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DECLARATION OF RESTRICTIONS

M & M DEVELOPMENT, INC., a California corporation, hereby declare and impose the following restrictions, easements and agreements upon that certain described tract of real property, and each lot and parcel thereof;

Lots 414 through 503 inclusive, of Tract No. 710, Bay Village Subdivision No. 5, the map of which is recorded in Volume 62 of Maps, Page 55, Records of Santa Cruz County on July 26, 1976.

W I T N E S S E T H :

These restrictions, easements and agreements are imposed pursuant to a general plan, and shall create mutual equitable servitudes on each of the lots in said subdivision and a privity of contract between the various owners thereof, their heirs and assigns.

WHICH said property is hereinafter for convenience referred to as "real property" and,

WHEREAS, it is the intention of the Grantor to convey interest in the property and to impose on the real property mutually beneficial restrictions under a general plan for the benefit of all future owners of the real property, and

WHEREAS, the Grantor desired to subject all of said real property to certain conditions and restrictions for the protection and benefit of the Grantor and any and all future owners of the real property, or any portion thereof;

NOW, THEREFORE in consideration of the premises, Grantor hereby certifies and declares the Grantor has established and does hereby establish the following general plan for the protection and benefit of all of said real property, and has fixed and does hereby fix the following conditions and restrictions upon and subject to which each and all of the lots in said real property shall be hereafter held, used, occupied, leased, sold and/or conditions shall run with the real property, or any interest therein and shall be binding upon all parties having or acquiring any rights, title or interest in the described real property, or any part thereof, and shall be for the benefit of each owner of any interest in the real property, and shall inure to the benefit of and be binding upon each successor in interest of the owners thereof.

SAID CONDITIONS AND RESTRICTIONS ARE AS FOLLOWS, to wit:

1. DEFINITIONS. All lots in said tract shall be known and described as residential lots, and no structure shall be erected, altered, placed, or permitted to remain, together with customary outbuildings, as permitted from time to time by the City of Watsonville Zoning Ordinances, on any building plot other than one single family dwelling and a private garage.

2. ARCHITECTURAL COMMITTEE. a) There shall be an Architectural Committee consisting of three persons, for the purpose of exercising the power and functions conferred upon said Committee by this Declaration. b) The Initial Committee is

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to be appointed by Grantor, each of said persons so appointed being subject to removal at Grantor's direction. All vacancies on said Committee shall be filled by appointment of Grantor. Upon the sale by Grantor of all lots or after date hereof, whichever shall first occur, a new Committee of three (3) members shall be elected by a simple majority of owners voting, each owner being entitled to one (1) vote per lot. Upon such election, the powers of the Committee first appointed and the powers of Grantor to remove and appoint members shall cease. In the event of the death, resignation, or incapacity to serve of a member or members so elected, successor or successors shall be elected by said majority. In the event there is no election of a successor or successors within 30 days of such death, resignation, or incapacity to serve, the remaining member or members of the Committee shall appoint a successor or successors from among those persons qualified to vote as above provided. c) The Committee may act by two of its members. Any action taken by the Committee must be in writing and signed by at least two members. The Committee shall adopt rules and regulations for the conduct of these proceedings and may fix the time and place for its regular meetings and for such extraordinary meetings as may be necessary. d) Unless otherwise specified, enforcements of the covenants and provisions herein shall be by proceedings at law or in equity brought by any member of the Architectural Committee, pursuant to the authorization of said Committee, against any person or persons violating or attempting to violate any provision or covenant either to restrain violation or recover damages. Neither the Subdividers nor the Architectural Committee, nor any member thereof, nor any successor member thereof, shall ever be liable because of any action they take, or fail to take, or for any defect in any building erected herein, or at all, as a result of these restrictions; and the owners of the lots in said tract, and each of them, agree jointly and severally to hold the Subdividers and the members from time to time of said Architectural Committee free and harmless and to indemnify them accordingly from claims and liabilities whatsoever.

