WHEN RECORDED RETURN TO:

SUBTEC - Cheryl Vargo
5147 W. Rosecrans Avenue
Hawthorne, California 90250

DECLARATION OF

COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

WOODSIDE

HOMEOWNERS ASSOCIATION

(TRACT NO. 50683)

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EXHIBIT "A"

SUBORDINATION AGREEMENT

DECLARATION OF ESTABLISHMENT
OF COVENANTS, CONDITIONS AND RESTRICTIONS

WOODSIDE
HOMEOWNERS ASSOCIATION
LOS ANGELES, CALIFORNIA

THIS DECLARATION is made this 4th day of October, 1993 by RK & B CO., A CALIFORNIA GENERAL PARTNERSHIP (hereinafter referred to as "Declarant") with reference to the following:

RECITALS

1) On or about the date of the recordation of this Declaration, in the office of the County Recorder for Los Angeles County, State of California, Declarant owns that certain real property, commonly known as 20840 Community Street, Los Angeles, California, and more particularly described in Exhibit "A" attached hereto.

2) Said real property is to be improved with twenty-one (21) condominium units, and with the property, improvements and all appurtenances and facilities thereof shall hereinafter collectively be referred to as the "PROJECT".

3) It is the desire and intention of Declarant to sell and convey interests in the Project to various individuals and subject to certain basic protective covenants, conditions, restrictions, limitations, easements, rights, rights of way, reservations, liens, charges and equitable servitudes between it and the acquirers or users of said property as hereinafter set forth.

NOW, THEREFORE, pursuant to the provisions of Chapter 1 of Title 6, Part IV of Division 2 of the California Civil Code, Declarant hereby declares that the property, improvements, appurtenances and facilities described herein and as shown on the Condominium Plan, to be recorded in connection with the Project, shall be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only and subject to the following uniform covenants, conditions, restrictions, limitations, reservation, grants of easements, rights of way, rights, liens, charges, and equitable servitudes, all of which are hereby declared, established, expressed and agreed:

a) to be in furtherance of a plan for the subdivision and sale of individual condominiums in a condominium project, as defined in Section 1351(f) of the Civil Code;

b) to be in for the benefit and protection of the Project, its desirability, value and attractiveness;

c) to be for the benefit of the owners of condominiums in the Project;

d) to run with the land and be binding on all parties having or acquiring any right, title or interest in the Project or any portion thereof;

e) to inure to the benefit of every portion of the Project and any interest therein; and

f) to inure to the benefit of and be binding on each successor and assignee in interest of each owner and of Declarant.

Any conveyance, transfer, sale, assignment, lease or sublease made by Declarant or by the Association (as hereinafter defined) of a condominium in the Project will and hereby is deemed to incorporate by reference the provisions of this Declaration including, but not limited to, covenants, conditions, restrictions, limitations, easements, rights, rights of way, reservations, liens, charges and equitable servitudes contained herein. The provisions of this Declaration shall be enforceable by Declarant, any Owner or its or his successor in interest and shall be enforceable by the Association, its Board of Directors or any person, corporation or other entity duly authorized by the Association or its Board to enforce all of any one or more of the provisions hereof.

ARTICLE I
DEFINITION OF TERMS

Whenever used in this Declaration, the following terms shall mean:

1. "Articles" shall mean the Articles of Incorporation for WOODSIDE HOMEOWNERS ASSOCIATION.

2. "Association" shall mean WOODSIDE HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation, the members of which shall be owners of condominium units in the Project.

3. "Board" shall mean the Board of Directors of the Association.

4. "Bylaws" shall mean the Bylaws of the Association, as the same may be amended from time to time.

5. "Common Area" shall mean the entire project, excepting all units therein granted or reserved, subject to all easements and, rights of use described herein and in the document of conveyance through which each owner acquired his condominium.

6. "Condominium" shall mean a condominium as defined in Sections 783 and 1351(f) of the Civil Code, consisting of an individual interest in common in a portion of a parcel of real property, together with a separate interest in space in a residential building on such real property; more particularly an estate in real property, consisting of an equal undivided 1/21st fractional interest in the Common Area, as set forth in the Condominium Plan recorded concurrently herewith, together with a separate interest in a Unit as defined herein.

7. "Condominium Plan" shall mean the Plan as defined in Section 1351(e) of the Civil Code prepared, executed and recorded in connection with the Project.

8. "Declarant" shall mean RK & B CO., A CALIFORNIA GENERAL PARTNERSHIP, its successors and assigns, if such successors and/or assigns should acquire all or any portion of the property for the purpose of sale.

9. "Declaration" shall mean this Declaration, as the same may be amended, changed or modified from time to time.

10. "FNMA", "FHLMC" and "VA" shall mean the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation and the United States Department of Veterans Affairs respectively.

11. "Mortgage" shall mean a security interest encumbering a Unit in the Project or all or any other portion of the Project, including, but not limited to, a Deed of Trust.

12. "Organizational Meeting" shall mean the first meeting of members of the Association designated by the Board of Directors.

13. "Owner" shall mean the record owner or owners or contract vendee or vendees (if more than one) of a Condominium in the Project. Declarant shall be considered an "Owner" so long as any condominiums remain unsold.

14. "Project" shall mean the entire parcel of real property, divided or to be divided into Condominiums, including all structures and improvements thereon.

15. "Property and Improvements" shall mean and include all that real property more particularly described in Exhibit "A", attached hereto, together with twenty-one (21) Units and Common Area, as more particularly shown and defined on the Condominium Plan.

16. "Unit" shall mean the elements of a Condominium which are not owned in common with other Owners of other Condominiums in the Project. The boundaries of the twenty-one (21) Units are shown and defined on the Condominium Plan. Each Unit shall consist of a residential structure with a two-car garage and appurtenant out-door living area.

ARTICLE II
DESCRIPTION OF LAND AND IMPROVEMENTS

1. Condominium Plan Best Authority. The following description is intended for information purposes only and in the event of any conflict between this description and the Condominium Plan, said Plan shall be deemed to conclusively control.

2. Property Description. The Property and Improvements consist of twenty-one (21) individual Condominium Units, each with its own two-car garage and appurtenant out-door living area, and common area facilities.

3. Description of Individual Condominiums. Each Condominium within the Project which shall be offered for sale, shall consist of a fee simple interest in and to a particular Unit, as more particularly shown and defined in the Condominium Plan, together with an undivided fractional interest as a tenant-in-common in and to the Common Area.

4. Easements. Each Owner shall receive as an incident of conveyance of his Unit, a non-exclusive easement appurtenant thereto, for ingress, egress and support over, across and through the Common Area. In the event any portion of the Common Area encroaches on a Unit, or a Unit encroaches on any portion of the Common Area as a result of the construction, reconstruction, repair, shifting, settlement or movement of any portion of the Project, a valid easement for the encroachment and the maintenance thereof shall exist so long as the encroachment exists.

5. Easements for Repair. Wherever a residential structure abuts the Unit boundary line, each Owner shall have a reasonable right of access over the immediately adjoining Unit's property or the Common Area in order to effectuate repairs to his structure as set forth in Article XVII herein. Said right of access shall be limited to within five feet of the common boundary. Should any damage occur to the adjoining Owner's property or the Common Area as a result of the repair work, said damage shall be repaired to a condition as existed prior to the commencement of work.

6. Reservation to Declarant. There is hereby reserved to Declarant, together with the right to grant and transfer same, easements for construction, display, maintenance, sales and exhibit purposes over the Common Area in connection with the

erection and sale or lease of Condominiums within the Project, provided, however, that such use shall not be for a period beyond the sale by Declarant of all Units within the Project.

ARTICLE III
OWNERS ASSOCIATION

1. Common Area Management. The management of the Common Area shall be vested in the Association in accordance with the Association Bylaws as the same may from time to time be amended in accordance with this Declaration. The Owners of all Units covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, and the Bylaws of the Association.

2. Membership. The Owner of a Unit shall automatically, upon becoming the Owner of same, be a member of the Association until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease. Membership shall be in accordance with the Bylaws of the Association.

3. Transferred Membership. Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the sale or encumbrance of the Unit to which it is appurtenant, and then only to the purchaser, in the case of a sale, or mortgagee, in the case of an encumbrance of such Unit. Any attempt to make a prohibited transfer is void. In the event the Owner of any Unit should fail or refuse to transfer the membership registered to his name to the purchaser of his Unit, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

ARTICLE IV
MANAGEMENT OF OWNERS ASSOCIATION

1. First Meeting of Members. The first meeting of members of the Association shall be held on a date designated by the Board of Directors, which date shall be no later than six months after the closing of the sale of the first unit in the Project. Said first meeting shall be conducted as set forth in the Bylaws.

In the event that the date specified for the annual meeting falls within the time period set forth above, the first meeting shall be such annual meeting. Directors shall be elected at the first meeting of members notwithstanding the fact the terms of sitting directors shall not yet have expired.

2. Annual Meetings. Annual meetings of members of the Association shall be held in accordance with the provisions of the Bylaws of the Association, as they may from time to time be amended in accordance with this Declaration.

3. Owner Voting Rights. The Association shall have two (2) classes of membership:

a. Class A. Class A members shall be all those Owners, with the exception of Declarant. Class A members shall be entitled to one (1) vote for each Unit in which they hold the required interest for membership. When more than one person holds such interest in any Unit, all of such persons shall be members. The one vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Unit.

b. Class B. Prior to the close of the first escrow, there will be only Class B members; the only member of Class B shall be Declarant, who shall be entitled to three (3) votes for each Unit in which Declarant holds the interest required for membership, provided that the Class B membership shall cease and be converted to Class A membership on the happening of the following events, as set forth under Article II of the Bylaws to wit:

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

(2) a prescribed date which is not later than the second anniversary of the first conveyance of a Unit in the Project.

4. Election and Removal of the Board. Voting for directors shall be by written ballot and members shall be permitted to cumulate their votes in all elections in which more than two (2) positions on the Board of Directors are to be filled. The persons receiving the largest number of votes shall be elected. The first such election of all members of the Board of Directors shall take place at the first meeting of members. Any or all directors may be removed without cause if such removal is approved by a majority of all members; however, unless the entire Board of Directors is removed from office, no director shall be removed prior to the expiration of his term of office, if the votes cast against removal would be sufficient to elect the director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors authorized at the time of the most recent election of the director were then being elected. A director who has been elected to office solely by the votes of members other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in members other than the Declarant.

5. Special Procedure. For so long as a majority of the voting power of the Association resides in the Declarant for so long as there are two (2) outstanding classes of membership of the

Association, the following special voting procedure shall be used at all elections to insure that Class A members have at least minimal representation on the Board of Directors: Class A members (members other than the Declarant) shall be allowed to elect at least one (1) director or twenty percent (20%) of the incumbents of the governing body, whichever is greater. The procedure shall be to allow the Class A members to vote by themselves until this minimal representation is achieved and thereafter the remaining directors shall be elected in accordance with normal voting procedures.

6. Voting Proxies. Voting may be carried out either in person or by a written proxy. Proxies may be carried and voted only by other Owners of a Unit in the Project and shall be valid only if signed and dated by the Owner giving the proxy.

