roads and pathways, to the Additional Property until all of the Additional Property is annexed to the Project.

3.4.8 Annexation of Additional Property: Upon the recordation of a Declaration of Annexation, the Units and the Owners of Units in the annexed Phase shall have all of the easements specified in this Article and the Units and the Owners of Units in the Project prior to the annexation shall have all of the easements specified in this Article as though the annexed Phase were initially part of the Project.

3.4.9 Additional Easements: Notwithstanding anything expressed or implied to the contrary, this Declaration shall be subject to all easements granted by Declarant for the installation and maintenance of utilities and drainage facilities necessary for the development of the Project.

3.4.10 Association's Easements: There are hereby reserved to the Association and its duly authorized agents and representatives such easements as are necessary to perform the duties and obligations of the Association set forth in the Project Documents, including without limitation and subject to Section 5.8, the right to enter upon Common Area, Restricted Common Area and Units.

85127921

3.4.11 Easement to Governmental Entities:

There is hereby reserved and granted a non-exclusive easement over the Common Area to all governmental and quasi-governmental entities, agencies and utilities and their agents for the purposes of performing their duties within the Project.

3.4.12 Public Access Easement:

Declarant has dedicated a public access easement along the banks of the waterways lying within or adjacent to the Project. The Master Declaration (defined in Section 1.2 of this Declaration) sets forth certain provisions regarding the continued maintenance of the public access areas.

3.5 JUDICIAL PARTITION:

3.5.1 Waiver of Partition:

Except as provided in California Civil Code Section 1354, there shall be no judicial partition of the Project or of any part thereof. Each Owner, and each successor of each Owner, specifically waives and abandons all rights, interests and causes of action for judicial partition of the tenancy-in-common ownership of the Common Area. Each Owner agrees that no action for judicial partition of the Project shall be instituted, prosecuted or reduced to judgment, except in compliance with California Civil Code Section 1354. If a Condominium is owned by two or more Owners as tenants-in-common, as joint tenants or as community property, nothing contained in this Section shall be deemed to prevent a judicial partition between the co-Owners of a single Condominium.

3.5.2 Power of Attorney:

If there is judicial partition of the Project pursuant to California Civil Code Section 1354 or this Declaration, each Owner, for himself and his successors and assigns, hereby grants to the Association an irrevocable power of attorney to sell the entire Project for the benefit of all of the Owners. The power of sale shall be exercised in accordance with California Civil Code Section 1355(b)(9).

85127921

ARTICLE IV

USES AND RESTRICTIONS

4.1 USE AND OCCUPANCY OF UNITS: Each Unit shall be used solely for residential purposes. No other use is allowed except as specifically permitted by local ordinance. No Unit shall be permanently occupied by any more than two (2) persons per bedroom. No Owner may permit or cause anything to be done or kept upon, in or about his Unit which might obstruct or interfere with the rights of other Owners or which would be noxious, harmful or unreasonably offensive to other Owners. Each Owner shall comply with all of the requirements of all governmental authorities, federal, state or local, and all laws, ordinances, rules and regulations applicable to his Condominium.

4.2 RENTAL OF UNITS: An Owner shall be entitled to rent or lease his Condominium, if:

4.2.1 There is a written rental or lease agreement specifying that (i) the tenant shall be subject to all provisions of the Project Documents and (ii) a failure to comply with any provision of the Project Documents shall constitute a default under the agreement;

4.2.2 The period of the rental or lease is not less than thirty (30) days;

4.2.3 The Owner gives notice of the tenancy to the Board and has otherwise complied with the terms of the Project Documents; and

4.2.4 The Owner gives each tenant a copy of the Project Documents.

4.3 ANIMALS: Subject at all times to all applicable ordinances of the City of San Mateo, no animals, reptiles, insects or birds of any kind shall be raised, bred, or kept in any Unit or on any portion of the Project except for a reasonable number of small caged animals, birds and/or fish and/or not more than one (1) dog or cat. No animal may be kept, bred or maintained for any commercial purposes, and all animals must be kept under reasonable control at all times.

No pet weighing more than twenty (20) pounds shall be kept within the Project. Notwithstanding the foregoing, no pet may be kept on the property which is obnoxious or annoying to other unit owners. No pet shall be allowed in the Common Area except as may be permitted by the Rules. No

85127921

17

dog shall enter the Common Area except while on a leash which is held by a person capable of controlling it.

After making a reasonable attempt to notify the Owner, the Association or any owner may cause any unleashed dog found within the Common Area to be removed by the Association or any Owner to a pound or animal shelter under the jurisdiction of the City of San Mateo, County of San Mateo, by calling the appropriate authorities, whereupon the owner may, upon payment of all expenses connected therewith, repossess the dog. Owners shall prevent their pet from soiling all portions of the Common Area and shall promptly clean up any mess left by their pet. Owners shall be fully responsible for any damage caused by their pet.

4.4 USE OF COMMON AREA: All use of Common Area is subject to the Rules. There shall be no use of the Common Area except by Owners and their Invitees. All persons residing within the Project may enjoy the use of all facilities in the Common Area as long as they abide by the terms of the Project Documents. There shall be no obstruction of any part of the Common Area. Nothing shall be stored or kept in the Common Area (excluding Restricted Common Area) without the prior consent of the Board. No alterations or additions to Common Area shall be permitted without the approval of the Board. Nothing shall be done or kept in the Common Area which will increase the rate of insurance on the Common Area without the prior consent of the Board. No Owner shall permit anything to be done or kept in the Common Area or any other part of the Project which might result in the cancellation of insurance on any Unit or any part of the Common Area, which would interfere with rights of other Owners, which would be noxious, harmful or unreasonably offensive to other Owners or which would be in violation of any governmental statute, ordinance, rule or regulation. No waste shall be committed in the Common Area. Access to roofs shall be restricted to persons authorized by the Board.

85127921

4.5 PERMITTED VEHICLES: The persons residing within a Unit in the Project are permitted collectively to park in the Project only those vehicles that can be accommodated in the Garage of the Unit and the Unit's assigned Parking Space, if any. No boat, trailer, camper, motor home, house car, truck (other than a standard size pickup truck or standard size van), commercial vehicle, mobile home, other recreational vehicle or any dilapidated or inoperable vehicle shall be parked or stored in any Parking Area. Commercial vehicles shall not include sedans or standard size vans and pickup trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be

18

unobtrusive and inoffensive as determined by the Board. No noisy or smoky vehicles and no unlicensed vehicles shall be operated within the Project.

4.6 PARKING: Parking shall be limited or prohibited on private streets upon which emergency vehicle access easements have been dedicated to the City to insure access. Signs which comply with applicable codes of the City giving notice of the restriction, together with appropriate street markings, shall be posted and maintained in place. Vehicles shall not be parked anywhere in the Project except wholly within Garages and Parking Areas and in compliance with the provisions of this Declaration. All Parking Areas shall be used solely for the parking and storage of vehicles as permitted pursuant to Section 4.5. Garage doors shall remain closed, except when the Garage is in use. No Garage shall be used so as to prevent the parking of the maximum number of vehicles for which the Garage was designed. With the exception of Garages, no part of the Common Area shall be used for repair, construction or reconstruction of any vehicle, boat or any other item or thing except in an emergency. No resident in the Project shall park in any Parking Area designated as "guest parking". Each Owner shall also comply with the rules and regulations of the Master Declaration regarding parking of recreational vehicles. Twenty-four (24) hours after notice has been personally delivered to the Owner or placed on the windshield of a vehicle or seventy-two (72) hours after notice has been mailed to the address of the registered owner of a vehicle parked, stored or maintained within the Project, or without notice if the vehicle is parked in an emergency access easement, the owner shall be deemed to have consented to the removal of the vehicle from the Project. The Association, its agents, employees, the City or any Owner shall have the authority to cause the vehicle to be towed away and stored, as long as the applicable provisions of the City Municipal Code and the California Vehicle Code have been complied with. The Association shall post appropriate signs setting forth the required notice under the then applicable City Municipal Code regarding the towing of unauthorized vehicles. Charges for such towing and storage shall be paid either by the owner of such vehicle or by the Owner responsible for the presence of such vehicle. In addition, the City may issue a citation to any vehicle parked in violation of this Declaration.

85127921

4.7 SIGNS: All signs displayed in the Project shall be attractive and compatible with the design of the Project and shall comply with all applicable local ordinances. The only signs of any kind which may be displayed to the public view on or from any Unit or the Common Area in the Project shall be as follows:

19

4.7.1 One (1) sign not to exceed three (3) square feet may be placed within the window of a Unit advertising the Condominium for sale or rent;

4.7.2 Signs may be displayed by Declarant on Common Area or unsold Units, as Declarant deems appropriate, advertising Condominiums owned by Declarant for sale or rent;

4.7.3 Appropriate signs may be displayed by the Association to identify the Project;

4.7.4 Other signs, posters and notices approved by the Board or specified in the Rules or in this Declaration may be posted in locations designated by the Board; and

4.7.5 Signs required by legal proceedings may be displayed.

4.8 STORAGE OF WASTE MATERIALS: All garbage, trash and accumulated waste material shall be placed in appropriate covered trash containers. No exterior individual trash containers or receptacles shall be permitted unless garbage pickup service is billed directly to individual Condominiums. In that event, the containers may be placed on Common Area only on the weekday that pick-up is to occur.

4.9 ANTENNAS: Except for those erected or constructed by Declarant or installed by a licensed public or quasi-public utility or cable franchise with the approval of the Board, no outside television antenna, aerial or radio tower shall be erected, constructed or placed on any Common Area.

4.10 INVITEES: Each Owner shall be responsible for compliance with the provisions of the Project Documents by his Invitees. An Owner shall promptly pay any Reimbursement Assessment levied and/or any fine or penalty imposed against such Owner for violations committed by his Invitee.

4.11 RESTRICTION ON BUSINESS: No business of any kind shall be established, maintained, operated, permitted or constructed in any portion of the Project, except the business of Declarant in completing the development and sale of the Condominiums in the Project and except as may be permitted by local ordinance.

