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LAWYERS TITLE COMPANY
a California Corporation

By *Sid Phair*

Authorized Officer or Agent

**DECLARATION OF COVENANTS, CONDITIONS,
AND RESTRICTIONS FOR**

**MANHATTAN BEACH
FIRENZE VILLAS**

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**DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS
FOR**

**MANHATTAN BEACH
FIRENZE VILLAS**

This Declaration is made this third day of December, 2001, by FIRENZE VILLAS, LLC, a California Limited Liability Company ("Declarant").

RECITALS

A. Declarant is the owner of that certain real property ("Property") located in the City of Manhattan Beach, County of Los Angeles, State of California, which is more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference.

B. Declarant intends to develop the Property into a condominium project under the provisions of California Civil Code Section 1350, et seq., subject to certain easements, covenants, conditions, restrictions, reservations, liens and charges, all of which are for the purpose of enhancing and protecting the value, desirability and attractiveness of the Property and to sell and convey residential Condominiums to the Owners, subject to the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes between Declarant and such Owners which are set forth in this Declaration and which are intended to be in furtherance of a general plan for the subdivision, development, sale and use of the Property in furtherance of a plan of condominium ownership as described in Section 1351 of the California Civil Code.

NOW THEREFORE, Declarant hereby declares that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the following declarations, limitations, covenants, conditions, restrictions, liens, charges and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, and every part thereof, in accordance with the plan for the improvement of the Property and division thereof into Condominiums. All of the limitations, covenants, conditions, restrictions and easements shall constitute equitable servitudes in accordance with California Civil Code Section 1354 and shall be binding upon Declarant and its successors and assignees, and all parties having or acquiring any right, title or interest in or to any part of the Property.

Article I

Definitions

Section 1. "Architectural Committee" means the committee created in accordance with Article V of this Declaration.

Section 2. "Articles" means the Articles of Incorporation of Manhattan Beach Firenze Villas which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 3. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and his or her Condominium in accordance with the provisions of Article IV of this Declaration.

Section 4. "Association" means Manhattan Beach Firenze Villas, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The Association is an "association" as defined in California Civil Code Section 1351(a).

Section 5. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors of the Association, pursuant to Article III, Section 7 of this Declaration, as the same may be in effect from time to time.

Section 6. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 7. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 8. "City" means the City of Manhattan Beach and its various departments, divisions, employees and representatives.

Section 9. "Common Area" means the entire Project except all Units, as defined in Article I, Section 30 and shown on the Condominium Plan. Unless the context clearly indicates a contrary intent, any reference herein to the "Common Areas" shall also include any Common Facilities located thereon. As more particularly described in Article II, Section 2(d), portions of the Common Area are designated as Exclusive Use Common Areas whose use and enjoyment are restricted to the Owners and occupants of the Units adjacent to such Exclusive Use Common Areas. Each Unit Owner will receive the following undivided interest in the Common Area: one-eighth (1/8th).

Section 10. "Common Expense" means any use of funds authorized by Article IV hereof and includes, without limitation: (a) All expenses or charges incurred by or on behalf

of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area, Common Facilities or any portion of any Unit that the Association is obligated to maintain or repair, (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors, (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Common Areas and Common Facilities or any portion of any Unit that the Association is obligated to maintain or replace, and for nonpayment of any Assessments, and (d) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 11. "Common Facilities" means the trees, hedges, plantings, lawns, shrubs, landscaping, walkways, driveways, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures and/or other facilities constructed or installed, or to be constructed or installed, or currently located within the Common Area.

Section 12. "Condominium" means an estate in real property as described in the California Civil Code Sections 783 and 1351(f) consisting of an undivided interest as a tenant in common in all or any portion of the Common Area, together with a separate fee interest in a Unit and any other separate interests in the real property as are described in this Declaration, in the Condominium Plan, or in the deed conveying the Condominium.

Section 13. "Condominium Plan" means a condominium plan recorded pursuant to California Civil Code Section 1351(e) respecting the Project, and any amendments to the plan.

Section 14. "County" means the County of Los Angeles, State of California, and its various departments, divisions, employees and representatives.

Section 15. "Declarant" means Firenze Villas, LLC, a California Limited Liability Company, and any successor or assign that expressly assumes the rights and duties of the Declarant hereunder, in a recorded written document.

Section 16. "Declaration" means this instrument, as it may be amended from time to time.

Section 17. "Governing Documents" is a collective term that means and refers to all documents governing the Property, including this Declaration, the Articles, the Bylaws, and the Association Rules.

Section 18. "Improvements" includes, without limitation, the construction, installation, alteration, or remodeling of any buildings, walls, decks, fences, landscaping, landscape structures, antennas, utility lines, or any structure of any kind.

Section 19. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Article XIV, Section 6 hereof.

Section 20. "Mortgage" means any security device encumbering all or any portion of the Property, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 21. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Condominium. The term "Owner" shall include the Declarant for so long as the Declarant possesses any Condominium within the Property.

Section 22. "Owner of Record" and "Member of the Association" include any Owner and mean any person, firm, corporation or other entity in which title to a Condominium is vested as shown by the official records of the Office of the County Recorder.

Section 23. "Project" means the Property and the Improvements located thereon which are intended to create a condominium project as described in California Civil Code Section 1351(f).

Section 24. "Property" means all parcels of real property (Common Area and Condominium Units described in Recital "A" hereof), together with all buildings, structures, utilities, Common Facilities, and other improvements now located or hereafter constructed or installed thereon, and all appurtenances thereto.

Section 25. "Regular Assessment" means an Assessment levied on an Owner and his or her Condominium in accordance with Article IV, Section 2 hereof.

Section 26. "Single Family Residential Use" means occupation and use of a Unit for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning or other applicable laws or governmental regulations limiting the number of persons who may occupy single family residential dwellings.

Section 27. "Special Assessment" means an assessment levied on an Owner and his or her Condominium in accordance with Article IV, Section 3 hereof.

Section 28. "Special Individual Assessment" means an Assessment made against an owner and his or her Condominium in accordance with Article IV, Section 4 hereof.

Section 29. "Subdivision Map" means the map for the Property referenced in Recital "A" of this Declaration.

Section 30. "Unit" means the elements of a Condominium that are not owned in common with the Owners of Condominiums in the Project; such Units and their respective

boundaries being shown and particularly described in the Condominium Plan, deeds conveying Condominiums, and this Declaration. "Unit" does not include other interests in real property that are less than estates in real property, such as exclusive or nonexclusive easements. In interpreting deeds and plans, the existing physical boundaries of a Unit, or of a Unit reconstructed in substantial accordance with the original plan, shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed or Condominium Plan regardless of minor variance between boundaries shown on the Condominium Plan or in the deed and those of the building and regardless of settling or lateral movement of the building. Whenever reference to a Unit is made in this Declaration, in the Condominium Plan, in any deed, or elsewhere, it shall be assumed that such reference is made to the Unit as a whole, including each of its component elements.

Article II

Property Rights and Obligations of Owners

Section 1. Elements of Condominium. Ownership of each Condominium within the Project includes a Unit, an undivided interest in the Common Area, a membership in the Association, and any exclusive or nonexclusive easement or easements appurtenant to such Condominium over the Common Area as described in this Declaration, the Condominium Plan and the deed to the Condominium.

Section 2. Owners' Nonexclusive Easements of Enjoyment. Every Owner shall have a nonexclusive right and easement of enjoyment in and to the Common areas within the Property, including ingress and egress to and from his or her Condominium, which shall be appurtenant to and shall pass with the title to every Condominium, subject to the following rights and restrictions:

(a) The right of the Association to assign, rent, license, lease, charge reasonable admission and other fees for, and to otherwise designate and control the use of any unassigned parking and storage spaces within the Common Area.

(b) The right of the Association to adopt Association Rules as provided in Article III, Section 7 hereof, regulating the use and enjoyment of the Property for the benefit and well-being of the Owners in common, and, in the event of the breach of such rules or any provision of any Governing Document by any Owner or Tenant, to temporarily suspend the voting rights and/or right to use the common facilities, other than roads, by any Owner and/or Owner's Tenants and guests.

(c) The right of the Association, in accordance with its Articles and Bylaws, to borrow money for the purpose of improving the common area and common facilities and in aid thereof to mortgage said property; provided, however, that the rights of any such Mortgagee in said properties shall be subordinate to the rights of the Owners hereunder; and further provided that any such indebtedness shall be considered an expense of the Association for purposes of the Special Assessment provisions of Article IV, Section 3 hereof.

(d) Each Unit shall have Exclusive Use Common Areas, as defined in the California Civil Code Section 1351(i), consisting of one or more of the following: Guest Parking Area and Deck Area. The Exclusive Use Common Areas are set aside for the exclusive use and enjoyment of the Owners and occupants of the appurtenant Unit and the non-exclusive easements granted herein shall be subordinate to and shall not interfere with these exclusive easements.

Section 3. Persons Subject to Governing Documents. All present and future Owners, tenants and occupants of a Unit within the Property shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same or any of them shall be

amended from time to time, unless a particular provision is specifically restricted in its application to one or more of such classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to any Condominium, the entering into a lease, sublease or contract or sale with respect to any Unit, or the occupancy of any Unit shall constitute the consent and agreement of such Owner, tenant or occupant that each and all of the provisions of this Declaration, as the same or any of them may be amended from time to time, shall be binding upon said person and that said person will observe and comply with the Governing Documents.

Section 4. Delegation of Use. Any Owner may delegate the Owner's rights to use and enjoy the Common Area and Common Facilities to members of the Owner's family or to the Owner's tenants or lessees who reside in the Owner's Unit, provided that any rental or lease may only be for Single Family Residential Use.

Section 5. Obligations of Owners. Owners of Condominiums within the Property shall be subject to the following:

(a) Owner's Duty to Notify Association of Tenants. Each Owner shall notify the secretary of the Association or the Association's property manager, if any, of the names of any tenant of the Owner's Condominium. Each Owner or tenant shall also notify the secretary of the Association of the names of all persons to whom such Owner or tenant has delegated any rights to use and enjoy the Property and the relationship that each person bears to the Owner or tenant.

(b) Notification Regarding Governing Documents.

(i) As more particularly provided in California Civil Code Section 1368, as soon as practicable before transfer of title with respect to any Condominium, the Owner thereof must give the prospective purchaser (A) a current copy of the Governing Documents; (B) the Association's most current financial statement; and (C) a true statement in writing from the Association ("delinquency statement") as to the amount of any delinquent Assessments, together with information relating to late charges, attorney's fees, interest, and reasonable costs of collection which, as of the date the statement is issued, are or may become a lien on the Condominium being sold.

(ii) The Association shall, within 10 days of the mailing or delivery of a request for the information described in subparagraph (b)(i), above, provide the Owner with a copy of the current Governing Documents, together with the delinquency statement referred to in the immediately preceding paragraph. The Association shall be entitled to impose a fee for providing the Governing Documents and delinquency statement equal to (but not more than) the reasonable cost of preparing and reproducing the requested materials.

(c) Payment of Assessments and Compliance With Rules. Each Owner shall pay when due each Regular, Special and Special Individual Assessment levied against the Owner and his or her Condominium and shall observe, comply with and abide by any and all rules and regulations set forth in, or promulgated by the Association pursuant to any Governing Document for the purpose of protecting the interests of all Owners or protecting the Common Area and Common Facilities.

(d) Discharge of Assessment Liens. Each Owner shall promptly discharge any Assessment lien that may hereafter become a charge against his or her Condominium.

(e) Joint Ownership of Condominiums. In the event of joint ownership of any Condominium, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this subparagraph (e) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Declaration, including, without limitation, the payment of all Assessments.

(f) Prohibition on Avoidance of Obligations. No Owner, by non-use of the Common Area or Common Facilities, abandonment of the Owner's Condominium or otherwise may avoid the burdens and obligations imposed on such Owner by the Governing Documents, including, without limitation, the payment of Assessments levied against the Owner and his or her Condominium pursuant to this Declaration.

(g) Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Condominium to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Condominium which become due after the date of recording of the deed evidencing said transfer and, upon such recording, all Association membership rights possessed by the transferor by virtue of the ownership of said Condominium shall cease.

Article III

Homeowners Association

Section 1. Creation of Association. The Owners of the Units shall constitute the association.

Section 2. Association Membership. Every Owner of a Condominium shall be a Member of the Association. Each Owner shall hold one membership in the Association for each Condominium owned and the membership shall be appurtenant to such Condominium. Ownership of a Condominium 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 or her ownership in all Condominiums in the Property ceases, at which time his or her membership in the Association shall automatically cease. Persons or entities who hold an interest in a Condominium merely as security for performance of an obligation are not Members until such time as the security holder comes into title to the Condominium through foreclosure or deed in lieu thereof.