7. Quorum Requirements for Association Meetings. At all meetings of Owners, fifty-one percent (51%) of the total voting power of the Association, present in person or by proxy, shall constitute a quorum, and a majority of those present in person or by proxy shall be sufficient for the passage of any motion or the adoption of any resolution, except as otherwise provided (a) in the Articles of Incorporation, if the Association is incorporated; (b) in the Bylaws; (c) in this Declaration of Restrictions; and (d) in connection with amendment or repeal of this Declaration, as hereinafter set forth under Article XIV. If the required quorum is not present, another meeting may be called and the required quorum for a regular adjourned meeting shall be twenty-five and one-half percent (25-1/2%) of the total voting power of the Association. In the absence of a quorum at a meeting of members, a majority of those present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. An adjournment for lack of a quorum shall be to a date not less than five (5) nor more than thirty (30) days from the original meeting date. No written notice of the adjourned date need be given unless the date is not set at the meeting. When the adjourned meeting is reconvened and if no more than one-third (1/3) of the voting power of the Association is in actual attendance, no business other than that scheduled for the earlier meeting may be transacted.

8. Written Notice of Meetings. Written notice of regular and special meetings shall be given to members by the Board of Directors not less than ten (10) nor more than ninety (90) days before the date of any meeting at which members are required or permitted to take any action. The notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken. A special meeting shall be promptly called by the Board of Directors upon (a) the vote for such a meeting by a majority of a quorum of the Board of Directors; or (b) receipt of a written request by five percent (5%) of the total voting power of the Association.

9. Indemnification for Performance of Duties. Every director, officer and member of the Association shall be indemnified by the Association against all reasonable costs, expenses and liabilities, including attorneys' fees, actually or necessarily incurred by or imposed upon him in connection with any claim, action, suit, proceeding, investigation or inquiry of whatever nature, in which he may be involved as a party or otherwise, by reason of his having been an officer or member of the Association, whether he continues in such capacity at the time of the incurring or imposition of such costs, expenses or liabilities, except in relation to matters as to which he shall be finally adjudged in such action, suit, proceeding, investigation or inquiry to be liable for willful misconduct or negligence toward the Association in the performance of his duties or, in the absence of such final adjudication, any determination of such liability by the opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition to and not in limitation of all rights to which such person may be entitled as a matter of law and shall inure to the benefit of the legal representatives of such person.

ARTICLE V
DUTIES AND POWERS OF THE ASSOCIATION

1. Administration of Project. The Owners and each of them, together with all parties bound by this Declaration, covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, the Bylaws and such rules and regulations as may be adopted by the Board, and amendments, changes, and modifications thereto as may come into effect from time to time. In the event of any inconsistency between the provisions of this Declaration and provisions of the Bylaws or said rules and regulations, the provisions of this Declaration shall prevail.

2. Authority of Board of Directors. Prior to the Organizational Meeting and thereafter until their successors are elected, the initial Board of Directors or its duly appointed successors, shall manage the affairs of the Association. The Board of Directors, as constituted from time to time, shall at all times be responsible for the day-to-day operation and management of the affairs of the Association and shall have the sole power and duty to perform and carry out the powers and duties of the Association, as set forth herein and in the Bylaws, together with the powers and duties otherwise expressly delegated to the Board of Directors by this Declaration or the Bylaws, except for action or activity expressly set forth herein or in the Bylaws or the California Corporations Code, as requiring the vote or assent of members of the Association or a given percentage thereof. Without limiting the generality of the foregoing, the Board of Directors shall have the following powers and duties:

a. To enforce the applicable provisions of this Declaration, the Bylaws and other instruments for the management and control of the Project. The Board of Directors shall have the right to adopt reasonable rules and to amend the same from time to time relating to (i) the use of the Common Area and any recreational and other facilities situated thereon by Owners and their tenants or guests and (ii) conduct of such persons with respect to automobile parking, outside storage of boats, trailers, bicycles and other objects, disposal of waste materials, drying of laundry, control of pets and other activities which, if not so regulated might detract from the appearance of the community or offend or cause inconvenience or danger to persons residing or visiting therein. Such rules may provide that the Unit whose occupants leave property on the Common Area in violation of the rules may be assessed to cover the expense incurred by the Board of Directors in removing such property and storing or disposing thereof. The Board of Directors may provide in such rules for reasonable rental charges to be made with respect to the use of any storage areas or facilities which may exist on the Common Area, provided that such charge shall in no way impose liability on the Board of Directors or any of its members for damage or loss to property so stored, the intention being that the use of any such storage area or facility be solely at the risk of the person using the same. A copy of such rules and all amendments thereto shall be mailed to each Owner and a copy shall be posted in one or more places on the Common Area where the same may be conveniently inspected;

b. To pay premiums, taxes and assessments which are or could become a lien on the Common Area or some portion thereof;

c. To delegate its powers to committees, officers or employees;

d. To contract for materials and/or services for the Common Area or the Association with the term of any service contract limited to a duration of one (1) year, with specified exceptions as more fully set forth in the Association Bylaws. Without limiting the foregoing, the Association shall enter into a contract with a reputable trash removal company (and shall so contract with such a company continuously during the term of this Declaration) for the regular emptying of trash containers of the Project. The trash containers shall be of adequate size for storage of all trash and debris from the Project. Such removal shall be done at least weekly, or more frequently as necessary to maintain the Project in a first-class condition;

e. To operate all recreational equipment and facilities located within the Common Area, if any;

f. Notwithstanding any other provisions of this Declaration, the Board has an affirmative primary obligation to maintain the Common Areas and the exterior of any buildings

located thereon, and any other additions which may be subsequently authorized, as hereinafter provided, in good first-class condition, order and repair. Without limiting the generality of the foregoing, this obligation includes the maintenance of the surface of any paved area, sidewalks and parking areas on the Project in a level, smooth and evenly covered condition with the type of surfacing material originally installed thereon, or a substitute which is in all respects equal thereto in quality, appearance and durability. All landscaping, including the parkway areas, together with sufficient irrigation and irrigation improvements therefor, shall be maintained in a good first-class condition, healthy and without deterioration, free of weeds, disease-free and without waste or debris. The Association shall also maintain, repair and restore all utility lines within the Common Area including all mechanical pumps and drainage devices except those maintained by public utility companies.

g. To pay the operating expenses of the Association, including but not limited to, expenses advanced by members of the Board of Directors, legal and accounting fees, the fees of any duly selected manager and a reasonable reserve for contingencies with respect to the Common Area.

In the event of damage to or destruction of any building, structure or other improvement situated on the Common Area, the Board of Directors shall cause the same to be repaired, replaced or rebuilt. In the event the cost of such repair, replacement or rebuilding exceeds insurance proceeds payable by reason of said damage or destruction, the amount of the difference shall be prorated among the Owners and assessed to such Owners in accordance with the provisions of Articles VI and X. In the event the amount of such insurance proceeds exceed the cost of such repair, replacement or rebuilding, the surplus shall be retained by the Association and shall be taken into consideration in determining the amount of the annual assessment for the next budget period;

h. All insurance policies purchased by the Board of Directors for the mutual benefit of all Owners, shall contain a provision that each Owner will receive a notice from the insurance carrier that said policy is in effect and that each Owner will receive thirty (30) days notice prior to cancellation or termination of said policy, for any reason whatsoever.

Neither Declarant nor its agents nor the Board of Directors shall enter into any insurance contract which binds the Association in excess of one (1) year unless said contract is approved by the majority of the Association members, except that the Board of Directors may contract for prepaid casualty and/or liability insurance policies not to exceed three (3) years duration if such policies permit short rate cancellation by the insured.

(1) Fire and Casualty Insurance. The Board of Directors shall carry a master or blanket policy of insurance for the full replacement value, without deduction for depreciation, of all of the Common Area improvements of the Project, which policy shall provide that all proceeds shall be payable to the Association and shall be subject to disbursement by the Board acting on behalf of the Association. Such policy shall be issued upon an "All Risk" basis excluding earthquake and flood perils with respect to such improvements and shall also contain "Replacement Cost", "Stipulated Amount", and "Automatic Increase (Inflationary Guard)" endorsements. If the Board so determines, such policy may also contain a determinable cash adjustment provision, or equivalent endorsement, to permit a cash settlement covering the full value of such improvements in the event of the destruction of such improvements and a decision not to rebuild pursuant to Article X hereof. Subject to compliance with the foregoing, and the requirements of the First Mortgagees, such policy shall be in such amounts as shall be determined by the Board upon annual review and shall name as insureds the Association and Declarant, so long as Declarant is an Owner. Other Owners shall either be specifically named as insureds or included as such within the definition of an "insured" under such policy. All Mortgagees shall also be covered as their respective interests may appear.

(2) Public Liability Insurance. The Board of Directors shall also carry a policy or policies insuring the Association, the Board of Directors and each and all of the Owners and management agent, if any, against any liability to the public or to the Owners or any other person resulting from or incident to the ownership, management and use of the Project by the Association, the Board of Directors, the Owners, their invitees and tenants and members of the public, the liability limits of which shall not be less than $1,000,000.00 for the total personal injury from any accident; $500,000.00 personal injury to any one person; and $500,000.00 property damage, such limits to be reviewed annually by the Board of Directors and increased at the discretion of the Board of Directors. The policy shall provide coverage for any legal liability that results from law suits related to employment contracts in which the Association is a party. The policy shall provide for at least ten (10) days written notice to the Association before the insurer can cancel or substantially modify it. Similar notice shall also be given to each holder of a first mortgage on an individual Unit in the Project.

(3) Additional Insurance by Vote of Members. By the vote or written assent of seventy-five percent (75%) of the members (excluding Declarant) at any regular or special meeting of the Association, the Association may be authorized to acquire and pay for out of the Regular Monthly Assessment a "master" or "blanket" policy or policies of fire, casualty and/or liability insurance equal to the full replacement value (100% of current replacement cost exclusive of land, foundation, excavation and other items normally excluded from such coverage) for all Units in

the Project with an Agreed Amount Endorsement or its equivalent if available, or Inflation Guard Endorsement and any additional endorsements required by an Institutional lender. Such coverage must afford protection against at least the following:

(A) Loss and damage by fire and other hazards covered by the standard extended coverage endorsement, and by sprinkler leakage, debris removal, cost of demolition, vandalism, malicious mischief, windstorm and water damage;

(B) Such other risks as are customarily covered in similar projects;

(C) Such action authorized in the adoption of such blanket policy shall specify the type of coverage and the allocation of premium payments on a per Unit basis to all Owners in the Project. All such coverage shall be for the benefit of each Owner and their respective Mortgagees in accordance with their interests, and it shall provide for a separate loss payable endorsement in favor of the Mortgagee or Mortgagees of each Unit. Within five (5) days after it has obtained such insurance policy for the benefit of the Owners, the Association shall give each Owner written notice thereof. Within fifteen (15) days thereafter, the Owner of each Unit shall execute any and all documents necessary to effectuate fully such coverage with respect to such Owner's Unit, including cancellation of any existing coverage which may, in the opinion of the Board, by operation of co-insurance or other clauses, serve to affect or reduce the coverage or potential recovery under any such blanket policy. Such policy or policies and any endorsements thereon shall be in the form and content and for such term and with such company or companies as may be satisfactory to the institutional Mortgagees.

