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DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS  
ESTABLISHING A PLAN FOR A PLANNED UNIT DEVELOPMENT

SEAHILL TOWNHOMES  
Tract No. 33358  
Rancho Palos Verdes, California

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Notarial Acknowledgment

Exhibit "A" (Yard and Patio Locations)

DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS  
ESTABLISHING A PLAN FOR A PLANNED UNIT DEVELOPMENT

This declaration is made 16 Sept 1980,  
1980, by T & G, A General Partnership, and TORRANCE MACHINERY &  
ENGINEERING, A Limited Partnership, ("declarant").

R E C I T A L S:

Declarant is the owner of real property located in Los Angeles County, California, described as Lots 1 to 21, inclusive of Tract No. 33358 as per Map recorded in Book 911, pages 55 and 56, inclusive, of Record of Surveys in the Office of the County Recorder of Los Angeles County, (the "real property"). Declarant has improved or intends to improve the real property by constructing improvements on it.

D E C L A R A T I O N:

Declarant does hereby declare for the purpose of establishing a general plan of development for single family residences, that all of the property described herein is, and shall be held, occupied, sold, and conveyed subject to the following easements, restrictions, covenants, conditions, liens and charges hereinafter set forth, all of which shall run with the real property described herein and shall be binding on all parties having any right, title or interest therein or in any part thereof, their heirs, successors and assigns, and which shall inure to the benefit of each owner thereof, and all of which are imposed upon the real property described herein, and every part thereof as a servitude in favor of each and every parcel thereof as the dominant tenement or tenement and may be enforced by Declarant, its successors and assigns, each owner (hereinafter defined), his successors and assigns, or by the association (hereinafter defined), its successors and assigns, including those through merger, consolidation or reorganization; provided, however, no provision of this Declaration shall limit, in any way, or be construed to limit or prevent Declarant's development of SEAHILL TOWNHOMES and construction of improvements thereon, nor Declarant's right to maintain model homes, construction, sales or leasing offices or similar facilities on any real property in SEAHILL TOWNHOMES owned by Declarant, or on any real property in SEAHILL TOWNHOMES owned by an owner with the consent of such owner, nor Declarant's right to post signs incidental to construction, sales or leasing.



ARTICLE I

DEFINITIONS

1. The "articles" mean the Association's articles of incorporation and their amendments.

2. The "Association" means the SEAHILL TOWNHOMES HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

3. The "Association rules" mean the rules and regulations regulating the use and enjoyment of the common area and recreation area adopted by the board from time to time.

4. The "board" means the board of directors of the Association.

5. The "bylaws" mean the Association's bylaws and their amendments.

6. The "common area" means all real property within the development owned by the Association for the common use and enjoyment of owners (as members of the Association). The common area to be owned by the Association at the time of the conveyance of the first lot within Tract No. 33358 shall be Lot 21.

7. The "declarant" means T & G, A General Partnership, and TORRANCE MACHINERY & ENGINEERING, A Limited Partnership, and its successors and assigns, if such successors and assigns acquire or hold record title to any portion of the development for development purposes.

8. The "development" means the real property divided or to be divided into lot or owned by the Association, including all structures and improvements on it.

9. Lot shall mean a portion of Tract No. 33358 which is a legally described parcel of real property or is designated as a lot on any recorded subdivision tract map upon which there has been or will be constructed a unit being a single family residential dwelling. The term "lot" shall not include any property classified as "association property", "common area", or "private street area". The terms "lot" and "unit" may be used interchangeably herein.

10. A "member" means every person or entity who holds a membership in the Association.

11. A "mortgage" means a mortgage or deed of trust encumbering a lot or other portion of the development. A "mortgagee" shall include the beneficiary under a deed of trust. An "institutional" mortgage, is a mortgage that is a bank or savings and loan association or mortgage company or other entity chartered or licensed under federal or state laws whose principal business is lending money on the security of real property, or any insurance company or any federal or state agency. A "first mortgage" or "first mortgagee" is one having priority as to all other mortgages or holders of mortgages encumbering the same lot or other portions of the development.

12. Restricted Common Areas shall mean and refer to those portions of the common area set aside for the exclusive use of the owner or owners pursuant to Article IV, Section 4.

13. Slope Areas shall mean all of the real property within SEAHILL TOWNHOMES, owned by the Association and used for slope purposes, and easement if any, for slope purposes covering lands adjacent to SEAHILL TOWNHOMES which may from time to time be conveyed to the Association.

14. An "owner" means each person or entity holding a record ownership interest in a lot, including declarant, and contract purchasers under recorded contracts. "Owner" shall not include persons or entities who hold an interest in a lot merely as security for the performance of an obligation.

15. A "unit" shall mean and refer to any single family residential dwelling on a lot designed for occupation by not more than one family.

ARTICLE II

DESCRIPTION OF COMMON INTERESTS,  
PROPERTY RIGHTS, RIGHTS OF  
ENJOYMENT AND EASEMENTS

1. Ownership of Lot; Easements. Ownership of a lot within the development shall include a unit, a membership in the Association, and any exclusive or non-exclusive easement or easements appurtenant to such lot over the common area or recreation area as described in this declaration or the deed to the lot.

2. Owners Non-Exclusive Easements of Enjoyment, Etc. Every owner of a lot shall have a non-exclusive easement of use and enjoyment in, to and throughout the common area and the recreation area and for ingress, egress and support over and through the common area and the recreation area; however, such non-exclusive easements shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to units over the common area, if any. Each such non-exclusive easements shall be appurtenant to and pass with the title to every lot, subject to the following rights and restrictions:

(a) The right of the Association to limit the number of guests, and to adopt and to enforce the Association rules.

(b) The right of the Association to charge reasonable admission and other fees for the use of any unassigned parking and storage spaces and any recreational facility situated upon the common area or the recreation area.

(c) The right of the Association to borrow money to improve, repair or maintain the common area or the recreation area.

(d) The right of the Association to suspend the right of an owner to use any recreational or other facility upon the recreation area or the common area as provided in Article IV, Section 3(a)(2) of this declaration.

(e) The right of declarant or its designees to enter on the development to construct the development and to make repairs and remedy construction defects if such entry shall not interfere with the use of any occupied unit unless authorized by the lot owner.

(f) The right of the Association, or its agents, to enter any unit to perform its obligations under this declaration, including obligations with respect to construction, maintenance or repair for the benefit of the common area, the recreation area or the owners in common, or to make necessary repairs that the lot owner has failed to perform. The right shall be immediate in case of an emergency originating in or threatening such lot, whether or not the owner is present.

(g) The right of any owner, or his representatives, to enter the lot or unit of any other owner to perform permissible installations, alterations or repairs to mechanical or electrical services, including installation of television antennae and related cables, if requests for entry are made in advance and such entry is at a time convenient to the owner whose unit is being entered except that in case of emergency such right of entry shall be immediate.

3. Title to Common Areas. Declarant hereby covenants for itself, its successors and assigns, that it will convey title to the common area of the property to the Association, free and clear of all encumbrances and liens, except current real property taxes, easements of record, and future streets, prior to the conveyance of the first lot.

4. Restricted Common Areas. Portions of the common area referred to as "restricted common areas", are hereby set aside and allocated for the exclusive use of the owner of each lot. Said Restricted Common Area shall consist of the exclusive easement to use that portion of the yard and patio area specifically designated as appurtenant to the lot on the plan of "Yard and Patio Locations" attached hereto, incorporated herewith, made a part hereof and marked Exhibit "A" and designated therein as "Y" and "P".

5. Right to Enter for Repairs, Etc. The right of any owner, or his representatives, to enter upon the lot of any other owner for purposes of maintaining established drainage and for purposes of performing permissible installations, alterations or repairs to plumbing and utilities and to mechanical or electrical services, including installation or television antennae and related cables, provided requests for entry are made in advance and that such entry is at a time convenient to the owner whose lot is being entered; and in the case of emergency such right of entry shall be immediate.

6. Lot Easements. Declarant hereby reserves the following appurtenant easements for Declarant, the Association, or any purchaser, or their successor-in-interest to any ownership interest in the subject property for ingress and egress access, and for the installation, construction, reconstruction, relocation, removal, maintenance, repair, operation and inspection of water drainage or water purposes, storm drainage and for other similar purposes.

7. Delegation of Use; Tenants. Any owner may delegate his rights of use and enjoyment in the development, including any recreational facilities to the members of his family, his guests, and invitees, and to such other persons as may be permitted by the bylaws and the Association rules, subject however, to this declaration, to the bylaws and to the Association rules. However, if an owner has rented his lot the owner, members of his family, his guests and invitees shall not be entitled to use and enjoy the recreational facilities of the development while the owner's unit is occupied by such tenant. Instead, the tenant while occupying such unit, shall be entitled to use and enjoy the recreational facilities of the development and can delegate the rights of use and enjoyment in the same manner as if such tenant were an owner during the period of his occupancy. Each owner shall notify the secretary of the Association of the names of any tenants of such owner's lot. Each owner, or tenant also shall notify the secretary of the Association of the names of all persons to whom such owner, has delegated any rights of use and enjoyment in the development and the relationship that each such person bears to the owner, or tenant. Any delegated rights of use and enjoyment are subject to suspension to the same extent as are the rights of owners.

8. Encroachments. If any portion of the common area encroaches upon any of the lots or if any portion of any of the improvements of any of the lots encroaches upon any portion of the common area, a valid easement for such encroachment and for the maintenance of same so long as it remains shall and does exist, and, pursuant to this Declaration, all lots are made subject to such easements. In addition, each lot is hereby declared to have an appurtenant easement over all adjoining lots and parcels (including the common area) for the purpose of accommodating any encroachment due to or resulting from the settlement or shifting of structures, or due to or resulting from

the construction, reconstruction, repair and maintenance of overhanging or other portion or improvements, or due to or resulting from any other cause. There shall be valid appurtenant easements for the maintenance of said encroachments, and the rights and obligations of owners shall not be altered in any way by the existence thereof. In connection with the construction, reconstruction, repair and maintenance of overhanging or other portions of structures or improvements encroaching upon adjoining lots and parcels, each owner, by acceptance of delivery of the deed to his respective lot, does hereby acknowledge that Declarant may, as part of the original construction of improvements upon certain of the lots, cause such encroachments to exist. Notwithstanding the foregoing, except as to the original construction of improvements by Declarant and the reconstruction, repair and maintenance thereof in accordance with plans respecting such original construction or approved by the architectural committee, in no event shall a valid easement or encroachment be created in favor of any lot or owner if such encroachment occurred due to the willful conduct of such owner. In addition to the foregoing, in the event a structure on any lot is partially or totally destroyed and then repaired or rebuilt, the owner of each lot agrees that minor encroachments over adjoining lots and parcels shall be permitted and there shall be valid appurtenant easements for the maintenance of said encroachments so long as they exist. There shall be reciprocal appurtenant easements for the maintenance and repair of a party wall or walls.