3. SENIOR CITIZEN PROTECTION. Each unit shall be used as a residence, and for no other purpose except such temporary non-residential use as may be permitted by Grantor while Bay Village is being developed and the units are being sold by Grantor. If persons related by blood or marriage reside in a unit, at least one must have attained the age of 45 years. If persons unrelated by blood or marriage reside in a unit, each must have attained the age of 45 years. No person under the age of 16 years may permanently reside in a unit; provided, however, that if a child is born to a resident of a unit after the resident has moved into said unit, said resident shall be given a reasonable period of time to sell or vacate the unit. The number of residents in each unit shall be no more than two for each bedroom in excess of one. Guests may visit for reasonable periods of time.

Upon creation of the Architectural Committee as described in Paragraph 2 hereinabove, and within thirty (30) days thereafter, the Architectural Committee shall enter into a retainer agreement between said Committee and a law firm for the purpose of enforcing this Senior Citizen Protection provision. Said retainer agreement shall be funded by the Grantor through the payment of \$ 30.00 out of the purchase price of each lot payable upon close of escrow of the sale of each lot. Said sums shall be deposited in a trust account specifically set up by the Architectural Committee for the purpose of funding said retainer agreement. Should the said trust account be totally depleted, the Architectural Committee shall assess in writing each record owner of each lot in this subdivision for the purpose of building up the trust account in an amount necessary to handle the litigation costs as described herein but said assessment to each lot owner shall not be

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in excess of \$ 30.00 per year. Should a lot owner refuse to pay the assessment within thirty (30) days after receipt in writing of the Architectural Committee's notice of assessment, the said Committee shall commence legal proceedings for collection of same.

If a violation of this Senior Citizen Protection provision occurs and if the Architectural Committee fails to act pursuant to its powers incorporated in this Declaration of Restrictions to enforce said provision and after demand in writing upon said Committee by any lot owner within this tract to carry out said enforcement, any said lot owner shall have the right to directly seek and obtain the services of the retained law firm and act as plaintiff in any action against the violating party of said Senior Citizen provision. All legal costs incurred by the plaintiff lot owner in enforcement of this provision shall be paid out of the retainer fund directly to the law firm.

If a lot owner personally seeks to commence a lawsuit pursuant to the provisions of this paragraph and the retained law firm determines that the lawsuit is without merit, and if the lot owner demands that the suit be prosecuted after notice of the law firm's opinion, the law firm shall immediately submit the question of whether the lawsuit is meritorious to a representative of the American Arbitrator's Association whose decision shall be binding upon both parties. If the arbitrator from the American Arbitrator's Association determines the lawsuit is meritorious, the law firm shall commence litigation to enforce the Senior Citizen's Provision against the alleged violator of said provision.

4. NEW BUILDINGS ONLY. That no building of any kind shall be moved from any other place onto any of said lots, or from one lot onto another lot, without the prior written permission of the Architectural Committee. During the period of construction by Subdividers, Subdividers may erect and maintain such temporary structures, maintenance and storage yards and signs as they deem necessary.

5. HEIGHT LIMIT OF DWELLINGS. That no dwelling without the written approval of the Architectural Committee shall be more than one story in height. No visible radio or television antenna or similar projection of any kind shall be placed on any lot.

6. PLANS AND SPECIFICATIONS. That no building or other structure or improvement shall be commenced upon any of said lots until the location and the complete plans and specifications, including the color schemes of each building, fence and/or wall to be erected upon the lot have been approved in writing by the Architectural Committee, and no building shall be located on any lot in front of the setback line as established by the City zoning ordinance then in effect.

7. EXTERIOR ALTERATIONS AND PAINTING. That no alteration shall be made in the exterior design of any structure unless such alteration, including any addition, shall have first been approved in writing by the Architectural Committee.

8. NO TENTS, SHACKS, ETC. That no tents, shacks, trailer, basement, garage or other outbuilding shall at any time be used on any lot as a residence, either temporarily or permanently; nor shall any residence of a temporary character be constructed, placed or erected on any lot.

9. NO SIGNS. That no sign of any kind or for any use or purposes whatsoever, other than signs of customary and reasonable dimensions advertising the

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property for sale, shall be erected, posted, pasted, painted, or displayed upon any of said lots or upon any building or other structure thereon, without the prior written permission of the Architectural Committee.

10. NO WELLS. That no well for the production of, or from which there is produced water, oil, or gas, shall be operated upon any lot; nor shall any machinery, appliance or structure be placed, operated or maintained thereon for use in connection with any trading, manufacturing or repairing business.