4.12 WINDOW COVERINGS: All drapes, window shades or other window coverings installed in the windows of Units

85127921

20

which are visible from the exterior of the Unit shall comply with the Rules, if applicable. Any drapes or other window covering installed in compliance with the Architectural Rules may remain for the useful life thereof. All window coverings shall be installed within ninety (90) days after close of escrow for the Unit, unless the Rules provide otherwise.

4.13 BUILDING IDENTIFICATION: All street addresses shall be clearly visible from the street. Numerals shall be a minimum of four (4) inches in height. All Units not facing upon a street shall be identified in a manner acceptable to the Police Chief and Fire Chief of the City.

85127921

ARTICLE V

MAINTENANCE, REPAIR AND RECONSTRUCTION OF IMPROVEMENTS

5.1 MAINTENANCE OF COMMON AREA: The Association shall be responsible for maintenance, repair, replacement, painting and upkeep of Common Area (excluding Restricted Common Area). The Association shall keep the Common Area and Improvements thereon in good condition and repair, provide for all necessary services and cause all acts to be done which may be necessary or proper to assure the maintenance of the Common Area in first class condition.

5.1.1 Fire Hydrants and Emergency Vehicle Access Roadways: At all times, the Association shall insure that every fire hydrant situated within the Project shall be accessible to fire department equipment by way of the emergency vehicle access roadways. The emergency vehicle access roadways shall be extended to within one hundred fifty (150) feet of all portions of the exterior walls of the first story of any building within the Project. Upon request, the Association shall dedicate to the City an easement for such emergency access. Such emergency vehicle access roadways shall have all-weather driving surfaces capable of supporting a vehicle-laden weight of 37,000 pounds, be not less than twenty (20) feet in unobstructed width, have an outside turning radius of not less than forty (40) feet and an inside turning radius of not more than eighteen (18) feet, and have a minimum of thirteen and one-half (13½) feet of vertical clearance. At all times, the Association shall maintain the emergency vehicle access roadways free of obstructions for a width of twenty (20) feet along its entire length and the Association shall prohibit parking or obstructing of the emergency vehicle access roadways. Any barricades, fences, and/or gates to be installed across an emergency vehicle access roadway shall require the prior approval of the Fire Department of the City.

5.1.2 Levee: The Association shall adopt rules and regulations for the use of the levee adjacent to the Project and shall coordinate their enforcement with the Edgewater Isle Master Association and with the City. The Master Declaration (defined in Section 1.2) sets forth rules and regulations with regard to public access along the levee.

5.1.3 Fire Protection: The Association (if this is not undertaken by the Master Association) shall be responsible for assuring that private fire hydrants, valves, markers and mains shall be maintained in an operable

85127921

22

condition at all times. Annual tests of the system shall be conducted by qualified persons approved by the Fire Chief of the City. A written record of the tests shall be maintained and made available to the Fire Chief. The Association shall reimburse the City for all costs the City may incur in the maintenance of the fire hydrant system within the Project.

5.2 ALTERATIONS TO COMMON AREA (EXCLUDING RESTRICTED COMMON AREA):

5.2.1 Approval: Only the Board shall construct, reconstruct, refinish or alter any improvement situated upon the Common Area (excluding Restricted Common Area). A proposal for any construction of or alteration, maintenance or repair to an Improvement may be made at any meeting. A proposal may be adopted by the Board, subject to the limitations contained in the Bylaws and subject to obtaining all approvals and permits required by City ordinance.

5.2.2 Funding: Expenditures for alterations, maintenance or repairs to an existing capital Improvement for which a reserve has been collected shall be made from the Reserve Account. The Board may levy a Special Assessment to fund any construction, alteration, repair or maintenance of an Improvement for which no reserve has been collected or if the Reserve Account is insufficient to cover the cost of the proposed Improvement.

5.3 MAINTENANCE OF UNITS: Each Owner shall keep the interior of his Unit, including all fixtures, appliances, appurtenances and fireplaces, if any, in good repair and condition. Each Owner shall have the sole responsibility and the exclusive right, at his sole cost and expense, to: (i) maintain, repair, paint, paper, panel, plaster, tile and finish the interior surfaces of the ceilings, floors and the walls of his Unit; (ii) repair, paint, finish, alter, substitute, add or remove any fixtures and utility connections attached to ceilings, floor or walls, including, without limitation, fireplaces, toilets, showers, bathtubs, sinks, kitchen appliances, lighting and plumbing fixtures, telephone facilities, doors and windows within the Unit; (iii) maintain and clean the interiors and exteriors of any skylights, windows and other glass surfaces of his Unit; and (iv) maintain, repair and replace doors and screens covering doors and windows of his Unit and all hardware and locks.

5.4 ALTERATIONS TO UNITS: Owners may alter or remodel the interiors of their Units, including Common Area physically contained within the Unit (excluding load bearing

85127921

23

walls), if the alterations do not impair the structural integrity of the Unit or of the building containing the Unit and if the Owner complies with all laws and ordinances regarding alterations and remodeling and obtains all approvals and permits required by City ordinance. No alteration of the floor coverings of the Unit may be made which will result in an increase in sound transmission into any other Unit. Only soft-cover floors may be installed on floor levels located above and adjacent to any other Unit, except for replacement of any hard coverings in kitchen, bath or other areas where such hard coverings were originally installed by Declarant.

5.5 MAINTENANCE AND REPAIR OF RESTRICTED COMMON AREA: The responsibility for maintaining and repairing Restricted Common Area shall be as follows:

5.5.1 Association's Responsibilities: The Association shall paint and provide structural repair and replacement of the exterior surfaces of Garages and any fences and/or railings enclosing Decks and Patios. The Association shall paint, repair and provide general cleaning and maintenance of Parking Areas.

5.5.2 Owner's Responsibilities: Each Owner shall maintain, repair and otherwise care for the interior surfaces and all Improvements located within a Deck, Patio, and/or Garage at the Owner's sole expense. Mechanical and electrical equipment and hardware, if any, for opening and closing Garage doors shall be maintained, repaired and replaced by the Owner using the Garage.

5.6 ALTERATIONS TO RESTRICTED COMMON AREA: Any proposals for alterations, additions or other Improvements to Restricted Common Area shall be submitted in writing to the Board by the Owner proposing the alteration, addition or Improvement. The Board shall act on such proposals in accordance with any applicable provisions of the Rules. Unless otherwise agreed to by fifty-one percent (51%) of the total voting power of the Association, the cost of an alteration or addition to Restricted Common Area shall be paid by the Owner who has obtained the approval. Any such approval is subject to obtaining all approvals and permits required by City ordinance.

5.7 LANDSCAPING: All landscaping in the Project shall be maintained and cared for in a manner consistent with the standards of design and quality as originally established by Declarant and in a condition comparable to that of other first class residential subdivisions in the City. Specific restrictions on landscaping may be

85127921

established in the Rules. All landscaping shall be maintained in a neat and orderly condition. Any weeds or diseased or dead lawn, trees, ground cover or shrubbery shall be removed and replaced. All lawn areas shall be neatly mowed and trees and shrubs shall be neatly trimmed.

5.7.1 Common Area: The Association shall be responsible for all landscaping located on Common Area, excluding Restricted Common Area. The Association is also responsible for maintaining the landscaping on the median island of the private entrance/exit roadway at the intersection of the Project boundary and Mariner's Island Boulevard. Such landscaping shall be maintained at a low height to achieve good motorist sight lines of traffic on Mariner's Island Boulevard approaching the intersection.

5.7.2 Restricted Common Area: Each Owner shall be responsible for all landscaping located within his Patio and/or Deck. If landscaping within Patios is not installed by Declarant, each Owner shall install, plant and complete permanent landscaping within his Patio within six (6) months after the close of escrow for the sale of the Condominium to the Owner.

85127921

5.8 RIGHT OF MAINTENANCE AND ENTRY BY ASSOCIATION: If an Owner fails to perform maintenance and/or repair which he is obligated to perform pursuant to this Declaration, and if the Board determines, after Notice and Hearing given pursuant to the provisions of the Bylaws, that such maintenance and/or repair is necessary to preserve the attractiveness, quality, nature and/or value of the Project, the Board may perform such maintenance and/or repair. The costs of such maintenance and/or repair shall be charged to the Owner of the Condominium as a Reimbursement Assessment. In order to effectuate the provisions of Sections 5.3 through this Section 5.8, inclusive, the Board may enter any Unit or Restricted Common Area whenever entry is necessary in connection with the performance of any maintenance or construction which the Board is authorized to undertake. Entry shall be made with as little inconvenience to an Owner as practicable and only after reasonable advance written notice of not less than twenty-four (24) hours, except in emergency situations.

5.9 DAMAGE AND DESTRUCTION: The term "restore" shall mean repairing, rebuilding or reconstructing damaged Common Area to substantially the same condition in which it existed prior to fire or other casualty damage, with each Improvement, to the extent possible, having the same vertical and horizontal boundaries, appearance and location as before. If fire or other casualty damage extends to any

25

Common Area which is so insured, the Association shall proceed with the filing and adjustment of all claims arising under the existing insurance policies. The insurance proceeds shall be paid to and held by the Association. Whenever restoration is to be performed, the Board shall obtain such bids from responsible licensed contractors to restore the Common Area as the Board deems reasonable. The Board, on behalf of the Association, shall contract with the contractor whose bid the Board deems to be the most reasonable. The contractor shall provide a completion bond naming the Association and each Owner as beneficiaries.

5.9.1 Sufficient Proceeds: The costs of restoration of Common Area shall be funded first by any insurance proceeds paid to the Association under existing insurance policies. If the insurance proceeds exceed the costs of restoration, the excess proceeds shall be paid to the Reserve Account and held for the benefit of the Association. If the insurance proceeds are insufficient to restore the damaged Common Area, the Board shall then add to the insurance proceeds all Reserve Account funds designated for the repair or replacement of the capital Improvement(s) which has been damaged. If the total funds then available are sufficient to restore the damaged Common Area, the damaged Common Area shall be restored. If the aggregate amount of insurance proceeds and such reserve funds are still insufficient to pay the total costs of restoration, a Special Assessment against all Owners shall be levied by the Board up to the maximum amount permitted without a vote of the Owners in accordance with the limitations of Section 6.3. If the total funds then available are sufficient to restore the damaged Common Area, the damaged Common Area shall be restored. If the total funds then available are insufficient to restore the damaged Common Area, then the Association shall determine whether to (i) impose an additional Special Assessment pursuant to Section 5.9.2, below, (ii) use a plan of alternative reconstruction, pursuant to Section 5.9.3, below, and/or (iii) whether to purchase the damaged Units pursuant to Section 5.9.4, or whether to sell the entire Project pursuant to Section 5.9.5, below.