9. Easements Granted by Association. The Association shall have the power to grant and convey to any third party easements and rights-of-way in, on, over or under the common area and the recreation area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to a lot, expressly consents to such easement. However, no such easement can be granted if it would interfere with the use, occupancy or enjoyment by an owner of his unit, any exclusive easements over the common area or recreation area appurtenant to a lot or the recreational facilities of the development unless approved by the vote or written consent of the holders of not less than seventy-five percent (75%) of the voting rights of each class of members and their first mortgagees.

10. Right of Public Entry to Common Area. The City of Rancho Palos Verdes, the County of Los Angeles, 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 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 access shall be prominently displayed in common areas.

ARTICLE III

USE RESTRICTIONS

1. Residential Use. Units shall be used for residential purposes only. However, for a period of three (3) years from the date of recordation of this declaration, units owned by declarant may be used by declarant or its designees as models, sales offices and construction offices for the purpose of developing, improving and selling lots in the development. Nothing in this declaration shall prevent an owner from leasing or renting his unit. However, any lease or rental agreement shall be in writing and any tenant shall abide by and be subject to all provisions of this declaration, the articles, the bylaws, and the Association rules and any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Also, except for a mortgagee in possession of a lot following a default in a first mortgage, a foreclosure proceeding or acceptance of a deed or other arrangement in lieu of foreclosure, no owner shall rent, lease or let his unit for transient or hotel purposes.

2. Commercial Use. Except as otherwise provided in this Declaration, no part of the development shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or other such non-residential purpose.

3. Maintenance of Lots. Excepting as may otherwise be specifically herein provided, each owner shall be responsible for maintaining his lot, including the interior and exterior of all improvements thereon and the landscaping thereof, in a clean, sanitary, workable and attractive condition.

4. Oil Drilling. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted on or in the development, and no oil wells, tanks, tunnels or mineral excavations or shafts shall be permitted on the surface of the development or within five hundred (500) feet below the surface of the development. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted on the development.

5. Offensive Conduct; Nuisances. No noxious or offensive activities, including but not limited to, repair of automobiles or other motorized vehicles, shall be conducted within the development. Nothing shall be done on or within the development that may be or may become an annoyance or nuisance to the residents of the development, or that in any way interferes with the quiet enjoyment of occupants of units. Unless otherwise permitted by the Association rules, no owner shall serve food or beverages, cook, barbecue, or engage in similar activities, except within such owner's unit and except within those portions of the common area subject to exclusive easements appurtenant to such owner's lot, if any.

6. Parking Restrictions; Use of Garages. Unless otherwise expressly permitted by the board, no automobile or motorized vehicle (including motorcycles) or bicycles shall be parked or left on any private street, if any, or on any other property subject to this Declaration other than on or within a garage, carport or assigned parking stall or space. Unless otherwise expressly permitted by the board, no boat, trailer, recreational vehicle, camper, truck, or commercial vehicle shall be parked or left on any private street, if any, or on any other part of the development; provided, however parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the association rules. Garages and carports, if any, shall be used for the parking of automobiles, motorcycles and bicycles and for storage only and shall not be converted for living or recreational activities. Garage doors, if any, shall remain closed at all times excepting when entering or existing or when the garage is being maintained or repaired. The board or the managing agent acting by and on behalf of the association, is expressly authorized to tow away any automobiles, motorized vehicles, bicycles boats, trailers, recreational vehicles, campers, trucks or commercial vehicles parked in violation of the foregoing at the expense of the owner thereof.

7. Signs. No sign of any kind shall be displayed to the public view on or from any unit or within the common area without the approval of the board, except such signs as may be used by the declarant or its designees for a period of three (3) years from the date of recordation of this declaration for the purpose of developing, selling and improving lots within the development. However, one sign of customary and reasonable dimensions advertising a lot for sale or for rent may be placed within each unit or within the common area immediately adjacent to it by the owner, the location and design of it to be subject to approval by the board.

8. Antennae, External Fixtures, Etc. No television or radio poles, antennae, flag poles, clotheslines, or other external fixtures other than those originally installed by declarants or approved by the board and any replacements shall be constructed, erected or maintained on or within the common area or any structures on it. No wiring, insulation, air conditioning, or other machinery or equipment other than that originally installed by declarant or approved by the board, and their replacement shall be constructed, erected or maintained on or within the common area, including any structures on it. Each owner shall have the right to maintain television or radio antennae within completely enclosed portions of his unit. However, if cable television is or becomes available to such owner his right to maintain television antennae within completely enclosed portions of his unit shall terminate immediately unless the board continues to authorize their maintenance.



9. Fences, Etc. No fences, awning, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the development except those that are installed in accordance with the original construction of the development, and their replacements or as are authorized and approved by the board.

10. Animals: No animals, or birds of any kind shall be raised, bred, or kept in any lot, or on any portion of the Property; except that no more than one (1) usual and ordinary household pets such as dogs, cats, birds, etc., may be kept, provided that they are not kept, bred, or maintained for any commercial purposes, and they are kept under reasonable control at all times. Notwithstanding the foregoing no pets may be kept on the Property which result in an annoyance or are obnoxious to other Unit Owners. No pets shall be allowed in the Common Area except as may be permitted by rules of the Board. No dog shall enter the Common Area except while on a leash which is held by a person capable of controlling it. Declarant or any owner may cause any unleashed dog or pet found within the Common Area to be removed by Declarant (or any Owner) to a pound or animal shelter, by calling the appropriate authorities, whereupon the owner may, upon payment of all expenses connected therewith, repossess the dog or pet. No dog whose barking disturbs other owners shall be permitted to remain on the Property. Owners shall prevent their pets from soiling all portions of the common area where other persons customarily walk and shall promptly clean up any mess left by their pets.

11. Restricted Use of Recreation Vehicles, Etc. No boat, truck, trailer, camper, recreational vehicle or tent shall be used as a living area while located on the development. However, trailers or temporary structures for use incidental to the initial construction of the development or the initial sales of the lots may be maintained within the development, but shall be promptly removed on completion of all initial construction and all initial sales.

12. Trash Disposal. Trash, garbage or other waste shall be kept only in sanitary containers. No owner shall permit or cause any trash or refuse to be kept on any portion of the development other than in the receptacles customarily used for it, which, shall be located only in places specifically designated for such purpose except on the scheduled day for trash pickup.

13. Outside Drying and Laundering. No exterior clotheslines shall be erected or maintained and there shall be no exterior drying or laundering of clothes on balconies, patios, porches or other areas.

14. Structural Alterations. No building, structure or improvement shall be constructed, erected, altered, placed or permitted to remain on any lot in such location or manner as will unreasonably obstruct or interfere with the view of any other lot or which exceeds the height limit above the building pad as specified in the County General Plan or ordinances of the City of Rancho Palos Verdes. No building, structure or improvements shall be constructed, erected, altered, placed or permitted to remain on any lot in SEAHILL TOWNHOMES, or on any portion of the common area, which does not conform to the building setback, open space, parking and height requirements as specified in the Development Plan of the City of Rancho Palos Verdes. In the event any building, structure or improvement sought to be constructed, erected, altered, placed or permitted on any lot or any portion of the common area, appropriate application shall be made therefor to the City of Rancho Palos Verdes. No projection of any type shall be placed or permitted to remain above the roof of any residential building, with the exception of one or more chimneys and one or more vent stacks.

15. Exterior Alterations and Additions. Excepting as to alterations or additions made by Declarant or its designees, no owner shall at his expense or otherwise, make any alterations or additions to the exterior of the buildings, fences, railings, walls or other improvements constructed on his lot, or change the grade or drainage pattern of his lot, without the prior consent of the architectural committee.

16. Window Coverings. Windows may only be covered by drapes or shades, and may not be painted or covered by foil, cardboard or other similar materials except with the consent of the architectural committee. The color and design of all drapes and shades must be approved by Declarant or its representatives or by the architectural committee prior to installation.

17. Compliance With Laws, Etc. Nothing shall be done or kept on any lot or within any unit or in the common area or recreation area that might increase the rate of, or cause the cancellation of, insurance for the development, or any portion of the development, without the prior written consent of the board. No owner shall permit anything to be done or kept in his unit or on his lot that violates any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No owner shall allow furniture, furnishings, or other personalty, belonging to such owner to remain within any portion of the common area or recreation area except portions subject to exclusive easements over common area appurtenant to such owner's lot and except as may otherwise be permitted by the board.

18. Indemnification. Each owner shall be liable to the remaining owners for any damage to the common area or recreation area that may be sustained by reason of the negligence of that owner, members of his family, his contract purchasers, tenants, guests or invitees, but only to the extent that any such damage is not covered by insurance. Each owner, by acceptance of his deed, agrees for himself and for the members of his family, his contract purchasers, tenants, guests or invitees, to indemnify each and every other owner, and to hold him harmless from, and to defend him against, any claim of any person for personal injury or property damage occurring within the lot of

that particular owner and within any exclusive easements over the common area appurtenant to the owner's lot, unless the injury or damage occurred by reason of the negligence of any other owner or person temporarily visiting in said lot or portion of the common area subject to an exclusive easement appurtenant to the lot or is fully covered by insurance.

19. Owner's Obligation for Taxes. To the extent allowed by law, all lots shall be separately assessed and taxed so that all taxes, assessments and charges which may become liens prior to first mortgages under local law shall relate only to the individual lots and not to the development as a whole. Each owner shall be obligated to pay any taxes or assessments assessed by the county assessor of the county in which the development is located against his lot and against his personal property.

20. Unallocated Taxes. In the event that any taxes are assessed against the common area, or the personal property of the association, rather than against the units, said taxes shall be included in the assessments made under the provisions of Article VII, and if necessary, a special assessment may be levied against the Units in an amount equal to said taxes, to be paid in two installments, thirty (30) days prior to the due date of each tax installment.

21. Electronic Transmitting Equipment. No electronic transmitting equipment other than electronic garage door opening devices, if any, and other than electronic transmitting equipment and devices approved by the Board shall be installed, maintained or used within the covered property.

22. Drainage. Each owner of a lot in the development agrees for himself, his heirs, assigns, vendees and successors in interest, that he will either: (i) refrain from interference with the established drainage pattern over his lot from adjoining or other lots or parcels in the development, or (ii) subject to approval of the architectural committee, make adequate provisions for proper drainage from any such lot or parcel over his lot. For the purposes hereof, established drainage is defined as the drainage pattern established at the time the overall grading of the development, including the landscaping of each lot or parcel thereof, is completed.

23. Slope Areas. Slope areas within any lot, including any drainage devices constructed thereon by Declarant, shall be maintained continuously by the owner thereof in a neat, orderly and safe condition and in such a manner as to enhance their appearance, maintain established slope ratios, prevent erosion and sliding problems, and to facilitate the orderly discharge of water through drainage systems established by Declarant. No structure, planting or other material shall be placed or permitted to remain or other activities undertaken on any property which might damage or interfere with established slope ratios, create erosion or sliding problems, or interfere with established drainage functions or facilities.