(4) <u>Owner's Insurance.</u> During such period that the Association shall not be authorized to insure individual Units pursuant to section (3) above, each Owner shall maintain, at his sole cost and expense, fire insurance with special form coverage included, insuring all structures and improvements upon his Unit in an amount equal to the full insurable value thereof, together with, at Owner's option, comprehensive public liability insurance which limits shall not be less than $1,000,000.00 for the total personal injury from any accident; $500,000.00 personal injury to any one person; and $500,000.00 property damage. Each Owner shall promptly furnish to the Board a certificate from his insurance carrier or carriers certifying that such insurance coverage is in existence and in full force and effect, and that it is evidenced by a policy with premiums payable at not less than annual intervals and that it cannot be canceled without ten (10) days prior written notice to the Board. In the event any Owner shall fail to maintain the insurance coverage prescribed by this section, the Board may obtain such coverage and levy an individual assessment pursuant to Article VI, Section 9.b hereof, against the Owner of such Unit for the cost of such insurance.

Each Owner may, in addition to the coverage prescribed in this section, maintain such additional insurance upon his furniture, furnishings and other personal property situated within his Unit, together with any so-called "homeowners" or other type of personal insurance coverage upon his residence, his Unit or his interest in the Project.

Carrying of insurance by an individual Owner shall not relieve him of the obligation to pay such portion of assessments as may be made from time to time for policies contracted for by the Baord for the benefit of the Common Area as set forth hereinabove.

(5) Errors and Omissions Insurance. The Board of Directors shall have authority to obtain such errors and omissions insurance or other insurance as it deems advisable insuring the Board of Directors and each member thereof, against any liability for any act or omission in carrying out their obligations hereunder or resulting from their membership on the Board of Directors or any committee thereof. The premiums for insurance purchased pursuant to the foregoing shall be payable out of the maintenance fund.

(6) Worker's Compensation Insurance. The Board of Directors shall carry worker's compensation insurance covering all persons employed by it in the performance of its responsibilities under this Declaration, and may obtain fidelity bonds for such of its employees as it may deem advisable.

(7) Flood Insurance. Further, the Board of Directors shall purchase and carry flood hazard insurance in the maximum amount available in the event the area in which the Project is located is designated by the Office of Housing and Urban Development as an area having special flood hazards.

(8) Blanket Insurance by Declarant. In order to facilitate the provision and maintenance of adequate and proper insurance, it is contemplated that Declarant may contract for blanket insurance coverage, covering the entire Project prior to or concurrently with the financing of such sales and any obligations or commitments for the payment of premiums or expenses otherwise incurred by Declarant under any such blanket policy or coverage, whether or not the same is also a personal obligation of the purchaser(s) of any Units, shall become an obligation of the Board of Directors and shall be paid out of the maintenance fund.

(9) Fidelity Bond. The Board shall obtain a Fidelity Bond which covers members of the Board, officers and employees of the Association, and employees of any manager or Managing Agent, whether or not such persons are compensated for their services, naming the Association as to the insured, written in an amount not less than a sum equal to three (3) months aggregate assessments on all Units plus reserve funds;

i. To enter any privately owned Unit where necessary in connection with construction, maintenance or repair for the benefit of the Common Area or the Owners in common; provided, however, that entry shall only be made without the Owner's consent when such cannot be obtained and entry is necessary;

j. To send to each member of the Association written notice of regular and special meetings. Except in emergency situations, at least ten (10) days notice of any meeting shall be provided. The notice shall specify the time, date and place of the meeting and in the case of a special meeting, the nature of business to be undertaken;

k. To prepare, or cause to be prepared the following financial and related information which shall be regularly prepared and distributed by the Board to all members of the Association:

(1) A pro forma operating statement (budget) for the immediately ensuing fiscal year consisting of at least the following information shall be distributed not less than forty-five (45) nor more than sixty (60) days prior to the beginning of the fiscal year.

(A) Estimated revenue and expenses on an accrual basis;

(B) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 8 below, which shall be printed in bold type and include all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful like of each major component;

(ii) As of the end of the fiscal year for which the study is prepared: the current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain major components; cash reserves actually set aside to repair, replace, restore, or

(iii) The percentage that the current amount of accumulated cash reserves actually set aside is equal to the current estimate of the amount of cash reserves necessary as set forth in (ii) above.

The summary of the Association's reserves disclosed pursuant to this section shall not be admissible in evidence to show improper financial management of an Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision;

(C) A statement as to whether the Board of the Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component or to provide adequate reserves therefor;

(D) A general statement setting forth the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement, or additions to those major components for which the Association is obligated to maintain;

(2) A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy for any fiscal year in which the gross income of the Association exceeds Seventy-five Thousand Dollars ($75,000.00). A copy of the review of the financial statement shall be distributed within one hundred twenty (120) days after the close of each fiscal year;

(3) In lieu of the distribution of the pro forma operating budget required by Section (1) above, the Board of Directors may elect to deliver a summary of the statements to all Members with a written notice that the budget is available at the business office of the Association or at another suitable location within the boundaries of the Project and that copies will be provided upon request and at the expense of the Association. If any Member requests copies of the pro forma operating budget to be mailed to the Member, the Association shall provide the copy to the Member by first-class United States mail at the expense of the Association and delivered within five (5) days. The written notice that is distributed to each of the Association's Members shall be at least 10-point bold type on the front page of the summary of the statements;

(4) A statement describing the Association's policies and practices in enforcing lien rights or other legal remedies for default in payment of assessments against its Members shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year;

(5) The Board shall do the following not less frequently than quarterly:

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

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

maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;

(B) Identification of the probably remaining useful life of the components identified in (A) above as of the date of the study;

(C) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in paragraph (A) above during and at the end of its useful life;

(D) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study; and,

(E) As used in this section, "reserve accounts" means moneys that the Association's Board has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain; and "reserve account requirements" means the estimated funds which the Association's Board has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain;

l. To establish and collect regular assessments, to defray expenses attributable to ownership, use and operation of the Common Area and facilities with said assessments to be levied against each Owner, including Declarant;

m. To establish and collect special assessments for capital improvements or other purposes on the same basis as regular assessments;

n. To file lien(s) against a Unit or Units because of non-payment of assessments duly levied and to foreclose said lien(s);

o. To receive complaints regarding violations of this Declaration, the Bylaws or other instruments for the management and control of the Association; to hold hearings to determine whether or not to discipline members of the Association who violate said management documents; to suspend the use privileges and voting rights of members who violate said management documents after hearing on the alleged violation has been held pursuant to the Bylaws;

p. To acquire and hold tangible and intangible personal property for the benefit of the Owners, and to dispose of the same by sale or otherwise;

q. To employ professional management to manage such affairs of the Association as may be specified by the Board of Directors. Any such professional management body selected by Declarant or by the initial Board of Directors prior to the organizational meeting shall be employed to manage only until the first annual Owners meeting at which time the continuance of the same or the selection of another body or agent shall be determined by a majority vote of the Owners other than Declarant. The Board of Directors may require a bond for any member of any management body which participates in the management of the affairs of the Association in such amounts as the Board of Directors may deem appropriate. Neither Declarant nor its agents nor the Board of Directors shall enter into any services contract which binds the Association for a period in excess of one (1) year with the following exceptions: (i) a management contract, the terms of which have been approved by the Federal Housing Administration or Veteran's Administration; (ii) a contract with a public utility company if the rates charged for materials or services are regulated by the Public Utilities Commission and if the term of the contract does not exceed the shortest term for which the supplier can contract at the regulated rate. All such management agreements shall be terminable for cause stated with successive one (1) year periods upon the agreement of the parties at the expiration of each successive term;

r. To solicit bids for contracts of repairs in accordance with the terms of this subsection. With respect to each contract made by the Board of Directors for repainting exterior surfaces of building(s) and car storage spaces, and each contract for work and/or materials related to the maintenance, repair, rebuilding or replacement of any building, structure or other improvement situated on the Common Area in which the amount to be paid by the Board of Directors exceeds $500.00, the Board of Directors shall secure at least three (3) bids from licensed contractors and must accept the lowest bid so obtained. If the amount of the contract exceeds $1,000.00, the Board of Directors shall, regardless of the nature of the work involved, secure at least three (3) bids from licensed contractors and may accept either of the two lowest bids, and shall, in addition, require the contractor so chosen to furnish a bond assuring completion of the work and payment of all labor and materials bills for which a lien on the Common Area or any Unit could be claimed. The Board of Directors shall require, from each contractor which it engages, satisfactory evidence that adequate worker's compensation and liability insurance is carried with respect to employees and activities of such contractor. In cases where a completion bond is not required, the Board of Directors shall require labor and material releases from the contractor prior to making payment to same unless the Board of Directors deems such requirements to be impractical or unnecessary to afford protection against liens;

s. To take the following actions, but only with the written assent of a majority of each class of members during the

time of the two-class voting structure, and after the time of the two-class voting structure, the required vote shall be a majority of the votes of members other than Declarant: (i) to incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; (ii) sell, during any fiscal year, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year; (iii) pay compensation to members of the Board of Directors or to officers of the Association for services performed in the conduct of Association business, except that the Board of Directors may reimburse any member or officer for expenses incurred in carrying on the business of the Association;

t. To grant permits, licenses and easements over the Common Areas for utilities, roads and other purposes necessary for proper operation of the Project.

ARTICLE VI
COVENANT FOR MAINTENANCE ASSESSMENTS

1. Creation of Lien. Declarant, for each Unit owned by it within the Project, hereby covenants, and each Owner of any Unit within the Project, by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, is deemed to covenant and agree to pay to the Association: (a) regular monthly assessments or charges; (b) special assessments for capital improvements; and (c) emergency assessments. Such assessments shall be fixed, established and collected from time to time, as hereinafter provided. The regular, special and emergency assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and a continuing lien on the Unit against which each such assessment is made. Such liens shall be created and enforced in accordance with the provisions of this Article VI. Each such assessment, and all other assessments levied in accordance with this Declaration, together with late charges, interest, costs, penalties and reasonable attorneys' fees, shall also be the joint and several personal obligation of each person who was the Owner of such Unit when the assessment was made. All Units shall be assessed equally as provided herein.

2. Basic Maximum Amount of Regular Monthly Assessments.

a. The Owner of each Unit shall be obligated to pay to the Homeowners Association an initial monthly maintenance charge of $ 104.00 . As and when the Association's budget shall increase or decrease, as herein provided, such assessments shall be adjusted so that the Owner of each Unit bears the same relative proportion of the total budget as that initially borne. Regular

assessments to defray expenses attributable to the ownership, operation and furnishing of common interests by the Association shall ordinarily be levied against each Owner according to the ratio of the number of Units owned by the Owner assessed to the total number of Units subject to assessments. An Owner shall also bear the same relative proportion of any special assessment levied pursuant to Section 3 hereof.

b. The Board of Directors may not, without the approval of Owners, constituting a quorum casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporation Code and Section 7613 of the Corporations Code, impose a regular assessment per Unit that is more than twenty percent (20%) greater than the regular assessment for the Association's preceding fiscal year. For purposes of this Section, quorum means more than fifty percent (50%) of the Owners of the Association.