5.9.2 Additional Special Assessment: If the total funds available to restore the damaged Common Area as provided in Section 5.9.1, above, are insufficient to restore the Common Area, then a meeting shall be called for the purpose of voting whether to impose an additional Special Assessment and deciding upon the amount thereof ("Additional Special Assessment"). If the amount of the Additional Special Assessment approved by a vote of fifty-one percent (51%) of each class of Members, together

85127921

with the amounts available pursuant to Section 5.9.1, above, is sufficient to restore the damaged Common Area, the damaged Common Area shall be restored. If the amount of the Special Assessment approved by a vote of fifty-one percent (51%) of each class of Members, together with the amounts available pursuant to Section 5.9.1, above, is insufficient to restore the damaged Common Area or if no Additional Special Assessment is approved, the Association shall consider a plan of alternative reconstruction in accordance with Section 5.9.3, below.

5.9.3 Alternative Reconstruction: The Board shall consider and propose plans to reconstruct the damaged Common Area making use of whatever funds are available to it pursuant to Section 5.9.1 and whatever funds, if any are available to it pursuant to Section 5.9.2, above, ("Alternative Reconstruction"). All proposals shall be presented to all Owners. If all Owners whose Units were directly affected by the damage to Common Area ("Affected Owners") and fifty-one percent (51%) of all Owners (including the Affected Owners) agree to any plan of Alternative Reconstruction, then the Board shall contract for the reconstruction of the Common Area in accordance with the plan of Alternative Reconstruction making use of whatever funds are then available to it. If no plan of Alternative Reconstruction is agreed to, then the Association shall consider purchasing the Units of the Affected Owners pursuant to Section 5.9.4, below.

85127921

5.9.4 Purchase of Units of Affected Owners: If no plan of Alternative Reconstruction is agreed to within six (6) months of the date of the damage, then the Board shall seek to obtain the consent of all Affected Owners and their Mortgagees to the Association's purchase of the Condominiums of the Affected Owners. The purchase price ("Purchase Price") for each Condominium shall be the fair market value of the Condominium immediately prior to the damage as determined by an independent appraisal made by a qualified real estate appraiser with a Member of the Appraisal Institute certificate or the equivalent as selected by the Board. The Association shall purchase the Condominiums of the Affected Owners who, together with all of their Mortgagees, agree to the purchase. If there are insufficient funds to pay the Purchase Prices for all Condominiums owned by Affected Owners who, together with all of their Mortgagees, agree to the purchase, then a Special Assessment shall be levied against all Owners who are not Affected Owners. The aggregate amount of the Special Assessment shall be the amount needed to pay the difference between the aggregate amount of available funds (pursuant to Sections 5.9.1 and 5.9.2) and the aggregate fair market

27

values of the Condominiums of the Affected Owners. This Special Assessment shall be levied without the vote or approval of the Members of the Association.

5.9.5 Sale of Entire Project: If the aggregate amount of funds available for restoration of the Common Area is insufficient to restore the damaged Common Area, Alternative Reconstruction (as defined in Section 5.9.3, above,) cannot be agreed to, and less than all of the Condominiums owned by Affected Owners have not been purchased by the Association pursuant to Section 5.9.4, then the Association, by a vote of fifty-one percent (51%) of each class of Members, shall empower the Board to sell the entire Project, including all Units and the Common Area in their then present condition, on terms to be determined by the Board. If the entire Project is sold, the proceeds from the sale, together with the insurance proceeds received and any balance of funds held by the Association, shall be distributed among the Owners who are then Members and their respective Mortgagees according to the respective fair market values of the Condominiums immediately prior to the destruction, as determined by an independent appraisal made by a qualified real estate appraiser with a Member of the Appraisal Institute certificate or the equivalent as selected by the Board.

85127921

5.10 CONDEMNATION: If all or any portion of the Project is taken for any public or quasi-public use under any statute, by right of eminent domain or by purchase in lieu of eminent domain, the entire award shall be paid (i) as apportioned by court judgment, (ii) as apportioned among the Owners of the Common Area and their Mortgagees by agreement between the condemning authority and each of the Owners of the Common Area and their Mortgagees or (iii) to such Owners and their Mortgagees proportionately according to the respective fair market values of their Condominiums immediately prior to the time of condemnation, as determined by an independent appraisal made by a qualified real estate appraiser with a Member of the Appraisal Institute Certificate or the equivalent, as selected by the Board. The Association shall represent the interests of the affected Owners; however, each Owner shall be entitled to obtain and be represented by legal counsel if the Owner desires.

5.11 MECHANIC'S LIENS: If a notice of mechanic's lien is filed against the Project for, or purporting to be for, labor or material alleged to have been furnished to or delivered for any Owner within the Project or at his Unit, the Owner shall immediately cause the lien to be discharged by payment, bond or otherwise. If the Owner fails to

28

discharge the lien, the Board may provide Notice and Hearing to the Owner to determine the effect of the lien and any offsets or defenses thereto. At the hearing, if the Board determines that the lien adversely and improperly affects and encumbers the ownership interests of other Owners and that no adequate protection of the interests of other Owners has been provided, the Board may cause the lien to be discharged by payment, bond or otherwise. The Board shall then levy a Reimbursement Assessment against the Owner(s) responsible for the existence of the lien together with any Additional Charges incurred. If the Board determines that the lien does not adversely affect the interests of other Owners, it may take whatever other action may be necessary to properly protect the interests of the Owners.

85127921

29

ARTICLE VI

FUNDS AND ASSESSMENTS

6.1 COVENANTS TO PAY: Declarant and each Owner covenants and agrees to pay to the Association the assessments and any Additional Charges levied pursuant to this Article VI.

6.1.1 Liability for Payment: The obligation to pay assessments shall run with the land so that each successive record Owner of a Condominium shall in turn become liable to pay all such assessments. No Owner may waive or otherwise escape personal liability for assessments or release the Condominium owned by him from the liens and charges hereof by non-use of the Common Area, abandonment of the Condominium or any other attempt to renounce rights in the Common Area or the facilities or services within the Project. Each assessment shall constitute a separate assessment and shall also be a separate, distinct and personal obligation of the Owner of the Condominium at the time when the assessment was levied and shall bind his heirs, devisees, personal representatives and assigns. Any assessment not paid when due is delinquent. The personal obligation of an Owner for delinquent assessments shall not pass to a successive Owner unless the personal obligation is expressly assumed by the successive Owner. No such assumption of personal liability by a successor Owner (including a contract purchaser under an installment land contract) shall relieve any Owner from personal liability for delinquent assessments. After an Owner transfers fee title of record to his Condominium, he shall not be liable for any charge thereafter levied against the Condominium.

6.1.2 Funds Held in Trust: The assessments collected by the Association shall be held by the Association for and on behalf of each Owner and shall be used solely for the operation, care and maintenance of the Project as provided in this Declaration. Upon the sale or transfer of any Condominium, the Owner's interest in the funds shall be deemed automatically transferred to the successor in interest of such Owner.

6.1.3 Offsets: No offsets against any assessment shall be permitted for any reason, including, without limitation, any claim that the Association is not properly discharging its duties.

85127921

30

6.2 REGULAR ASSESSMENTS:

6.2.1 Payment of Regular Assessments: Regular Assessments for each fiscal year shall be established when the Board approves the budget for that fiscal year. Regular Assessments shall be levied on a fiscal year basis. Unless otherwise specified by the Board, Regular Assessments shall be due and payable in monthly installments on the first day of each month during the term of this Declaration. Regular Assessments shall commence for all Condominiums in the Phase on the first day of the first month following the month in which the first Condominium in that Phase is conveyed to an Owner and may commence prior to that date at the option of Declarant.

6.2.2 Budgeting: The budget shall be prepared as provided in the Bylaws. The total amount reflected in the budget shall be charged proportionately against all Condominiums as Regular Assessments, subject to the limitations set forth in the Bylaws. For the first fiscal year, the budget shall be based upon the budget accepted by the Department of Real Estate of the State of California and shall be approved by the Board no later than the date on which Regular Assessments are scheduled to commence.

6.2.3 Allocation of Regular Assessments: Those items in the budget for the first Phase designated as insurance premiums and reserves for painting and the replacement of roofs shall be allocated to and assessed among the Condominiums in the same proportion that the square footage of the Unit to be assessed bears to the total square footage of all Units subject to assessment. All other items in the budget shall be allocated to and assessed among all Owners equally.

6.2.4 Assessments after Annexation:

(a) Reallocation of Assessments: After annexation of each Phase, the allocation and assessment of the charges in the budget shall be reallocated among all Condominiums in the Project, including those in the annexed Additional Property, in the same manner as described above.

(b) Revision of Budget: After a new Phase has been annexed, the Board shall approve a new budget for the remainder of the current fiscal year for use upon the commencement of Regular Assessments against Condominiums in

85127921

commencement of Regular Assessments against Condominiums in the new Phase. Declarant shall give notice to the Association of the recordation of a Declaration of Annexation for a Phase and shall give the Association a copy of the budget submitted to the Department of Real Estate in connection with the Public Report for that Phase. The Board shall then determine whether to accept the budget provided by Declarant or revise such budget as the Board determines. Notice of the new Regular Assessment to be levied against each Condominium in the Project shall be delivered to the Owners and Declarant within five (5) days after the close of escrow for the first Condominium sold in the new Phase.

6.2.5 Non-Waiver of Assessments: If before the expiration of any fiscal year the Association fails to fix Regular Assessments for the next fiscal year, the Regular Assessment established for the preceding year shall continue until a new Regular Assessment is fixed.