24. Landscaping. All landscaping of every kind and character, including shrubs, trees, grass and other plantings shall be neatly trimmed, properly cultivated and maintained continuously by the owner thereof in a neat and orderly condition and in a manner to enhance its appearance.

25. Tennis Courts. The hours of operation for tennis courts shall be limited to 7:00 A.M. until dusk (daily) and such tennis courts shall not be illuminated unless a conditional use permit is first had and obtained from the City of Rancho Palos Verdes.

26. Recreational Facilities. Recreational facilities are for the sole use of the residents of SEAHILL TOWNHOMES ASSOCIATION and their guests. No commercial activities (including, but not limited to tennis instructions) or tournaments shall be permitted without the written permission of the City of Rancho Palos Verdes.

27. Outdoor Lighting. Any outdoor lighting for the deck area surrounding the pool and/or spa shall require an illumination plan to be submitted to the City of Rancho Palos Verdes, and shall be subject to the approval of the Director of Planning. In no event shall such lights be used after 10:00 P.M.

#### ARTICLE IV

##### THE ASSOCIATION

1. Formation. The Association is a nonprofit mutual benefit corporation formed under the laws of California. On the close and recording of the first lot sale to an owner, the Association shall be charged with the duties and invested with the powers set forth in the articles, the bylaws and this declaration, including, but not limited to, control and maintenance of the common area and ownership of the recreation area and any facilities on the common area or the recreation area.

2. Association Action; Board of Directors and Officers; Members' Approval. Except as to matters requiring the approval of members as set forth in this declaration, the articles, or the bylaws, the affairs of the Association shall be conducted by the board and such officers as the board may elect or appoint. Such election or appointment shall be in accordance with this declaration or the bylaws, and their amendments. Except as otherwise provided in this declaration, the articles or the bylaws, all matters requiring the approval of members shall be deemed approved if members holding a majority of the total voting rights assent to them by written consent as provided in the bylaws or if approved by a majority vote of a quorum of members at any regular or special meeting held in accordance with the bylaws.

3. Powers and Duties of Association.

(a) Powers. The Association shall have all the powers of a nonprofit corporation organized under the General Nonprofit Mutual Benefit Corporation Law of California subject only to such limitations on the exercise of such powers as are set forth in the articles, the bylaws and this declaration. It shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under this declaration, the articles and the bylaws, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association, including, without limitation, the following:

(1) Assessments. The Association shall have the power to establish, fix, and levy assessments against the owners and to enforce payment of such assessments, in accordance with the provisions of this declaration. However, the approval of members shall be required as to the amounts of all regular and special assessments except as otherwise provided in this declaration.

(2) Enforcement of Rules. The Association in its own name and on its own behalf, or on behalf of any owner who consents, or any aggrieved owner, can commence and maintain actions for damages or to restrain and enjoin any actual or threatened breach of any provision of this declaration or of the articles or bylaws, or of the Association rules or any resolutions of the board, and to enforce by mandatory injunction, or otherwise, all of these provisions. In addition, the Association can suspend the voting rights, can suspend use privileges of the common area or the recreation area or can assess monetary penalties against any owner or other person entitled to exercise such rights or privileges for any violation of this declaration or the articles, bylaws, Association rules, or board resolutions. However, any such suspension of use privileges cannot exceed a period of thirty (30) days for any one violation and any monetary penalty cannot exceed Fifty Dollars (\$50.00) for any one violation. Any action imposing fine or suspension shall be ineffective unless:

(i) The fine or suspension must be approved by a majority of all board members at a regular or special meeting of the board at which all board members are present.

(ii) A notice shall be sent by mail by prepaid, first-class, or registered mail to the most recent address of the member as shown on the corporation's records, setting forth the suspension or fine and the reasons therefor. Such notice shall be sent at least fifteen (15) days before the proposed effective date of the expulsion.

(iii) The member being suspended or fined shall be given an opportunity to be heard, either orally or in writing, at a hearing to be held not fewer than five (5) days before the effective date of the proposed suspension or fine. The hearing will be held by a special member judicial committee composed of not fewer than three members appointed by the president. The notice to the member of his proposed suspension or fine shall state the date, time, and place of the hearing on his proposed suspension or fine.

(iv) Following the hearing, the judicial committee shall decide whether or not the member should in fact be suspended or fined. The decision of the committee shall be final.

(v) In the event that a member shall correct an alleged violation prior to the hearing date, the board shall discontinue the proceedings.

Except as provided in this section, the Association does not have the power or authority to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of such owner's lot if the owner does not comply with provisions of this declaration or of the articles or bylaws or the Association rules, except when the loss or forfeiture is the result of a court judgment or arbitration decision or a foreclosure or sale under a power of sale based on failure of the owner to pay assessments levied by the Association.

(3) Delegation of Powers; Professional Management. The Association acting by and through the board can delegate its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("manager"). Any agreement for professional management of the development shall be terminable by either party with or without cause and without payment of a termination fee on thirty (30) days' written notice.

(4) Association Rules. The board shall have the power to adopt, amend and repeal the Association rules as it deems reasonable. The Association rules shall govern the use of the common area and the recreation area by all owners, or their families, guests, invitees or by any contract purchaser, or tenant, or their respective family members, guests or invitees. However, the Association rules shall not be inconsistent with or materially alter any provisions of this declaration, the articles or the bylaws. A copy of the Association rules as adopted, amended or repealed, shall be mailed or otherwise delivered to each owner and a copy shall be posted in a conspicuous place within the development. In case of any conflict between any of the Association rules and any other provisions of this declaration, the articles, or bylaws, the conflicting Association rules shall be deemed to be superseded by the provisions of this declaration, the articles or the bylaws.

(b) Duties of the Association. In addition to the powers delegated to it by its articles or the bylaws, and without limiting their generality, the Association, acting by and through the board, or persons or entities described in Article IV, Section 3(a)(3), has the obligation to conduct all business affairs of common interest to all owners and to perform each of the following duties:

(1) Operation and Maintenance of Common Area and Recreation Area. To operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the common area, recreation area, slope areas, and all its facilities, improvements, and landscaping including any private driveways and private streets, and any other property acquired by the Association, including personal property, in a first-class condition and in a good state of repair. In this connection, the Association may enter into contracts for services or materials for the benefit of the Association or the common area or recreation area, including contracts with declarant.

(2) Taxes and Assessments. To pay all real and personal property taxes and assessments and all other taxes levied against the common area or recreation area, personal property owned by the Association or against the Association. Such taxes and assessments may be contested or compromised by the Association; provided, that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

(3) Water and Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the common area or recreation area, and for lots when the lots are not separately billed. The term of any contract to supply any of the listed services shall not exceed one (1) year or, if the supplier is a regulated public utility, the shortest term not to exceed one (1) year for which the supplier will contract at the applicable regulated rate.

(4) Insurance. To obtain, from reputable insurance companies, and maintain the insurance described in Article VIII.

(5) Easements. To grant easements pursuant to Article II, Section 9 of this Declaration.

(6) Enforcement of Bonded Obligations. If the Association is the obligee under a bond or other arrangement ("bond") to secure performance of a commitment of the declarant or its successors or assigns to complete common area or recreation area improvements, not completed at the time the California Commissioner of Real Estate issues a final subdivision public report for the latest phase of the development, the board shall consider and vote on the question of action by the Association to enforce the obligation under the bond with respect to any improvement for which a notice of completion has not been filed within sixty (60) days after the completion date specified for that improvement in the "planned construction statement" appended to the bond. However, if the Association has given an extension in writing for the completion of any common area or recreation area improvement, the board shall consider and vote on the action to enforce the obligations under the bond only if a notice of completion has not been filed within thirty (30) days after the expiration of the extension. If the board fails to consider and vote on the action to enforce the obligations under the bond, or if the board decides not to initiate action to enforce the obligations under the bond, then on the petition in writing to the board signed by members of the Association representing not less than five percent nor more than ten percent (10%) of the total voting power of the Association, the board shall call a special meeting of members for the purpose of voting to override the decision of the board not to initiate action or to compel the board to take action to enforce the obligations under the board. The meeting shall be called by the board by

fixing a date not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the board of said petition and by giving written notice to all owners entitled to vote in the manner provided in this declaration or in the bylaws for notices of special meetings of members of the Association. At the meeting, the vote in person or by proxy of a majority of the owners entitled to vote (other than declarants) in favor of taking action to enforce the obligations under the bond shall be deemed to be the decision of the Association and the board shall then implement this decision by initiating and pursuing appropriate action in the name of the Association.

(7) Emergency Powers. The right of the Association, or its agents, to enter any unit to perform its obligations under this declaration, including obligations with respect to construction, maintenance or repair for the benefit of the common area, the recreation area or the owners in common, or to make necessary repairs that the unit owner has failed to perform. The right shall be immediate in case of an emergency originating in or threatening such unit, whether or not the owner is present.

(8) Acquisition of Property. The Association shall have the power to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association.

(9) Loans. The Association shall have the power to borrow money, and only with the assent (by vote or written consent) of three-fourths (3/4) of each class of members, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

(10) Dedication. The Association shall have the power to dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument has been signed by three-fourths (3/4) of each class of members, agreeing to such dedication, sale or transfer.

(11) Assignment of Parking. To assign, rent or license any unassigned parking and storage spaces, if any, upon terms and conditions it deems appropriate.

(c) Limitations on Authority of Board.  
The board shall not take the following actions without the vote or written assent of a majority of the voting power of the Association residing in members other than the subdivider (except as provided in Article V, Section 3):



(1) 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; or

(2) Incurring aggregate expenditures for capital improvements to the common area in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(3) Entering into contracts for materials or services which have a term in excess of one year with the following exceptions:

(i) Enter into a management contract the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(ii) A contract with a public utility company if the rates charged for the materials and services are regulated by the Public Utilities Commission provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rates; and

(iii) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years in duration, provided that the applicable policy permits short rate cancellation by the insured.

(4) Pay compensation to members of the board or to officers of the Association for services performed in the conduct of the Association's business. However, the board may cause a member of the board or an officer to be reimbursed for expenses incurred in carrying on the business of the Association.

(5) Filling a vacancy on the board of directors created by the removal of a director.

(d) Personal Liability. No member of the board, or of any committee of the Association, or any officer of the Association, or any manager, or declarant, or any agent of declarant, shall be personally liable to any owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or claimed on account of any act, omission, error or negligence of any such person or entity if such person or entity has, on the basis of such information as may be possessed by him or it, acted in good faith without wilful or intentional misconduct.

4. Financial Statements of the Association. Financial statements for the Association shall be regularly prepared and distributed to all members regardless of the number of members or the amount of assets of the Association as follows:

(a) A pro forma operating budget for each year shall be distributed not less than sixty (60) days prior to the beginning of the fiscal year (which fiscal year shall be a calendar year unless a different fiscal year is adopted).

(b) A balance sheet as of the accounting date and a operating statement for the period from the date of the first closing of the subdivision interest to said accounting date shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a statement of assessments received and receivable indentified by the number of the subdivision interest and the name of the entity assessed.