However, annual increases in regular assessments for any fiscal year shall not be imposed unless the Board has complied with Section 2.k.(8) of Article V on page 16 hereinabove with respect to that fiscal year, or has obtained the approval of owners, constituting a quorum, as provided in (b) above.

c. The Association shall, upon demand, furnish to any Owner liable for assessments, a certificate signed by an officer of the Association setting forth whether the assessments on a specified Unit have been paid and the amount of delinquency, if any. A charge of Ten Dollars ($10.00) per certificate may be made by the Board of Directors for the issuance of said certificates. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

3. <u>Special Assessments.</u> In the event regular monthly assessments described above are insufficient for any reason, the Board of Directors may not, without the approval of Owners as prescribed above for increases in regular assessments, levy special assessments to defray costs of any action or undertaking on behalf of the Association which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. Every special assessment shall be levied upon the same basis as that prescribed for the levying of regular assessments except that: (i) a special assessment against Owners in the Project to raise funds for the rebuilding or major repair of the structural common area housing units of the Project shall be levied upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of floor area of all Units to be assessed; and (ii) special assessments do not apply where an assessment against a member is a remedy utilized by the Board to reimburse the Association for

costs incurred in bringing the member and his Unit into compliance with the provisions of this Declaration. A special assessment imposed pursuant to Article V, Section 2.k.(7) on page 16 hereinabove is not subject to the five percent (5%) limitation imposed pursuant to this section.

4. Special Assessments For Emergencies. Increases in assessments are not limited in the case of emergency situations which are any of the following: (1) an extraordinary expense required by court order; (2) an extraordinary expense necessary to repair or maintain the Project, or any part of it for which the association is responsible where a threat to safety of persons is discovered; or (3) repairs to or maintenance of the Project for which the Association is responsible that could not have been reasonably foreseen by the Board of Directors in preparing and distributing the pro forma operating budget pursuant to Section 2.k.(1) of Article V beginning on page 14 hereinabove. However, prior to imposition or collection of the emergency assessment, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of assessment.

5. Reserves for Capital Expenditures. Reserves for capital expenditures may be established to defray the cost of construction, replacement or repair which materially adds to the value or appreciably prolongs the life of capital improvements upon or related to portions of the Common Area, including but not limited to capital reserves for painting, roof replacement, carpeting, patio furniture replacement and the construction, replacement or said repair of such other Common Area capital improvements as the Board of Directors may establish. These reserves shall be funded by capital assessments which shall be made on a monthly basis. The purpose of the reserves is to preserve and enhance the value of each member's interest in the Common Area.

All assessments for such capital reserves shall be received from the members, as trustors, and held in trust in one or more separate bank trust accounts or such other trusts as may be established from time to time by the Board of Directors, and shall be used only for the construction, replacement or said repair of the capital improvements for which such reserves are established. The documents creating the trust or trusts shall name the members as beneficiaries, each owning an interest in proportion to his contribution; shall name the Association as trustee, who shall serve without compensation; and shall provide for the administration of the trust or trusts and the investment, reinvestments and disbursement of trust funds in accordance with this paragraph. The capital assessments shall not be commingled with any other assessments funds of the Association.

Upon the transfer of his ownership interest in a Unit, no member shall be entitled to the return or refund of any portion of the capital assessment which he has paid prior to such transfer, but is to sell his interest in the trust at its face value to the purchaser, who will become a successor beneficiary.

Instead of establishing separate trust accounts for such capital reserves, the Board of Directors may, on the advice of legal counsel, elect either (i) to treat all such reserves for capital expenditures remaining unexpended at the end of any given fiscal year as contributions to the capital of the Association in accordance with Section 118 of the Internal Revenue Code and regulations promulgated thereunder, or (ii) to adopt such other means of administering such reserves as may be determined on the advice of legal counsel for the Association.

6. Payment of Assessments By Declarant. On the first day of the month following the close of escrow of the first Unit in the Project, Declarant shall be obligated to pay the monthly maintenance charge and assessments hereinbefore provided, for each unsold Unit.

7. Date of Commencement of Assessments. Regular assessments shall be paid by each Owner in equal monthly installments in advance, on the first day of each month beginning on the first day of the month following conveyance of the first Unit to an individual Owner. Special emergency assessments and assessments for capital expenditures shall be paid within thirty (30) days of receipt of a request to pay same. Declarant shall pay assessments for all unsold Units commencing on the first day of the month following conveyance of the first Unit to an individual Owner.

The Association shall provide notice by first-class mail to the Owners of Units of any increase in the regular or special assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

8. Maintenance Fund. Assessment charges so collected shall be promptly deposited in a commercial bank account in a bank to be selected by the Board of Directors or by the manager, if any. Such account shall be clearly designated in the name of the Association. The Board of Directors or the manager, as the case may be, shall be responsible to the Owners for the maintenance of accurate records thereof at all times. No withdrawal shall be made from said account except to pay for the charges and expenses for the common benefit of all Owners.

9. Effect of Non-Payment of Assessments. Every Owner, including Declarant, shall be deemed to covenant and agree to pay the regular and special assessments provided for herein and further agree to the enforcement of such assessments in the manner provided for herein.

a. The assessment charge which each Owner is obligated to pay shall be a debt of each Owner at the time each monthly installment becomes due and shall be in delinquency fifteen (15) days thereafter if not paid in full. If an assessment is delinquent, the association may recover all of the following: (1) reasonable costs incurred in collecting the delinquent assessment, including reasonable attorney's fees; (2) a late charge not exceeding ten (10) percent of the delinquent assessment or ten dollars ($10.00), whichever is greater; and (3) interest on all sums imposed in accordance with this section, including the delinquent assessment, reasonable costs of collection, and late charges, at an annual percentage rate not to exceed twelve (12) percent interest, commencing thirty (30) days after the assessment becomes due.

b. All delinquent assessments shall be and become a lien on the Unit of the delinquent Owner upon the recordation of a Notice of Assessment, as provided in Section 1367 of the California Civil Code. The Notice of Assessment shall not be recorded unless and until the Board of Directors or a person designated by it shall have delivered to said delinquent Owner, not less than fifteen (15) days prior to the recordation of said Notice of Assessment, a written Notice of Default and a demand on the defaulting Owner to cure the same within said fifteen (15) day period. Upon failure by the delinquent Owner to cure within the stated time, the Notice of Assessment may be recorded. Not less than ten (10) days nor more than thirty (30) days from the filing of said Notice of Assessment, the Board may file of record a Notice of Default and thereafter may cause the Unit of said delinquent Owner to be sold in the same manner as provided in Section 2924, et seq., of the California Civil Code, or through judicial foreclosure. However, the lien created by said recorded Notice shall expire and be null and void unless within thirty (30) days after recordation of said Notice of Assessment the Board of Directors records a Notice of Default as hereinabove provided.

A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the member was allegedly responsible or in bringing the member and his subdivision interest into compliance with the governing instruments may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the member's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924(b) and 2924(c) of the Civil Code. However, these provisions do not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorney's fees) in its efforts to collect delinquent assessments.

c. The sale of said Unit must be held or legal action to enforce the lien must be instituted within one hundred fifty (150) days after the recording of the Notice of Default or said lien shall expire and be deemed null and void. If any action is filed by the Board of Directors to enforce the provisions of this Article, any judgment rendered against the delinquent Owner shall include all costs and expenses and reasonable attorneys' fees necessarily incurred in prosecuting such action.

10. Homestead Waiver. Each Owner does hereby waive to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law of California in effect at the time any assessment becomes delinquent or any lien is imposed pursuant to the terms hereof.

11. Curing Delinquencies. A delinquent Owner may cure a lien created by past due assessments by paying or causing to be paid all delinquent assessments set forth in the Notice of Assessment filed and recorded in accordance with this Article, all other assessments which have become due and payable with respect to the Unit following the date of recordation of the Notice of Assessment, all costs and reasonable attorneys' fees and all late charges and interest which have accrued thereon. Such payment will be timely only if made before the execution of a contract for the sale of the delinquent Owner's Unit or the filing of documents necessary to initiate judicial foreclosure, whichever comes first. If a cure is timely effected, the Board of Directors shall cause to be filed and recorded a further notice stating the satisfaction and release of lien created by the Notice of Assessment. A fee in the sum of Fifteen Dollars ($15.00) covering the cost of preparation and recordation of the Notice of Release and Satisfaction of Lien created by the Notice of Assessment shall be executed by any officer of the Association or by any authorized representative of the Board of Directors. For the purpose of this paragraph, the term "costs" shall include costs and expenses actually incurred or expended by the Association in connection with the cost of preparation and recordation of the Notice of Assessment and in efforts to collect the delinquent assessments secured by the lien created by said Notice of Assessment and shall also include a reasonable sum for attorneys' fees actually incurred.

12. Subordination of Assessment Lien. Any lien created or claimed under the provisions of this Declaration, is expressly made subject and subordinate to the rights of the beneficiary of any first deed of trust or first mortgage in the entire Project or on any Unit therein, made in good faith and for value, and no such lien shall in any way defeat, invalidate or impair the obligation or priority of such first deed of trust or first mortgage, unless the beneficiary thereof shall expressly subordinate his interest, in writing, to such lien.

13. Rights of Board of Directors, Waiver by Owners. Each Owner hereby vests in and delegates to the Board of Directors or its duly authorized representatives, the right and power to bring all actions at law or lien foreclosures, whether judicially, by power of sale or otherwise, against any Owner or Owners for the collection of delinquent assessments in accordance herewith and hereby expressly waives any objection to the enforcement of the obligation to pay assessments as set forth herein.

14. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the Members thereof, their guests and invitees and, in particular, shall be used for the purpose of improving, protecting, operating and maintaining the Common Area and facilities, improvements, landscaping and structures located thereon and providing for the acquisition and maintenance of the Common Area and the Units, and otherwise providing for the ability of the Board of Directors to perform each and every one of the powers and duties of said Board of Directors.

15. Exemptions From Assessments. The obligation to pay assessments shall be subject to the following exemptions:

a. Declarant and any other Owner of a Unit which does not include a structural improvement for human occupancy may be exempted from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of the structural improvements. The exemption may include, but shall not necessarily be limited to the following: roof replacement; exterior maintenance; walkway lighting; refuse disposal; cable television; and domestic water supplied to Units.

Any such exemption shall be in effect only until the earliest of the following events: (i) A notice of completion of the structural improvements has been recorded; (ii) Occupation or use of the Unit; or (iii) Completion of all elements of the residential structures which the Association is obligated to maintain.

b. Declarant and any other owner of a Unit may be exempted from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of a common facility that is not complete at the time assessments commence. Any such exemption shall be in effect only until the earliest of the following: (i) A notice of completion of the common facility is recorded; or (ii) The common facility is placed into use.

16. Capitalization of the Association. To insure that the Association will have the funds to meet unforeseen expenditures or to purchase any additional equipment or services, the Declarant shall establish a working capital fund equal to at least two (2) months' estimated common assessments for each Unit. Any amounts paid into this fund shall not be considered as advance payments of regular assessments. Each Unit's share of the working capital fund shall be collected at the time the sale of the Unit is closed and then shall be transferred to the Association for deposit into a segregated fund. Within six (6) months after the close of escrow of the first Unit in the Project, Declarant shall pay each unsold Unit's share of the working capital fund to the Association. Declarant shall then be reimbursed for this payment from the funds collected at the time of closing of escrow on each Unit.

ARTICLE VII
USE RESTRICTIONS

1. Business Usage Prohibited. All Units in the Project shall be used solely for single family residences. No part of the Property of condominiums therein shall ever be used or caused to be used or allowed or authorized in any way, directly, or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such nonresidential purposes, except Declarant, its successors or assigns, may use the Units owned by it as models, and display and sales offices subject to the time limitation included in Article VII, Section 4 herein. However, this restriction shall not prohibit any Owner from (a) maintaining his personal professional library therein; (b) keeping his personal business records or accounts therein; (c) handling his personal or professional telephone calls or correspondence therefrom. Such uses are expressly declared to be customarily incident to the principal residential use and not in violation of any provisions of this Article VII.