6.2.6 Exemption from Regular Assessment: Notwithstanding the provisions of Section 6.2, those portions of the Project which do not include structural Improvements suitable for human occupancy shall be exempt from the payment of those portions of the Regular Assessment which are allocated for defraying operating expenses and reserves directly attributable to the existence and use of the structural Improvements, including (i) roof replacement; (ii) exterior maintenance; (iii) deferred structural maintenance and repair; (iv) walkway and Parking Area lighting; (v) refuse disposal; (vi) cable television; (vii) water supplied to Units; (viii) landscaping; (ix) electricity; (x) gas; (xi) heating system replacement; and (xii) water heater replacement. The exemption from payment of those portions of the Regular Assessment shall be effective only until a notice of completion of construction of the structural Improvements has been recorded or until one hundred twenty (120) days after the issuance of a building permit for the structural Improvements, whichever first occurs.

6.3 SPECIAL ASSESSMENTS: Subject to the limitations in the Bylaws, Special Assessments may be levied in addition to Regular Assessments for (i) constructing capital Improvements, (ii) correcting an inadequacy in the Current Operation Account, (iii) defraying, in whole or in part, the cost of any construction, reconstruction, unexpected repair or replacement of Improvements in the Common Area, or (iv) paying for such other matters as the Board may deem appropriate for the Project. Special Assessments shall be levied in the same manner as Regular Assessments, except that a Special Assessment for major

85127921

shall be based upon the ratio that the square footage of the floor area of the Unit to be assessed bears to the total square footage of the floor area of all Units in the Project.

6.4 REIMBURSEMENT ASSESSMENTS: The Association shall levy a Reimbursement Assessment against any Owner and his Condominium if a failure to comply with the Project Documents has (i) necessitated an expenditure of monies by the Association to bring the Owner or his Condominium into compliance or (ii) resulted in the imposition of a fine or penalty. A Reimbursement Assessment shall be due and payable to the Association when levied. A Reimbursement Assessment shall not be levied by the Association until Notice and Hearing has been given in accordance with the Bylaws. Notwithstanding any other provision in the Project Documents expressed or implied to the contrary, Reimbursement Assessments are assessments but they may not be enforced by any lien rights provided in this Declaration.

6.5 ACCOUNTS:

6.5.1 Types of Accounts: Assessments collected by the Association shall be deposited into at least two (2) separate accounts with a responsible financial institution, which accounts shall be clearly designated as (i) the Current Operation Account and (ii) the Reserve Account. The Board shall deposit those portions of the assessments collected for current maintenance and operation into the Current Operation Account and shall deposit those portions of the assessments collected as reserves for replacement and deferred maintenance of capital Improvements into the Reserve Account.

6.5.2 Reserve Account: The Association shall pay out of the Reserve Account only those costs that are attributable to the maintenance, repair or replacement of capital Improvements for which reserves have been collected and held. No funds collected for the Reserve Account may be used for ordinary current maintenance and operation purposes.

6.5.3 Current Operation Account: All other costs may be paid from the Current Operation Account.

6.6 ENFORCEMENT OF ASSESSMENTS:

6.6.1 Establishment of Lien: There is a present lien, with power of sale, against each Condominium to secure payment of all assessments (except Reimbursement Assessments) levied against the Condominium pursuant to this Declaration, all Additional Charges and all sums which

85127921

become due and payable in accordance with this Declaration after the date of recordation of a notice of delinquency ("Notice"). Except for the transfer of a Condominium pursuant to a foreclosure proceeding, the sale or transfer of a Condominium shall not affect such a lien. The priority of all assessment liens shall be in inverse order so that, upon foreclosure of the lien for a particular assessment, any foreclosure sale will be subject to all assessment liens previously levied on such Condominium. Any lien recorded shall be in favor of the Association. Each Owner, including Declarant, hereby appoints the Association as his trustee and empowers the Association, as trustee, to enforce the lien and to foreclose the lien by the private power of sale provided in Section 1356 and in Division III, Part 4, Title XIV, Chapter 2, Article I of the Civil Code of the State of California, as each may be revised, amended or altered from time to time, or by judicial foreclosure. Each Owner further grants to the Association, as trustee, the power and authority to sell the Condominium of any defaulting Owner to the highest bidder to satisfy such lien. Each Owner hereby waives the benefit of any homestead or exemption laws of the State of California now or then in effect regarding any lien created pursuant to this Declaration.

6.6.2 Enforcement: In addition to all other remedies provided by law, the Association, or its authorized representative, may enforce the obligations of the Owners to pay each assessment provided for in this Declaration in any manner provided by law or by either or both of the following procedures:

(a) By Suit: The Association may commence and maintain a suit at law against any Owner personally obligated to pay a delinquent assessment. The suit shall be maintained in the name of the Association. Any judgment rendered in any action shall include the amount of the delinquency, Additional Charges and any other amounts as the court may award. A proceeding to recover a judgment for unpaid assessments may be maintained without the necessity of foreclosing or waiving the lien established herein.

(b) By Lien: The Association may commence and maintain proceedings to foreclose the lien established herein. No action shall be brought to foreclose a lien until a Notice authorized by the Board and signed by an authorized agent, or by any Owner if the Board fails or refuses to act, has been recorded in the Official Records of the County and a copy of the recorded Notice has been delivered to the Owner(s) named in the Notice. The Notice shall state the amount of the delinquent assessment(s), the Additional Charges incurred to date, a description of the Condominium and the name(s) of the record Owner(s) thereof.

85127921

Once (i) thirty (30) days has elapsed since the recordation of the Notice and (ii) ten (10) days has elapsed since the mailing or delivery of a copy of the recorded Notice to the Owner, an action in the name of the Association may then be commenced to foreclose the lien for the delinquent assessment(s). The lien recorded shall continue for a period of one (1) year unless extended for a period of one (1) additional year by the recording of a written extension by the Association. When a Notice has been recorded, such assessment shall constitute a lien on each respective Condominium prior and superior to all other liens, except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any First Mortgage.

6.6.3 Additional Charges: In addition to any other amounts due or any other relief or remedy obtained against an Owner who is delinquent in the payment of any assessments, each Owner agrees to pay such additional costs, fees, charges and expenditures ("Additional Charges") as the Association may incur or levy in the process of collecting from that Owner monies due and delinquent. All Additional Charges shall be included in any judgment in any suit or action brought to enforce collection of delinquent assessments or may be levied against a Condominium as a Reimbursement Assessment. Additional Charges shall include, but not be limited to, the following:

(a) Attorneys' Fees: Reasonable attorneys' fees and costs incurred in the event an attorney(s) is employed to collect any assessment or sum due, whether by suit or otherwise;

(b) Late Charges: A late charge in an amount to be fixed by the Board in accordance with the then current laws of the State of California to compensate the Association for additional collection costs incurred in the event any assessment or other sum is not paid when due or within any "grace" period established by law;

(c) Costs of Suit: Costs of suit and court costs incurred as are allowed by the court; and

(d) Other: Any such other additional costs that the Association may incur in the process of collecting delinquent assessments or sums.

6.6.4 Certificate of Satisfaction of Lien: Upon payment of a delinquent assessment or other satisfaction thereof, the Association shall record a certificate stating the satisfaction and release of the assessment lien.

85127921

6.7 STATEMENT OF ASSESSMENT LIEN: Within ten (10) days of a request from an Owner liable for assessments, the Association shall furnish to that Owner a written certificate signed by an officer or authorized agent of the Association stating the amount of any assessment and any Additional Charges secured by the lien upon his Condominium. A charge, not to exceed the reasonable costs of preparation and reproduction of the certificate, may be levied by the Board for the issuance of such certificate. The information contained in the certificate shall be presumed conclusively to be correct in favor of anyone who relies upon it in good faith.

6.8 SUBORDINATION OF LIEN: Notwithstanding any provision to the contrary, the liens for assessments created by this Declaration shall be subject and subordinate to and shall not affect the rights of the holder of a First Mortgage made in good faith and for value. Upon the foreclosure of any First Mortgage on a Condominium, any lien for assessments which became due prior to such foreclosure shall be extinguished; provided, however, that after such foreclosure there shall be a lien on the interest of the purchaser at the foreclosure sale to secure all assessments, whether Regular or Special, charged to such Condominium after the date of such foreclosure sale, which lien shall have the same effect and shall be enforced in the same manner as provided herein. For purposes of this Subsection, a Mortgage may be given in good faith or for value even though the Mortgagee has constructive or actual knowledge of the assessment lien provisions of this Declaration.

85127921

ARTICLE VII

MEMBERSHIP IN THE ASSOCIATION

7.1 THE ORGANIZATION: The Association is a non-profit mutual benefit corporation. Its affairs shall be governed by and it shall have such powers as are set forth in the Project Documents.

7.2 MEMBERSHIP: Each Owner (including Declarant for so long as Declarant is an Owner), by virtue of being an Owner, shall be a Member of the Association. No other person shall be accepted as a Member.

7.2.1 Appurtenant to Ownership: Association membership is appurtenant to and may not be separated from the ownership of a Condominium. Membership shall terminate upon termination of Condominium ownership. Ownership of a Condominium shall be the sole qualification for Association membership. Membership shall not be transferred, pledged or alienated in any way except upon transfer of title to the Owner's Condominium (and then only to the transferee of title to such Condominium). Any attempt to make a prohibited transfer is void. Membership shall not be related to the use or non-use of the Common Area and may not be renounced. The rights, duties, privileges and obligations of all Members shall be as provided in the Project Documents.

7.2.2 Annexation: Upon annexation of any property, the Owners of those Condominiums described in the Declaration of Annexation shall become Members.

7.3 CLASSES OF MEMBERSHIP: The Association shall initially have two (2) classes of Members.

7.3.1 Class "A" Members: Each Owner, except Declarant, shall be a Class A Member.

7.3.2 Class "B" Member: Declarant shall be the sole Class B Member. Class B membership shall expire and shall be converted to Class A membership on the first to occur of the following events:

(a) The date which is the second (2nd) anniversary of the original issuance of the Public Report for the most recent Phase of the Project; or

(b) The date which is the fourth (4th) anniversary of the original issuance of the Public Report for the first Phase of the Project.

85127921

37

ARTICLE VIII

DEVELOPMENT RIGHTS

8.1 LIMITATIONS OF RESTRICTIONS: Declarant is undertaking the work of developing Condominiums and other Improvements within the Project. The completion of the development work and the marketing and sale, rental and other disposition of the Condominiums is essential to the establishment and welfare of the Subject Property and the Additional Property as a residential community. In order that the work may be completed and the Project be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be interpreted to deny Declarant the rights set forth in this Article.