(c) An annual report consisting of the following shall be distributed within one hundred twenty (120) days the close of the fiscal year:

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

(2) Income statement for the fiscal year.

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

(4) Statements of "covered transactions" required to be reported under Section 8322 of the Corporations Code, which shall include, but not necessarily be limited to:

(i) Any covered transaction (excluding compensation of officers and directors) during the previous fiscal year involving more than Forty Thousand Dollars (\$40,000.00), or which was one of a number of covered transactions in which the same interested person had a direct or indirect material financial interest, and which transactions in the aggregate involved more than Forty Thousand Dollars (\$40,000.00).

(ii) The names of the interested persons involved in such transactions, stating such persons relationship to the corporation, the nature of such persons interest in the transaction, and where practicable, the amount of such interest; provided, that in the case of a transaction with a partnership of which such person is a partner, only the interest of the partner need be stated.

(iii) A statement describing briefly the amount and circumstances of any indemnifications or advances aggregating more than Ten Thousand Dollars (\$10,000.00) paid during the fiscal year to an officer or director of the corporation pursuant to Section 7237 of the Corporations Code; provided that no such report need be made in the case of an indemnification approved or ratified by the affirmative vote (or written ballot in accord with Section 5513, Section 7513, or Section 9413 of the Corporations Code) of a majority of the votes or written ballots of each class of membership represented and voting at a duly held meeting at which a quorum is present (which affirmative votes also constitute a majority of the required quorum).

(iv) A "covered transaction" under this Article is a transaction in which the Association was a party, and in which either of the following had a direct or indirect material financial interest:

(a) Any director or officer of the Association;

(b) Any holder of more than ten percent (10%) of the voting power of the Association.

A covered transaction shall not include transactions approved by the members of the Association under Subdivision (a) of Section 7233 of the Corporations Code. For purposes of subdivision 4(c)(iv), a mere common directorship is not a material financial interest.

For purposes of this Article, a "interested person" is any person described in paragraphs 4(c)(iv)(a), (b), of this Article.

Ordinarily the annual report referred to in Section 4(c) above shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00).

If the report referred to in Section 4(c) above is not prepared by an independent accountant, it shall be accompanied by a certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

(d) Accounting Date.

(1) The first accounting date shall be the last day of the month closest in time to six (6) months from the date of closing of the first sale of a lot within the development.

(2) The second and subsequent accounting date shall be the last day of the Association's fiscal year.

(e) Copies of each such balance sheet, operating statement and pro forma operating statement for the Association shall be mailed to any mortgagee who has requested in writing that such copies be sent to it.

5. Inspection of Association Books and Records.

(a) Any membership register, books of account and minutes of meetings of the members, the board and committees of the board of the Association, shall be made available for inspection and copying by any member of the Association, or his duly-appointed representative, or any mortgagee, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the development as the board prescribes.

(b) The board shall establish by resolution reasonable rules with respect to:

(1) Notice to be given to the custodian of the records of the Association by the member, representative or mortgagee desiring to make an inspection.

(2) Hours and days of the week when an inspection may be made.

(3) Payment of the cost of reproducing copies of documents requested by a member or by a representative or mortgagee.

(c) Every director of the Association shall have the absolute right at any reasonable time to inspect all 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.

ARTICLE V

MEMBERSHIP AND VOTING RIGHTS

1. Membership.

(a) Qualifications. Each owner including declarants, shall be a member of the Association. No owner shall hold more than one membership in the Association even though such owner may own, or own an interest in, more than one lot. Ownership of a lot or interest in it shall be the sole qualification for membership in the Association. Each owner shall remain a member of the Association until his ownership or ownership interest in all lots in the development ceases at which time his membership in the Association shall automatically cease. Persons or entities who hold an interest in a lot merely as security for performance of an obligation are not to be regarded as members.

(b) Members' Rights and Duties. Each member shall have the rights, duties, and obligations set forth in this declaration, the articles, the bylaws and the Association's rules, as the same may from time to time be amended.

(c) Transfer of Membership. The Association membership of each person or entity who owns, or owns an interest in, one or more lots shall be appurtenant to each such lot, conveyed or alienated in any way except on a transfer of title to each such lot or interest in it and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a lot or interest in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new owner.

## 2. Voting.

(a) Number of Votes. The Association shall have two (2) classes of voting membership which rights shall not vest until assessments against those interests have been levied by the Association:

Class A: Class A members are all owners, with the exception of declarant. Each Class A member shall be entitled to one (1) vote for each lot in which such class member owns an interest. However, when more than one Class A member owns an interest in a lot, the vote for such lot shall be exercised as they themselves determine, but in no case shall more than one (1) vote be cast with respect to any one lot. In no event shall any owner be entitled to vote, directly or indirectly, more than two (2) votes regardless of the number of lots owned. This provision shall not be deemed a limitation on cumulative voting or voting by proxy.

Class B: The Class B members shall be the declarant who shall be entitled to vote as follows: Voting shall be the same as for Class A memberships, except that Class B members may triple their votes for each Unit owed. The Class B membership shall cease and be converted to Class A membership on the happening of one of the following events, whichever occurs earlier:

(1) When the total votes outstanding in the Class A membership equal the total votes (tripled as stated above) outstanding in the Class B membership; or

(2) On the second anniversary of the original issuance of the most recently issued final public report for the project by the Commissioner of Real Estate of the State of California.

(b) Joint Owner Votes. The voting rights for each lot may not be cast on a fractional basis. If the joint owners of a lot are unable to agree among themselves as to how their voting rights shall be cast, they shall forfeit the vote on the matter in question. If any owner exercises the voting rights of a particular lot, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other owners of the same lot. If more than one (1) person or entity exercises the voting rights for a particular lot, their votes shall not be counted and shall be deemed void.

3. Limitations on Declarant's Voting Power. Any provision in the governing instruments calling for membership approval of action to be taken by the association, except provisions with respect to the action to enforce the obligation of the subdivider under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Any requirement elsewhere in the Articles of Incorporation, Bylaws, and Declaration of Restrictions, except with respect to the action to enforce the obligations of the subdivider under any completion bond, amendments to the Articles of Incorporation, amendments to the Bylaws, and amendments to the Declaration of Restrictions, that the vote of the subdivider shall be excluded in any such determination shall be applicable only if there has been a conversion of Class B to Class A shares and only for so long as the subdivider holds or directly controls twenty-five percent (25%) or more of the voting power of the association.

ARTICLE VI

ASSESSMENTS

1. Agreement to Pay. The declarant, for each lot owned by it in the development that is expressly made subject to assessment as set forth in this declaration, covenant and agree, and each purchaser of a lot by his acceptance of a deed covenants and agrees, for each lot owned, to pay to the Association regular assessments and special assessments, such assessments to be established, made and collected as provided in this declaration.

2. Personal Obligations. Each assessment or installment, together with any late charge, interest, collection costs and reasonable attorneys' fees, shall be the personal obligation of the person or entity who was an owner at the time such assessment, or installment became due and payable. If more than one person or entity was the owner of a lot, the personal obligation to pay such assessment, or installment respecting such lot shall be both joint and several. The personal obligation for delinquent assessments, or delinquent installments and other such sums, shall not pass to an owner's successors in interest unless expressly assumed by them. No owner may exempt himself from payment of assessments, or installments, by waiver of the use or enjoyment of all or any portion of the common area or the recreation area or by waiver of the use or enjoyment of, or by abandonment of, his lot.

3. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the members of the association, the improvement, replacement, repair, operation and maintenance of the common area and the recreation area and the performance of the duties of the Association as set forth in this declaration.

4. Assessments.

(a) Regular Assessments.

(1) Not less than sixty (60) days before the beginning of each fiscal year of the Association, the board shall prepare or cause to be prepared a pro forma operating statement or budget for the forthcoming fiscal year and shall distribute a copy thereof to each owner and to each mortgagee which has requested in writing that copies be sent to it. Any owner or mortgagee may make written comments to the board with respect to said pro forma operating statement. The pro forma operating statement shall be prepared consistently with the prior fiscal year's operating statement and shall include adequate reserves for contingencies and for maintenance, repairs and replacement of the common area and recreation area improvements and other improvements or personal property likely to need maintenance, repair or replacement, which reserves shall be sufficient to satisfy the requirements of any institutional mortgagee. The City of Rancho Palos Verdes may, at its option, veto any action of the association which would tend to decrease the amount of the regular annual assessment upon a finding by the City that such decrease could or would adversely affect the long term maintenance of common facilities or common areas. In order to enable the City of Rancho Palos Verdes to exercise said veto power, any action by the association to decrease the annual assessment shall not become effective until sixty (60) days after written notice of such action has been given to the City of Rancho Palos Verdes.

(2) The board may not impose a regular annual assessment which is more than twenty percent (20%) greater than the regular annual assessment for the immediately preceeding fiscal year (except for the first fiscal year of the Association if it should be less than twelve months) without the approval by vote or written consent of members holding fifty-one percent (51%) of the voting power of the membership, other than the subdivider (except as provided in Article V, Section 3).

(3) Unless the Association or its assessment income shall be exempt from federal or state income taxes, to the extent possible, all reserves shall be accounted for and handled as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in such other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board as will prevent such funds from being taxed as income of the Association.

(b) Special Assessments. If the board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements on the common area or the recreation area, the board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the board it shall become a special assessment. The board may, in its discretion, pro rate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each lot. Unless exempt from federal or state income taxation, all proceeds from any special assessment shall be segregated and deposited into a special account and shall be used solely for the purpose or purposes for which it was levied or it shall be otherwise handled and used in a manner authorized by law or regulations of the Internal Revenue Service or the California Franchise Tax Board in order to avoid, if possible, its taxation as income of the Association. The provisions of this paragraph shall not apply in a case where the special assessment against a member is a remedy utilized by the board to reimburse the Association for costs incurred in bringing a member and his lot unit into compliance with the provisions of this declaration, the articles of the incorporation or the bylaws of the Association, or any rules and regulations promulgated by the board.

(c) Special Assessments for Rebuilding. Any special assessment levied against owners to raise funds for rebuilding or major repair of a portion of the structural common area of the development pursuant to Article IX shall be levied equally.



(d) Limitation Respecting Special Assessments. Any special assessment in excess of five percent (5%) of the budgeted gross expense of the Association for the fiscal year in which a special assessment is levied shall require approval by vote or written consent of fifty-one percent (51%) of the holders of voting power of the membership, other than the subdivider (except as provided in Article V, Section 3).

5. Uniform Rate of Assessment. Except as otherwise specifically provided in this declaration, including Article VI, Section 4(c) and Article IX, Section 6, regular and special assessments must be fixed at a uniform rate for all lots and regular and special assessments shall be determined by dividing the amount by the total number of lots then within the development and subject to assessment. All assessments, both annual and special, shall be charged to and divided among the unit owners equally. Assessments shall be levied on a calendar year basis and shall be due and payable monthly in advance on the first day of each month or in such other manner as the Board of the Association may from time to time establish.