11. NO FARM ANIMALS, ETC. That turkeys, geese, chickens, ducks, pigeons or fowls of any kind, or goats, rabbits, hares, horses, cows or animals usually termed "farm animals" shall not be kept or allowed to be kept on any of said lots.

12. NO COMMERCIAL BUSINESS, ETC. That no commercial business, including but not limited to the raising of dogs, cats or other animals, shall be conducted on any of said lots, and no part of any lot shall be used for the purpose of vending liquors or beverages of any kind; and nothing shall be done upon any lot which may become an annoyance or nuisance to the neighborhood.

13. EASEMENTS. Easements are reserved over the front six (6) feet of each lot along the side of all streets for utility installations and maintenance and are also reserved as may be shown on the recorded map of said tract.

14. EXTENSIONS OF CONDITIONS AND RESTRICTION, EXCEPT FOR PROVISION NO. 13.

Each and all of the foregoing restrictions and conditions shall terminate on December 31, 2002, unless the owners of a majority of said lots have executed and recorded at any time within six (6) months prior to December 31, 2002, in the manner required for a conveyance of real property, a writing in which they agree that said Conditions and Restrictions shall continue for a further specified period and providing therein a similar provision for the further extension of said Conditions and Restrictions, or some of them; provided also, that the above said Conditions and Restrictions may be modified after said termination date at the times and in the manner hereinabove provided for the extensions of said Conditions and Restrictions in force at the time of such extension or modifications.

15. NOTICE OF CLAIM OF BREACH. That the Grantor, or the Architectural Committee may at any time that the Grantor or the Architectural Committee deems a breach of these Conditions and Restrictions has occurred, execute, acknowledge and record in the Recorder's Office of Santa Cruz County, a Notice of Claim of Breach setting forth the facts of such breach, describing the lot or lots upon which such breach has occurred and setting forth the names of the owner or owners thereof. Such notice upon being recorded, shall be notice to all persons of such breach, provided an action has been commenced within sixty (60) days after the recording of such notice to establish such breach, and if no such action has been commenced within such sixty (60) day period, then, and in that event such notice shall be of no force and effect whatsoever, and the breach set forth in said notice shall be presumed to have been remedied.

16. FAILURE TO COMPLY WITH ORDER OF ARCHITECTURAL COMMITTEE. In the event of the failure of any owner to comply with a written directive or order from the Architectural Committee made for the enforcing hereof, then in such event the Architectural Committee shall have the right and authority to perform the subject matter of

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such direction or order, and the cost of such performance shall be charged to the owner in question and may be recovered by the Architectural Committee in an action at law against such individual owner:

17. NOTICES. Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, it shall be deemed to have been delivered forty-eight (48) hours after a copy of same has been deposited in the United States Mail, postage prepaid, certified mail, addressed to each such person at the residence address of such person.

18. INTERPRETATION. The provisions of this declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the real property. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision or any other provision hereof.

19. PROTECTION FOR MORTGAGEES AND TITLE INSURANCE COMPANIES. That the owner of any encumbrance made for value on any said lot or lots and any corporation insuring the lien of such encumbrance may conclusively presume that no breach exists under these Conditions and Restrictions, provided such encumbrance is recorded in the Office of the County Recorder of Santa Cruz County prior to the commencement of any action to establish any such breach and not within sixty (60) days after the recording of any Notice of Claim of Breach, anything contained herein to the contrary notwithstanding.

PROVIDED, that a breach of any of the foregoing Conditions and Restrictions, shall not affect, impair, defeat or render invalid the lien charge or encumbrance of any mortgage or deed of trust made for value which may then exist upon said land, which said mortgage or deed of trust shall be and is hereby declared to be a prior and superior lien to the rights in favor of any person or persons under and by virtue of these Conditions and Restrictions; provided, however, that in the event of a foreclosure of any such trust deed or mortgage, or if the owner of the note secured by such trust deed or mortgage acquires title to said land in any manner whatsoever in satisfaction of indebtedness, then any purchaser at the foreclosure of Trustee's Sale or any said note, owner acquiring title as aforesaid, agrees that said property so acquired by them shall immediately upon said acquisition become subject to each and all of the Conditions and Restrictions and rights herein contained, but free from the effects of any breach occurring prior thereto.