Section 3. Voting Rights of Members/Two Classes of Membership. The Association shall have two (2) classes of voting Membership:

(a) Class A. Class A Members shall be all Owners, with the exception of Declarant. Each Unit shall be entitled to one vote for each Unit owned. When more than one person holds an interest in one Unit, all such persons shall be Members. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more votes than one vote per Unit be cast with respect to any Unit.

(b) Class B. Class B Members shall be the Declarant and shall be entitled to vote as follows: Voting shall be the same as for Class A Membership, except that Class B Members may triple their votes for each Unit owned. The Class B Memberships shall cease and be converted to Class A Memberships on the happening of either of the following events, whichever occurs earlier:

- (i) When the total votes outstanding in Class A Memberships equal the total votes (tripled as stated above) outstanding in Class B Memberships, or
- (ii) On the second anniversary of the first conveyance of a subdivision interest in the development.

Approval of any action by the Association which must have the approval of a majority of the voting power of the Members of the Association, other than an action to enforce the obligations of the Declarant under any completion bond, shall require the vote or written assent of a bare majority of the Class B Members as well as the vote and written assent of a majority of the Class A Members.

Any action which may be taken by the vote of Members at a regular or special meeting; except the election of governing body Members where cumulative voting is a requirement, may be taken without a meeting if done in compliance with the provisions of Section 7513 of the Corporation Code.

Any Owner may attend and vote at such meeting in person, or by agent duly appointed by an instrument in writing signed by the Owner and filed with the Board. Any such appointment may be revoked at any time by written notice of the Owner of any Unit. Where there is more than one record Owner of a Unit, any or all of such persons may attend any meeting of the Association, but it shall be necessary for those Owners present to act unanimously in order to cast the vote to which they are entitled.

Voting rights attributable to subdivision interests shall not vest until assessments against those interests have been levied by the Association.

Section 4. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Condominiums within the Property and to enforce payment of such Assessments in accordance with Article IV of this Declaration. Any Assessments levied by the Association on its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

Section 5. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale or encumbrance of the Condominium to which it is appurtenant and then only to the purchaser. In the case of a sale, membership passes automatically to the purchaser upon recording of a deed evidencing transfer of title to the Condominium. In the case of an encumbrance of such Condominium, a Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Tenants who are delegated rights of use pursuant to Article II, Section 3 hereof do not thereby become Members, although the tenant and Members of the tenant's family shall, at all times, be subject to the provisions of all Governing Documents. Any attempt to make a prohibited transfer is void. In the event the Owner of any Condominium should fail or refuse to transfer the membership registered in the Owner's name to the purchaser of his or her Condominium, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 6. Powers and Authority of the Association.

(a) Powers Generally. The Association shall have the responsibility of managing and maintaining the Common Areas and Common Facilities and discharging the other duties and responsibilities imposed on the Association by the Governing Documents. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its properties and the discharge of its responsibilities hereunder for the

benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Owners. The specific powers of the Association and the limitations thereon shall be as set forth in Section 8 of the Bylaws.

(b) Association's Limited Right of Entry. The Association, and/or its agents shall have the right, when necessary, to enter any Unit to perform the Association's obligations under this Declaration, including (i) exterior maintenance or repair obligations with respect to buildings containing Units; (ii) obligations to enforce the architectural rules of Article V hereof; (iii) any obligations with respect to construction, maintenance and repair of adjacent Common Facilities; or (iv) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat to, or cause an unreasonable interference with, Association property or the Owners in common. The Association's rights of entry under this subparagraph (b) shall be immediate in case of an emergency originating in or threatening the Unit where entry is required, or any adjoining Unit or Common Area, and the Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present. In all nonemergency situations, the Association or its agents shall furnish the Owner or his or her lessee with at least 24 hours' written notice of its intent to enter the Unit, specifying the purpose and scheduled time of such entry and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing within the Unit.

(c) Association as Attorney-in-Fact for Owners. Without limiting the generality of the foregoing, the Association is hereby irrevocably appointed as the attorney-in-fact for the Owners of each and every Unit to (i) manage, control and deal with the interest of such Owners in the Common Area so as to permit the Association to fulfill all of its duties and obligations hereunder and to exercise all of its rights hereunder; (ii) deal with the Property upon its destruction or obsolescence as hereinafter provided; and (iii) deal with and handle insurance and insurance proceeds, as provided in Article IX hereof, and condemnation and condemnation awards, as provided in Article XI hereof. The acceptance by any person or entity of any interest in any Unit shall constitute an appointment of the Association as the Owner's attorney-in-fact as provided above.

Section 7. Association Rules.

(a) Rule-Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners of Condominiums within the Property. Such rules may concern, but need not be limited to (i) matters pertaining to the maintenance, repair, management and use of the Common Area and Common Facilities by Owners, their tenants, guests and invitees, or

any other person(s) who have rights of use and enjoyment of such Common Area and Common Facilities; (ii) architectural control and the rules of the Architectural Committee under Article V hereof; (iii) the conduct of disciplinary proceedings in accordance with Article XIV hereof; (iv) regulation of parking, pet ownership and other matters subject to regulation and restriction under Article VI hereof; (v) collection and disposal of refuse; (vi) minimum standards for the maintenance of landscaping or other improvements located within any Exclusive Use Common Areas and (vii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the other Governing Documents or the rights, preferences and privileges of Members thereunder. In the event of any material conflict between any Association Rule and any provision of the other Governing Documents, the conflicting provisions contained in the other Governing Documents shall be deemed to prevail.

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. A copy of the Association Rules shall also be available and open for inspection during normal business hours at the principal office of the Association.

(c) Adoption and Amendment of Rules. Association Rules may be adopted or amended from time to time by majority vote of the Board, provided, however, that no Association Rules or amendments thereto shall be adopted by the Board until at least 30 days after the proposed rule or rule amendment has been (i) published in the Association newsletter, if any, or otherwise communicated to the Owners in writing and (ii) posted in the Association's principal office. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken.

Any duly adopted rule or amendment to the Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail.

Section 8. Breach of Rules or Restrictions. Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XIV hereof.

Section 9. Limitation on Liability of Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. No director or officer of the Association (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Association's Members, or to any other person, for any error or omission in the

discharge of their duties and responsibilities or for their failure to provide any service required hereunder or under the Bylaws, provided that such Released Party has, upon the basis of such information as may be possessed by the Released Party, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget, the funding of Association capital replacement and reserve accounts, repair and maintenance of Common Areas and Common Facilities and enforcement of the Governing Documents.

(b) Other Claims Involving Tortious Acts and Property Damage. No Released Party shall be responsible to any Owner or to any member of his or her family or any of his or her tenants, guests, servants, employees, licensees, invitees or any other person for any loss or damage suffered by reason of theft or otherwise of any Article, vehicle or other item of personal property which may be stored by such Owner or other person within any Unit or Exclusive Use Common Area or for any injury to or death of any person or loss or damage to the property of any person caused by fire, explosion, the elements or any other Owner or person within the Property, or by any other cause, unless the same is attributable to his or her own willful or wanton act or gross negligence. It is the intent of this subparagraph to provide volunteer directors and officers with protection from liability to the full extent permitted by California Civil Code Section 1365.7, or comparable superseding statute, and to the extent this provision is inconsistent with said Section, the Civil Code shall prevail.

Article IV

Assessments

Section 1. Assessments Generally.

(a) **Covenant to Pay Assessments.** Each Owner of one or more Condominiums, by acceptance of a deed or other conveyance therefor (whether or not it shall be so expressed in such deed or conveyance), covenants and agrees to pay to the Association (i) Regular Assessments, (ii) Special Assessments, and (iii) Special Individual Assessments. Each such Assessment shall be established and collected as hereinafter provided.

(b) **Extent of Owner's Personal Obligation for Assessments.** All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorney's fees) for the collection thereof, shall be a debt and a personal obligation for the Person who was the Owner of the Condominium at the time the Assessment was levied. Each Owner who acquires title to a Condominium (whether at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Condominium so purchased which become due and payable after the date of such sale, and shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. Any unpaid Assessment of a previous Owner shall remain the debt of such previous Owner against whom assessed.

(c) **Creation of Assessment Lien.** All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorney's fees) for the collection thereof, shall be a charge on the Condominium and shall be a continuing lien upon the Condominium against which such Assessment is made. Regular assessments commence on the first of the month following the conveyance of the first unit in this project to a purchaser. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure as provided in Article IV, Section 9(b) hereof.

(d) **No Avoidance of Assessment Obligations.** No Owner may exempt himself or herself from personal liability for Assessments duly levied by the Association, nor release the Condominium or other property owned by him or her from the liens and charges hereof, by waiver of the use and enjoyment of the Common Area or any facilities thereon or by abandonment or non-use of his or her Condominium or any other portion of the Property.

Section 2. Regular Assessments.

(a) **Preparation of Annual Budget. Establishment of Regular Assessments.** Not less than 45 nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common

Facilities) by preparing and distributing to all Association Members a budget satisfying the requirements of ~~Section 8.02 of the Bylaws. If the Board fails to distribute the budget for any~~ fiscal year within the time period provided for in this Section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with the Bylaws.

(b) Establishment of Regular Assessment by Board of Membership Approval Requirements. The total annual expenses estimated in the Association's budget (less projected income from sources other than assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year, provided that, except as provided in subparagraph (a) above, and subparagraph (c) below, the Board of Directors may not impose a Regular Assessment that is more than 20 percent greater than the Regular Assessment for the Association's immediately preceding fiscal year without the vote or written assent of Members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association (see Article IV, Section 7, below).

(c) Assessments to Address Emergency Situations. The requirement of a membership vote to approve Regular Assessment increases in excess of 20 percent of the previous year's Regular Assessment shall not apply to assessment increases necessary to address emergency situations. For purposes of this subparagraph (c), an emergency situation is any of the following:

(i) An extraordinary expense required by an order of court.

(ii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the separate interests which the Association is obligated to maintain where a threat to personal safety is discovered.

(iii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the separate interests which the Association is obligated to maintain that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to subparagraph (a) above, provided that, prior to the imposition or collection of an assessment under this paragraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

(d) Reserve Funds.

(i) The governing body shall not expend funds designated as reserve funds for any purpose other than:

- (A) The repair, restoration, replacement or maintenance of major components for which the Association is obligated and for which the reserve fund was established, or
- (B) Litigation involving the purposes set for in (A) above.

(ii) Notwithstanding the provisions of (i)(A) and (i)(B) above, the governing body:

- (A) May authorize the temporary transfer of money from the reserve account to the Association's operating account to meet short term cash flow requirements or other expenses.
- (B) Shall cause the transferred funds to be restored to the reserve account within three years of the date of the initial transfer; however, the governing body may, upon making a documented finding that a delay of restoration of the funds to the reserve account would be in the best interests of the development, delay the restoration until such time it reasonably determines to be necessary.
- (C) Shall exercise prudent fiscal management in delaying restoration of the transferred funds to the reserve account and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits specified in (B) above. Such special assessments shall be subject to the limitations specified in Civil Code Section 1366.

(iii) The governing body shall do all of the following:

- (A) At least once every three years, cause a study to be conducted of the reserve account requirements, if the current replacement value of the major components which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half of the gross budget for any fiscal year.
- (B) Annually review the reserve account study and shall consider and implement necessary adjustments to its analysis of the reserve account requirements as a result of that review.
- (C) Cause the reserve account study to include at a minimum:
 - (1) Identification of the major components which the Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of less than 30 years.
 - (2) Identification of the probably remaining useful life of the components identified in (1) above as of the date of the study.
 - (3) An estimate of the cost of repair, replacement, restoration or maintenance of each major component identified in (1) above during and at the end of its useful life.
 - (4) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain each major

component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

For purposes of this subsection (iii), the term "reserve account requirements" means the estimated funds which the Association's governing body has determined are required to be available at a specified point in time to repair, replace or restore those major components which the Association is obligated to maintain.

(e) Allocation of Regular Assessment. The total estimated Common Expenses, determined in accordance with subparagraph (a), above, shall be allocated among, assessed against, and charged to each Owner according to the ratio of the number of Condominiums within the Property owned by the assessed Owner to the total number of Condominiums subject to Assessments so that each Condominium bears an equal share of the total Regular Assessment.