8.2 RIGHTS OF ACCESS AND COMPLETION OF CONSTRUCTION: Until the third (3rd) anniversary of the original issuance of a Public Report for the most recent Phase, Declarant, its contractors and subcontractors shall have the right to:

8.2.1 Obtain reasonable access over and across the Common Area of the Project and/or do within any Unit owned by it whatever is reasonably necessary or advisable in connection with the completion of the Project; and

8.2.2 Erect, construct and maintain on the Common Area of the Project and/or within any Unit owned by it such structures as may be reasonably necessary for the conduct of its business to complete the work, establish the Project as a residential community and dispose of the Project in parcels by sale, lease or otherwise.

8.3 SIZE AND APPEARANCE OF PROJECT: Declarant shall not be prevented from increasing or decreasing the number of Condominiums that may be annexed to the Project or from changing the exterior appearance of Common Area structures, the landscaping or any other matter directly or indirectly connected with the Project in any manner deemed desirable by Declarant, if Declarant obtains governmental consents required by law.

8.4 MARKETING RIGHTS:

8.4.1 Generally: Subject to the limitations of this Section, Declarant shall have the right to: (i) maintain model homes, sales offices, storage areas and related facilities in any unsold Units or Common Area within the Project as are necessary or reasonable, in the opinion of Declarant, for the sale or disposition of the

85127921

38

Condominiums; (ii) make reasonable use of the Common Area and facilities for the sale of Condominiums; and (iii) conduct its business of disposing of Condominiums by sale, lease or otherwise.

8.4.2 Agreement After One Year: If one year following the first conveyance of a Condominium in a Phase to an Owner, Declarant requires exclusive use of any portion of the Common Area in that Phase for marketing purposes, Declarant may use the Common Area only if an agreement is entered into between Declarant and the Association. The agreement must specifically provide for a limited duration for such use and must provide for a specific reasonable rate of compensation to the Association by Declarant. Compensation shall be commensurate with the nature, extent and duration of the use proposed by Declarant. In no event, however, shall Declarant be denied the rights to use the Common Area and any Units owned by Declarant as an Owner.

8.5 TITLE RIGHTS: This Declaration shall not be construed to constitute a limitation on Declarant's title rights to the Additional Property prior to its annexation, nor shall it impose any obligation on Declarant or any other person or entity to improve, develop or annex any portion of the Additional Property. The rights of Declarant under this Declaration may be assigned to any successor(s) by an express assignment in a recorded instrument, including without limitation, a deed, option or lease. This Declaration shall not be construed to limit the right of Declarant to any time prior to such an assignment to establish additional licenses, reservations and rights-of-way to itself, to utility companies or to others as may be reasonably necessary to the proper development and disposal of property owned by Declarant.

8.6 AMENDMENT: After the expiration of Class B membership, the provisions of this Article may not be amended without the consent of Declarant until either (i) all of the Additional Property has been annexed to the Project and all of the Condominiums in the Project owned by Declarant have been sold or (ii) three (3) years after the original issuance of the most recent Public Report for the Project, whichever occurs first.

85127921

39

ARTICLE IX

RIGHTS OF MORTGAGEES

9.1 CONFLICT: Notwithstanding any contrary provision contained elsewhere in the Project Documents, the provisions of this Article shall control with respect to the rights and obligations of Institutional Mortgagees specified herein.

9.2 LIABILITY FOR UNPAID ASSESSMENTS: Any Institutional Mortgagee who obtains title to a Condominium pursuant to the remedies provided in the First Mortgage (except upon a voluntary conveyance to the Institutional Mortgagee) or by foreclosure of the First Mortgage shall take the property free of any claims for unpaid assessments or charges against the Condominium which accrue prior to the acquisition of title to the Condominium by the Institutional Mortgagee.

9.3 RESERVE FUND: The Association shall maintain as reserve funds the Reserve Account pursuant to Section 6.5 hereof, which shall be sufficient to pay for maintenance, repair and periodic replacement of Common Area Improvements which the Association is obligated to maintain. This reserve fund shall be funded by Regular Assessments payable in installments, as specified in Section 6.2 hereof, rather than by Special Assessments; provided, however, that this provision shall not be deemed to limit the power of the Association to levy any other type of assessment or charge authorized by this Declaration.

9.4 TERMINATION OF CONTRACTS AND AGREEMENTS: Any agreement for professional management of the Project or any agreement providing for services of Declarant shall be for a term not to exceed one (1) year without the consent of fifty-one percent (51%) of each class of Members; provided, however, that in no event shall such an agreement exceed a term of three (3) years. Any such agreement shall provide that the agreement may be terminated by either party without cause and without payment of a termination fee upon not more than ninety (90) days written notice.

9.5 NOTICES TO ELIGIBLE HOLDERS: The Association shall give timely written notice of the following to each Eligible Holder:

9.5.1 Any condemnation loss or casualty loss which affects either a material portion of the Project or the Condominium on which the Eligible Holder holds a First Mortgage;

85127921

9.5.2 Any delinquency in the payment of assessments or charges owed by the Owner of a Condominium which is subject to a First Mortgage held by the Eligible Holder if the delinquency is not cured within sixty (60) days after its due date;

9.5.3 Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

9.5.4 Any proposal to take any action specified in this Article or in Section 10.1.2; or

9.5.5 Any default by an Owner-mortgagor of a Condominium in the performance of his obligations under this Declaration or the Bylaws which is not cured within sixty (60) days.

9.6 INSPECTION OF BOOKS AND RECORDS: Upon request, any Owner or First Mortgagee shall be entitled to inspect the books, records and financial statements of the Association, the Project Documents and any amendments thereto during normal business hours or under other reasonable circumstances.

85127921

9.7 FINANCIAL STATEMENTS: If the Project contains more than fifty (50) Condominiums, the Association, at its expense, shall prepare an audited financial statement for the immediately preceding fiscal year and furnish the same within one hundred twenty (120) days after written request from any Institutional Mortgagee. If the Project contains fifty (50) or fewer Condominiums, if any Institutional Mortgagee desires to have audited financial statements of the Association for the immediately preceding fiscal year, the Institutional Mortgagee, at its expense, may cause an audited financial statement to be prepared, if one is not otherwise available.

9.8 TERMINATION OF PROJECT: Except as provided by statute in the case of condemnation or substantial loss to Units and/or the Common Area, any decision, by act or omission, to abandon or terminate the legal status of the Project as a Condominium Project shall require:

9.8.1 The approval of sixty-seven percent (67%) of the Institutional Mortgagees, based on one (1) vote for each First Mortgage owned, if the decision to terminate the legal status is a result of substantial destruction or a substantial taking in condemnation of the property within the Project; or

41

9.8.2 The approval of sixty-seven percent (67%) of the total voting power of the Association and sixty-seven percent (67%) of the Eligible Holders, based on one (1) vote for each First Mortgage owned, if Section 9.8.1, above, is not applicable.

9.9 ACTIONS REQUIRING CONSENT: Except as provided by statute in the case of condemnation or substantial loss to Units and/or Common Area, unless sixty-seven (67%) of the Institutional Mortgagees, based on one (1) vote for each First Mortgage owned, or sixty-seven percent (67%) of the Owners other than Declarant have given their prior written approval, the Association shall not be entitled to:

9.9.1 Use hazard insurance proceeds for losses to any Project property (whether to Units or Common Area) for other than the repair, replacement or reconstruction of the Project property;

9.9.2 Partition or subdivide any Condominium;

9.9.3 By act or omission seek to abandon, partition, subdivide, encumber, sell or transfer the Common Area. (The granting of easements for public utilities or for the other public purposes consistent with the intended use of the Common Area by the Project shall not be deemed a transfer within the meaning of this clause);

9.9.4 Change the pro rata interests or obligations of any individual Condominium for the purpose of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards.

9.10 SELF-MANAGEMENT: The vote or written consent of sixty-seven percent (67%) of the total voting power of the Association and fifty-one percent (51%) of the Eligible Holders, based on one (1) vote for each First Mortgage owned, shall be required to assume self-management of the Project, if professional management of the Project has been required by an Eligible Holder at any time.

9.11 MORTGAGE PROTECTION: No breach of any of the covenants, conditions and restrictions nor the enforcement of any lien provisions contained in this Declaration shall render invalid the lien of any First Mortgage made in good faith and for value on any Condominium, but all of the covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure, trustee's sale or otherwise.

85127921

42

ARTICLE X

AMENDMENT AND ENFORCEMENT

10.1 AMENDMENTS: Prior to the conveyance of the first Condominium, any Project Document may be amended by Declarant alone. After the conveyance of the first Condominium, the Project Documents may be amended in accordance with the following provisions:

10.1.1 With respect to any action to be taken under this Section 10.1 which is also governed by provisions of Article IX that require a specified vote of Owners and/or Mortgagees, the requirements of Article IX must be satisfied in addition to the requirement of this Section 10.1.

10.1.2 The vote or written consent of sixty-seven percent (67%) of each class of Members and fifty-one percent (51%) of the Eligible Holders, based on one (1) vote for each First Mortgage owned, shall be required to amend any provision of this Declaration or the Bylaws which establishes, provides for, governs or regulates any of the following subjects:

- (a) Voting rights;
- (b) Assessments, assessment liens or subordination of assessment liens;
- (c) Reserves for maintenance, repair and replacement of Common Area;
- (d) Insurance policies or fidelity bonds;
- (e) Rights to use the Common Area;
- (f) Responsibilities for maintenance and repair of any portion of the Project;
- (g) The boundaries of a Unit;
- (h) The interest of an Owner in Common Area or Restricted Common Area;
- (i) Convertibility of Units into Common Area or of Common Area into Units;
- (j) Leasing of Condominiums;

85127921

43

(k) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his Condominium;

(l) The provisions of Section 6.8, Article IX and this Section 10.1.2.