6. Assessment Period. The regular assessment period shall commence on January 1, of each year and shall terminate on December 31 of such year, and regular assessments shall be payable in equal monthly installments unless the board adopts some other basis for collection. However, the initial regular assessment period shall commence on the first day of the calendar month following the date on which the sale of the first lot to a purchaser is closed and recorded (the "initiation date") and shall terminate on December 31 of the year in which the initial sale is closed and recorded. The first regular assessment and all special assessments shall be adjusted according to the number of months remaining in the fiscal year and shall be payable in equal monthly installments unless the board adopts some other basis for collection. The Association shall not change the pro rata interest or obligation of any lot for purposes of levying assessments unless seventy-five percent (75%) of the owners and seventy-five percent (75%) of the first mortgagees have given their prior written consent.

7. Notice and Assessment Installment Due Dates. A single ten (10) day prior written notice of each annual regular assessment and each special assessment shall be given to any owner of every lot subject to assessment in which the due dates for the payments of installments shall be specified. The due dates for the payment of installments normally shall be the first day of each month unless some other due date is established by the board. Each installment of regular assessments and special assessments shall become delinquent if not paid within fifteen (15) days after its due date. There shall accrue with each delinquent installment a late charge of Fifteen Dollars (\$15.00) together with interest at the rate of ten percent (10%) per annum calculated from the due date to and including the date full payment is received by the Association.

8. Estoppel Certificate. The board or manager, on not less than twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request a statement in writing stating whether or not to the knowledge of the Association, a particular owner is in default as to his lot under the provisions of this declaration and further stating the dates to which installments of assessments, regular or special, have been paid as to such lot. Any such certificate may be relied on by any prospective purchaser or mortgagee of the lot, but reliance on such certificate may not extend to any default not involving the payment of assessments of which the signer had no actual knowledge.

9. Exemption From Assessments. All property dedicated to, and accepted by, a local public authority or public agency, and all property owned by a charitable or nonprofit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessments created herein. However, no land or improvements devoted to dwelling use shall be exempted from said assessments. Those units having no structural improvements for human occupancy, shall be exempt 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 the structural improvement. The exemption may include, but shall not necessarily be limited to:

- (a) Roof replacement;
- (b) Exterior maintenance;
- (c) Walkway and carport lighting;
- (d) Refuse disposal;
- (e) Cable television;
- (f) Domestic water supplied to living units.

Any such exemptions from the payment of assessments shall be in effect only until a notice of completion of the structural improvements has been recorded or until one hundred twenty (120) days after the issuance of a building permit for the structural improvement, whichever occurs first.

## ARTICLE VII

### COLLECTION OF ASSESSMENTS: LIENS

1. Right to Enforce. The right to collect and enforce assessment is vested in the board acting for and on behalf of the Association. The board or its authorized representative, including any manager, can enforce the obligations of the owners to pay assessments provided for in this declaration by commencement and maintenance of a suit at law or in equity, or the board may foreclose by judicial proceedings or through the exercise of the power of sale pursuant to Article VII, Section 2 to enforce the lien rights created. Suit to recover a money judgment for unpaid assessments together with all other amounts described in Article VI, Section 2 shall be maintainable without foreclosing or waiving the lien rights.

2. Creation of Lien. If there is a delinquency in the payment of any assessment, or installment on a lot, as described in Article VI, Section 4, any amounts that are delinquent, together with the late charge described in that section, interest at the rate of ten percent (10%) per annum, and all costs that are incurred by the board or its authorized representative in the collection of the amounts, including reasonable attorneys' fees, shall be a lien against such lot upon the recordation in the office of the County Recorder of a notice of assessment. The notice of assessment shall not be recorded unless and until the board or its authorized representative has delivered to the delinquent owner or owners, not less than fifteen (15) days before the recordation of the notice of assessment, a written notice of default and a demand for payment, and unless such delinquency has not been cured within said fifteen (15) day period. The lien shall expire and be void unless, within one (1) year after recordation of the notice of assessment, the board or its authorized representative records a notice of default as provided hereinafter or institutes judicial foreclosure proceedings with respect to such lien.

3. Notice of Default; Foreclosure. Not more than one (1) year nor less than fifteen (15) days after the recording of the notice of assessment, the board or its authorized representative can record a notice of default and can cause the lot with respect to which a notice of default has been recorded to be sold in the same manner as a sale is conducted under California Civil Code, Sections 2924, 2924b and 2924c, or through judicial foreclosure. However, as a condition precedent to the holding of any sale under Section 2924c appropriate publication shall be made. In connection with any sale under Section 2924c the board is authorized to appoint its attorney, any officer or director, or any title insurance company authorized to do business in California as trustee for purposes of conducting the sale. If a delinquency is cured before sale, or before completing a judicial foreclosure, the board or its authorized representative shall cause to be recorded in the office of the county recorder of the county in which the development is located a certificate setting forth the satisfaction of such claim and release of such lien upon payment of actual expenses incurred, including reasonable attorneys fees by any delinquent owner. The Association, acting on behalf of the owners, shall have the power to bid upon the lot at foreclosure sale and to acquire, hold, lease, mortgage and convey the lot.

4. Waiver of Exemptions. Each owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article VII, the benefit of any homestead or exemption laws of California in effect at the time any assessment, or installment, becomes delinquent or any lien is imposed.

5. Transfer of Unit by Sale or Foreclosure. Sale or transfer of any unit shall not affect the assessment lien. However, the sale or transfer of any unit pursuant to the foreclosure of a first mortgage shall extinguish the lien of such assessments as to payments which become due prior to such sale or transfer (except for assessment liens recorded prior to the mortgage). No sale or transfer shall relieve such unit from liability for any assessments thereafter becoming due or from the lien thereof.

Where the mortgagee of a first mortgage of record or other purchaser of a lot obtains title to the same as a result of foreclosure of any such first mortgage, such acquirer of title, his successor and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such lot which became due prior to the acquisition of title to such lot by such acquirer. Such payments which become due prior to such sale or transfer. No sale or transfer shall relieve such unit from liability for any assessments thereafter becoming due or from the lien thereof.

Where the mortgagee of a first mortgage of record or other purchaser of a lot obtains title to the same as a result of foreclosure of any such first mortgage, such acquirer of title, his successor and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such lot which became due prior to the acquisition of title to such lot by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the lots including such acquirer, his successors and assigns.

In a voluntary conveyance of a lot the grantee of the same shall be jointly and severably liable with the grantor for all unpaid assessments by the Association against the latter for his share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Association, setting forth the amount of the unpaid assessments against the grantor due the Association and such grantee shall not be liable for, nor shall the lot conveyed be subject to a lien for, any unpaid assessments made by the Association against the grantor in excess of the amount set forth in the statement provided, however, the grantee shall be liable for any such assessment becoming due after the date of any such assessment.

6. Right of Association to Bid at Foreclosure Sale. The Association, acting on behalf of the lot owners, shall have the power to bid for the lot at a foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. During the period a lot is owned by the Association, following foreclosure:

(a) No right to vote shall be exercised on behalf of the lot;

(b) No assessment shall be assessed or levied on the lot; and

(c) Each other lot shall be charged, in addition to its usual assessments its proportionate share of the assessment that would have been charged to such lot had it not been acquired by the Association as a result of foreclosure.

After acquiring title to the lot at foreclosure sale following notice and publication, the Association may execute, acknowledge and record a deed conveying title to the lot which deed shall be binding upon the owners, successors, and all other parties.

#### ARTICLE VIII

##### INSURANCE

1. Liability Insurance. The Association shall obtain and maintain comprehensive public liability insurance insuring the Association, any manager, the declarants and the owners and occupants of lots, and their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership or use of the common area and the recreation area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. Such policy shall contain extended coverage and replacement cost endorsements, if available, and may also contain vandalism and malicious mischief coverage, special form endorsement stipulated amount clause, and a determinable cash adjustment clause, or a similar clause to permit cash settlement covering full value of the improvements in the event of partial destruction and a decision not to rebuild. Such policy shall be in such amounts as shall be determined from time to time by the board and shall name as insured the Association. Such policy may contain a loss payable endorsement in favor of the trustee hereinafter described. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location, and use.

2. Fire and Extended Coverage Insurance. The Association also shall obtain and maintain a master or blanket policy of fire insurance for the full insurable value of all of the improvements within the common area. The form, content, and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional first mortgagees. If more

than one institutional first mortgagee has a loan of record against a lot in the development, the policy and endorsements shall meet the maximum standards of the various institutional first mortgagees represented in the development. The policy shall contain an agreed amount endorsement or its equivalent, an increased cost of construction endorsement or a contingent liability from operation of building laws endorsement or their equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a determinable cash adjustment clause or a similar clause to permit cash settlement covering full value of the improvements in case of partial destruction and a decision not to rebuild. The policy shall provide amounts of coverage as shall be determined by the board. The policy shall name as insured the Association, the owners and declarant, as long as declarant is the owner of any lot, and all mortgagees as their respective interests may appear, and may contain a loss payable endorsement in favor of the trustee described hereinafter.

3. Lot Insurance. Each owner shall maintain fire insurance with extended coverage insuring each owner's lot together with the improvements thereon, in an amount equal to eighty percent (80%) of the full insurance value thereof, or more, keeping said insurance in full force and effect at all times. Each owner shall promptly upon request furnish to the Association a certificate from such owner's insurance carrier 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 further certifying that such insurance coverage cannot be cancelled without ten (10) days' prior written notice to the Association.

4. Trustee. All insurance proceeds payable under Article VIII, Sections 2 and 3, subject to the rights of mortgagees under Article VIII, Section 8, may be paid to a trustee, to be held and expended for the benefit of the owners, mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in the county in which the development is located that agrees in writing to accept such trust. If repair or reconstruction is authorized, the board shall have the duty to contract for such work as provided for in this declaration.

5. Other Insurance. The board may and, if required by any institutional first mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, and a blanket policy of flood insurance. The board also shall purchase and maintain worker's compensation insurance, to the extent that it is required by law, for all employees or uninsured contractors of the Association. The board also shall purchase and maintain fidelity bonds or insurance (which shall be in an amount not less than One Hundred Fifty Percent (150%) of each year's estimated annual operating expenses and reserves and shall contain an endorsement of coverage of any person who may serve without compensation) sufficient to meet the requirements of any institutional first mortgagee. The board shall purchase and maintain such insurance on personal property owned by the Association, and any other insurance, that it deems necessary or that is required by any institutional first mortgagee.

6. Owner's Insurance. An owner may carry whatever personal liability insurance with respect to his lot that he desires. However, any such policy shall include a waiver of subrogation clause acceptable to the board and to any institutional first mortgagee.

7. Adjustment of Losses. The board is appointed attorney-in-fact by each owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Article VIII, Sections 1, 2 and 5. The board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

8. Distribution to Mortgagees. Any mortgagee has the option to apply insurance proceeds payable on account of a lot in reduction of the obligation secured by the mortgage of such mortgagee.