(f) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment Roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The Assessment roll (which may be maintained in the form of a computer printout) shall show for each Condominium the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Condominium, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Article II, Section 5(b) hereof shall be conclusive upon the Association and the Owner of such Condominium as to the amount of such indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(g) Mailing Notice of Assessment. The Board of Directors shall mail to each Owner at the street address of the Owner's Condominium, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year no less than 30 nor more than 60 days prior to the beginning of the next fiscal year.

(h) Failure to Make Estimate. If, for any reasons, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to Article IV, Section 3(a)(i) for that year, shall be assessed against each Owner and his or her Condominium on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Association.

(i) Installment Payment of Assessments. The Regular Assessment levied against each Owner and his or her Condominium shall be due and payable in advance to the Association in equal monthly installments on the first day of each month or on such other date or dates as may be established from time to time by the Association's Board of Directors. Installments of Regular Assessments shall be delinquent if not paid by the 15th day of the month in which the Assessment is due. The collection of Regular Assessments in installments as hereinabove provided is for the convenience of the Association only. The total Regular Assessment is levied as of the commencement of the Association's fiscal year and in the event of a default in the payment of any installment, the Association may declare the entire balance of the Regular Assessment to be in default and pursue the remedies set forth in Article IV, Section 9, below, as to said delinquency.

Section 3. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the membership approval requirements set forth in subparagraph (b) below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Condominiums for the following purposes:

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, except as prohibited by Article IV, Section 2(a), the Board of Directors shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the propose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder. The Board's assessment authority pursuant to this Section 3 subparagraph (a)(i) shall be subject to membership approval requirements under the circumstances described in Article IV, Section 2(a).

(ii) Capital Improvements. The Board may also levy Special Assessments for additional capital improvements within the Common Area (i.e., improvements not in existence on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities). The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, and replacement repair of the Common Area or existing Common Facilities through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Area and existing Common Facilities in accordance with Article IX hereof.

(b) Special Assessments Requiring Membership Approval. No Special Assessments described in (i) Section 3(a) hereof, which in the aggregate exceed 5 percent of the budgeted gross expenses of the Association for the fiscal year in which the Special Assessment(s) is levied; or (ii) in the last sentence of Article IV, Section 2(a), shall be made without the vote or

written assent of Members, constituting a quorum, casting a majority of the votes at a meeting or election of the Association, provided that this membership approval requirement shall not apply to any Special Assessment levied to address "emergency situations" as defined in this Article IV, Section 2(c).

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charge to each Owner and his or her Condominium in the same manner prescribe for the allocation of Regular Assessments pursuant to Article IV, Section 2(e), above. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed by first class mail to each Owner.

Special Assessments for purposes described in this Section 3(a)(i) shall be due as a separate debt of the Owner and a lien against his or her Condominium, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in this Section 3(a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Condominium, and shall be payable in full to the Association not less than 30 days nor more than 60 days after the mailing of such notice.

Section 4. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 3, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (ii) below, provided that no Special Individual Assessments may be imposed against an Owner pursuant to this Section 4 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Article XIV, Section 6 hereof, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Association's Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities, including any portion of the Unit which the Association is obligated to repair and maintain is caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of his or her tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessments.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses, to accomplish (A) the payment of delinquent

Assessments, (B) any repair, maintenance or replacement to any portion of the Property that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion, or (C) to otherwise bring the Owner and/or his or her Condominium into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(b) Levy of Special Individual Assessments and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in this Section 4(a), such Special Individual Assessment shall be recorded on the Association's Assessment roll, notice thereof shall be mailed to the affected Owner and the Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within 30 days after the mailing of notice of the Assessment.

A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the Owner was allegedly responsible or in bringing the Owner and his unit into compliance with the governing instruments is not an assessments which may become a lien against the Owner's Unit enforceable by the sale of the Unit.

Section 5. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively (a) to promote the recreation, health, safety and welfare of individuals residing within the Property; (b) to promote the enjoyment and use of the Property by the Owners and their families, tenants, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities.

Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation (with respect to which a separate line may be created hereby) of the Owner of the Condominium against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns, provided that the personal obligation of each Owner for delinquent Assessments shall not pass to the Owner's successors in title unless expressly assumed by them.

Section 6. Exemption of Certain of the Property From Assessments. The following real property subject to this Declaration shall, unless devoted to use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein:

- (a) Any portion of the Property dedicated and accepted by a local public authority;
- (b) The Common Area and Common Facilities; and
- (c) Any Condominium owned by the Association.

Section 7. Notice and Procedure for Member Approval Pursuant to Section 2 and 3. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Section 2 and 3 of this Article IV, approval of the requisite percentage of the Members shall be solicited either by written ballot conducted in accordance with Corporations Code Section 7613 and Section 5 of the Bylaws or at a meeting of the Members called for that purpose, duly noticed in accordance with Section 5 of the Bylaws. The quorum required for such membership action shall be fifty-one percent (51%) of the Members.

Section 8. Maintenance of Assessment Funds.

(a) Bank Accounts. All sums received or collected by the Association for Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings, or moneymarket accounts in a bank or savings and loan association selected by the Board of Directors which has offices located within the State of California, County of Los Angeles. In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board, and such officers or agents of the Association as the Board shall designate, shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code Section 1365.5.

To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. Any interest received on such deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b), below.

(b) Separate Accounts: Commingling of Funds. Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the amount required to accomplish the purpose for which such Assessment was levied, such surplus may, in the Board's discretion, be returned proportionately to the contributors thereof, reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded or credited proportionately on account of the Owners' future Regular Assessment obligations.

For purposes of accounting, but without requiring any physical segregation of assets, the Association shall maintain a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom, provided that receipts and disbursements of Special Assessments made pursuant to this Article IV, Section 3(a)(i) shall be accounted for together with the receipts and disbursements of Regular Assessments; and separate liability accounts shall be maintained for each capital improvement for which reserve funds for replacement are allocated. Unless the Association is exempt from federal or state taxes, all sums allocated to capital replacement funds shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board that will prevent such funds from being taxed as income of the Association.

Section 9. Collection of Assessments; Enforcement of Liens.

(a) Delinquent Assessments. If any installment payment of a Regular Assessment or lump sum or installment payment of any Special Assessment or Special Individual Assessment assessed to any Owner is not paid within 15 days after the same becomes due, such payment shall be delinquent and the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law from and after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments, subject to the limitations imposed by California Civil Code Sections 1366(c) and 1366.1 or comparable superseding statutes.

(b) Effect of Nonpayment of Assessments.

(i) Creation and Imposition of a Lien for Delinquent Assessments. As more particularly provided in California Civil Code Section 1367 or comparable superseding statute, the amount of any delinquent Regular or Special, or Special Individual Assessment, together with any late charges; interest and costs (including reasonable attorneys' fees) attributable thereto or incurred in the collection thereof, shall become a lien upon the Condominium of the Owner so assessed only when the Association causes to be recorded in the Office of the County Recorder of the County, a Notice of Delinquent Assessment executed by an authorized representative of the Association, setting forth (A) the amount of the delinquent Assessment(s) and other sums duly imposed pursuant to this Article IV and California Civil Code Section 1366, (B) the legal description of the Owner's Condominium against which the Assessments and other sums are levied, (C) the name of the Owner of Record of such Condominium, (D) the name and address of the Association, and (E) the name and address of the trustee authorized by the Association to enforce the lien by sale. Upon payment in full of the sums specified in the Notice of Delinquent Assessment, the Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof.

(ii) Remedies Available to the Association to Collect Assessments. The Association may initiate legal action against the Owner personally obligated to pay the delinquent Assessment, foreclose its lien against the Owner's Condominium or accept a deed in lieu of foreclosure. Foreclosure by the Association of its lien may be by judicial foreclosure or by nonjudicial foreclosure by the trustee designated in the Notice of Delinquent Assessment or by a trustee substituted pursuant to California Civil Code Section 2934a. Any sale of a Condominium by a trustee acting pursuant to this Section 9 shall be conducted in accordance with California Civil Code Sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages or deeds of trust.

(iii) Nonjudicial Foreclosure. Nonjudicial foreclosure shall be commenced by the Association by recording in the Office of the County Recorder a Notice of Default, which notice shall state all amounts which have become delinquent with respect to the Owner's Condominium and the costs (including attorneys' fees), penalties and interest that have accrued thereon, the amount of any Assessment which is due and payable although not delinquent, a legal description of the property with respect to which the delinquent Assessment is owed, and the name of the Owner of Record or reputed Owner thereof. The Notice of Default shall state the election of the Association to sell the Condominium or other property to which the amounts relate and shall otherwise conform with the requirements for a notice of default under California Civil Code Section 2924c, or comparable superseding statute. The Association shall have the rights conferred by California Civil Code Section 2934a to assign its rights and obligations as trustee in any nonjudicial foreclosure proceedings to the same extent as a trustee designated under a deed of trust and for purposes of said Section 2934a, the Association shall be deemed to be the sole beneficiary of the delinquent Assessment obligation. Furthermore, in lieu of an assignment of trusteeship, the Association shall be entitled to employ the services of a title insurance company or other responsible company authorized to serve as a trustee in nonjudicial foreclosure proceedings to act as an agent on behalf of the Association in commencing and prosecuting any nonjudicial foreclosure hereunder.

The Association or its assignee shall mail a copy of the Notice of Default to the Owner or reputed Owner of the subject Condominium at the Owner's last address appearing on the books or records of the Association, and to any person to whom the giving of a notice of default is required by applicable provisions of California Civil Code Section 2924b. Following receipt of the Association's notice, the Owner and junior encumbrances shall have reinstatement rights identical to those provided by law for trustors or mortgagors, which rights must be exercised during the period specified by law for reinstatement of obligations secured by deeds of trust. After the lapse of such time as may then be required by law following the recording of a Notice of Default under a deed of trust, the Association or its assignee may give Notice of Sale in the manner and for the period required in the case of deeds of trust. After the giving of the Notice of Sale, the Association, or its assignee, without demand on the Owner, may

sell the Condominium at the time and place fixed in the Notice of Sale, at public auction to the highest bidder. At the Trustee's sale, the Trustee shall have the right to require every bidder to show evidence of his or her final bid in cash or a bank savings and loan certified check and to require the last and highest bidder to deposit the full amount of his or her final bid in cash or a bank savings and loan association certified check. The Association or its assignee may postpone the noticed sale by public announcement at such time and place of sale, and from time to time thereafter may postpone such sale by public announcement at the time fixed by the preceding postponement. The Association shall deliver to the purchaser at such foreclosure sale the Association's deed conveying the Condominium so sold, but without covenant or warranty, express or implied. The recitals in such deeds shall be conclusive proof of the truthfulness thereof. Any person, including the Association, may bid on the subject property and purchase the same at such sale. After deducting from the sale proceeds all costs, fees, and expenses incurred by the Association, the net proceeds shall be applied to the payment of all sums secured by the Association's lien at the time of sale, including interest, costs and attorney's fees, and the remainder, if any, shall be disbursed to the person or persons legally entitled thereto.

(iv) Actions for Money Judgment. In the event of a default in payment of any Assessment, the Association, in its name but acting for and on behalf of all other Owners, may initiate legal action, in addition to any other remedy provided herein or by law, to recover a money judgment or judgments for unpaid Assessments, costs and attorneys' fees without foreclosure or waiver of the lien securing same.

Section 10. Transfer of Condominium by Sale or Foreclosure. Except as otherwise provided herein, the sale or transfer of any Condominium shall not affect any Assessment lien duly recorded with respect to such Condominium prior to the sale or transfer. However, the sale or transfer of any Condominium pursuant to the foreclosure of any first Mortgage or other mortgage or lien recorded prior to the Association's Assessment lien (collectively "prior encumbrance") shall extinguish the lien of such Assessments as to payments which become due prior to such sale or transfer. No sale or transfer of a Condominium as the result of foreclosure, exercise of a power of sale or otherwise shall relieve the new Owner of such Condominium, whether it be the former beneficiary of the first Mortgage or other prior encumbrance of a third party from liability for any Assessments thereafter becoming due or from the lien thereof.

Where the first Mortgagee or other purchaser of a Condominium obtains title to the same as a result of foreclosure of any such first Mortgage or other prior encumbrance or exercise of a power of sale contained therein, the person acquiring title, his or her successors and assigns, shall not be solely liable for the Assessments chargeable to such Condominium which became due prior to the acquisition of title. Instead, such unpaid Assessments shall be deemed to be Common Expenses collectible from the Owners of all of the Condominiums, including such acquirer, his or her successors and assigns. Furthermore, foreclosure shall not

affect the Association's right to maintain an action for the collection of delinquent Assessments against the foreclosed party personally.