Any amendment or addition to the Declaration or Bylaws regarding any of the foregoing subjects shall not be considered material and need not be approved by Eligible Holders if the amendment or addition is solely for the purposes of correcting technical errors or for clarification. Any Eligible Holder who receives a written request to approve an addition or amendment and who does not deliver or have its response postmarked within thirty (30) days of the date contained within the written request shall be deemed to approve the addition or amendment. All notices or other communications made pursuant hereto shall be in writing and shall be deemed properly delivered, given or served when (i) personally delivered against receipted copy; or (ii) mailed by certified or registered mail, postage prepaid, in either case (i) or (ii) to the parties at their last known address.

10.1.3 Other Provisions of Declaration: Any other provision of this Declaration may be amended by the vote or written consent of record Owners constituting seventy-five percent (75%) of each class of Members.

10.1.4 Recordation of Amendment: Any amendment shall be effective upon the recordation in the Official Records of the County of an instrument setting forth the terms of the amendment, duly certified and executed by the President and Secretary of the Association.

10.2 ENFORCEMENT:

10.2.1 Rights to Enforce: The Association and/or any Owner shall have the power to enforce the provisions of the Project Documents in any manner provided by law or in equity and in any manner provided in this Declaration. The Association may institute appropriate legal action, suspend an Owner's use of the recreation facilities or his voting rights for a period not to exceed thirty (30) days and/or levy a fine against an Owner in a standard amount to be determined by the Board from time to time; provided, however, that Reimbursement Assessments are not enforceable by any lien provisions of this Declaration. No determination of whether a violation has occurred shall be made until Notice and Hearing has been provided to the Owner pursuant to the Bylaws. In the event legal action is

85127921

44

instituted by the Association, any judgment rendered shall include all appropriate Additional Charges. Notwithstanding anything to the contrary contained in this Declaration, the Association shall not have the power to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his individually owned Unit, including access thereto over and across the Common Area, due to the Owner's failure to comply with the provisions of the Project Documents, unless the loss or forfeiture is the result of the judgment of a court, an arbitration decision, a foreclosure proceeding or a sale conducted pursuant to this Declaration. The provisions of this Declaration shall be equitable servitudes, enforceable by any Owner and/or the Association against the Association and/or any other Owner, tenant or occupant of the Project. Except as otherwise provided, Declarant, the Association or any Owner(s) shall have the right to enforce, in any manner permitted by law or in equity, any and all of the provisions of the Project Documents, including any decision made by the Association, upon the Owners, the Association or upon any property in the Project.

10.2.2 Violation of Law: The Association may treat any Owner's violation of any state, municipal or local law, ordinance or regulation, which violation creates a nuisance to the other Owners in the Project or to the Association, in the same manner as a violation by an Owner of the Project Documents by making such violation subject to any or all of the enforcement procedures set forth in this Declaration, provided that the Association complies with the Notice and Hearing requirements herein.

10.2.3 Remedies Cumulative: Each remedy provided by this Declaration is cumulative and not exclusive.

10.2.4 Nonwaiver: The failure to enforce the provisions of any covenant, condition or restriction contained in this Declaration shall not constitute a waiver of any right to enforce any such provisions or any other provisions of this Declaration.

10.3 RIGHTS OF CITY: The City, at its sole discretion and within the legitimate exercise of its police power, after giving due notice to the Association or to the affected Owner(s) shall have the right, but not the obligation, to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of any of the Project Documents and shall be

85127921

45

entitled to recover reasonable attorneys' fees as are ordered by a court of competent jurisdiction. Failure by the City to enforce any covenant or restriction contained in the Project Documents shall not be deemed a waiver of the right to do so thereafter.

85127921

ARTICLE XI

ANNEXATION

11.1 RESTRICTION ON ANNEXATION: Property may be added to the Project by annexation only in accordance with the provisions of this Article.

11.2 PROPERTY WHICH MAY BE ANNEXED; APPROVAL OF MEMBERS: All or any portion of the Additional Property may be added to the Project as subsequent Phases without the approval of any other Owner or the Association, if annexed prior to the third (3rd) anniversary of the original issuance of the most recent Public Report issued for a Phase of the Project ("Annexation Period"); provided however, that each such annexation must be in accordance with a plan of development approved by the City. Property other than the Additional Property and any portion of the Additional Property not annexed within the Annexation Period may be annexed to the Project only with the vote or written consent of two-thirds (2/3rds) of each class of Members.

11.3 PROCEDURE FOR ANNEXATION: In addition to any required approval by Members, a final subdivision map(s) or final parcel map(s), a condominium plan and a Declaration of Annexation for the property to be annexed must be recorded. The Declaration of Annexation shall: (i) describe the portion of the Additional Property to be annexed; (ii) set forth the ownership of the Common Area; (iii) set forth the allocation of Regular Assessments to be paid; and (iv) specify that all of the covenants, conditions and restrictions of this Declaration shall apply to the annexed Additional Property in the same manner as if it were originally covered by this Declaration. The Declaration of Annexation shall also provide that Declarant shall pay to the Association an amount equal to that portion of the Regular Assessment which would have been attributable to each Condominium in that Phase and which would have been allocable to reserves for replacement and deferred maintenance of Common Area Improvements if and only if Declarant has rented or leased Condominiums in that Phase for a period of at least one (1) year prior to the conveyance of title to an Owner of a Condominium in that Phase. The Declaration of Annexation may also (i) impose any additional covenants, conditions and restrictions on the Additional Property that are necessary to include the property in the Project and to reflect differences in nature, if any, of the Improvements to be constructed on the Additional Property and (ii) provide for a specified date on which assessments shall commence for Condominiums in that Phase, provided that the date specified may not be later than the first day of the first month

85127921

following the month in which the first Condominium in that Phase is conveyed to an Owner. Upon the recording of the Declaration of Annexation, notice of the recording shall be given to the Association. No Declaration of Annexation shall diminish the covenants, conditions or restrictions established by this Declaration nor shall it discriminate between the Owners in the Project. No Declaration of Annexation shall alter or change the general common plan or scheme created by this Declaration nor shall it affect the provisions hereof as covenants running with the land or as equitable servitudes.

11.4 EFFECT OF ANNEXATION: After complying with the procedures for annexation and upon the conveyance of the first Condominium in the annexed Phase to an Owner, Owners of Condominiums in the annexed Phase shall be Members, shall be subject to this Declaration and shall be entitled to use all Common Area in the Project. The Association shall reallocate the Regular Assessments so as to assess each Owner of a Condominium in the Project for a proportionate share of the total expenses of the Project.

11.5 DEANNEXATION: Declarant has the right, at its sole option, to remove from the Project any property described in a recorded Declaration of Annexation for a Phase by recording a rescission of the Declaration of Annexation at any time if no Condominium in that Phase has been conveyed to an Owner.

11.6 AMENDMENT: After the conversion of Class B membership to Class A membership and until the third (3rd) anniversary of the original issuance of the most recent Public Report issued for a Phase of the Project, this Article may not be amended without the consent of Declarant unless all of the Additional Property has been annexed to the Project.

85127921

ARTICLE XII

MISCELLANEOUS PROVISIONS

12.1 TERM OF DECLARATION: This Declaration shall continue for a term of fifty (50) years from its date of recordation. Thereafter, this Declaration shall be automatically extended for successive periods of ten (10) years until a vote of the Owners determines that this Declaration shall terminate.

12.2 CONSTRUCTION OF PROVISIONS: The provisions of this Declaration shall be liberally construed to effect its purpose of creating a uniform plan for the development and operation of a condominium project pursuant to the provisions of Section 1350, et seq. of the California Civil Code.

12.3 BINDING: This Declaration shall be for the benefit of and be binding upon all Owners, their respective heirs, legatees, devisees, executors, administrators, guardians, conservators, successors, purchasers, tenants, encumbrancers, donees, grantees, mortgagees, lienors and assigns.

12.4 SEVERABILITY OF PROVISIONS: The provisions hereof shall be deemed independent and severable, and the invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

12.5 GENDER, NUMBER AND CAPTIONS: As used herein, the singular shall include the plural and masculine pronouns shall include feminine pronouns, where appropriate. The title and captions of each paragraph hereof are not a part thereof and shall not affect the construction or interpretation of any part hereof.

12.6 REDISTRIBUTION OF MANAGEMENT DOCUMENTS: Upon the resale of any Condominium by any Owner, the Owner shall supply to the buyer of the Condominium a copy of each of the Project Documents.

12.7 EXHIBITS: All exhibits attached to this Declaration are incorporated by this reference as though fully set forth herein.

12.8 ENFORCEMENT OF BONDED OBLIGATIONS: When Common Area Improvements have not been completed prior to the issuance of the original Public Report to which the Common Area is subject and the Association is the obligee

85127921

46

under a bond or other arrangement ("Bond") to secure performance of the commitment of Declarant to complete the Improvements, the following provisions shall apply to initiating action to enforce the obligations of Declarant and the surety under the Bond.

12.8.1 Action by Board: The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any Improvements for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that Improvement in the planned construction statement appended to the Bond. If the Association has given a written extension for the completion of any Common Area Improvements, the Board shall consider and vote whether to take action if a notice of completion has not been filed within thirty (30) days after the expiration of the most recent extension.

12.8.2 Action by Members: If the Board decides not to act or fails to initiate action to enforce bonded obligations, then upon receipt by the Board of a petition for a special meeting signed by Members representing five percent (5%) or more of the total voting power of the Association, the Board shall call a special meeting of the Members. If the Board has failed to initiate action, the Members shall determine whether they wish to initiate action. If the Board has decided not to initiate action, the Members shall determine whether to override the Board's decision. The meeting shall be held not less than thirty-five (35) nor more than forty-five (45) days after receipt of the petition by the Board. At the meeting, the vote of fifty-one percent (51%) of the total voting power of the Association residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association. The Board shall thereafter implement the decision by initiating and pursuing appropriate action in the name of the Association.

85127921

50

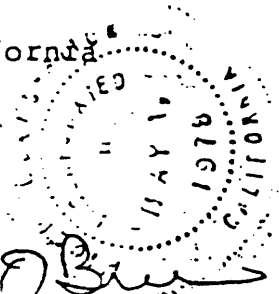
12.9 CONFLICT: In the event of a conflict, the provisions of this Declaration shall prevail over the Bylaws and the Rules.

12.10 FAIR HOUSING: No Owner shall directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing, mortgaging, or occupancy of his Unit to any person of a specified race, sex, marital status, color, religion, ancestry, physical handicap or national origin.