#### ARTICLE IX

##### DESTRUCTION OF COMMON AREA IMPROVEMENTS

1. Destruction; Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of the improvements in the common area, and if the available proceeds of the insurance carried pursuant to Article VIII are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the improvements shall be promptly rebuilt unless, within ninety (90) days from the date of destruction, members then holding at least seventy-five percent (75%) of the total voting power of each class of members present and entitled to vote, in person or by proxy, at a duly constituted meeting determine that such repair and reconstruction shall not take place. If repair and reconstruction is to take place, the board shall be required to execute, acknowledge and record in the office of the county recorder not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the members to rebuild.

2. Destruction; Proceeds Less Than 85% of Reconstruction Costs. If the proceeds of insurance are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction may nevertheless take place if, within ninety (90) days from the date of destruction, members then holding at least fifty-one percent (51%) of the total voting power of each class of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that such repair and reconstruction shall take place. If repair and reconstruction is to take place, the board shall execute, acknowledge and record in the office of the county recorder not later than one hundred twenty (120) days from the date of such destruction a certificate declaring the intention of the members to rebuild.

3. Rebuilding Procedures. If the members determine to rebuild, pursuant to Article IX, Sections 1 and 2, each owner shall be obligated to contribute the cost of reconstruction or restoration over and above the available insurance proceeds. If any owner fails or refuses to pay his proportionate share, the board may levy a special assessment pursuant to Article VI, Section 4(b)(c) against the lot of such owner which may be enforced under the lien provisions contained in Article VII or in any other manner provided in this declaration. If any owner disputes the amount of his liability under this Section, such owner may contest the amount of his liability by submitting to the board within ten (10) days after notice to the owner of his share of the liability written objections supported by cost estimates or other information that the owner deems to be material and may request a hearing before the board at which he may be represented by counsel. Following such hearing, the board shall give written notice of its decision to all owners, including any recommendation that adjustments be made with respect to the liability of any owners. If such adjustments are recommended, the notice shall schedule a special meeting of members for the purpose of acting upon the board's recommendation, including making further adjustments, if deemed by the members to be necessary or appropriate. All adjustments shall be affirmed or modified by a majority of the total voting power of each class of members. If no adjustments are recommended by the board, the decision of the board shall be final and binding on all owners, including any owner filing objections.

4. Rebuilding Contract. If the members determine to rebuild, the board or its authorized representative shall obtain bids from at least two reputable contractors and shall award the repair and reconstruction work to the lowest bidder. The board shall have the authority to enter into a written contract with the contractor for such repair and reconstruction, and the insurance proceeds held by trustee shall be disbursed to the contractor according to the terms of the contract. It shall be the obligation of the board to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

5. Rebuilding Not Authorized. If the members determine not to rebuild, then, subject to the rights of mortgagees under Article VIII, Section 8, any insurance proceeds then available for such rebuilding shall be distributed equally to the owner of each lot. The board shall have the duty, within one hundred twenty (120) days from the date of such destruction, to execute, acknowledge and record in the office of the County Recorder of said County, a certificate declaring the intention of the members not to rebuild.



6. Minor Repair and Reconstruction. The board shall have the duty to repair and reconstruct improvements, without the consent of members and irrespective of the amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed Twenty Thousand Dollars (\$20,000.00). The board is expressly empowered to levy a special assessment for the cost of repairing and reconstructing improvements to the extent insurance proceeds are unavailable, such assessments to be levied as described as Article IX, Section 3, (but without the consent or approval of members, despite any contrary provisions in this declaration).

#### ARTICLE X

##### CONDEMNATION OF COMMON AREA

1. Sale by Unanimous Consent. If an action for condemnation of all or a portion of the common area is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the owners and after written notice to all mortgagees, the development, or a portion of it may be sold by the board acting as irrevocable attorney-in-fact of all of the owners for a price deemed fair and equitable by the board but in no event less than the aggregate unpaid balance of all mortgages encumbering lots in the development.

2. Distribution of Proceeds of Sale. On a sale occurring under Article X, Section 1, the proceeds shall be distributed to the owner and the mortgagees of each lot equally.

3. Distribution of Condemnation Award. If the common area or a portion of it, is not sold but is instead taken, the judgment of condemnation shall by its terms apportion the award equally among the affected owners and their respective mortgagees. In the event that the condemnation of award affecting the common area or a portion of it, is not apportioned among the owners by court judgment or by agreement between the condemning authority and each of the affected owners in the subdivision, such award shall be distributed among the owners and their respective mortgagees equally.

ARTICLE XI

DESTRUCTION OF LOT IMPROVEMENTS

1. Destruction. In the event of total or partial destruction of any of the improvements constructed on any lot(s), the owner(s) thereof shall reconstruct the same as soon as reasonably possible and substantially in accordance with the original plans and specifications therefor; provided, however, that said improvements shall be restored so that the exterior appearance thereof substantially resembles their appearance in form and color immediately prior to such destruction.

2. Variation. Notwithstanding the foregoing, the owner of such damaged improvements may request permission from the architectural committee to reconstruct or repair such improvements in accordance with any new or changed plans and specifications established by the architectural committee and/or the board of directors.

3. Party Walls.

(a) General Rules of Law to Apply. Each wall which is built as a part of the original construction of the homes upon the properties and placed on the dividing line between the lots shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(b) Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the owners who make use of the wall in proportion to such use.

(c) Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any owner who has used the wall may restore it, and if the owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

(d) Weatherproofing. Notwithstanding any other provisions of this Article, an owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

(e) Right to Contribution Runs With Land. The right of any owner to contribution from any other owner under this Article shall be appurtenant to the land and shall pass to such owner's successors in title.

(f) Arbitration. In the event any dispute arises concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrator shall choose one additional arbitrator, and the decision shall be by a majority of all the arbitrators.

## ARTICLE XII

### NON-SEVERABILITY OF COMPONENT

#### INTEREST IN A LOT

1. Prohibition Against Severance. An owner shall not be entitled to sever his lot from his membership in the Association. None of the component interests in a lot can be severally sold, conveyed, encumbered, hypothecated or otherwise dealt with, and any violation or attempted violation of this provision shall be void. Similarly, no owner can sever any exclusive easement appurtenant to his lot over the common area from his lot, and any attempt to do so shall be void. It is intended hereby to restrict severability pursuant to California Civil Code, Section 1355(g).

2. Conveyances. After the initial sales of the lots any conveyance of a lot by an owner shall be presumed to convey the entire lot. However, nothing contained in this section shall preclude the owner of any lot from creating a cotenancy or joint tenancy in the ownership of the lot with any other person or persons.

## ARTICLE XIII

### TERM OF DECLARATION

1. Term of Declaration. This declaration shall run with the land, and shall continue in full force and effect for a period of sixty (60) years from the date on which this declaration is executed. After that time, this declaration and all covenants, conditions, restrictions and other provisions shall be automatically extended for successive ten (10) year periods unless this declaration is revoked by an instrument executed by owners and their respective institutional first mortgagees of not less than three-fourths (3/4) of the lots in the development and recorded in the office of the county recorder of the county in which the development is located.

ARTICLE XIV

ARCHITECTURAL CONTROL

1. Architectural Control. No building, fence, wall, obstruction, balcony, screen, patio, patio cover, tent, awning, carport, carport cover, improvement, or structure of any kind shall be commenced, erected, painted or maintained upon the property, nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by the board, or by an architectural control committee appointed by the board. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the board or to the architectural control committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topograph, and finish grade elevation. No permission or approval shall be required to repaint in accordance with declarant's original color scheme, or to rebuild in accordance with declarant's original plans and specifications. No permission or approval shall be required to repaint in accordance with a color scheme previously approved by the Board or the Committee, or to rebuild in accordance with plans and specifications previously approved by the Board or by the Committee.

No landscaping of patios or yards visible from the street or from the common area not involving the use of natural plants, grass, trees, or shrubs, and which does involve the use of synthetic materials, or of concrete, rock, or similar materials, shall be undertaken by any owner until plans and specifications showing the nature, kind, shape, and location of the materials shall have been submitted to and approved in writing by the board or by an architectural control committee appointed by the board.

2. Architectural Control Committee. The Architectural Control Committee shall consist of not less than three (3) nor more than five (5) members. Declarant may appoint all of the original members of the committee and all replacements until the first anniversary of the issuance of a final public report for the project. The declarant reserves to itself the power to appoint a majority of the members to the committee until ninety percent (90%) of all the units in the project have been sold or until the fifth anniversary of the issuance of the final public report of the project, whichever occurs first. After one (1) year from the date of issuance of the original public report, the board shall have the power to appoint one (1) member to the architectural control committee until ninety percent (90%) of all the units in the project have been sold or until the fifth anniversary date of the issuance of the final public report for

the project, whichever first occurs. Thereafter, the board shall have the power to appoint all of the members of the architectural control committee, all of whom shall be members of the Association. Members appointed to the architectural control committee by the declarant need not be members of the Association. A majority of the architectural control committee may designate a representative to act for it. In the event of death or resignation of any member of the committee, the successor shall be appointed by the person, entity or group which appointed such member until declarant no longer has the right to appoint any members to the committee, and thereafter the remaining members of the committee shall have full authority to designate such a successor. Neither the members of the committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto. At any time after the declarant's right to appoint a majority of the members of the committee is terminated, the then record owners of a majority of the units shall have the power, through a duly recorded written instrument, to change the membership of the committee or to change any of its powers and duties. In the event the committee fails to approve or disapprove plans and specifications within thirty (30) days after the same have been submitted to it, approval will not be required and the related covenants shall be deemed to have been fully complied with.

#### ARTICLE XV

##### MORTGAGE PROTECTION

1. Effect of Breach. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any first mortgage made in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

2. Notices to First Mortgagees of Record. A first mortgagee, upon request, will be entitled to written notification from the Association of any default in the performance by the mortgagor of any obligation under this declaration, the articles of incorporation, or the bylaws of the Association which is not cured within sixty (60) days.

3. Inapplicability of Right of First Refusal: The lot documents contain no provisions creating a "right of first refusal", but should any such rights be created in the future, such right of first refusal shall not impair the rights of the first mortgagee to: (a) foreclose or take title to a lot pursuant to the remedies provided in the mortgage, or (b) accept a deed (or assignment) in lieu of foreclosure in the event of default by the mortgagor, or (c) sell or lease a unit acquired by the mortgagee.

4. Foreclosure. If any lot is encumbered by a first mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this declaration for assessments, or installments of assessments, shall not operate to affect or impair the lien of such first mortgage. On foreclosure of the first mortgage, the lien for assessments, or installments that has accrued up to the time of foreclosure shall be subordinate to the lien of the mortgage, with the foreclosure-purchaser taking title to the lot free of the lien for assessments or installments, that has accrued up to the time of the foreclosure sale. On taking title to the lot the foreclosure-purchaser shall only be obligated to pay assessments for their charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the lot. The subsequently levied assessments or other charges may include previously unpaid assessments provided all owners, including the foreclosure-purchaser, and his successors and assigns are required to pay their proportionate share as provided in this section. However, the holder of a first mortgage encumbering any unit who obtains title to a unit pursuant to a deed in lieu of foreclosure shall remain fully liable for any unpaid dues, assessments or charges against such unit which accrue prior to the acquisition of such title.