Section 11. Priorities. When a Notice of Delinquent Assessment has been recorded, such notice shall constitute a lien on the Condominium prior and superior to all other liens or encumbrances recorded subsequent thereto, except (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage or deed of trust with first priority over other Mortgages or deeds of trust) made in good faith and for value, provided that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or deed of trust, or other prior encumbrance.

Section 12. Unallocated Taxes. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the Condominiums, such taxes shall be included in the Regular Assessments imposed pursuant to this Article IV, Section 2 and, if necessary, a Special Assessment may be levied against the Condominiums in an amount equal to such taxes to be paid in two installments, thirty days prior to the due date of each tax installment.

Section 13. Assignment of Rents. Each Owner does hereby presently assign to the Association, absolutely and regardless of possession of the property, all rents and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupation of any or all parts of any Condominium owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the association pursuant to this Declaration which are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable, provided that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due hereunder. Upon revocation of such authority the Association may, pursuant to court order or by court-appointed receiver, collect and retain such monies, whether past due and unpaid or current. The Association's rights under this Section 13 shall be subordinate to the rights of any first Mortgage.

Section 14. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article IV, the benefit of any homestead or exemption law of California in effect at the time of any Assessment or installment thereof becomes delinquent or any lien is imposed against the Owner's Condominium.

Article V

Architectural Committee

Section 1. Improvements in General; Establishment of Architectural Committee. No "improvement" (as defined in Article I, Section 18) of any kind shall be commenced, erected or maintained within the properties, nor shall any exterior addition to or change or alteration be made in or to any unit or Common Facility structure containing Units or to any Exclusive Use Common Area until the plans and specifications showing the nature, color, kind, shape, height (including front, side and rear elevations), materials, and location of the same shall have been submitted to and approved in writing by the Association's Architectural Committee as to quality of workmanship and materials, harmony of external design and location in relation to surrounding structures, setback lines, topography and finish grade elevation.

Section 2. Appointment of Architectural Committee. The Board of Directors shall appoint an Architectural Committee composed of not less than three nor more than five members. Committee members appointed shall be from the membership of the Association. A majority of the Architectural Committee may designate a representative to act on its behalf. Members of the Committee shall serve for a term of one year. In the event of the death or resignation of any member of the Architectural Committee, a successor shall be appointed by the Board. Neither the members of the committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto.

The subdivider may reserve to himself the power to appoint a majority of the members of the committee until 90% of all the subdivision interests in the overall development have been sold or until the fifth anniversary of the original issuance of the Final Public Report for the subdivision, whichever occurs first. Member appointed to the Committee by the Subdivider need not be members of the Association.

After one year from the date of issuance of the original public report the governing body of the Association shall have the power to appoint one member to the Architectural Control Committee until 90% of all of the subdivision interests in the overall development have been sold or until the fifth anniversary date of the original issuance of the Final Public Report, whichever first occurs. Thereafter the governing body of the Association shall have the power to appoint all of the members of the Architectural Control Committee.

Section 3. Submission of Plans; Action by Board or Committee. Plans and specifications for the proposed Improvement shall be submitted to the Architectural Committee by personal delivery or certified mail to the secretary of the Association or the chairman of the Architectural Committee. In the event the Committee fails to approve or disapprove such design and location with 45 days after said plans and specifications have been submitted to it, the request shall be deemed to have been approved. Approval of the Committee can contain conditions or requests for modification of particular aspects of the Owner's plan and specifications.

Section 4. Architectural Rules. The Architectural Committee may, subject to review by the Board of Directors, from time to time adopt, amend and repeal rules and regulations to be known as "Architectural Rules". Said rules shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for the review and approval of proposed Improvements and guidelines for architectural design, placement of any work of Improvement or color schemes, exterior finishes and materials and similar features which are recommended for use within the Property, provided that said rules shall not be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Rules and this Declaration, the Declaration shall prevail.

Section 5. Variances. The Architectural Committee shall be entitled to allow reasonable variances with respect to this Article V or any restrictions specified in Article VI in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided that the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a property use restriction that would otherwise apply under this Declaration, the Committee must conduct a hearing on the proposed variance after giving at least 10 days' prior written notice to the Board and to all Owners of Units within 100 feet of the property for which the variance applies. The owners receiving notice of the proposed variance shall have 30 days in which to submit to the Board or Committee written comments or objections with respect to the variance. No decision shall be made with respect to the proposed variance until the 30 day comment period has expired.

(b) The Committee must make a good faith determination that (i) the requested variance does not constitute a material deviation from the overall plan and scheme of development within the Property or from any restriction contained herein or that the proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) the variance relates to a requirement hereunder that it is unnecessary or burdensome under the circumstances; or (iii) the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance, with respect to any other Unit, Common Area or Owner within the Property.

Section 6. Estoppel Certificate. Within 30 days after written demand is delivered to the Architectural Committee by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Board), the Committee shall execute an estoppel certificate, executed by any two of its members, certifying (with respect to any Unit owned by the application Owner) that as of the date thereof, either (i) all Improvements made and other work completed by said Owner with respect to the Unit comply with this Declaration; or (ii) that such Improvements to work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the bases of such noncompliance. Any purchaser from the Owner, or anyone deriving any interest in said Unit through the Owner, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

Article VI

Use of Property and Restrictions

In addition to the restrictions established by law or Association Rules promulgated by the Board of Directors (consistent with this Declaration), the following restrictions are hereby imposed upon the use of Condominium Units, Common Areas and other parcels within the Property.

Section 1. Single Family Residential Use. The use of the Units within the Property is hereby restricted to Single Family Residential Use, as defined in Article I, Section 26 hereof. In no event shall a Residence be occupied by more individuals than permitted by applicable zoning laws or governmental regulations. An Owner is permitted to lease or rent his or her Unit, subject to the provisions of Article II, Section 4 ("Delegation or Use") of this Declaration.

Section 2. Conveyance of Condominiums. Each Condominium shall be conveyed as a separately designated and legally described fee simple estate subject to this Declaration.

Section 3. Interior Improvements. No owner shall at his or her expense or otherwise make any alterations or modifications to the exterior of the buildings, fences or railings containing the Owner's Unit without the prior written consent of the Association or the Architectural Committee, if any. Furthermore, no structural alterations to the interior of or Common Area surrounding any Unit shall be made and no plumbing or electrical work within any bearing or common walls shall be performed by any Owner without prior written consent of the Association or the Architectural Committee, if any. Under no circumstances shall any Owner undertake any activity or work with respect to the Owner's Unit that will impair the structural soundness or integrity of another Unit or impair any easement or hereditament, or do any act or allow any condition to exist in or around the Owner's Unit which will adversely affect any other Units or their occupants.

Section 4. Common Areas and Exclusive Use Common Areas. The Common Areas, other than Exclusive Use Common Areas, shall be preserved as open space and used for recreational purposes and other purposes incidental and ancillary to the use of units. Such use shall be limited to the private use for aesthetic and recreational purposes by the Association's Members, their tenants, families and guests, subject to the provisions of the Governing Documents. No Improvement, excavation or work which in any way alters any Common Area or Common Facility from its natural or existing state on the date such Common Area or Common Facility shall be made or done except by the Association and then only in strict compliance with the provisions of this Declaration. Each Owner shall be liable to the remaining Owners for any damage to the Common Area and Common Facilities that may be sustained by reason of the negligence of that Owner, that Owner's family members, tenants, guests, or invitees, but only to the extent that any such damage is not covered by casualty insurance in favor of the Association.

Nothing shall be stored, grown, or displayed on the Exclusive Use Common Area Decks that causes deterioration of their structural components or damages the water-proofing materials, or that compromises the overall appearance of the building from the Common Areas and the street. The Association shall have the authority and responsibility to regulate the physical and aesthetic integrity of the Exclusive Use Common Area Decks.

Each Owner, by acceptance of his or her deed, agrees personally and for family members, tenants, guests, and invitees, to indemnify each and every other Owner, and to hold such Owner(s) harmless from, and to defend him against, any claim of any person for personal injury or property damages occurring within the Unit of that particular Owner, including the Exclusive Use Common Area, if any, except to the extent (i) that such injury or damage is covered by liability insurance in favor of the Association or other Owner or (ii) the injury or damage occurred by reason of the willful or negligent act or omission of the Association or other Owner or other person temporarily visiting his or her Unit.

Section 5. Prohibition of Noxious Activities. No illegal, noxious or offensive activities shall be carried out or conducted within any Unit or Common Area nor shall anything be done within the Property which is or could become an unreasonable annoyance or nuisance to neighboring property Owners. Without limiting the foregoing, no Owner shall permit noise, including but not limited to barking dogs, the operating of excessively noisy air conditioners, stereo amplifier systems, television systems, motor vehicles or power tools, to emanate from an Owner's Unit or from activities within the Common Area, which would unreasonably disturb any other Owner or tenant's enjoyment of his or her Unit or from activities within the Common Area, which would unreasonably disturb any other Owner's or tenant's enjoyment of his or her Unit or the Common Area.

Section 6. Household Pets. The following restrictions regarding the care and maintenance of pets within the Property shall be observed by each Owner and resident:

(a) No more than two common household pets may be kept within an Owner's Unit so long as the same are not kept, bred or maintained for commercial purposes. No other animals, livestock, or poultry of any kind shall be kept, bred or raised within any Unit.

(b) Dogs shall be allowed on the Common Area only when they are leashed and are otherwise under the supervision and restraint of their Owners.

(c) No Household pet shall be left chained or otherwise tethered in front of a Condominium Unit or in the Common Area. Pet owners shall be responsible for the prompt disposal of pet wastes deposited by their pets in the Common area or balconies in fenced yard areas adjacent to the Owner's Unit.

(d) Each person bringing or keeping a pet on the Property shall be solely responsible for the conduct of the Owner's pets. The Association, its Board, officers, employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any

Owners, their family members, guests, invitees, and tenants for any damage or injury to persons or property caused by any pet.

(e) The Board of Directors shall have the right to establish and enforce additional rules and regulations imposing standards for the reasonable control and keeping of household pets in, upon and around the Property to ensure that the same do not interfere with the quiet and peaceful enjoyment of the Property by the other Owners and residents.

Section 7. Signs. No advertising signs or billboards shall be displayed on any building containing Units or posted within or upon any portion of the Common Area except that Owners may post in the windows of their Units any signs required by legal proceedings and a single "For Rent", "For Lease" or "For Sale" sign of reasonable dimensions. A-frame or other directional signs of real estate brokers advertising Units for sale or lease shall only be allowed within the Common Area or roadways within the Property in strict compliance with applicable Association Rules.

Section 8. Business Activities. No business or commercial activities of any kind whatsoever shall be conducted in any Unit or garage without the prior written approval of the Board, provided that the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents. Furthermore, no restrictions contained in this Section 8 shall be construed in such a manner so as to prohibit any Owner from (a) maintaining his or her personal library in his or her Unit, (b) keeping his or her personal business records or accounts therein, (c) handling his or her personal or professional telephone calls or correspondence therefrom, (d) leasing or renting his or her Unit, or (e) conducting any other activities within the Owner's Unit otherwise compatible with residential use and the provisions of this Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization. The uses described in (a) through (e), above, are expressly declared to be customarily incidental to the principal residential use of the Unit and not in violation of this Section 8.

Section 9. Garbage. No rubbish, trash, or garbage shall be allowed to accumulate outside of any Unit. Any trash that is accumulated by an Owner outside the interior walls of a Unit shall be stored entirely within appropriate covered disposal containers and facilities located within designated garbage areas within the Common Areas. Any extraordinary accumulation of rubbish, trash, garbage or debris (such as debris generated upon vacating of premises or during the construction of modifications and improvements) shall be removed from the Property to a public dump or trash collection area by the Owner or tenant at his or her expense. The Association shall be entitled to impose reasonable fines and penalties for the collection of garbage and refuse disposed in a manner inconsistent with this Section.

Section 10. Storage. Storage of personal property within any Unit shall be entirely within enclosed storage areas. There shall be no woodpiles nor storage piles accumulated on top, or outside, of any enclosed storage area.

Section 11. Clotheslines. No exterior clothesline shall be erected or maintained and there shall be no drying or laundering of clothes on the balcony of any Unit in a manner which is visible from any neighboring Unit or the Common Area.