20. AMENDMENT. Subject to the provisions of paragraphs 14, 18 and 19, the provisions of these restrictions, other than this paragraph, may be amended by an instrument in writing signed and acknowledged by record, owners of at least seventy-five percent (75%) of the units located on the real property, which amendment shall be effective upon recordation in the Office of the Recorder of Santa Cruz County, California.

21. SEVERABILITY. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision thereof.

In witness whereof said Corporation has executed this Declaration by its officer thereunto authorized this 13th. day of January 1977.

H & M DEVELOPMENT, INC.

By John F. McNbery
John F. McNbery President

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The undersigned Trustee and Beneficiary named in the certain Deeds of Trust affecting lands within said subdivision and of record in Official Records of Santa Cruz County, do hereby subordinate the lien of said Deeds of Trust to the foregoing Declaration, subject, however, to the provisions of paragraph 19 on page 5 thereof entitled "PROTECTION FOR MORTGAGEES AND TITLE INSURANCE COMPANIES".

THE FIRST MONTEREY COMPANY,
Trustee,

BY Robert C. [Signature]

BY Patricia M. [Signature]

MONTEREY SAVINGS AND LOAN
ASSOCIATION, Beneficiary

BY George P. [Signature] PRESIDENT

BY Patricia M. [Signature] SECRETARY

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SANTA CRUZ COUNTY
RICHMOND & REAL
RECORDER
PENNINGTON TITLE COMPANY
RECORDED AT REQUEST OF

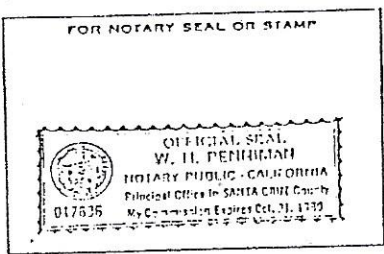
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STATE OF CALIFORNIA
COUNTY OF SANTA CRUZ } SS.

On January 13th, 1977 before me,
the undersigned, a Notary Public in and for said County and State,
personally appeared John F. McHenry
known to me to be the President, and

Secretary of the corporation that executed the
within instrument, known to me to be the person who executed the
within instrument on behalf of the corporation therein named, and
acknowledged to me that such corporation executed the within
instrument pursuant to its by laws or a resolution of its board of
directors.

Signature W. H. Penniman
W. H. Penniman



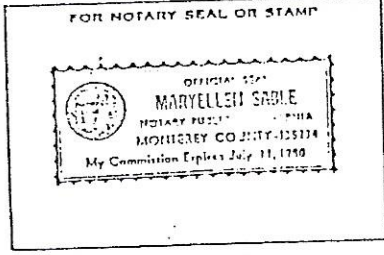
Misc-163 (C.S.) Act. Corporations (Rev. 12-21) Page 4

STATE OF CALIFORNIA
COUNTY OF Monterey } SS.

On January 18, 1977 before me,
the undersigned, a Notary Public in and for said County and State,
personally appeared Robert C. Littlefield
known to me to be the President, and
Patricia A. Lanning known to me to be

Secretary of the corporation that executed the
within instrument, known to me to be the person who executed the
within instrument on behalf of the corporation therein named, and
acknowledged to me that such corporation executed the within
instrument pursuant to its by laws or a resolution of its board of
directors.

Signature Maryellen Sable



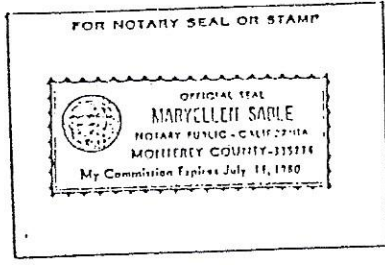
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STATE OF CALIFORNIA
COUNTY OF Monterey } SS.

On January 18, 1977 before me,
the undersigned, a Notary Public in and for said County and State,
personally appeared Thomas F. Ewing
known to me to be the ASST. V. President, and
Patricia A. Lanning known to me to be

Secretary of the corporation that executed the
within instrument, known to me to be the person who executed the
within instrument on behalf of the corporation therein named, and
acknowledged to me that such corporation executed the within
instrument pursuant to its by laws or a resolution of its board of
directors.

Signature Maryellen Sable



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