IN WITNESS WHEREOF, the undersigned has executed this Declaration on the date first above written.

DECLARANT:

THE ANDEN GROUP, a California
general partnership
By: Miden Corporation, a
California corporation
Its General Partner



By: Dennis O'Brien
Its Vice President

STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA CLARA)

85127921

On NOVEMBER 19, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared DENNIS O'BRIEN, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Vice President, on behalf of Miden Corporation, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its Bylaws or a Resolution of it Board of Directors, said corporation being known to me to be one of the partners of The Anden Group, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

WITNESS my hand and official seal the day and year in this certificate first above written.

Joann Hartman
Notary Public in and for Santa Clara
said County and State California



51

RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

THE ANDEN GROUP (Smith)
2483 E. Bayshore Rd., #102
Palo Alto, CA 94303-3282

RF	12
LN	
MF	3
AF	6
LMI	21

86039409

RECORDED AT REQUEST OF
FIRST AMERICAN TITLE INSURANCE CO.
SAN MATEO COUNTY TITLE DIVISION

APR 16 10 04 AM '86

MARVIN CHURCH, RECORDER
SAN MATEO COUNTY
OFFICIAL RECORDS

FIRST AMENDMENT
TO
DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
OF
EDGEWATER ISLE SOUTH
A CONDOMINIUM PROJECT

THE ANDEN GROUP, a California general partnership ("Declarant") hereby makes this First Amendment to Declaration of Covenants, Conditions and Restrictions of Edgewater Isle South (the "First Amendment") on the terms and conditions herein stated.

R E C I T A L S:

Declarant makes this First Amendment based on the following facts and intentions:

A. Declarant is the owner of all the real property and Improvements thereon located in the City of San Mateo, County of San Mateo, State of California, shown as Lot 1 on the subdivision map filed for record on March 25, 1985, in Volume 113 of Maps at Pages 7 and 8 in the Official Records of the County of San Mateo, State of California (the "Property").

B. On November 27, 1985, the Declaration of Covenants, Conditions and Restrictions of Edgewater Isle South was recorded against the Property in the Official Records of San Mateo County as Instrument No. 85127921 (the "Declaration").

C. Declarant now desires to amend the Declaration.

THEFORE, Declarant hereby declares the following:

1. Section 9.8.1 of the Declaration is deleted and the following new section is substituted in lieu thereof:

"9.8.1 The approval of sixty-seven percent (67%) of the Institutional Mortgagees, based on one (1) vote for each Condominium

86039409

52

encumbered by a First Mortgage owned by that Mortgagee, if the decision to terminate the legal status is a result of substantial destruction or a substantial taking in condemnation of the property within the Project; or"

2. Section 9.8.2 of the Declaration is deleted and the following new section is substituted in lieu thereof:

"9.8.2 The approval of sixty-seven percent (67%) of the total voting power of the Association and sixty-seven percent (67%) of the Eligible Holders, based on one (1) vote for each Condominium encumbered by a First Mortgage owned by that Mortgagee, if Section 9.8.1, above, is not applicable."

3. Section 9.9 of the Declaration is deleted and the following new section is substituted in lieu thereof:

"9.9 ACTIONS REQUIRING CONSENT: Except as provided by statute in the case of condemnation or substantial loss to Units and/or Common Area, unless sixty-seven (67%) of the Institutional Mortgagees, based on one (1) vote for each Condominium encumbered by a First Mortgage owned by that Mortgagee, or sixty-seven percent (67%) of the Owners other than Declarant have given their prior written approval, the Association shall not be entitled to:"

4. Section 9.10 of the Declaration is deleted and the following new section is substituted in lieu thereof:

"9.10 SELF-MANAGEMENT: The vote or written consent of sixty-seven percent (67%) of the total voting power of the Association and fifty-one percent (51%) of the Eligible Holders, based on one (1) vote for each Condominium encumbered by a First Mortgage owned by that Mortgagee, shall be required to assume self-management of the Project, if professional management of the Project has been required by an Eligible Holder at any time.

5. Section 10.1.2 of the Declaration is deleted and the following new section is substituted in lieu thereof:

86039409

53

"10.1.2 The vote or written consent of sixty-seven percent (67%) of each class of Members and fifty-one percent (51%) of the Eligible Holders, based on one (1) vote for each Condominium encumbered by a First Mortgage owned by that Mortgagee, shall be required to amend any provision of this Declaration or the Bylaws which establishes, provides for, governs or regulates any of the following subjects:"

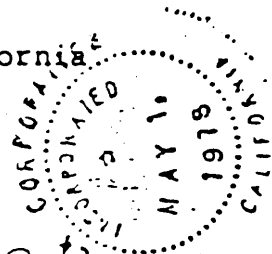
6. Except as expressly stated herein, all of the provisions of the Declaration are restated and affirmed and shall remain in full force and effect.

7. This First Amendment to Declaration of Covenants, Conditions and Restrictions shall be effective upon the date of its recordation in the Official Records of the County of San Mateo, State of California.

IN WITNESS WHEREOF, the undersigned has executed this First Amendment to Declaration of Covenants, Conditions and Restrictions of Edgewater Isle South on this 14th day of April, 1986.

DECLARANT:

THE ANDEN GROUP, a California
general partnership
By: Miden Corporation, a
California corporation
Its General Partner



By: [Signature]
Its Vice President


86039409

STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA CLARA)

On April 14, 1986, before me, the undersigned, a Notary Public in and for said State, personally appeared Dennis O'Brien, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Vice President, on behalf of Miden Corporation, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its Bylaws or a Resolution of its Board of Directors, said corporation being known to me to be one of the partners of The Anden Group, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

86039409

WITNESS my hand and official seal the day and year in this certificate first above written.



Notary Public in and for
said County and State



RECORDING REQUESTED BY AND
WHEN RECORDED RETURN TO:

THE ANDEN GROUP (SMITH)
2483 E. Bayshore Rd., #102
Palo Alto, CA 94303

RF	11
LN	
MF	21
AF	17
SM	25

86027953
RECORDED AT REQUEST OF
FIRST AMERICAN TITLE INSURANCE CO.
SAN MATEO COUNTY TITLE DIVISION

MAR 18 10 13 AM '86

MARVIN CHURCH, RECORDER
SAN MATEO COUNTY
OFFICIAL RECORDS

DECLARATION OF ANNEXATION
AND
SUPPLEMENTAL RESTRICTIONS
FOR
EDGEWATER ISLE SOUTH
PHASE II

THE ANDEN GROUP, a California general partnership (Declarant"), hereby makes this Declaration of Annexation and Supplemental Restrictions for Edgewater Isle South - Phase II (the "Declaration of Annexation - Phase II") on the terms and conditions herein stated.

R E C I T A L S:

Declarant makes this Declaration of Annexation - Phase II based on the following facts and intentions:

A. Declarant is the owner of all that certain real property (the "Annexation Property"), described as Lot 2 as shown on the subdivision map entitled "Edgewater Isle Unit No. 2, Phase II" recorded in the Official Records of the County of San Mateo, State of California, in Volume 113 of Maps at Pages 7 and 8 on March 25, 1985 (the "Map").

B. Pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions (the "Declaration") of Edgewater Isle South (the "Project") recorded in the Official Records of the County of San Mateo, State of California, on November 27, 1985, as Recorder's Series No. 85-127921, Declarant desires to annex the Annexation Property to the Project.

Therefore, Declarant hereby declares the following:

1. ANNEXATION OF ANNEXATION PROPERTY:

1.1 This Declaration of Annexation - Phase II is made in compliance with Section 11.3 of the Declaration.

1.2 The Map affecting the Annexation Property has been approved by the City of San Mateo and duly recorded in the County of San Mateo.

86027953

56

1.3 The Condominium Plan ("Plan") affecting the Annexation Property was recorded on MARCH 18th 1986 as Instrument No. 86027953 in the Official Records of the County of San Mateo, State of California.

1.4 Upon the recordation of this Declaration of Annexation - Phase II in the Official Records of the County of San Mateo, the annexation of the Annexation Property to the Project shall be deemed accomplished and all of the incidents of annexation, as set forth in the Declaration, shall be in full force and effect.

2. APPLICATION OF RESTRICTIONS: The terms and provisions of the covenants, conditions and restrictions of the Declaration shall apply to the Annexation Property as if the Annexation Property were originally covered by the Declaration as a part of the Project.

3. ASSESSMENTS: Upon the sale of the first Condominium in the Annexation Property or at such other earlier date as Declarant may determine, the assessments for the Project shall be reassessed so that all Condominiums within the Project, including those within the Annexation Property, are assessed for the total Project expenses proportionately as provided in Section 6.2 of the Declaration.

4. ASSOCIATION MEMBERSHIP: Upon the sale of the first Condominium in the Annexation Property, the Owners of Condominiums in the Annexation Property shall be entitled to participate in the affairs of the Association pursuant to Article VII of the Declaration.

5. LAND CLASSIFICATION: All land within the Annexation Property shall be divided into the following classifications:

5.1 Common Area, being all of the Annexation Property designated on the Map as Lot 2 which is not expressly made a part of any Unit. An equal undivided one-thirtieth (1/30th) tenancy-in-common interest in Lot 2 shall be conveyed to each Owner of a Unit in the Annexation Property, as provided in Section 3.3 of the Declaration.

5.2 Units, as defined in the Declaration and as shown on the Plan.

6. LIMITATIONS ON APPLICATION: Except to the extent that this Declaration of Annexation - Phase II reallocates assessments for the Project, none of the provisions contained herein shall be construed in any event

86027953

as diminishing any of the covenants, conditions or restrictions established by the Declaration, nor shall any provision be construed to discriminate between any Owner(s) in the Annexation Property and any other Owner(s) within the Project except as otherwise expressly provided in the Declaration. No amendment, addition, change or deletion in this Declaration of Annexation - Phase II shall be deemed to alter or change the general common plan and scheme created by the Declaration nor shall the same affect the provisions of the Declaration as covenants running with the land or as equitable servitudes, all of which shall be uniformly applicable to all portions of the Project including the Annexation Property.