Section 12. Antennas and Similar Devices

No television antenna, satellite dish, radio, or other electronic antenna device of any type, or other electronic broadcasting and receiving device shall hereafter be erected, constructed, placed or permitted to remain on the exterior of any building within the Property unless there is compliance with each of the following:

(a) The antenna, satellite dish, or other electronic broadcasting or receiving device, has a diameter of thirty-six (36) inches or less; and

(b) The Owner, resident or lessee has made written application for and has obtained the approval of the Architectural Committee for the installation of such device.

The application for approval shall be processed by the Architectural Committee in the same manner as an application for approval of an architectural modification to the property (see Article V). As a condition for approval, Owner must agree to be responsible for the maintenance, repair or replacement of roofs or other building components impacted by the installation, and the installers of the antenna, satellite dish, or other device must agree to indemnify or reimburse the Association or its Members for loss or damage caused by the installation, maintenance, or use of such device.

No activity shall be conducted within any Unit which causes an unreasonable broadcast interference with television or radio reception on any neighboring Unit. The location of common antennas or connection facilities for any cable television system serving more than one Unit shall be as designated by the Association or the Architectural Committee, if any, and each Unit and its Owner shall be subject to the right of other Owners or the Association to install, use, and maintain such common antennas or cable television facilities.

Section 13. Burning. There shall be no exterior fires whatsoever except barbecue fires located only on the exclusive use common area of the Owner's Unit and contained within receptacle designed for such purpose.

Section 14. Basketball Standards. No basketball standards or fixed sports apparatus shall be permitted within the Property without the express approval of the Association.

Section 15. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Unit except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private Unit or appurtenant structures within the Property.

Section 16. Disease and Pests. No Owner shall permit any thing or condition to exist in his or her Unit, which shall induce, breed, or harbor infectious plant diseases, rodents or noxious insects.

Section 17. Parking and Vehicle Restrictions. The following parking and vehicle restrictions shall apply within the Property:

(a) Unless otherwise permitted by the Association, no vehicle or trailer shall be parked or left within the Property other than within a garage or in designated guest parking areas.

(b) Except as otherwise provided in subparagraph (f), below, only the following vehicles ("authorized vehicles") shall be permitted to be parked by an Owner or resident within the Property: standard passenger vehicles, including bronco or blazer type trucks, and trucks which do not exceed three-quarter tons in gross weight. Boats, trailers, campers, recreational vehicles, commercial vehicles and trucks in excess of three-quarter tons in gross weight are not "authorized vehicles" and shall only be permitted within the Property as provided in subparagraph (f), below.

(c) All driveways and garages shall be maintained in a neat and orderly condition and garage doors shall be maintained in closed condition except as necessary to permit ingress and egress of authorized vehicles or to clean or work in the garage. The garages are to be used for the parking of standard authorized vehicles, boats or similar items for storage purposes and shall not be converted to living quarters or work shops or used for the storage of boats, trailers, campers or recreation vehicles in a way which will preclude the parking of the Owner's or occupant's authorized vehicles within the garage.

(d) Designated guest parking areas within the Common Areas are to remain open for use by guests only and are not to be used by Owners or other residents, either permanently or temporarily, for the parking of their authorized vehicles or the storage of boats, trailers or similar items of personal property, unless authorized by the Association.

(e) No motor vehicle shall be constructed, reconstructed or repaired within the Property and no dilapidated or inoperable vehicle, including vehicles without wheel(s) or an engine, shall be stored on the Property; provided, however, that the provisions of this Section shall not apply to emergency vehicle repairs.

(f) Campers, boats, trailers, motorcycles, commercial vehicles and trucks in excess of three-quarter tons are not to be parked within the Property, other than within enclosed garages except for periods not to exceed two hours for the purpose of loading and unloading.

Personal property other than authorized vehicles shall not be stored in garages if such storage will necessitate or result in the parking of vehicles on streets within the Property. Parking by commercial vehicles for the purpose of making deliveries or service calls shall be permitted in accordance with the Association Rules.

(g) The Board shall have the authority to tow or restrain by use of devices such as the "Denver Boot", at the Owner's expense, any vehicle parked or stored in violation of this

Section. The Board shall post such notices or signs within the Common Area as may be required by law to effectuate this towing provision.

(h) The Board shall have the authority to promulgate further reasonable rules and restrictions of uniform application regarding parking and vehicles within the properties as may be deemed prudent and appropriate.

Section 18. Use of Private Streets and/or Drives in Common Area. Private streets and/or drives within the properties shall not be used for recreational purposes, including "joyriding" or racing. Motorcycles, mopeds, and cars shall be allowed on such private streets only for ingress and egress.

Section 19. Children. Each Owner and resident shall be accountable to the remaining Owners and residents, their families, visitors, guests and invitees, for the conduct and behavior of their children and any children temporarily residing in or visiting the Owner and for any property damage caused by such children.

Section 20. Activities Affecting Insurance. Nothing shall be done or kept within any Unit or within the Common Area which will increase the rate of insurance relating thereto on any policy maintained by the Association (see Article IX, below) without the prior written consent of the Association and no Owner shall permit anything to be done or kept within his or her Unit or within the Common Area which would cause any Improvements to be uninsurable against loss by fire or casualty or result in the cancellation of insurance on any Unit or any part of the Common Area.

Section 21. Variances. Upon application by any Owner, the Architectural Committee shall be authorized and empowered to grant reasonable variances from the property use restrictions set forth in this Article VI, if specific application of the restriction will, in the sole discretion of the Board, either cause an undue hardship to the affected Owner or fail to further or preserve the common plan and scheme of development contemplated by this Declaration. In considering and acting upon any request for a variance, the Committee shall follow the procedures set forth in Article V, Section 5 for the granting of architectural variances.

Section 22. Enforcement of Property Use Restrictions. The objective of this Declaration shall be to promote and seek voluntary compliance by Owners and tenants with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of an architectural or property use infraction that does not necessitate immediate corrective action under Article V, Section 6, hereof, the Owner or Tenant responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner or tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or tenant of his or her appeal rights.

Article VII

Maintenance Responsibilities

Section 1. Common Area. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement within the Common Area. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any Improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Common Area. In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area without express approval of the Association.

Section 2. Association Maintenance Responsibility with Respect to Unit and Common Area Improvements. The Association shall provide maintenance upon the Common Area which is subject to Assessments hereunder, as follows:

(a) Paint, stain, repair, replace, maintain, and care for all common areas including but not limited to roof, gutters, downspouts, exterior walls, landscaping, common area and property line fences and walls, walkways, driveway, lighting, sump pumps, window boxes, wrought iron railings, and planters, as needed, provided that the Association shall not be responsible for the repair and replacement of exterior doors, screen doors, and garage doors.

(b) RETAIN A LICENSED PROFESSIONAL TO INSPECT THE COMMON AREA ROOF, PLANTERS, AND WINDOW BOXES, AND ALL EXCLUSIVE USE COMMON AREA DECKS ANNUALLY. THE ANNUAL INSPECTION SHALL ALSO INCLUDE INSPECTION OF THE SUBTERRANEAN GARAGE AREAS OF THE UNITS TO DETERMINE IF THERE IS ANY WATER INTRUSION COMING FROM THE COMMON AREA. THE ASSOCIATION IS ALSO RESPONSIBLE FOR INSPECTING AND TESTING DRAINS AND DRAIN LINES ON ALL DECKS ON A SEMI-ANNUAL BASIS. ALL REPAIRS AND WATERPROOFING OF THE COMMON AREA ROOF, PLANTERS, AND WINDOW BOXES, AND OF THE SUBTERRANEAN GARAGE AREAS, REQUIRED AS A RESULT OF THE INSPECTIONS SHALL BE PERFORMED BY THE ASSOCIATION. ALL REPAIRS AND WATERPROOFING OF THE EXCLUSIVE USE COMMON AREA DECKS REQUIRED AS A RESULT OF THE INSPECTIONS SHALL BE PERFORMED BY THE INDIVIDUAL OWNER OF THE UNIT APPURTENANT TO SUCH EXCLUSIVE USE COMMON AREA. THE INSPECTION REPORTS AND PROOF OF PAYMENT FOR WORK REQUIRED AS A RESULT OF THE INSPECTIONS SHALL BE RETAINED IN THE ASSOCIATION RECORDS FOR A MINIMUM OF TWELVE (12) YEARS.

(b) Replace and care for trees, shrubs, grass, walks, and other landscaping Improvements up to the exterior walls of the Owner's Unit, except for plantings and Improvements located in exclusive use common areas, if any.

(c) Maintain the underground sewer, water and electrical lines, whether located within the boundaries of the Owner's Unit or under the Common Area, but the Association shall not

be responsible for the risers and connecting lines between such service lines and the individual Units.

(d) The Association shall have the Common Area periodically inspected for wood-destroying pests and organisms and shall take appropriate corrective measures. The Association shall have the authority to require the temporary removal of occupants of a Unit as may be necessary in connection with the treatment of wood-destroying pests or organisms, pursuant to the procedures described in California Civil Code Section 1364, subdivision (d) or any successor statute. The costs of any temporary relocation shall be borne by each Unit Owner who is required to move.

The standards of landscaping, the selection and replacement of plant materials and the standards for exterior structural maintenance by the Association hereunder shall be determined by the Board of Directors.

Section 3. Owner Maintenance Responsibilities.

(a) Each Owner of a Condominium shall be responsible for maintaining his or her Unit, including the equipment and fixtures in the Unit and the interior walls, ceilings, windows, doors, and garage doors of the owned Unit in a clean, sanitary, workable, and attractive condition. However, each Owner has complete discretion as to the choice of furniture, furnishings, and interior decorating, except that windows can be covered only by drapes, shutters, blinds, or shades and cannot be painted or covered by foil, cardboard, or other similar materials. Each Owner also shall be responsible for repair, replacement, and cleaning of the windows and glass of his or her Unit, both exterior and interior.

(b) Except as otherwise provided herein, each owner shall comply with the requirements of Section 2(b) above with regard to the repair and maintenance of the Exclusive Use Common Areas appurtenant to his or her Unit. ALL REPAIR SPECIFICATIONS/SCOPES OF WORK AND PROOF OF PAYMENT FOR THE WORK REQUIRED AS A RESULT OF THE INSPECTIONS CONDUCTED PURSUANT TO SECTION 2(b) ABOVE SHALL BE GIVEN TO THE ASSOCIATION WITHIN TWO WEEKS OF COMPLETION OF THE WORK. IN ADDITION, SUCH OWNER SHALL BE RESPONSIBLE FOR KEEPING THE DECK APPURTENANT TO HIS OR HER UNIT FREE AND CLEAR FROM DEBRIS THAT CAN BLOCK THE DRAIN LINES.

Section 4. Recovery of Costs of Certain Repairs and Maintenance.

(a) In the event that the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Article IV, Section 4 hereof.

(b) In the event that an Owner fails to perform maintenance functions for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within 15 days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Article III, Section 6(b) to enter the Owner's Unit and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with Article XIV, Section 6, hereof.

Section 5. Cooperative Maintenance Obligation. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and its agents and maintenance personnel in the prosecution of its work.

Article VIII

Easements

Section 1. Encroachment Easements. If any portion of the Common Area encroaches on any Unit or if any portion of a Unit encroaches on the Common Area regardless of the cause, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and the Common Area are made subject to such easements. If any structure containing a Unit is partially or totally destroyed and then rebuilt and any encroachment on the Common Area results, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and the Common Area are made subject to such easements.

Section 2. Blanket Utility Easement. There is hereby created a blanket easement upon, across, over and under all of the Property for ingress, egress, installation, replacing, repairing and maintaining all utilities, including but not limited to water, sewers, gas, telephones, drainage and electricity and the master television antenna or cable television system. By virtue of this easement, it shall be expressly permissible for the providing utility company to erect and maintain the necessary equipment and underground facilities on the Common Area. Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated on the Property except as initially designed and approved by the Declarant or thereafter approved by the Association's Board of Directors. The easements provided for in this Section 2 shall in no way effect any other recorded easement on the Property.

Section 3. Maintenance Easements. An easement is hereby granted to the Association, its officers, agents, employees, and to any management company selected by the Association to enter in or to cross over the Common Area and any Unit, Common Area, or Common Facilities, provided that any entry by the Association or its agents into any Unit shall only be undertaken in strict compliance with Article III, Section 6(b).

Section 4. Other Easements. Each Unit, its Owner, and the Association as to the Common Area, are hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Property and each Unit and Common Area as shown on the Subdivision Map.

Section 5. Priority of Easements. Wherever easements granted to the County are, in whole or in part, coterminous with any other easements, the easements of the County shall have and are hereby granted priority over said other easements in all respects.