2. Signs. The Owner of a Unit or his agent, may display a sign of customary and reasonable dimension, advertising his Unit for sale or lease, which sign shall be of a professional type and of dignified appearance, and shall be placed in some appropriate location as determined by the Board of Directors, on the Common Area open to public view. The Owner or his agent may include advertising on the sign that indicates; (a) the property is for sale, lease or exchange; (b) the agent's or Owner's name; and (c) the address and telephone number of the agent or Owner. Such sign may also be the sign of a licensed real estate broker engaged by an Owner for the purpose of selling or leasing his Unit. Nothing herein contained shall prohibit or restrict in any way Declarant's right to construct such promotional signs or other sales aids on or about the portions of the premises which it shall deem reasonably necessary in conjunction with its original sales program for a period not to exceed three (3) years after issuance of the First Subdivision Public Report or close of the last escrow, whichever occurs first. Notwithstanding the foregoing, no promotional

signs, flags or banners shall be displayed on, in or around the Project except one (1) building identification sign, not to exceed twenty (20) square feet in area, without the prior written consent of the Board of Directors, further subject to all applicable laws and ordinances of the City and all other applicable laws.

3. Offensive Activity. No Owner shall permit or suffer anything to be done or kept on the Project which shall increase the rate of insurance thereon, or which shall obstruct or interfere with the rights or Owners, their families, guests or invitees, or annoy them by unreasonable noises or otherwise; nor shall he commit or suffer any immoral or illegal act to be committed thereon. Each Owner shall comply with all applicable ordinances and statutes and with requirements of local and/or State Boards of Health with respect to the occupancy and use of his Unit.

4. Owner Liability. Each Owner shall be liable to the Board of Directors and to all other Owners for any damage to the Common Area or to any equipment or improvements thereon, which may be sustained by reason of the negligence or willful misconduct of said Owner or of his family members, relatives, guests or invitees both minor and adult, to the extent that any such damage shall not be covered by insurance. Said Owner shall be assessed by the Board of Directors for the cost of repair or replacement thereof, together with costs and attorneys' fees, such assessment to be due and payable within thirty (30) days after written notice thereof. The collection and enforcement of any such assessment and lien created thereby shall be governed by the terms and conditions of Article VI herein. In the case of joint ownership of a Unit, the liability of such Owners shall be joint and several. In the event of personal injury or property damage sustained by any one person while physically within the Unit or private balcony, patio or yard areas, and in the further event any other Owner shall be sued or a claim made against him for said injury or damage, the Owner(s) of the Unit(s) in which said injury or damage occurs shall fully indemnify and hold harmless any such other Owners against whom such claim shall be made, and shall further defend any such other Owners, at their own expense in the event of litigation of such claim, provided that such protection shall not extend to any other Owner whose own negligence may have caused or contributed to the cause of any such injury or damage, and provided further that such expense is not covered by the public liability insurance purchased by the Association as provided above.

5. Parking Restrictions. No automobile, trailer, camper, boat or similar-type vehicle shall be permitted to remain on any portion of the Common Area, except for those areas designated by the Board as "guest parking" for a period not to exceed twenty-four (24) hours. No Unit Owner shall park his vehicle, or allow his guests and/or tenants to park their vehicles, in any space other than that assigned to the Owner and any space designated as "guest parking" spaces, if any. The guest parking spaces, as

designated by the Board of Directors, shall be clearly identified as such by signs plainly visible from each such parking space, which signs the Association shall permanently maintain. The guest parking spaces shall not be assigned for the exclusive or particular use of any Owner, tenant, or resident of the Project, or any other person, but shall remain available for the nonexclusive use of all guests, invitees or licensees of or upon the Project.

6. Rubbish. Trash, rubbish, trash bins and trash receptacles shall not be permitted to remain on any portion of the Common Area other than designated trash storage areas, except on the day(s) scheduled for trash collection.

7. Pets. No animals, livestock, reptiles or poultry shall be kept in any Unit except that usual and ordinary domestic dogs, cats, fish and birds (in inside bird cages) may be kept as household pets within any Unit, provided they are not kept, bred or raised for commercial purposes or in unreasonable quantities. As used herein, "unreasonable quantities" shall be determined by the Board of Directors, but in no event shall such term be construed so as to permit the maintenance of more than two (2) animals per Unit. The Association shall have the right to prohibit maintenance of any animal which constitutes, in the opinion of the Board of Directors, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Project, must be kept either within an enclosure, an enclosed patio or on a leash being held by a person capable of controlling the animal. The enclosure must be so maintained that the animal cannot escape therefrom and shall be subject to approval of the Board of Directors. If any animal belonging to an Owner is found unattended out of the enclosure and not being held on a leash by a person capable of controlling the animal, such animal may be removed by Declarant so long as Declarant owns any interest in any portion of the Project, or other occupant or Owner within the Project, or a person designated by them to do so, to a pound under the jurisdiction where the Project is located and subject to the laws and rules governing the same, or to a comparable animal shelter. Further, each Owner shall be absolutely liable to each and all remaining Owners, their families, guests, and invitees for any unreasonable noise or damage to person or property caused by any animals brought or kept within the Project by an Owner or by members of his family, tenants or guests. It shall be the absolute duty and responsibility of each Owner to clean up after his animals which have used any portion of the Common Area. Notwithstanding the foregoing, nothing herein contained shall be construed in such a manner as to permit the maintenance of any animal contrary to any local ordinance.

8. Exploration of Minerals. No oil drilling, oil development operations, oil refining, quarrying or mining operation of any kind shall be permitted on or in the Project, or within five hundred (500) feet below the surface of the Project and no derrick

or other structure designed for use in boring for water, oil or natural gas, shall be erected, maintained or permitted on any portion of the Project.

9. No Hanging Laundry. No clothes, sheets, blankets, laundry of any kind or other articles shall be hung out or exposed on any part of the Common Area or any balconies or porches constituting a part of any Unit.

10. Use of Garage. The garage is to be used for the parking of cars, boats, or any similar items for storage purposes. It is not to be converted for any type of living or recreational activities.

11. No Vehicle Repair. No vehicles of any kind shall be permanently or semi-permanently parked on the Project, or any portion thereof, for purposes of accomplishing repairs thereto or the reconstruction thereof.

12. Restrictions Applicable to Guests, Etc. The use of any Unit, and/or the Common Area, or any portion thereof, by any guest, invitee, lessee, sublessee, etc., of any Owner shall be subject to all of the provisions of this Declaration, including without limitation all of the use restrictions imposed under this Article VII, the Bylaws of the Association and the rules and regulations of the Association, and the Association may proceed directly against such guest, invitee, lessee, sublessee, etc., in the enforcement of the provisions of this Declaration, the Association Bylaws and/or the Association's rules and regulations.

13. Children. Each Owner shall be accountable to the remaining Owners, their families, visitors, guests, and invitees, for the conduct and behavior of minor children and children residing in or visiting his Unit.

14. External Fixtures. No external items such as, but not limited to, television and radio poles and antennas, flag poles, clotheslines, wiring, insulation, air-conditioning equipment, water softening equipment, fences, awnings, ornamental screens, screen doors, porch or patio or balcony enclosures, sunshades, walls, landscaping and planting, other than those provided in connection with the original construction of the Project, and any replacements thereof, and other than those approved by the Board in writing and any replacements thereof, shall be constructed, erected or maintained on or within the Project, including any structures thereof. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities of the Project.

15. Window Covers. Only curtains, drapes, blinds (including mini-blinds) and shades may be installed as window covers. No window shall be covered by paint, foil, sheets or similar items.

The Board may adopt rules regulating the type, color and design of window covers.

16. Electronic Transmitting Equipment. No electronic transmitting equipment other than electronic garage door opening devices, if any, other than cordless telephones and radio telephones and other than electronic transmitting equipment and devices approved by the Board shall be installed, maintained or used within the Project.

17. Structural Alterations. No exterior structural changes shall be constructed, erected or made within the Project other than those approved by the Board in writing. The foregoing notwithstanding, nothing herein shall be construed as (1) preventing an Owner from decorating the interior of his Unit of (2) preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Project. The Board may adopt rules applicable to the provisions of this Section and their enforcement, including the assessment of charges to Owners and occupants who violate such rules. Any charges so assessed shall be Special Assessments.

18. Leasing Restrictions. Any lease or rental agreement shall be in writing and subject to the requirements of this Declaration, the Bylaws and the rules and regulations of the Association. No Unit shall be leased or rented for less than thirty (30) days.

ARTICLE VIII
GENERAL PROVISIONS

1. Association Entry for Emergency Repair. The Board of Directors shall have the authority to designate one or more qualified repairmen or other persons, to enter on and within any individual Unit for the purpose of making emergency repairs therein or for necessary maintenance or repair of portions of the Common Area, or to abate any nuisance being conducted or maintained in said Unit in order to protect the property rights and best interests of the remaining Owners. Notice of said entry shall be given at least twenty-four (24) hours in advance to the Owner or Unit occupant. In the event an emergency makes such notice unreasonable, no notice before entry is required.

2. Continuing Liability for Assessments. No Owner may exempt himself from liability for his specified contribution to the maintenance fund by waiver of the use or enjoyment of the Common Area or by abandonment of his Unit.

3. No Racial or Religious Restrictions. No Owner shall execute or file of record any instrument which imposes a restriction of the sale, lease or occupancy of his Unit on the basis of race, color, creed, sex or religion.

4. Books and Records of the Association. The membership register, including mailing addresses and telephone numbers, books of account, minutes of meetings or members of the Board of Directors and of committees of the Board of Directors, shall be made available for inspection and copying by any member of the Association or by his duly appointed representative at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association. The Board of Directors shall establish reasonable rules with respect to: (a) notice to be given the custodian of records by the member desiring to make the inspection; (b) hours and days of the week when such inspection may be made; and (c) payment of costs for reproducing documents required by a member. Every director shall have the absolute right, at any reasonable time, to inspect the books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents.

5. Taxes. Each Owner shall pay any real and personal property taxes separately assessed against his Unit and all utility charges separately metered or charged against his Unit, and such payment shall be made by each Owner in addition to and separately from assessments otherwise payable to the Association by such Owner.

6. Enforcement of Declaration and Bylaws.

a. The Board of Directors acting on behalf of the Owners, and any aggrieved Unit Owner, shall be entitled to bring legal action for damages against any Unit Owner who shall become delinquent in the performance of any of the provisions hereof, the Bylaws or rules and regulations adopted by the Board of Directors for the protection of the Project, including, but not limited to, the covenant to pay assessment charges. Further, said persons shall be entitled to enjoin any violation of said documents, rules and regulations and shall be entitled to prosecute any other legal or equitable action that may be necessary to protect the Project. If any Owner, member of the Board of Directors or the Board of Directors shall deem it necessary to initiate any legal or equitable action for the protection of the Project against any Owner, then said persons shall be entitled to reasonable attorneys' fees and costs of said action from said Owner for expenses incurred in bringing or initiating the action. Any judgment rendered against any such defaulting Owner shall include costs of said action, together with reasonable attorneys' fees in an amount to be fixed by the Court. Unit Owners shall also have similar rights of action against the Association.