5. Restriction on Changes. Unless at least seventy-five percent (75%) of the first mortgagees (based upon one vote for each first mortgage owned), or owners (other than the developer) of the individual units have given their prior written approval, the Association shall not be entitled to:

(i) by act or omission, seek to abandon, partition, subdivide, encumber, sale, or transfer the common area owned, directly or indirectly, by the Association (the granting of easements for public utilities or for other public purposes consistent with the intended common area by the Association shall not be deemed a transfer within the meaning of this clause);

(ii) change the method of determining the obligations, assessments, dues, or other charges which may be levied against an owner;

(iii) by act or omission change waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or exterior appearance of units, the exterior maintenance of units, the maintenance of the common area party walks or common fences and driveways, or the upkeep of lawns and plantings in the development;

(iv) fail to maintain fire and extended coverage on insurable common area or 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);

(v) use hazard insurance proceeds for losses to any association common property for other than repair, replacement, or reconstruction of such common property.

6. Inspection of Books and Records. First mortgagees shall have the right to examine the books and records of the Association or the project.

7. Reserve for Replacement. Association assessments, dues or charges shall include an adequate reserve fund for maintenance, repairs, and replacement of those elements of the common area that must be replaced on a periodic basis, and shall be payable in regular installments rather than by special assessments.

8. Taxes and Liens on Individual Units. All taxes, assessments and charges which may become liens prior to the first mortgage under local law shall relate only to the individual units and not to the project as a whole.

9. Priority of First Mortgagees on Distribution of Insurance Proceeds or Condemnation Awards. No provisions of this declaration, the articles of incorporation, the bylaws of the Association, or any other documents 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 common area.

10. Professional Management Contracts. Any agreement for professional management of the development, or any other contract providing for services by the developer, must provide for termination for either party without cause or payment of a termination fee on ninety (90) days or less written notice and a maximum contract term of three years.

11. Notice of Destruction or Taking. The Association shall give FHLMC notice (c/o Servicer at Servicer's address) in writing of any loss, or taking of, the common area of the development if such loss or taking exceeds Ten Thousand Dollars (\$10,000.00) or damage to a unit covered by a mortgage purchased in whole or in part by FHLMC exceeds One Thousand Dollars (\$1,000.00).

12. Subordination. Any lien created or claimed under the provisions of this declaration is expressly made subject and subordinate to the rights of any first mortgage that encumbers all or a portion of the development, or any lot, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligations or priority of such first mortgage unless the mortgagee expressly subordinates his interest, in writing, to such lien.

13. Distribution of Insurance and Condemnation Proceeds. No owner, or any other party, shall have priority over any right of institutional first mortgagees of lots pursuant to their mortgages in case of a distribution to owners of insurance proceeds or condemnation awards for losses to or a taking of units or common area. Any provisions to the contrary in this declaration or in the bylaws or other documents relating to the development is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected institutional first mortgagees naming the mortgagees, as their interests may appear.

14. Amenities. All amenities (such as parking, recreation and service areas) and common area or recreation area shall be available for use by owners and all such amenities with respect to which regular or special assessments for maintenance or other uses may be levied shall constitute common area or recreation area. All such amenities shall be owned in fee by the owners in undivided interests or by the Association free of encumbrances except for any easements granted for public utilities or for other public purposes consistent with the intended use of such property by the owners or by the Association.

15. Voting Rights on Default. In case of default by any owner in any payment due under the terms of any institutional first mortgage encumbering such owner's lot, or the promissory note secured by the mortgage, the mortgagee or his representative, on giving written notice to such defaulting owner or owners, and placing of record a notice of default, is hereby granted a proxy and can exercise the voting rights of such defaulting owner attributable to such lot at any regular or special meeting of the members held during such time as such default may continue.

16. Payments by Mortgagees. First mortgagees of lots may, jointly or singularly, pay taxes or other charges which are in default and which may or have become a charge against the common area or recreation area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for common area or recreation area improvements or other insured property of the Association and, upon making any such payments, such mortgagees shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all mortgagees and upon request of any mortgagee the Association shall execute and deliver to such mortgagee separate written agreement embodying the provision of this Article XV, Section 16.



17. Non-Curable Breach. Any mortgagees who acquires title to lot by foreclosure or by deed in lieu of foreclosure or assignment-in-lieu of foreclosure shall not be obligated to cure any breach of this declaration that is non-curable or of a type that is not practical or feasible to cure.

18. Loan to Facilitate. Any mortgage given to secure a loan to facilitate the resale of a lot after acquisition by foreclosure or by a deed-in-lieu of foreclosure or by an assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article XV.

19. Appearance at Meetings. Because of its financial interest in the development, any mortgagee may appear (but cannot vote except under the circumstances set forth in Article XV, Section 15) at meetings of the members and the board to draw attention to violations of this declaration that have been corrected or made the subject of a remedial proceedings or assessments.

20. Right to Furnish Information. Any mortgagee can furnish information to the board concerning the status of any mortgage.

21. Amendment. The prior written consent of seventy-five percent (75%) of the holders of all first mortgagees (based upon one vote for each mortgage held) shall be required to any material amendment to this declaration, to the articles or to the bylaws. As used in this Article XV, Section 21, the term "any material amendment" is defined to mean amendments to provisions of this declaration, to the articles or to the bylaws governing the following subjects:

- (a) The purpose for which the development may be used;
- (b) Voting;
- (c) Assessments, collection of assessments, creation and subordination of assessment liens;
- (d) Reserves for repair and replacement of common area or recreation area improvements;
- (e) Maintenance of common area, recreation area and improvements thereon;
- (f) Casualty and liability insurance;
- (g) Rebuilding or reconstruction of common area, recreation area and improvements thereon, in the event of damage or destruction;
- (h) Rights of use to and in the common area and recreation area;
- (i) Annexation of additional property; and
- (j) Any provision, which by its terms, is specifically for the benefit of first mortgagees, or specifically confers rights on first mortgagees.

## ARTICLE XVI

### 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 (if any), shall be governed by the following:

(a) Wherever sanitary sewer house connections and lines or electricity, gas, telephone, air conditioning (if any) lines or television cables are installed within the property, which connections or any portion thereof, lie in or on portions of the property owned by others than the lot owner of a lot served by said connections, the lot owners of any lot 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 property 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) Wherever sanitary sewer house connections and lines, facilities and/or water house connections and lines or electricity, gas, telephone, air conditioning (if any) lines, or television cables are installed within the property, which connections serve more than one lot, the owners of each lot served by said connections shall be entitled to the full use and enjoyment of such portions of said connections as serve his lot.

(c) In the event any portion of said connection or line is damaged or destroyed through the negligent act or acts or failure to act or willful misconduct of one lot owner or any of his agents, invitees, tenants, servants, guests or members of his family, so as to deprive other lot owners of the full use and enjoyment of said connection or line, then such connection or line shall be repaired and restored by the Association but at the expense of the lot 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 of the lot 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 or line shall be repaired and restored by the Board, 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 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 for a final and binding determination.

2. Easements. Easements through the lots and common area for all facilities for the furnishing of utility services, television cable service, heating and air conditioning (if any) lines within any lot, which facilities shall include but not be limited to conduits, ducts, plumbing and wiring, shall be appurtenant to each lot and all other lots 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.

ARTICLE XVII

AMENDMENT

1. Amendment Before Close of First Sale. Before the close of the first sale of a lot in the development to a purchaser other than declarants, this declaration and any amendments to it may be amended in any respect or revoked by the execution by declarant and any mortgagee of record of an instrument amending or revoking the declaration. The amending or revoking instrument shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the county recorder of the county in which the development is located.

2. Amendment After Close of First Sale. After the close of the first sale of a lot in the development to a purchaser other than declarant, this declaration may be amended or revoked in any respect by the vote or written consent of the holders of not less than fifty-one percent (51%) of the voting rights of each class of members. After the conversion of Class B members to Class A membership, any amendment of this declaration shall require the vote of fifty-one percent (51%) of the voting power of the membership and fifty-one percent (51%) of the votes of the membership, other than the subdivider. However, if any provision of this declaration requires a greater or lesser percentage of the voting rights of any class of members in order to take affirmative or negative action under such provision, the same percentage of such class or classes of members shall be required to amend or revoke such provision. Also, if the consent or approval of any government authority, mortgagee or other person, firm, agency or entity is required under this declaration with respect to any amendment or revocation of any provision of this declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation subsequent to the close of such first sale shall be evidenced by an instrument certified by the Secretary or other duly authorized officer of the Association and shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the county recorder of the county in which the development is located.

3. Amendment Where Percentage Vote Specified. Notwithstanding the provision of Article XVII, Section 2, of this declaration, the articles, bylaws or association rules which expressly requires the approval of a specified percentage or specified percentages of the voting power of the Association or first mortgagees 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 or percentages of the voting power of the Association and/or first mortgagees.

4. Conflict with Article XV or Other Provisions of this Declaration. To the extent any provision of this Article XVII conflict with the provisions of Article XV or any other provision of this declaration, except those contained in Article XVII, Section 5, the provisions of Article XV shall control.

5. Business and Professions Code Section 11018.7. All amendments or revocations of this declaration shall comply with the provisions of California Business and Profession Code, Section 11018.7 to the extent said Section is applicable.

6. Reliance on Amendments. Any amendments made in accordance with the terms of this declaration shall be presumed valid by anyone relying on them in good faith.

7. Amendments to Conform with Mortgagee Requirements. It is the intent of declarant that this declaration and the articles and bylaws of the association, and the development in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure or subsidize any mortgage of a lot in the development by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Federal Housing Administration and the Veterans Administration. In furtherance of that intent, declarants expressly reserve the right and shall be entitled by unilateral amendment of the declaration so long as declarant owns more than twenty-five percent (25%) of the lots in the development to amend this declaration in order to incorporate any provisions or to enter into any agreement on behalf of and in the name of the Association that are, in the opinion of any of the cited entities or governmental agencies, required to conform the declaration, the articles, the bylaws or the development to the requirements of any of the entities or governmental agencies, including without limitation, the execution on behalf of and in the name of the Association of a regulatory agreement between the Association and the Federal Housing Commissioner and any other agreement sufficient to satisfy the requirements for mortgage purchase, guarantee or insurance by any of said entities or agencies. Declarant is hereby granted an irrevocable power of attorney to execute any such amendment or agreement by and in the name of the Association. Any such provision shall first be approved by the California Department of Real Estate in connection with its issuance of a final subdivision public report or amendment to it with respect to the development. Each owner of a lot and each mortgagee of a lot by acceptance of a deed or encumbrance of a lot consents to the incorporation of this declaration of any such provisions and to the execution of any amendment or regulatory agreement and agrees to be bound by any such provisions as if they were incorporated in this declaration. The board and each owner shall take any action or shall adopt any resolutions required by declarant or any mortgagee to conform this declaration or the development to the requirements of any of said entities or agencies.