Article IX

Insurance

Section 1. Types of Insurance Coverage. The Association shall purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent such insurance, with the coverages described below, is available at a reasonable premium cost.

(a) Fire and Casualty Insurance. The Association shall obtain and maintain a master or blanket policy of fire and casualty insurance, for the full insurable value of all the buildings containing Units within the Property and on any Common Facilities. The insurance shall be kept in full force and effect at all times and the full replacement value of the insured property shall be redetermined on an annual basis. Depending on the nature of the insured property and the requirements, if any, imposed by institutional Mortgagees having an interest in such property, the policies maintained by the Association pursuant to this Section 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 the equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a clause to permit cash settlements for full insurable value in case of partial destruction. The policies required hereunder shall provide amounts or coverage as shall be determined by the Board and shall name as insured the Association, all Owners and all Mortgagees as their respective interests may appear. The policies may contain a loss payable endorsement in favor of the trustee described in Section 5 below.

(b) Public Liability and Property Damage Insurance. To the extent such insurance is reasonably obtainable, the Association shall obtain and maintain a policy of comprehensive public liability and property damage insurance naming as parties insured the Association, each member of the Association Board of Directors, any manager, the Owners and occupants of Units, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Common Area and any other Association-owned or maintained real or personal property and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. Pursuant to Civil Code Section 1365.9, the limits of such insurance shall not be less than \$2 million for projects of 100 units or fewer (\$3 million for projects of more than 100) 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.

(c) Directors and Officers Liability Insurance. Pursuant to Civil Code Section 1365.7, the Association must carry an insurance policy of not less than \$500,000 for individual liability of officers and directors of the Association for negligent acts or omissions in that capacity.

(d) *Additional Insurance and Bonds.* To the extent such insurance is reasonably obtainable, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this Section, earthquake insurance, demolition insurance, flood insurance, and workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than 100 percent of each year's estimated annual operating expenses and reserves and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance that it deems necessary or desirable or that is required by any institutional First Mortgagee.

(e) *Fidelity Bond.* A fidelity bond that insures the Association for the estimated maximum amount (or at least three months aggregate assessments on all Units and reserve funds) that could be affected by the dishonest act of any Member of the Association or Board, managing agent, employee, or Occupant, who handles funds for the Owners' benefit is mandatory, regardless of the number of Units, for a Property with loans by the Department of Veterans Affairs and/or FHA.

(f) The Association shall, upon issuance or renewal of insurance, but no less than annually, notify the Owners as to the amount and type of insurance carried by the Association, and it shall accompany this notification with statements to the effect that the Association is or is not insured to the levels specified by this Section, and that if not so insured, Owners may be individually liable for the entire amount of a judgment, and if the Association is insured to the levels specified in this Section, then Owners may be individually liable only for their proportional share of assessments levied to pay the amount of any judgment which exceeds the limits of the Association's insurance.

Section 2. *Coverage Not Available.* In the event any insurance policy, or any endorsement thereof, required by Section 1 is for any reason not available, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage described above. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

Section 3. *Notification.* Upon issuance or renewal of insurance, but in any event not less than annually, Associations are required to notify all members of:

- (a) The amount and types of insurance carried by the Association, and
- (b) Whether or not the Association is insured to the minimum levels required for liability insurance by Civil Code Section 1365.9, and
 - (1) that if not so insured, members may be individually liable for the entire amount of a judgment resulting from injury or property damage in the Common area, or
 - (2) that if so insured then members may be individually liable only for their proportionate share of assessments levied to pay the amount of any judgment which exceeds the limits of the Association's insurance coverage.

(c) A summary of the association's general liability policy that states all of the following:

- (1) The name of the insurer.
- (2) The policy limits of the insurance.
- (3) If an insurance agent, as defined in Section 1621 of the Insurance Code, an insurance broker, as defined in Section 1623 of the Insurance Code, or an agent of an insurance agent or insurance broker has assisted the association in the development of the general liability policy limits and if the recommendation of the insurance agent or insurance broker were followed.
- (4) The insurance deductibles.
- (5) The person or entity that is responsible for paying the insurance deductible in the event of loss.
- (6) Whether or not the insurance coverage extends to the real property improvements to the separate interest.

(d) A summary of the association's earthquake and flood insurance policy, if one has been issued, that states all of the following:

- (1) The name of the insurer.
- (2) The policy limits of the insurance.
- (3) The insurance deductibles.
- (4) The person or entity that is responsible for paying the insurance deductible in the event of loss.

(e) A summary of the liability coverage policy for the director and officers of the association that lists all of the following:

- (1) The name of the insurer.
- (2) The limits of the insurance.

(f) Notwithstanding subdivision (c), (d) and (e), the association shall, as soon as reasonably practical, notify its members by first-class mail if any of the policies have been canceled and not immediately replaced. If the association renews any of the policies or a new policy is issued to replace an insurance policy of the association, and where there is no lapse in coverage, the association shall notify its members of that fact in the next available mailing to all members pursuant to Section 5016 of the Corporations Code.

(g) To the extent that the information to be disclosed pursuant to subdivision (c), (d), and (e) is specified in the insurance policy declaration page, the association may meet the requirements of those subdivisions by making copies of that page and distributing it to all its members.

Each owner is strongly advised to seek the advice of a qualified insurance consultant regarding (1) the amount of personal liability insurance coverage that owner should maintain because of the owner's ownership interest in the Common Area and unit, and (2) the availability of loss assessment insurance coverage.

Section 4. Individual Fire and Casualty Insurance Limited. Except as provided in this Section, no Owner can separately insure his or her Unit or any part of it against loss by fire or other casualty covered by the Association's blanket insurance carried under this Article IX, Section 1(a). If any Owner violates this provisions, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section 1(a) that results from the existence of such other insurance will be chargeable to the Owner who acquired such other insurance, and the Owner will be liable to the Association to the extent of any diminution. An Owner can insure his or her personal property against loss. In addition, any Improvements made by an Owner within his or her Condominium may be separately insured by the Owner, but the insurance is to be limited to the type and nature of coverage commonly known as "tenant's improvements." All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association, and any institutional first Mortgagee of such Condominium.

Section 5. Trustee. All insurance proceeds payable under this Article IX, Section 1, may, in the discretion of the Board of Directors, 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 or other institution with trust powers within the County that agrees in writing to accept such trust. If repair or reconstruction is authorized pursuant to Article XI, below, the Association and any duly appointed trustee shall have the duty to contract for such work as provided in said Article.

Section 6. 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 this Article. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

Section 7. Distribution to Mortgagees. Subject to the provisions of this Article, any Mortgagee has the option to apply insurance proceeds payable on account of a Condominium in reduction of the obligation secured by the Mortgage of such Mortgagee.

Section 8. Owner's Liability Insurance. An Owner may carry whatever personal liability and property damage liability insurance with respect to his or her Condominium that he or she desires. However, any such policy shall include a waiver of subrogation clause acceptable by the Board and to any institutional First Mortgagee.

Article X

Damage or Destruction

Section 1. Destruction; Proceeds Exceed 85 Percent of the Reconstruction Costs. If there is a total or partial destruction of any Unit or Common Facility Improvements within the Property, and if the available proceeds of the insurance maintained pursuant to Article IX are sufficient to cover not less than 85 percent of the costs of repair and reconstruction, a vote shall be taken within 90 days from the date of destruction, and improvements shall be rebuilt only if there is a vote or written assent of members, constituting a quorum, consisting of a majority of votes at a meeting or an election in favor of a special assessment. 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 120 days from the date of such destruction, a certificate declaring the intention of the Members to rebuild.

Section 2. Destruction; Proceeds Less than 85 Percent of the Reconstruction Costs. If the proceeds of insurance are less than 85 percent of the cost of repair and reconstruction, repair and reconstruction may nevertheless take place, if, within 90 days from the date of destruction, eligible members then holding at least 51 percent of the total voting power determine that such repair and reconstruction shall take place. If a meeting or written ballot is called to vote on the matter, the Association shall solicit and obtain bids from at least two reputable contractors to repair and reconstruct the Improvements in accordance with the original plans and shall present this information to the Owners at the meeting. If the repair and reconstruction are to take place, the Association shall execute, acknowledge and record in the office of the County Recorder not later than 120 days from the date of destruction a certificate declaring the intention of the Owners to rebuild.

Section 3. Rebuilding Procedures. If the eligible members determine to rebuild, pursuant to Sections 1 or 2, above, the Owners of each Unit located within a structure that has been totally or partially destroyed shall be obligated to contribute his or her proportionate share of the cost of reconstruction or restoration of the structure containing his or her Unit over and above the available insurance proceeds. The Owner's proportionate share of the cost of reconstruction or restoration shall be based upon the ratio that the square footage of the living area of his or her Unit bears to the total square footage of the living area of all Units. If any Owner fails or refuses to pay his or her proportionate share, the Board may levy a Special Assessment against the Unit of such Owner which may be enforced under the lien provisions contained in Article IV or in any other manner provided in this Declaration.

If any Owner disputes the amount of his or her proportionate liability under this Section 3, such Owner may contest the amount of his or her liability by submitting to the Board, within 10 days after notice to the Owner of his or her 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 the Owner 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 set forth a date and time for a special meeting of Members for the purpose of acting on the Board's recommendation, including the making further adjustments, if deemed by the Members to be necessary or appropriate. All adjustments shall be affirmed or modified by 51 percent of the total voting power of the eligible 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.

Section 4. Definition of "Eligible Members" Entitled to Vote. For purposes of any vote pursuant to this Article X, the Members eligible to vote shall be (a) fifty-one percent (51 %) of the total voting power of the Association's membership in the case of any damage to or destruction of Common Facilities other than buildings containing Units, and (b) in the case of any damage to or destruction of buildings containing Units, fifty-one percent (51 %) of the voting power of those members whose Units are located in the damaged or destroyed structure(s). Any membership vote required hereunder shall be conducted either at a duly convened meeting at which a quorum is present or by written ballot conducted in accordance with Article 5 of the Bylaws.

Section 5. Rebuilding Contract. If the Eligible Members determine to rebuild, the Board shall reconstruct the damaged or destroyed portions of the Property substantially in accordance with the original plan. The Board or its authorized representative shall obtain bids from at least three reputable contractors and shall award the repair and reconstruction work to the lowest bidder that otherwise meets the requirements set forth by the Board or its representative in soliciting bids. The Board shall have the authority to enter into a written contract with the contractor for such repair and reconstruction on terms deemed reasonable by the Board. The insurance proceeds held by the trustee shall be disbursed to the contractor according to the terms and conditions of the agreement. It shall be the obligation of the Board to take all steps which are necessary or appropriate to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

Section 6. Rebuilding Not Authorized. If the Eligible Members determine not to rebuild, then any insurance proceeds then available for rebuilding shall be used or distributed as follows:

(a) If, prior to the expiration of 120 days from the date of destruction, 75 percent of all Owners and institutional first Mortgagees with Mortgages encumbering the affected Units within the Property consent by vote or in writing, the Board acting on behalf of the Association shall have the right to purchase the Units which were rendered uninhabitable by such damage or destruction, at the fair market value thereof immediately prior to the damage or destruction (as determined by an appraiser in accordance with Section 8, below), using the available proceeds of insurance for such purpose. Any shortage of insurance proceeds shall be made up by a Special Assessment levied against all remaining Owners. Any payment of the purchase price shall be made jointly to the selling Owner and all Mortgagees of his or her Unit

and each Owner by accepting a deed to a Condominium agrees to be bound by these provisions and to sell his or her Condominium by grant deed to the Association as provided herein. -

(b) Notwithstanding the determination of Eligible Members not to rebuild pursuant to Section 1 or 2 of this Article, any Units which are not rendered uninhabitable shall be repaired and restored to a condition as near as possible to their condition immediately before such damage or destruction. Such repair and restoration shall be paid first from the insurance proceeds remaining after purchase of Condominiums pursuant to subparagraph (a), of this Section 6, if any, and second from a Special Assessment levied against all remaining Owners in the manner described in Section 4 of this Article.

(c) If the required 75 percent of all Owners and institutional first Mortgagees do not consent to purchase the Condominiums which were rendered uninhabitable, an appraiser shall determine the relative fair market values of all Condominiums in the Property, as of the date prior to any damage or destruction and the proceeds of insurance shall be apportioned among all Owners, and their respective Mortgagees, in proportion to such relative values or in the case of damage to, or destruction of, the Common Area or any Common Facility, to the Owners equally. The Board shall have the duty, within 120 days from the date of destruction, to execute, acknowledge and record in the office of the County Recorder, a certificate declaring the intention of the Members not to rebuild. On recordation of the certificate, the right of any Owner to partition through legal action as described in Article XII shall revive immediately.