Notwithstanding the foregoing, there shall be no purported power in the Association to cause a forfeiture or abridgment of an Owner's rights to the full use and enjoyment of his individually owned Unit because of a failure by an Owner to

comply with the provisions of this Declara Continuing ly enacted rules of operation for the Common s, except where the forfeiture or abridgment the judgment of a court or a decision arising or because of a foreclosure sale for failure pay assessments levied by the Association.

b. The Board of Directors may impose monetary penalties, and/or temporary suspensions of an Owner's rights as a member of the Association and/or other appropriate discipline for failure to comply with the governing instruments provided that the following minimum requirements are observed in compliance with Section 7341 of the Corporations Code:

(1) Written notice shall be given to the member at least fifteen (15) days prior to the date of expulsion, suspension, or termination;

(2) The notice shall set forth the reasons for expulsion, suspension, or termination;

(3) The notice shall provide for a hearing to be held orally, or a written response to be heard, not less than five (5) days before the effective date of the expulsion, suspension or termination by the Board of Directors;

(4) Written notice may be given by any method reasonably calculated to provide actual notice; however, any notice given by mail must be by first class, certified or registered, sent to the last address of the number shown on the Association records.

7. Liberal Interpretation of Declaration. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation of the Project for the mutual benefit of all Owners.

8. Severability of Provisions. The provisions herein shall be deemed independent and severable and the invalidity or partial invalidity or unenforceability of any of the provisions herein, shall not affect the validity of the remaining provisions.

9. Cumulative Remedies. Each and all legal or equitable remedies provided for herein, shall be deemed to be cumulative, whether so expressly provided for or not.

10. Successor and Assigns. This Declaration shall be binding on and shall inure to the benefit of the heirs, personal representatives, successors and assigns of Declarant, and the heirs, personal representatives, grantees, lessees and assignees of the Owners.

11. Waiver or Breach of Declaration. No waiver or any breach of any of the covenants, conditions or restrictions herein contained shall constitute a waiver of any succeeding or preceding breach of the same or any other covenant, condition or restriction contained herein.

12. Joint and Several Liability. In the case of joint ownership of a Unit, the liability of each of the Owners thereof in connection with the liabilities and obligations of Owners set forth in or imposed by this Declaration, shall be joint and several.

13. Delivery of Notice and Documents. Any written notice or other document required by this Declaration, may be delivered personally or by mail. If by mail, such notice shall be deemed to be delivered and received, unless expressly provided for herein and in the Bylaws to the contrary as to the type of notice being given, forty-eight (48) hours after a copy thereof has been deposited in the United States mail, postage prepaid, addressed as follows:

a. If to an Owner other than Declarant, to the address of any Unit on the Project owned by him in whole or in part, or to the address last furnished by such Owner to the Board of Directors. Each Owner, other than Declarant, shall file in writing with the Board of Directors promptly upon his becoming an Owner, his address for the purpose of giving notice and delivery of documents and shall promptly notify the Board of Directors, in writing, of any subsequent change of address.

b. If to Declarant, whether in Declarant's capacity as an Owner or otherwise to: RK & B CO., #2 Civic Plaza, Suite 250, Newport Beach, California 92660.

c. Prior to the organizational meeting, notice to the Board of Directors shall be addressed as set forth in "b." above and thereafter, addressed to the Secretary of the Association. The Board of Directors shall cause the address of the Secretary to be posted at all times in a conspicuous place. Further, from and after the organizational meeting, notice of the address of the Association Secretary shall be given to each Owner within a reasonable time after the Board of Directors has received actual notice of such purchase of a Condominium.

14. Notification of Sale of Condominium. Concurrently with the consummation of the sale of any Condominium under circumstances whereby the transferee becomes an Owner thereof, or within five (5) business days thereafter, the transferor shall notify the Board of Directors in writing of such sale. Such notification shall set forth: (a) the name of the transferor and his transferee; (b) the street address or Unit number of the Condominium purchased by the transferee; (c) the transferee's mailing address; and (d) the date of sale. Prior to receipt of such notification,

any and all communications required or permitted to be given by Declarant or the Board of Directors or any agent or representative thereof, shall be deemed to be duly made and given to said transferee's transferor.

15. Provision of Documents to Prospective Purchaser.

a. The Owner of a Unit shall, as soon as practicable before transfer of title to the Unit or execution of a real property sales contract therefor, as defined in Civil Code Section 2985, provide the following to the prospective purchaser:

(1) A copy of the governing documents for the Project;

(2) A copy of the most recent financial statement distributed pursuant to Section 2.k. of Article V hereinabove;

(3) A true statement in writing from an authorized representative of the Association as to the amount of the Association's current regular and special assessments and fees, as well as any assessments levied upon the Owner's Unit which are unpaid on the date of the statement. The statement shall also include true information on late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Unit pursuant to Section 9 of Article VI hereinabove;

(4) Any change in the Association's current regular and special assessments and fees which have been approved by the Association's Board, but have not become due and payable as of the date disclosure is provided pursuant to this section;

b. Upon written request, the Association shall, within ten (10) days of the mailing or delivery of the request, provide the Owner of a Unit with a copy of the items requested above. The Association may charge a fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested items;

c. The Association shall not impose or collect any assessment, penalty, or fee in connection with a transfer of title or any other interest except the Association's actual costs to change its records and that authorized by section b. above;

d. Any person or entity who willfully violates this section shall be liable to the purchaser of a Unit which is subject to this section for actual damages occasioned thereby and, in addition, shall pay a civil penalty in an amount not to exceed Five Hundred Dollars ($500.00). In an action to enforce this liability, the prevailing party shall be awarded reasonable attorneys' fees;

e. Nothing in this section affects the validity of title to real property transferred in violation of this section.

ARTICLE IX
UTILITIES

1. Utility Rights. The rights and duties of the Owners with respect to lines for sanitary sewer, water, gas, electricity, telephone cables and air conditioning, shall be governed by the following:

a. Wherever sanitary sewer house connections and lines or electricity, gas, telephone, air conditioning lines or television cables are installed within the Project, which connections or any portion thereof lie in or on portions of the Project owned by others than the Owner of a Unit served by said connections, the Owners of any Unit served by said connections shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter on such portion of the Project or to have the utility companies enter thereon to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below.

b. Whenever sanitary sewer house connections and line, facilities and/or water house connections and lines, or electricity, gas, telephone, air conditioning lines or televisions cables are installed within the Project, which connections serve more than one Unit, the Owners of each Unit served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as serve his Unit.

c. In the event any portion of said connection, facility or line is damaged or destroyed through the negligent act or acts or failure to act, or willful misconduct of one Owner, or any of his agents, invitees, tenants, servants, guests or members of his family, so as to deprive other Owners of the full use and enjoyment of said connection, facility or line, then same shall be repaired and restored by the Association but at the expense of the Owner who commits or whose guests, agents or family members commit such act or acts.

d. In the event any portion of such connection or line is damaged or destroyed by some cause other than the negligence or willful misconduct of one the of the Owners, his family members, agents, guests, servants, tenants or invitees, (including ordinary wear and tear and deterioration from lapse of time), then in such event such connection, facility or line shall be repaired and restored by the Board of Directors, such repair and restoration to be paid out of assessments levied in accordance with this Declaration equally against all Owners.

e. In the event of a dispute between Owners with regard to the repair or rebuilding of said connection, facility or

line, or with regard to the sharing of the cost thereof, then on written request of one of such Owners, addressed to the Association, the matter shall be submitted to the Board of Directors for a final and binding determination.

2. Easements. Easements through the Units and Common Area for all facilities for the furnishing of utility services, television cable service, heating and air conditioning (if any) lines within any Unit, which facilities shall include, but not be limited to, conduits, ducts, plumbing and wiring, shall be appurtenant to each Unit and all other Units and Common Area shall be subject thereto; provided that easements for such facilities shall at all times be and remain substantially in accordance with the initial construction of the Project, or the Project as reconstructed after damage or destruction pursuant to the terms of this Declaration.

3. Utility Easements Over Private Streets and Other Areas. If the Project contains private streets, provisions shall be made for public utility easements in or adjacent to such private streets, adjacent to public streets or over other portions of the Project to accommodate fire hydrants, water meters, street furniture, storm drainage, sanitary sewers, water and gas mains, electrical lines and similar urban infrastructure. Provisions shall also be made for access routes necessary to assure that fire fighting equipment can reach and operate efficiently in all areas of the Project.

ARTICLE X
DESTRUCTION OF IMPROVEMENTS AND CONDEMNATION

1. Reconstruction with Election of Owners. In the event of partial or total destruction of the improvements on the Project, a special meeting shall be called for the purpose of having the Association members vote on whether or not to repair the damage. Said meeting shall be called within forty-five (45) days of said destruction. If reconstruction is to take place, as approved by the Owners of a majority of the Units, the Board of Directors shall be required to execute, acknowledge, file and record not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Owner to rebuild.

2. Reconstruction Assessments. If a majority of the Owners determine to rebuild, each Owner shall be obligated to contribute such funds as shall be necessary to pay his proportionate share of the reconstruction costs over and above the insurance proceeds and the proportionate share of each Owner shall be levied upon the basis of the ratio of the square footage of floor area of the Unit to be assessed to the total square footage of floor area of all Units to be assessed. In the event of failure or refusal by any

Owner to pay his proportionate share after notice to him, should failure or refusal continue for a period of sixty (60) days, the Board of Directors may levy a special assessment against such Owner which may be enforced under the lien provisions contained in this Declaration.

3. Obligation of the Board of Directors. If the Owners of a majority of the Units determine to rebuild, the Board of Directors shall obtain bids from at least two (2) reputable contractors and shall award construction work as they shall determine. The Board of Directors shall have authority to enter into a written contract with said contractor for such reconstruction work and the insurance proceeds held by the Board of Directors shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board of Directors to take all steps necessary to insure the commencement and completion of such reconstruction at the earliest possible time.

4. Determination Not to Rebuild. If the Owners of a majority of the Units elect not to rebuild:

a. Subject to the rights of mortgagees as outlined in Article XIV, any distributed proceeds available shall be distributed amongst the Owners and their respective lenders by the Board of Directors according to each Owner's interest in the Project according to the respective fair market values of the Units at the time of the destruction as determined by an independent appraiser who shall be chosen by the Board of Directors. In the event that a majority of the Owners determine, in addition to the receipt of any available insurance proceeds to sell any or all of the Project's property which is not destroyed and is marketable, the Board of Directors shall do so only after obtaining a market appraisal based on the highest and best use or value of the property to be sold and setting the asking price in accordance therewith. Proceeds from the sale of any such property shall be distributed to each of the Owners in accordance with each Owner's fractional interest in the Common Area of the Project as defined in the Condominium Plan recorded concurrently herewith. If the Owners of a majority of the Units elect to rebuild, the Board of Directors shall file and record a certificate as provided in Section 1 hereinabove.

b. The Board of Directors shall have the duty, within one hundred twenty (120) days of the date of such loss, to execute, acknowledge and record a certificate setting forth the determination of the Owners not to rebuild, and shall promptly cause to be prepared and filed, such revised maps and other documents as may be necessary to show the conversion of the Project to the status of unimproved land or to show the elimination of one or more of the Units as a result of such destruction.

5. Revival of Right to Partition Condominium. Upon the recordation of such certificate, the right of any Owner to partition his Condominium through legal action shall forthwith revive.