7. RENTAL OF CONDOMINIUMS: If Declarant rents or leases Condominiums in the Annexation Property for a period in excess of one (1) year before assessments commence, as provided in Paragraph 3, above, Declarant shall pay to the Association an amount equal to that portion of the Regular Assessment which would have been attributable to each Condominium in the Annexation Property and which would have been allocable to reserves for replacement and deferred maintenance of Common Area Improvements in the Project.

8. DEANNEXATION: Declarant shall have the right, at its sole election, to remove from the Project all or any portion of the Annexation Property by recording a rescission of this Declaration of Annexation if no Condominium in the Annexation Property has been sold or conveyed to a member of the public.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration of Annexation - Phase II on this 21 day of January, 1986.

DECLARANT:

THE ANDEN GROUP, a California
general partnership
By: Miden Corporation, a
California corporation
Its General Partner

By: 
Dennis O'Brien Its Vice President

86027953



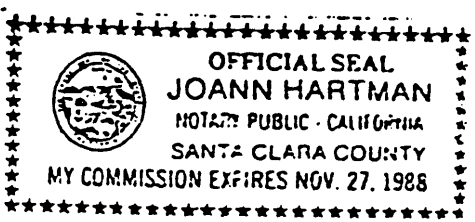
STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA CLARA)

On January 21, 1986, before me, the undersigned, a Notary Public in and for said State, personally appeared DENNIS O'BRIEN, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Vice President, on behalf of MIDEN CORPORATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its Bylaws or a Resolution of its Board of Directors, said corporation being known to me to be one of the partners of THE ANDEN GROUP, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

86027953

WITNESS my hand and official seal the day and year in this certificate first above written.

Joann Hartman
Notary Public in and for said
County and State



STATE OF California)
) SS.
COUNTY OF San Mateo)

On March 18th, 1986, before me, the undersigned, a Notary Public in and for said State, personally appeared Joseph P. Taylor, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the Asst. Vice President on behalf of First American Title Insurance Company, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.



Mary Ann Furtado
Notary Public
Mary Ann Furtado

STATE OF New York)
) SS.
COUNTY OF Kings)

On March 14, 1986, before me, the undersigned, a Notary Public in and for said State, personally appeared WILLIAM A. RAMOS, personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the VICE PRESIDENT on behalf of The Chase Manhattan Bank, N.A., and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

X Francine M. La Rosa
Notary Public
FRANCINE M. LA ROSA
Notary Public, State of New York
No. 4846143
Qualified in Kings County
Commission Expires March 30, 1987

86027953

JPH788.2

WHEN RECORDED MAIL TO:

First American Title Insurance Co.
555 Marshall Street
Redwood City, CA 94063

SUBORDINATION AGREEMENT

FIRST AMERICAN TITLE INSURANCE COMPANY, as Trustee,
and THE CHASE MANHATTAN BANK, N.A., as Beneficiary under that
certain Deed of Trust executed by THE ANDEN GROUP, a California
general partnership, dated August 30, 1985, recorded September 24,
1985 in the Official Records of San Mateo County under Document
No. 85098179, do hereby consent to the Declaration of Annexation,
a copy of which is attached hereto, and agree that same shall
have the same force and effect as though it had been recorded
prior to the recordation of said Deed of Trust.

86027953

IN WITNESS WHEREOF, said Trustee and said Beneficiary
have executed these presents this 14th day of March, 1986.

AS TRUSTEE:

AS BENEFICIARY:

FIRST AMERICAN TITLE INSURANCE
COMPANY, a California corporation

THE CHASE MANHATTAN BANK, N.A.,
a national banking association

By Joseph P. Taylor
JOSEPH P. TAYLOR
Assistant Vice President

By William A. Ramos
WILLIAM A. RAMOS

RF	9
LN	
MF	2
AF	5
LM	16

86039410

RECORDED AT REQUEST
 FIRST AMERICAN TITLE INSURANCE CO.
 SAN MATEO COUNTY TITLE DIVISION

APR 15 10 04 AM '86

MARYIN CHURCH RECORD
 SAN MATEO COUNTY
 OFFICIAL RECORDS

RECORDING REQUESTED BY AND
 WHEN RECORDED RETURN TO:

THE ANDEN GROUP (Smith)
 2483 E. Bayshore Rd., #102
 Palo Alto, CA 94303-3282

DECLARATION OF ANNEXATION
 AND
 SUPPLEMENTAL RESTRICTIONS
 FOR
 EDGEWATER ISLE SOUTH
 PHASE III

THE ANDEN GROUP, a California general partnership (Declarant"), hereby makes this Declaration of Annexation and Supplemental Restrictions for Edgewater Isle South - Phase III (the "Declaration of Annexation - Phase III") on the terms and conditions herein stated.

R E C I T A L S:

Declarant makes this Declaration of Annexation - Phase III based on the following facts and intentions:

A. Declarant is the owner of all that certain real property (the "Annexation Property"), described as Lot 3 as shown on the subdivision map entitled "Edgewater Isle Unit No. 2, Phase III" recorded in the Official Records of the County of San Mateo, State of California, in Volume 113 of Maps at Pages 7 and 8 on March 25, 1985 (the "Map").

B. Pursuant to the provisions of the Declaration of Covenants, Conditions and Restrictions (the "Declaration") of Edgewater Isle South (the "Project") recorded in the Official Records of the County of San Mateo, State of California, on November 27, 1985, as Recorder's Series No. 85-127921, Declarant desires to annex the Annexation Property to the Project.

Therefore, Declarant hereby declares the following:

1. ANNEXATION OF ANNEXATION PROPERTY:

1.1 This Declaration of Annexation - Phase III is made in compliance with Section 11.3 of the Declaration.

1.2 The Map affecting the Annexation Property has been approved by the City of San Mateo and duly recorded in the County of San Mateo.

86039410

62

1.3 The Condominium Plan ("Plan") affecting the Annexation Property was recorded on April 10, 1986 as Instrument No. 86037357 in the Official Records of the County of San Mateo, State of California.

1.4 Upon the recordation of this Declaration of Annexation - Phase III in the Official Records of the County of San Mateo, the annexation of the Annexation Property to the Project shall be deemed accomplished and all of the incidents of annexation, as set forth in the Declaration, shall be in full force and effect.

2. APPLICATION OF RESTRICTIONS: The terms and provisions of the covenants, conditions and restrictions of the Declaration shall apply to the Annexation Property as if the Annexation Property were originally covered by the Declaration as a part of the Project.

3. ASSESSMENTS: Upon the first day of the first month following the close of escrow for the sale of the first Condominium in the Annexation Property or at such other earlier date as Declarant may determine, the assessments for the Project shall be reassessed so that all Condominiums within the Project, including those within the Annexation Property, are assessed for the total Project expenses proportionately as provided in Section 6.2 of the Declaration.

4. ASSOCIATION MEMBERSHIP: Upon the commencement of assessments for the Units in the Annexation Property, the Owners of Condominiums in the Annexation Property shall be entitled to participate in the affairs of the Association pursuant to Article VII of the Declaration.

5. LAND CLASSIFICATION: All land within the Annexation Property shall be divided into the following classifications:

5.1 Common Area, being all of the Annexation Property designated on the Map as Lot 3 which is not expressly made a part of any Unit. An equal undivided one-thirty-fifth (1/35th) tenancy-in-common interest in Lot 3 shall be conveyed to each Owner of a Unit in the Annexation Property, as provided in Section 3.3 of the Declaration.

5.2 Units, as defined in the Declaration and as shown on the Plan.

6. LIMITATIONS ON APPLICATION: Except to the extent that this Declaration of Annexation - Phase III reallocates assessments for the Project, none of the provisions contained herein shall be construed in any event

86039410

as diminishing any of the covenants, conditions or restrictions established by the Declaration, nor shall any provision be construed to discriminate between any Owner(s) in the Annexation Property and any other Owner(s) within the Project except as otherwise expressly provided in the Declaration. No amendment, addition, change or deletion in this Declaration of Annexation - Phase III shall be deemed to alter or change the general common plan and scheme created by the Declaration nor shall the same affect the provisions of the Declaration as covenants running with the land or as equitable servitudes, all of which shall be uniformly applicable to all portions of the Project including the Annexation Property.

7. RENTAL OF CONDOMINIUMS: If Declarant rents or leases Condominiums in the Annexation Property for a period in excess of one (1) year before assessments commence, as provided in Paragraph 3, above, Declarant shall pay to the Association an amount equal to that portion of the Regular Assessment which would have been attributable to each Condominium in the Annexation Property and which would have been allocable to reserves for replacement and deferred maintenance of Common Area Improvements in the Project.

86039410

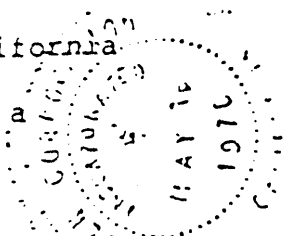
8. DEANNEXATION: Declarant shall have the right, at its sole election, to remove from the Project all or any portion of the Annexation Property by recording a rescission of this Declaration of Annexation if no Condominium in the Annexation Property has been sold or conveyed to a member of the public.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration of Annexation - Phase III on this 3th day of April, 1986.

DECLARANT:

THE ANDEN GROUP, a California
general partnership
By: Miden Corporation, a
California corporation
Its General Partner

By: 
Its Vice President
Dennis O'Brien



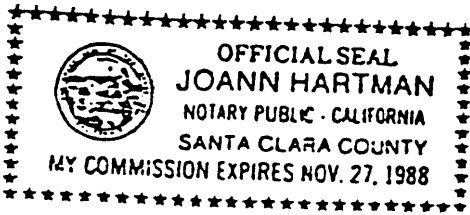
64

STATE OF CALIFORNIA)
) ss.
COUNTY OF SANTA CLARA)

On April 8, 1986, before me, the undersigned, a Notary Public in and for said State, personally appeared DENNIS O'BRIEN, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as Vice President, on behalf of MIDEN CORPORATION, the corporation therein named, and acknowledged to me that said corporation executed the within instrument pursuant to its Bylaws or a Resolution of its Board of Directors, said corporation being known to me to be one of the partners of THE ANDEN GROUP, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

WITNESS my hand and official seal the day and year in this certificate first above written.

Joann Hartman
Notary Public in and for said
County and State



86039410