Section 7. Minor Repair and Reconstruction. In any case, the Board shall have the duty to repair and reconstruct improvements owned by the Association or improvements it is obligated to repair and maintain, 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 five percent (5%) of the budgeted gross expenses of the association for that fiscal year. Any amounts paid by the Board up to and including the above-referenced amount which are not covered by insurance shall be assessed to the Owners of Condominiums which are damaged upon the basis of the ratio of the square footage of the floor area of the Condominium to be assessed to the total square footage of the floor area of all Condominiums to be assessed. In the case of damage to Common Facilities which does not exceed the above-referenced amount, the Owners of all Condominiums shall be assessed for an equal portion of any uninsured expense.

Section 8. Appraiser. Wherever in this Article, or Article XI (Condemnation) reference is made to a determination of the value or fair market value of one or more Condominiums by an appraiser, this shall mean an appraisal by an independent appraiser selected by the Board, who shall be a member of the Society of Real Estate Appraisers (SREA) or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the value or fair market value of each Condominium. The costs of such appraisals shall be paid from the sale or insurance proceeds, as the case may be.

Article XI

Condemnation

Section 1. Sale by Unanimous Consent or Taking. If an action for condemnation of all or a portion of the Property is proposed or threatened by any governmental agency having a right of eminent domain, then, on unanimous written consent of all Owners and all institutional Mortgagees, the Property or a portion thereof may be sold and conveyed to the condemning authority by the Board or its designees acting as the attorney-in-fact of all Owners under an irrevocable power of attorney, which each Owner by accepting a deed to a Condominium hereby grants and which shall be coupled with the interest of all other Owners, for a price deemed fair and equitable by the Board. If the requisite number of Owners or institutional Mortgagees do not consent to a sale of all or a portion of the Property, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

Section 2. Distribution and Sales Proceeds of Condemnation Award.

(a) Total Sale or Taking. A total sale or taking of the Property means a sale or taking that (i) renders more than 50 percent of the Condominiums uninhabitable or (ii) renders the Property as a whole uneconomical as determined by the vote or written consent of 66-2/3 percent of those Owners and their respective institutional Mortgagees whose Condominiums will remain habitable after the taking. However, any determination that a sale or taking is total must be made before the proceeds from any sale or award are distributed. The proceeds of any such total sale or taking of the Property, after payment of all expenses relating to the sale or taking, shall be paid to all Owners and to their respective Mortgagees in the proportion that the fair market value of each Condominium bears to the fair market value of all Condominiums on the Property.

(b) Partial Sale or Taking. In the event of a partial sale or taking of the Property, meaning a sale or taking that is not a total taking, as determined in Section 2(a), above, the proceeds from the sale or taking shall be paid or applied in the following order of priority and any judgments of condemnation shall include the following provisions as part of its terms:

(i) To the payment of expenses of the Association in effecting the sale or to any prevailing party in any condemnation action to whom such expenses are awarded by the court to be paid from the amount awarded; then

(ii) To Owners and to their respective Mortgagees, as their interests may appear, of Condominiums of the Property whose Condominiums have been sold or taken, an amount up to the fair market value of such Condominiums as determined by the court in the condemnation proceeding or by an appraiser, less such Owner's share of expenses paid pursuant to Section 2(b)(i) (which share shall be in proportion to the ratio that the fair market value of each Owner's Condominium bears to the fair market

value of all Condominiums. After such payment, the recipient shall no longer be deemed an Owner.

(iii) To any remaining Owner(s) and to his or her Mortgagees, as their interests may appear, whose Condominium has been diminished in value as a result of the sale or taking disproportionate to any diminution in value of all Condominiums, as determined by the court in the condemnation proceedings or by an appraiser, an amount up to the total diminution in value; then

(iv) To all remaining Owners and to their respective Mortgagees, as their interests may appear, the balance of the sale proceeds or award in proportion to the ratio that the fair market value of each remaining Owner's Condominium bears to the fair market value of all remaining Owners' Condominiums as of the date immediately prior to commencement of condemnation proceedings, as determined by the court in the condemnation proceeding or by an appraiser.

Article XII

Partition of Common Area

Section 1. Suspension or Right of Partition. Except as expressly provided in this Article, an Owner shall have no right to partition or divide his or her ownership of the Common Area. Partition of the Common Area can be had on a showing that the conditions to such partition as stated Article X (relating to damage or destruction) or in Article XI (relating to condemnation) or in California Civil Code Section 1359 have been met. Nothing in this Declaration shall prevent partition of a cotenancy in a Condominium.

Section 2. Distribution of Proceeds Upon Partition. Proceeds of property resulting from a partition shall be distributed to and among the respective Owners and their Mortgagees as their interests appear in proportion to the ratio that the fair market value of each Owner's Condominium bears to the fair market value of all Owner's Condominiums determined by appraisal as provided in Article XI, but as of a date immediately prior to the event giving rise to the right of Owners to partition the Common Area.

Section 3. Power of Attorney. Each of the Owners irrevocably appoints the Association as attorney-in-fact and irrevocably grants to the Association full power in the name and stead of such Owner to sell the entire Project, and to execute deeds and conveyances to it, in one or more transactions, for the benefit of all Owners when partition of the Project may be had under Civil Code Section 1359 and under the circumstances authorizing partition under this Declaration. The power of attorney shall (a) be binding on all Owners, whether they assume the obligations under this Declaration or not; (b) be exercisable by a majority of the Board acting on behalf of the Association, subject to obtaining the prior approval by vote or written consent of 75 percent of the Owners and 75 percent of all institutional first Mortgagees; and (c) be exercisable only after recordation with the County Recorder of a certificate executed by those who have power to exercise the power of attorney that the power of attorney is properly exercisable under Civil Code Section 1359. This certificate shall be conclusive evidence of proper exercise in favor of any person relying on it in good faith.

Article XIII

Nonseverability of Component Interests

Section 1. Severance Prohibited. An Owner shall not be entitled to sever his or her Unit in any Condominium from his or her membership in the Association, and shall not be entitled to sever his or her Unit or his or her membership from the Owner's undivided interest in the Common Area for any purpose. None of the component interests in a Condominium 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 or her Unit over the Common Area from the Owner's condominium, and any attempt to do so shall be void. The suspension of such right of severability will not extend beyond the period set forth in Article XII respecting the suspension of partition.

Section 2. Limitation on Interests Conveyed. After the initial sales of the Condominiums, unless otherwise expressly stated, any conveyance of a Unit or any portion of it by an Owner shall be presumed to convey the entire Condominium. However, nothing contained in this Section 2 shall preclude the Owner of any Condominium from creating an estate for life or an estate for years or from creating a cotenancy or joint tenancy in the ownership of the Condominium with any other person or persons.

Article XIV

Breach and Default

Section 1. Remedy at Law Inadequate. Except for the non-payment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in the Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Condominium, or any portion of the Common Area or Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 2. Nuisance. Without limiting the generality of the foregoing Section 1, the result of every act or omission whereby any covenant contained in this Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 3. Costs and Attorneys' Fees. In any action brought because of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to any party in any such action attorneys' fees and other costs as the court deems just and reasonable.

Section 4. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 5. Failure Not a Waiver. The failure of any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

Section 6. Rights and Remedies of the Association.

(a) Rights Generally. In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such rules,

covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreational Common Facilities or suspension of the Owner's voting rights as a Member of the Association; provided that the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section 6. The initiation of legal action shall be subject to Section 7, below. The decision of whether it is appropriate or necessary for the Association to initiate enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board or its duly authorized enforcement committee. If the association declines to take action in any instance, any Owner shall have such rights of enforcement as may exist by virtue of the California Civil Code Section 1354 or otherwise by law.

(b) Schedule of Fines. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty may be collected as a Special Assessment.

(c) Definition of "Violation." A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible Owner.

(d) Limitations of Disciplinary Rights.

(i) Loss of Rights; Forfeitures. The Association shall have no power to cause a forfeiture or abridgment of an Owner's rights to the full use and enjoyment of his or her Condominium due to the failure by the Owner (or his or her family members, tenants, guests or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of subparagraph below.

(ii) Monetary Penalties. Monetary penalties imposed by the Association (A) for failure of a Member to comply with the Governing Documents, (B) as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to the Common Area or Common Facilities allegedly caused by a Member, or (C) in bringing the Member and his or her Condominium into compliance with the Governing Documents, may not be characterized nor treated as an Assessment which may become a lien against the Member's Condominium in nonjudicial foreclosure, provided that this limitation shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorney's fees) in the Association's efforts to collect delinquent Assessments.

(e) Hearings. No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Owner alleged to be in violation is given at least 15 days prior notice of the proposed penalty or temporary suspension and is given an opportunity to be heard before the Board of Directors or appropriate committee established by the Board with respect to the alleged violation(s) at a hearing conducted at least 5 days before the effective date of the proposed disciplinary action.

Notwithstanding the foregoing, under circumstances involving conduct that constitutes (i) an immediate and unreasonable infringement or, or threat to, the safety or quiet enjoyment of neighboring Owners; (ii) a traffic or fire hazard; (iii) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (iv) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identify of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors or its duly authorized agents may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five days following the Association's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

If the Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Association no later than five days following the date when the fine is levied. The hearing shall be held no more than 15 days following the date of the disciplinary action or 15 days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing.

(f) Notices. Any notice required by this Article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation of the Governing Documents and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by

any method reasonably calculated to give actual notice, provided that if notice is given by mail it shall be sent by first-class or certified mail sent to the last address of the Member shown on the records of the Association.

(g) Rules Regarding Disciplinary Proceedings. The Board shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Association Rules.

Section 7. Court Actions; Arbitration; Mediation.

(a) Court actions to enforce the Governing Documents may only be initiated on behalf of the Association upon approval of the Board.

(b) Before instituting any judicial action, arbitration, or other proceeding arising out of any Owner's failure or alleged failure to comply with any provision of Article II, Section 4 (Delegation of Use), Article V (Architectural Control), or Article VI (Use of Property and Restrictions), the Association or Owner who desires to initiate such action ("Complaining Party") must make a good faith attempt to mediate the dispute pursuant to this paragraph. The Complaining Party shall send the other party (the "Responding Party") written notice of the nature of the dispute, the facts giving rise to its claim and its desire to mediate (the "Mediation Notice"). Should either party commence a judicial action, arbitration, or other proceeding without sending a Mediation Notice, the Responding Party shall be entitled to stay the action and request a Mediation Notice from the Complaining Party. The Mediation Notice shall name a mediator. The Complaining Party shall be obligated to pay any fee to initiate mediation, but the cost of mediation, including any attorney's fees shall ultimately be borne as determined by the parties if the mediation results in a settlement of the dispute. If the Responding Party does not agree with the Complaining Party's choice of a mediator, the parties shall ask that the American Arbitration Association pick a mediator from its panel within ten (10) days from the Responding Party's receipt of the Mediation Notice. Within thirty (30) days after the mediator is chosen, the parties shall schedule and attend a mediation and attempt in good faith to resolve their dispute. If the mediation does not resolve the dispute or if the Responding Party refuses to attend, the dispute shall be submitted to, and conclusively determined by, binding arbitration in accordance with the commercial arbitration rules of the American Arbitration Association, provided, however, that in a dispute between the Declarant and the Association, or the Declarant and any Member, the following provisions shall apply: (i) The Declarant shall advance the fees necessary to initiate the arbitration, with the costs and fees, including ongoing costs and fees to be paid as agreed by the parties or, if they cannot agree, as determined by the arbitrator with the costs and fees of the arbitration to ultimately be borne as determined by the arbitrator; (ii) A neutral and impartial individual shall be appointed to serve as arbitrator within a specified period of time, which in no event shall be more than sixty days from the arbitration administrator's receipt of a written request from a party to arbitrate the claim or dispute. In selecting the arbitrator, the provisions of Section 1297.121 of the Code of Civil Procedure shall apply. An arbitrator may be challenged for any of the

grounds listed therein or in Section 1297.124 of the Code of Civil Procedure; (iii) The venue of the arbitration shall be in the county where the Project is located unless the parties agree to some other location; and (iv) The arbitrator shall be authorized to provide all recognized remedies available in law or equity for any cause of action that is the basis of the arbitration. Nothing contained herein shall prevent any party from seeking injunctive or other provisional relief in order to preserve the status quo of the parties pending resolution of the dispute, and the filing of an action seeking injunctive or other provisional relief shall not be construed as a waiver of that party's arbitration rights.