6. Arbitration of Disputes. In the event of a dispute among the Owners with regard to the provisions of this Article X, any Owner may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to members of the Board of Directors and all Owners as promptly as possible after reference to arbitration is made, giving all Owners an opportunity to appear in such arbitration proceedings. The decision of such Arbitrator in this matter shall be final and conclusive on all Owners. The Arbitrator may include in his decision, an award for the costs and/or attorneys' fees against any one or more of the parties to the arbitration.

7. Condemnation. In the event an action for condemnation is proposed or commenced by any governmental body having the right of eminent domain, the following provisions shall apply: if such action or proposed action is for the condemnation of the entire Project, or a portion thereof, upon unanimous consent of all Owners the Project may be sold to such government body prior to judgment and the proceeds of such sale shall be distributed to the Owners and their respective mortgagees according to the relative values of the Condominium Units affected by the condemnation as determined by an independent appraiser who shall be chosen by the Board of Directors. A condemnation award affecting all or a part of the structural Common Area of the Project, which is not apportioned among the Owners by court judgment or by agreement between the condemning authority and each of the affected Owners in the Project, shall be distributed among the affected Owners and their respective mortgagees according to the relative values of the Condominium Units affected by the condemnation as determined by independent appraisal of the market value based on the highest and best use or value of the property.

ARTICLE XI
SUSPENSION OF THE RIGHT TO PARTITION

The right to partition of the Common Area is hereby suspended pursuant to Section 1359 of the California Civil Code. The Project may be partitioned and sold as a whole pursuant to the provisions of Section 1359(b) of the California Civil Code, only by sale of the entire Project and only upon a showing of the occurrence of any one of the events provided in Section 1359(b)(1) through (4). Further, partition may be had of the Project upon the showing that the conditions for such partition by sale, set forth in Article X hereinabove, have been met. Nothing herein contained shall prevent partition or division of interest between joint or common Owners of one Condominium.

ARTICLE XII
PROHIBITION AGAINST SEVERABILITY OF COMPONENT INTEREST IN UNITS

1. Prohibition of Severance. No Owner shall be entitled to sever either his Unit or any appurtenant easements thereto from his undivided interest in the Common Area for any purpose. Neither of said component interests may be severally sold, conveyed, encumbered, hypothecated or otherwise dealt with, and any violation or attempted violation of this provision shall be void and of no effect.

2. Conveyance of Entire Condominium. Subsequent to the initial sales of the Units, any conveyance of a Unit, or component interest in the Common Area by the Owner of any Unit, shall be presumed to convey the entire Condominium, provided that nothing herein contained shall be construed to preclude the Owner of any Unit from creating a co-tenancy in the ownership of said Condominium with any other person(s).

ARTICLE XIII
TERM OF DECLARATION COMPLIANCE WITH RULE AGAINST PERPETUITIES AND RESTRAINT OF ALIENATION

The covenants contained herein shall run with the land and shall be binding on all parties and all persons claiming under them until January 1, 2040, after which time, the covenants shall be automatically extended for successive periods of twenty-one (21) years unless an instrument, executed by the Owners of not less than a majority of the Condominiums, shall be recorded, canceling or terminating this Declaration.

ARTICLE XIV
PROTECTION OF LENDERS

1. Written Notification to First Mortgagees. A first mortgagee, upon request, is entitled to written notice from the Board of Directors of any default in the performance by an individual unit mortgagor of any obligation under this Declaration, the Bylaws and Articles of Incorporation, if any, which is not cured within sixty (60) days. It shall be the responsibility of each Owner of a Unit to notify the Association within thirty (30) days of the close of his escrow to purchase his Unit of the name and address of the holder of his first mortgage on his particular Unit. In addition, timely written notice shall be given of:

a. Any condemnation or casualty loss that affects either a material portion of the Project or the Unit securing its mortgage;

b. A lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;

c. Any proposed action that requires the consent of a specified percentage of eligible mortgage holders.

2. Exemption from Right of First Refusal. Any first mortgagee which comes into possession of the Unit pursuant to the remedies provided in the mortgage, by foreclosure or the mortgage or by deed or assignment in lieu of foreclosure, shall be exempt from any right of first refusal.

3. Subordination of Assessment Lien to Mortgages. Any holder of a first mortgage or any third party purchaser who comes into possession of the Condominium pursuant to the remedies provided in the mortgage or foreclosure of the mortgage shall take the property free of any claim for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such person comes into possession of the Unit, except 1) when title is received via a Deed In Lieu of Foreclosure, and 2) for claims for a pro-rata share of such assessments or charges resulting from a pro-rata reallocation thereof to all Units in the Project including the mortgaged Unit. The lien for assessments provided for herein shall be subordinate to the lien of any first mortgage now or hereafter placed on the properties subject to assessment; provided, however, that such subordination shall apply only to the assessments which have become due and payable prior to a sale or transfer of such property pursuant to a decree of foreclosure or trustee's sale. Such sale or transfer shall not relieve such property from liability for any assessments thereafter becoming due nor from the lien of any such subsequent assessment.

4. Leasing. No Unit Owner may lease a Unit for transient or hotel purposes. Any lease agreement between a Unit Owner and a lessees shall be required to provide that the terms of the lease shall be subject in all respects to the provisions of this Declaration and Association Bylaws and that any failure by a lessee to comply with the terms of such documents shall be a default under the lease. No Unit Owner may lease less than his or her entire Unit and all such leases shall be in writing.

5. Prior Approval of First Mortgage Holders. The Association shall give written notice to each institutional holder of a first mortgage lien on Units in the Project of any material amendment to this Declaration and/or the Association Bylaws; including, but not limited to, any amendment which would change the percentage interests of the Unit Owners in the Project. Unless seventy-five percent (75%) of the holders of first mortgages on Units in the Project have given their written approval, neither the Association nor the Owners shall:

a. By act or omission seek to abandon or terminate the Condominium regime;

b. Change the pro-rata interest or obligation of any Unit for purposes of levying assessments or charges, or allocating distributions of hazard insurance proceeds or condemnation awards; and for determining the pro-rata share of ownership of each Unit in the Common Area;

c. Change, waive or abandon, by act or omission, any scheme of regulation or enforcement thereof pertaining to the architectural design or exterior appearance of any Units, exterior maintenance of Units, maintenance of driveways or upkeep of landscaping in the Project;

d. Partition or subdivide any Condominium;

e. Subject to the provisions of California Corporations Code Section 8724, attempt to abandon, partition, subdivide, encumber, release, hypothecate, sell or transfer, by act or omission, the Common Area; the granting of easements for public utilities or for 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 subsection;

f. Fail to maintain fire and extended coverage on insurable Project common property on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement costs); or

g. Use hazard insurance proceeds for losses to any Project common property for other than repair, replacement or reconstruction of such improvements.

6. Examination of Books and Records. The holders of first mortgages shall have the right to examine the books and records of the Association.

7. Taxes, Assessments and Charges. All taxes, charges and assessments which may become liens prior to first mortgages under local law, shall relate only to the individual Units and not to the Project as a whole. First mortgagees of Units may jointly and singly pay taxes or other charges which are delinquent and which may or have become a charge against the common property, and may pay overdue premiums on hazard insurance policies or secure new hazard insurance coverage on the lapse of a policy for such property, and first mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

8. Reserves for Replacement. An adequate reserve fund for replacement of the Common Area facilities must be established by the Association and must be funded by regular monthly assessments, and not by special assessments.

9. No Priority Over Rights of First Mortgagees. No provision herein shall give a Unit Owner or any other party priority over any rights of first mortgagees of Units pursuant to their mortgages in the case of a distribution to Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of Units and/or the Common Area. Such first mortgagees shall be entitled to timely written notice of such damage or destruction, if such loss or taking exceeds $10,000.00 for the Project as a whole or damage to any single unit exceeds $1,000.00. Additionally, if any unit or portion thereof, or the Common Area and facilities, or any portion thereof, is made the subject matter of any condemnation or eminent domain proceeding, no provision herein shall entitle the Owner of a Unit or any other party to priority over a first mortgage of a Unit with respect to any distribution to such Unit of the proceeds of any award or settlement. Such first mortgagees shall be entitled to timely written notice of any such proceeding or proposed acquisition.

10. Further Notice to Lenders.

a. Upon request, the Association shall give written notice to any first mortgagee of all meetings of the Association. Each such first lien holder shall have the right to be represented at such meeting, but shall have no voting rights unless it has succeeded to title to one or more of the Units by foreclosure or otherwise.

b. Upon request, the Association shall deliver to each such first mortgagee, a copy of the Association's annual audited statement within ninety (90) days after the end of the Association's fiscal year.

11. Professional Management of Project. Any agreement for professional management of the Project shall provide that management contracts may be terminated, with or without cause, upon thirty (30) days, or less, written notice. The term of any such contract shall not exceed one (1) year. In the event the Association first hires professional management and assume self-management of the Project, each institutional holder of a first mortgage lien on Units in the Project shall be entitled to timely written notice thereof.

12. Conflict. If there is any conflict between any provisions of this Article XIV and any other provisions in this Declaration or Association Bylaws, the language contained in this Article XIV shall control.

13. Amending Article. Notwithstanding the foregoing, any amendment to this Article shall require the consent of at least seventy-five percent (75%) of the holders of first mortgages which may then be of record as valid encumbrances against the Project or any portions thereof.

ARTICLE XV
BREACH

1. Right of Entry. Violation of any of the covenants, conditions, restrictions, limitations, easements, rights, rights of way, reservations, liens, charges and equitable servitudes contained herein, shall give to Declarant, or its successors, or to the Association, the right to enter the property upon or as to which such violation exists and to abate and remove, at the expense of the Owner thereof, any thing or condition that may be or exists thereon contrary to the intent and meaning of the provisions of this Declaration. Such entry shall be made only after notice to said Owner as provided in Article VIII, Section 6(b) and with as little inconvenience to said Owner as possible. Any damage caused by such entry shall be repaired by the Association. Declarant or its successors shall not thereby be deemed guilty of any manner of trespass by such entry, abatement or removal.

2. Nuisance. The result of every act or omission whereby any covenant, condition, restriction, limitation, easement, right, right of way, reservation, lien, charge and equitable servitude herein contained is violated, in whole or in part, is hereby declared to be a nuisance, and every remedy allowed at law or in equity against every such result and may be exercised by Declarant or its successors, or by the Association. Such remedy shall be deemed cumulative and not exclusive.

3. Right of Lien Holder. A breach of any of the covenants, conditions, restrictions, limitations, easements, rights, rights of way, reservations, liens, charges and equitable servitudes herein contained shall not affect or impair the lien or charge of any bona fide first mortgage or first deed of trust made in good faith and for value on any of the Units, provided that any subsequent Owner of the Units shall be bound by this Declaration and the Association Bylaws whether such Owner's title was acquired by foreclosure, trustee's sale or otherwise.

4. Enforcement. In the event of a breach of any of the provisions of this Declaration or the Association Bylaws which is continued for thirty (30) consecutive days, the Board of Directors may enforce any and all of the terms and conditions of this Declaration. It is hereby declared that damages at law for such breach are inadequate. The restrictions provided for herein shall be enforceable equitable servitudes and shall inure to and bind all Owners of the residential Units.