8. Approval of the City of Rancho Palos Verdes. Any amendment to this Declaration which would amend, modify, delete or otherwise affect any provision shall require the prior written approval of the City of Rancho Palos Verdes. No amendment to this Declaration shall be effective unless: (1) the text thereof shall have been submitted to the City of Rancho Palos Verdes thirty (30) days prior to its adoption by the owner; (2) either the City has approved the amendment or failed to disapprove it within said thirty (30) day period, and (3) the recorded instrument affecting such amendment shall recite that it was so submitted and approved or not disapproved.

ARTICLE XVIII

GENERAL PROVISIONS

1. Notification of Sale of a Lot. Concurrently with the consummation of the sale of any lot under circumstances whereby the transferee becomes an owner thereof, or within five (5) business days thereafter, the transferee shall notify the board in writing of such sale. Such notification shall set forth the name of the transferee and his mortgagee and transferor, the common address of the lot purchased by the transferee, the transferee's and the mortgagee's mailing address, and the date of sale. Prior to the receipt of such notification, any and all communications required or permitted to be given by the Association, the board or the manager shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor. Mailing addresses may be changed at any time upon written notification to the board. Notices shall be deemed received forty-eight (48) hours after mailing if mailed to the transferee, or to his transferor if the board has received no notice of transfer as above provided, by certified mail, return receipt requested, at the mailing address above specified. Notices shall also be deemed received twenty-four (24) hours after being sent by telegram or upon personal delivery to any occupant of a lot over the age of twelve (12) years.

2. Limitation of Restrictions on Declaration. Declarant is undertaking the work of construction of residential dwellings and incidental improvements upon the subject property. The completion of that work and the sale, rental, and other disposal of said lots is essential to the establishment and welfare of said property as a residential community. In order that said work may be completed and said property be established as fully occupied residential community as rapidly as possible, nothing in this declaration shall be understood or construed to:

(a) Prevent declarant, its contractors, or subcontractors from doing on the property or any lot, whatever is reasonably necessary or advisable in connection with the completion of said work; or

(b) Prevent declarant or its representatives from erecting, constructing and maintaining on any part or parts of the property, such structures as may be reasonable and necessary for the conduct of its business of completing said work and establishing said property as a residential community and disposing of the same in parcels by sale, lease or otherwise; or

(c) Prevent declarant from conducting on any part of the property its business of completing said work and of establishing a plan of ownership and of disposing of said property in the development by sale, lease or otherwise; or

(d) Prevent declarant from maintaining such sign or signs on any of the property as may be necessary for the sale, lease or disposition thereof.

The foregoing limitations of the application of the restrictions to declarant shall terminate upon the sale of declarant's entire interest in the project.

So long as declarant, its successors and assigns, owns one or more of the lots established and described herein, declarant, its successors and assigns, shall be subject to the provisions of this declaration.

Declarant shall not interfere with the use and enjoyment of the lots and common area by owners while completing any work necessary to the development or in conducting any sales activity on the development.

3. Unsegregated Real Estate Taxes. Until such time as real property taxes have been segregated by the county assessor of the county in which the development is located, they shall be paid by the respective owners of the lot. The proportionate share of the taxes for a particular lot shall be determined by dividing the initial sales price or offered initial sales price of the lot by the total initial sales prices and offered initial sales prices of all lots within the development (the term "offered initial sales price" means the price at which an unsold lot is then being offered for sale by declarant). If, and to the extent, that taxes are not paid by any owner of a lot and are allowed to become delinquent, they shall be collected from the delinquent owner by the Association.

4. Declarant's Rights During Construction and Rental/Sale Period. Any provision hereof to the contrary notwithstanding, Declarant and its agents and designees shall have the right to engage in, or cause others to engage in, any and all activities which it or they consider necessary or proper in order to cause residential improvements to be constructed upon lots and in order to cause lots to be rented or sold, including, without limitation, the placing and storage of materials upon lots owned by it or them, the placing and maintaining of temporary structures upon lots owned by it or them, the placing and maintaining of signs, flags, poles and other rental and sale aids upon lots owned by it or them, and the use of homes owned by it or them as rental and sales offices and models; provided, however, that the foregoing shall only be permitted prior to termination of the construction and rental/sales period which period ends either (i) upon the closing of the sales of all lots within the development to residential purchasers thereof, or (ii) four (4) years after the closing of the sale of the first lot situated within the development, whichever first occurs.

5. Headings. The headings used in this declaration are for convenience only and are not to be used to interpret the meaning of any of the provisions of this declaration.

6. Severability. The provisions of this declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision or provisions of it shall not invalidate any other provisions.

7. Cumulative Remedies. Each remedy provided for in this declaration shall be cumulative not exclusive. Failure to exercise any remedy provided for in this declaration shall not, under any circumstances, be construed as a waiver thereof.

8. Violations as Nuisance. Every act or omission in violation of the provisions of this Declaration shall constitute a nuisance and, in addition to all other remedies herein set forth, may be abated or enjoined by any owner, any member of the board, the manager, or the Association.

9. No Racial Restriction. No owner shall execute or cause to be recorded any instrument which imposes a restriction upon the sale, leasing or occupancy of his unit on the basis of race, sex, color or creed.

10. Access to Books. Any owner may, at any reasonable time and upon reasonable notice to the board or manager at his own expense, cause an audit or inspection to be made of the books and financial records of the Association.

11. Liberal Construction. The provisions of this declaration shall be liberally construed to effectuate its purpose. Failure to enforce any provisions hereof shall not constitute a waiver of the right to enforce said provision thereafter.

12. Number; Gender. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

13. Exhibits. All exhibits referred to are attached to this declaration and incorporated by reference.

14. Easements Reserved and Granted. Any easements referred to in this declaration shall be deemed reserved or granted, or both reserved and granted, by reference to this declaration in a deed to any lot.

15. Binding Effect. This declaration shall inure to the benefit of and be binding on the successors and assigns of the declarant, and the heirs, personal representatives, grantees, tenants, successors and assigns of the owners.

Declarants have executed this instrument on the 16 day of Sept, 1980.

T & G, A General Partnership

By Theodore A. Wall  
THEODORE A. WALL

By George Eastom  
GEORGE EASTOM

TORRANCE MACHINERY & ENGINEERING,  
A Limited Partnership

By: WESTERN BRASS MACHINERY, INC.  
A California Corporation  
(General Partner)

By Walter Sporn  
WALTER SPORN, President

By Claudia Bird  
CLAUDIA BIRD, Secretary

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On 16 September, 1980, before me, the undersigned, a Notary Public in and for said State, personally appeared THEODORE A. WALL and GEORGE EASTOM known to me to be two of the partners of the partnership that executed the within instrument, and acknowledged to me that such partnership executed the same.

WITNESS my hand and official seal.

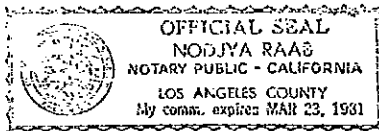


*Nodjya Raab*  
Notary Public

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF LOS ANGELES )

On 16 September, 1980, before me, the undersigned, a Notary Public in and for said State, personally appeared WALTER STORM, known to me to be the President, and CLAUDIA BIRD, KNOWN to me to be the Secretary of WESTERN BRASS MACHINERY INC., the corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said corporation, said corporation being known to me to be one of the partners of TORRANCE MACHINERY & ENGINEERING, the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

WITNESS my hand and official seal.



*Nodjya Raab*  
Notary Public

80- 368173



EXHIBIT "A"

(YARD AND PATIO LOCATIONS)

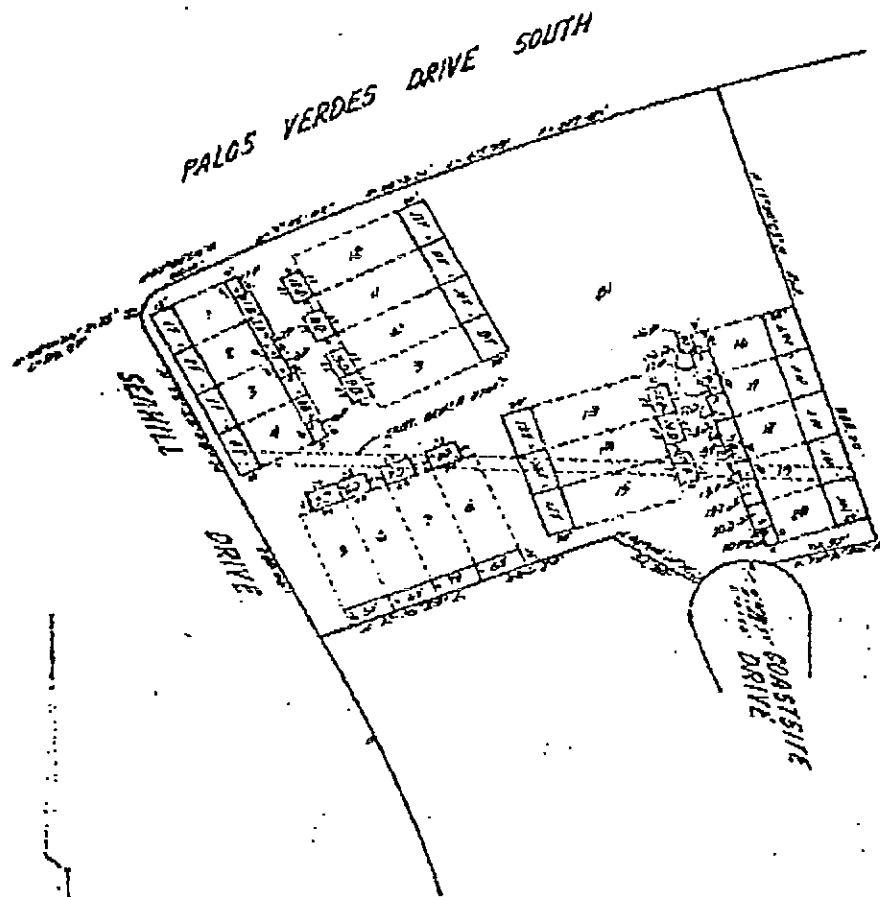
80- 968173



Exhibit A

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**DRIVEWAY, YARD, AND PATIO LOCATIONS  
FOR  
LOTS 1-20 TRACT N° 33358**



80- 968173

**NOTE:**  
 1. ALL YARD AREAS ARE ADJACENT TO EACH LOT, AS ARE PATIOS AND DECKS  
 2. "Y" INDICATES YARDS  
 3. "P" INDICATES PATIOS  
 4. "D" INDICATES DRIVEWAYS  
 5. "W", "A", "T" ARE RESTRICTED COMMON AREAS

SCALE: 1"=100'