ARTICLE XVI
AMENDMENTS

1. Written Approval. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees pursuant to Article XIV hereof, this Declaration may be amended as follows:

a. So long as there are two classes of membership, any amendment to this Declaration shall require the affirmative written assent or vote of sixty-seven percent (67%) of each Class of members of the Association. After conversion of Class B membership to Class A membership, any amendment to this Declaration shall require the affirmative written assent or vote of not less than sixty-seven percent (67%) of the total voting power of the Association and sixty-seven (67%) of the voting power of the members of the Association other than Declarant.

b. Notwithstanding the foregoing, any provision of this Declaration which expressly requires the approval of a specified percentage of the voting power of the Association for action to be taken under said provision can be amended only with the affirmative vote or written assent of not less than the same percentage of the voting power of the Association.

2. Amendments of a Material Nature. Amendments of a material nature to this Declaration shall require the written approval of Owners of Condominiums as stated hereinabove as well as the approval of holders of first mortgages representing at least fifty-one percent (51%) of the Units subject to mortgages. A change of any of the following shall be considered material:

a. Voting rights;

b. Assessments, assessment liens, or subordination of assessment liens;

c. Reserves for maintenance, repair and replacement of Common Area;

d. Responsibility for maintenance and repairs;

e. Reallocation of interests in the general or limited Common Area, or right to their use;

f. Boundaries of any Units;

g. Convertibility of Units into Common Areas or vice versa;

h. Expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project;

i. Insurance or fidelity bonds;

j. Leasing of Units;

k. Imposition of any restrictions on a Unit Owner's right to sell or transfer his Unit;

l. A decision by the Association to establish self management when professional management has been required previously by an eligible mortgage holder;

m. Restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in the documents;

n. Any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; or,

o. Any provisions that expressly benefit mortgage holders, insurers or guarantors.

When Unit Owners are considering termination of the legal status of the Project for reasons other than substantial destruction or condemnation of the Project, the eligible mortgage holders representing at least sixty-seven percent (67%) of the votes of the mortgaged Units must agree.

If an addition or amendment is not considered as a material change - such as the correction of a technical error or the clarification of a statement - this Declaration shall provide for implied approval to be assumed when an eligible mortgage holder fails to submit a response to any written proposal for an amendment within thirty (30) days after the proposal is made.

3. Amending Declaration. Any amendment to this Declaration shall not be effective for any purpose unless and until recorded in the office of the County Recorder but, shall thereafter give rise to a conclusive presumption of validity as to anyone relying thereon in good faith.

4. Class B Membership. So long as a Class B Membership exists, the following actions shall require the prior approval of the VA: annexation of additional properties to the Project; any mergers or consolidations; any Special Assessments; and any amendment to this Declaration.

ARTICLE XVII
REPAIR AND MAINTENANCE

1. Repair and Maintenance by Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided in this Article, and without limiting the generality of the statement of duties and powers contained in this Declaration, the Bylaws or Association Rules, the Association shall have the duty to accomplish the following upon the Project or other land in such manner and at such times as the Board shall prescribe:

a. Maintain, repair, restore, replace and make necessary improvements to the Common Area so that the same is at all times in a first-class condition and good state of repair;

b. Maintain all drainage facilities within the Common Area to include catch basins and drainage lines and all other utilities within the Common Area except those maintained by public utility companies in a first-class condition and good state of repair;

c. Maintain, landscape and irrigate all parkway areas immediately adjacent to the Project to the extent required by local jurisdiction;

d. Maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature as may from

time to time be requested by the vote or written consent of two-thirds of the voting power of the Association; and

e. Pay, out of the general funds of the Association, the costs of any such maintenance and repair pursuant to this Section, except as otherwise herein specified as payable by the particular Owners.

2. Repair and Maintenance by Owner. Every Owner shall at his sole cost and expense:

a. Except as provided in Section 1.(b) of this Article and in Subsection (f) of this Section, maintain, repair, replace and restore all portions of his Unit, including, without limitation, its Unit Improvements, so that the same is at all times in clean, sanitary, attractive and first-class condition and in a good state of repair, the foregoing to include the exterior painting of surfaces thereof in a color acceptable to the Board as well as maintenance, repair and replacement of the roof thereof;

b. Without limiting Subsection (a) of this Section, repair and replace all window glass of his Unit, and Owners shall be responsible for the interior and exterior cleaning of such window glass;

c. Without limiting Subsection (a) of this Section, maintain, replace, repair and restore any air-conditioning, heating and water heating equipment which serves only his Unit;

d. Maintain in an open and unobstructed condition all sewer and drainage pipes and lines serving his own Unit between the points at which same enter his Unit and the points at which same join other sewer and drainage pipes and lines serving other Units;

e. Landscape, maintain, plant, replant, and irrigate all yard areas of his Unit so that the same are at all times in an aesthetically pleasing and first-class condition, as well as maintain, repair, replace and restore all improvements which may now or hereafter be installed therein;

f. Perform the following maintenance, repair and replacement with respect to fencing; provided, however, the type, style, design, color (but only to the extent the color is visible from the Common Area) and location thereof shall be subject to the approval of the Board unless such fencing is being installed, replaced or repaired by Declarant or the Association or unless such fencing is being installed or repaired by an Owner or Owners in replacement of or in repair of fencing originally installed by Declarant and will be in the same location and of the same type, style, design and color (to the extent visible from the Common Area) of the fencing which it is to replace or which is being repaired after replacement or repair, as applicable:

(1) Maintain, repair and replace so that the same is in a first-class condition and attractive state all fencing wholly within any portion of his Unit;

(2) Maintain, repair and replace so that the same is in a first-class condition and attractive state all fencing which is located approximately upon the boundary line separating his Unit from another Unit (the "other Unit") jointly along with the Owner of the other Unit, with each such Unit Owner to share equally in the costs thereof, with each such Unit Owner being entitled to paint or otherwise treat the interior surface of such fencing facing his Unit, and with the Board to determine any and all disputes which may arise between such Unit Owners; and

(3) Maintain, repair and replace so that the same is in a first-class condition and attractive state all fencing which is located approximately upon the boundary line separating his Unit from the Common Area jointly along with the Association, with such Unit Owner and the Association to share equally in the costs thereof, with such Unit Owner being entitled to paint or otherwise treat the interior surface of such fencing facing his Unit and with the Association being entitled to paint or otherwise treat the exterior surface of such fencing facing the Common Area, and with the Board to determine any and all disputes which may arise between such Owner and the Association.

3. Right of Association to Maintain and Install. In the event that an Owner fails to accomplish any maintenance or installation required by this Article, the Association or its agents may, but shall not be obligated, to cause such maintenance or installation to be accomplished as hereinafter set forth;

a. Upon a finding by the Board of a deficiency in such maintenance or installation, the Board shall give notice of such deficiency to the Owner which shall briefly describe the deficiency to the Owner and which shall set a date for a hearing before the Board or a committee selected by the Board for such purpose. The Board may delegate its powers under this Subsection to a duly appointed committee of the Association.

b. Such hearing shall be held not less than ten (10) days nor more than thirty (30) days from the date of said notice.

c. Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt which shall provide the Owner with the right to present oral and written evidence and to confront and cross-examine any person offering at such hearing evidence adverse to such Owner. If the Board or any such committee renders a decision against the Owner, it shall further set a date by which the deficiency is to be corrected by the Owner. A decision of such committee may be appealed to the Board within ten (10) days after the rendering thereof, but a decision of the Board shall be final.

d. If the deficiency continues to exist after the time limitation imposed by a final decision of the Board or any such committee, the Board or such committee may cause such maintenance or installation to be accomplished.

e. In the event the Board or such committee elects to cause such maintenance or installation to be accomplished, the following shall apply;

(1) The Owner shall have no more than ten (10) days following the receipt of written notice of such election from the Board or such committee to select a day or days upon which such maintenance or installation work shall be accomplished;

(2) The date which said Owner selects shall be not less than fifteen (15) days nor more than forty-five (45) days following the last day of said ten (10) day period;

(3) If said Owner does not select such day or days within said ten (10) day period, the Board or such committee may select a day or days upon which such work may be accomplished which shall be not less than twenty-five (25) days nor more than fifty-five (55) days from the last day of said ten (10) day period; and

(4) Unless the Owner and the Board otherwise agree, such maintenance or installation shall take place only during daylight hours on any day Monday through Friday, excluding holidays.

f. If the Association pays for all or any portion of such maintenance or installation, such amount shall be a Special Assessment to the affected Owner and his Condominium. Upon the failure of any Owner to pay said Special Assessment within thirty (30) days of its due date, the Board may resort to all remedies of the Association for the collection thereof, including those set forth in Article VI, Section 9 hereof.

4. Right of Entry. The association shall have the right to enter any Unit in connection with any maintenance, repair or construction in the exercise of the powers and duties of the Association. In addition, in the case of an emergency threatening damage to persons or property, the Association and Owners shall have the right to enter any unit in order to abate such condition. No person entering a Unit pursuant to this Section shall be deemed guilty of a trespass thereby.

ARTICLE XVIII
RIGHT OF PUBLIC ENTRY TO COMMON AREA

The City, the County, the State of California, and the Government of the United States, and any department, bureau, or agency thereof, shall have the right of immediate access to all portions

of the Common Areas not assigned for the exclusive use of the Owner of a particular Unit at all times, for the purpose of preserving the public health, safety and welfare, except in those instances where a Common Area is accessible only through a private Unit. Notice of such right of governmental agency shall be prominently displayed in the Common Area.

ARTICLE XIX
RIGHTS OF THE CITY

1. Priority of City Laws. Notwithstanding any provision in this Declaration to the contrary, neither execution or approval of this Declaration by the City nor the recordation hereof shall be deemed a restriction, limitation, waiver, release or modification of any applicable provision of the Tract Map or Permit, or of any other applicable ordinance, law or regulation of the City, as any of them may be amended from time to time, or of the general police power of the City (including, without limitation, the right to make and implement independent judgments and decisions and to grant or withhold consents or approvals with respect to zoning, planning, development and redevelopment matters and the issuance or non-issuance of permits or authorizations in connection therewith). In the event of any conflict or inconsistency between any provision hereof and the Tract Map or Permit, or any such ordinance, law or regulation, or the general police power of the City as aforesaid, the latter shall prevail.

2. Approval of the City. Whenever the approval of the City shall be required, such approval shall be the prior written approval of the Director of the Department of Community Development or the chief administrative officer of any successor agency or department to the Department of Community Development.

3. Enforcement by City. Any provision herein to the contrary notwithstanding, the City shall have the power and the right, but not the obligation, to specifically enforce any or all of the following provisions of this Declaration, in whole or in part, as a party hereto, as the governing municipality:

a. All provisions relating to the proper maintenance and repair of the Common Area and Condominiums of the Project.

b. Any other provisions of this Declaration requiring or providing for the review, consent and/or approval of the City or any official thereof.

4. Attorney's Fees. In any lawsuit, action or proceeding arising out of or affecting this Declaration to which the City is or is made a party, the prevailing party shall be awarded costs and attorney's fees.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration on the day and year indicated hereinabove.

RK & B CO., A CALIFORNIA GENERAL PARTNERSHIP

BY: BEACHSIDE PROPERTIES, INC.,
A CALIFORNIA CORPORATION,
GENERAL PARTNER

BY: _____
Kenneth Battram, President

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS.

On OCTOBER 4, 1993, before me, KASEY OM personally appeared KENNETH BATTRAM, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

_____

KASEY OM
COMM. #958740
Notary Public-California
ORANGE COUNTY
My comm. expires MAR 01 1996

EXHIBIT "A"

Lot 1 of Tract No. 50683, in the City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 1199, Pages 28 and 29 of Maps, in the office of the County Recorder of said County.