Article XV

Protection of Mortgagees

Section 1. Mortgage Permitted. Any Owner may encumber his Condominium with a Mortgage.

Section 2. 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 Project, or any Condominium, made in good faith and for value; and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such Mortgage unless the Mortgagee expressly subordinates its interest, in writing, to such lien. If any Condominium 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 the Declaration for assessments, or installments of assessments, shall not operate to affect or impair the lien of the Mortgage. On foreclosure of the Mortgage, the lien for assessments or the installments that have accrued up to the time of foreclosure shall be subordinate to the lien of the Mortgage, with the foreclosure-purchaser taking title to the Condominium free of the lien for assessments or installments that have accrued up to the time of the foreclosure sale. On taking title to the Condominium the foreclosure-purchaser shall be obligated to pay only assessments or other charges levied or assessed by the Association that became due or payable on or after the foreclosure-purchaser acquired title to the Condominium. 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 clause. If the Mortgagee obtains title with a deed in lieu of foreclosure, any Assessment lien will not be extinguished.

Section 3. Control of Amendment or Revocation of Project Documents. In addition to the requirements of Article XVIII, and unless a greater percentage is expressly required by this Declaration, the Articles, or the Bylaws, the prior written consent (or deemed consent as provided below in this clause) of first Mortgagees of Condominiums that have at least fifty-one percent (51%) of the votes of all Condominiums encumbered by first Mortgages shall be required to add or amend any material provisions of the Declaration, the Articles, the Bylaws, the Condominium Plan or the Subdivision Map, which establish, provide for, govern, or regulate any of the following:

- (i) Voting;
- (ii) Assessment, collection of assessments, assessment liens or subordination of such liens;
- (iii) Reserves for maintenance, repair and replacement of Common Area or improvements located on it;

- (iv) Casualty and liability insurance or fidelity bonds;
- (v) Rights to use the Common Area;
- (vi) Responsibility for maintenance and repair of Condominiums and Common Area and their improvements;
- (vii) Expansion or contraction of the Project or the addition, annexation, or withdrawal of real property to or from the Project;
- (viii) Boundaries of any Condominium;
- (ix) The interests or rights of the Association or Owners in and to the Common Area;
- (x) The convertibility of Condominiums into Common Area or of Common Area into Condominiums;
- (xi) The leasing of Condominiums;
- (xii) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey his or her Condominium; or
- (xiii) Any provisions that are for the express benefit of first Mortgagees or insurers or governmental guarantors of first mortgages.

For purposes of this provision, an addition or amendment shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. Any first Mortgagee who receives a written request to consent to additions or amendments requiring consent under this provision who does not deliver or post to the requesting party a negative response within thirty (30) days after such receipt shall be deemed to have consented to such request.

Section 4. Restriction on Certain Changes. In addition to the requirements of Article XVIII, unless sixty-seven percent (67%) of first Mortgagees of Condominiums have given their prior written approval, neither the Association nor the Owners shall be entitled:

- (i) By act or omission to seek to abandon or terminate the condominium project, except for abandonment provided by statute in case of substantial loss to the units and Common Area;
- (ii) To change the method of determining the obligations, assessments, dues, or other charges that may be levied against an Owner, or to change the prorata interest or obligations of any condominium for purposes of levying assessments or charges or

allocating distributions of hazard insurance proceeds or condemnation awards or for determining the prorata share of ownership of each Owner in the Common Area; -

(iii) To partition or subdivide any Unit;

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

(v) To use hazard insurance proceeds for losses to units or Common Area improvements in the development or to any other Association property, for other than the repair, replacement, or reconstruction of such improvements or property except as provided by statute in case of substantial loss to the Units or Common Area of the Project.

Section 5. Mortgagee's Right to Examine Books and Records. Institutional first Mortgagees shall have the right to examine the books and records of the Association and the right to require the submission of financial data concerning the Association, including annual audit reports, budgets, and operating statements as furnished to the Owners.

Section 6. Priority in Distribution of Insurance and Condemnation Proceeds. No Owner, or any other party, shall have priority over any right of institutional first Mortgagees of Condominiums 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 provision 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.

Section 7. Status of Amenities. All amenities (such as parking, recreation, and service areas) and Common Area shall be available for use of Owners and all such amenities with respect to which regular or special assessments for maintenance or other uses may be levied including Common Area, shall be owned (i) in fee by the Owners in undivided interests or (ii) 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. If the Common Area will be owned by the Association, it shall be transferred to the Association prior to or coincident with the first transfer or conveyance of a subdivision interest by the subdivider.

Section 8. Default Notice Requirement. If any Owner is in default under any provision of this Declaration or under any provision of the Articles, the Bylaws or the Association Rules, and the default is not cured within sixty (60) days after written notice to

that Owner, the Association shall give to the Mortgagee of record of such Owner written notice of such default and of the fact that the sixty (60) day period has expired.

Section 9. Payments by Mortgagees. Mortgagees of Condominiums may, jointly or severally, pay taxes or other charges which are in default and which may or have become a charge against the Common 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 improvements of other insured property of the Association and, upon making any such payments, such Mortgagees shall be owed immediate reimbursement 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 a separate written agreement embodying this provision.

Section 10. Effect of Breach of Declaration on Mortgagee.

(i) Lien Not Invalidated. No breach of any provision of this Declaration shall invalidate the lien of any Mortgage made in good faith and for value; but all the covenants, conditions and restrictions shall be binding on any Owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

(ii) Mortgagee Need Not Cure Breach. Any Mortgagee who acquires title to a Condominium 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 noncurable or of a type that is not practical or feasible to cure.

Section 11. Status of Loan to Facilitate Resale. Any first Mortgage given to secure a loan to facilitate the resale of a Condominium 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 Mortgages under this Declaration.

Section 12. Right to Appear at Meetings. Because of its financial interest in the Project, any Mortgagee may appear (but cannot vote) at meetings of Owners and the Board to draw attention to violations of this Declaration that have not been corrected or that have been made the subject of remedial proceedings or assessments.

Section 13. Right to Furnish Information. Any Mortgagee can furnish information to the Board concerning the status of any Mortgage.

Section 14. Right of First Refusal Inapplicable to Mortgagee. No right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey the Owner's Condominium shall be granted to the Association without the written consent of any Mortgagee of the Condominium. Any right of first refusal or option to purchase a Condominium that may be granted to the Association (or other person, firm, or entity) shall

not impair the rights of a first Mortgagee (i) to foreclose or take title to a Condominium pursuant to the remedies provided in the mortgage; or (ii) to accept a deed (or assignment) in lieu of foreclosure in the event of default under the mortgage; or (iii) to sell or lease a Condominium acquired by the Mortgagee.

Section 15. Limitation on Term of Management Contract. Any agreement between the Association and Declarant pursuant to which the Declarant agrees to provide services, and any agreement for professional management by a manager shall provide for termination by either party without cause or payment of a termination fee on thirty (30) days' written notice and shall have a maximum contract term of one (1) year, provided that the Association can renew any such contract on a year-to-year basis. If the Project is professionally managed, the Association shall not terminate professional management and assume self-management without the consent of sixty-seven percent (67%) of the voting rights of each class of Owners, or of all Owners if only one class exists, and of fifty-one percent (51%) of first Mortgagees.

Section 16. Control if Mortgagee Protections Conflict With Other Provisions. In the event of any conflict between any of the provisions of this Article and any other provisions of this Declaration, the provisions of this Article shall control.

Article XVI

Notices

Section 1. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

If to any Owner: to the street address of his or her Condominium or to such other address as he or she may from time to time designate in writing to the Association.

If to the Association: at the principal office of the Association (or at such other address as the Association may from time to time designate in writing to the Owners).

Section 2. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the Co-Owners of any Condominium, to any general partner of a partnership which is the Owner of Record of the Condominium, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Condominium, shall be deemed delivered to all such Co-owners, to such partnership, or to such corporation, as the case may be.

Section 3. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four days after deposit of in the United States mail in Los Angeles County, California. . .

Article XVII

No Public Rights in the Property

Section 1. Nothing contained in this Declaration shall be deemed to be a gift or a dedication of all or any portion of the Property to the general public or for any public use or purpose whatsoever.

Article XVIII

Amendment of Declaration

Section 1. Amendment in General. This Declaration may be amended or revoked in any respect by the vote or assent by written ballot of the holders of not less than 75 percent of the Owners entitled to vote and not less than 75 percent of the votes of Owners other than the Declarant. Notwithstanding the foregoing, the percentage of Owners necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

Section 2. Effective Date of Amendment. The amendment will be effective upon the recording in the Office of the Recorder of Los Angeles County, a Certificate of Amendment, duly executed and certified by the president and secretary of the Association setting forth in full the amendment so approved and that the approval requirements of Section 1, above, have been duly met. Notwithstanding anything to the contrary herein contained, no such amendment shall affect the rights of the holder or any first deed of trust or Mortgage recorded prior to the recording of such amendment. If the consent or approval of any governmental authority, Mortgagee or other entity is required under this Declaration to amend or revoke any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

Section 3. 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.

Article XIX

General Provisions

Section 1. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Condominiums and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of 60 years from the date of the recording of this Declaration, after which time the same shall be automatically extended for successive periods of 10 years each unless, within 6 months prior to the expiration of the initial 60-year term or any such 10-year extension period, a recordable written instrument, approved by 75 percent of all Owners terminating the effectiveness of this Declaration shall be filed for recording in the Office of the County Recorder of Los Angeles County, California.

Section 2. Construction of Declaration.

(a) Restrictions Construed Together. All of the covenants, conditions, and restrictions of this Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the development of the Property as set forth in the Recitals of this Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

(b) Restrictions Severable. Notwithstanding the provisions of subparagraph (a) above, the covenants, conditions, and restrictions of this Declaration shall be deemed independent and severable, and the invalidity or partial validity or portion thereof shall not affect the validity or enforceability of any other provision.

(c) Singular Includes Plural. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine or neuter shall each include the masculine, feminine and neuter, as the context requires.

(d) Captions. All captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.

(e) Exhibits. All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.

Section 3. Binding Arbitration. In case of any controversy, dispute or claim (collectively, "Dispute(s)") between Declarant, its builder, general contractor, or broker, or their agents or employees, on the one hand, and the Association or any Owner(s), on the other hand, arising out of, connected with, or relating to (collectively, "Arbitrable Disputes"): (i) the design or

construction of the Project or any unit therein, or any part thereof, including without limitation, any claim for personal injury, wrongful death, construction defects, or any claims described in California Code of Civil Procedure §337.1 or §337.15; (ii) the Declaration or any of the other Governing Documents, or any other agreement between the parties or any provision of such agreements, including any amendments or modifications thereof; (iii) the interpretation of the Declaration or any of the other Governing Documents, or any other agreement between the parties or any provision of such agreements, including any amendments or modifications thereto, any other agreement between the Parties, including any amendments or modifications thereto and/or any provision(s) of any of the foregoing; (iv) the relationship of the parties; (v) any Disputes relating to or resulting from any activities or business conducted between the parties or any of them, including without limitation claims for injury to persons, property, business interests or fraud; (vi) any document, agreement, or procedure related to or delivered in connection with the Declaration or any of the other Governing Documents, or any other agreement between the parties, including any amendments or modifications thereto and/or any provision(s) of any of the foregoing; or (vii) the validity of the Declaration or any of the other Governing Documents, or any other agreement between the parties or any provision of such agreements, including any amendments or modifications thereof and/or any provisions of any of the foregoing; the procedure shall be as follows: the aggrieved party or parties shall notify the other party or parties of the grievance, in writing. When such a notice is received by Declarant, it shall promptly respond with an investigation, inspection, meeting, discussion, or other action reasonably appropriate to the circumstances. Appropriate action shall include, without limitation, prompt communication with the aggrieved party or parties, and a proposed course of action to resolve the problem. If the parties are unable to resolve the problem within a reasonable time (not to exceed ninety (90) days after the first notice of the Arbitrable Dispute), such Arbitrable Dispute shall be submitted to binding arbitration pursuant to the Commercial Arbitration Rules of the American Arbitration Association, provided that if the Arbitrable Dispute involves a sum not in excess of the jurisdictional limit of the small claims court, the aggrieved party or parties shall have the option of taking the matter to small claims court in lieu of binding arbitration.

If the matter proceeds to arbitration, the Declarant shall advance all fees necessary to initiate the arbitration on behalf of Owner (subject to Declarant's right to recover such fees if it is the prevailing party in such proceeding) and the appointment of a neutral and impartial arbitrator shall occur no later than sixty days after receipt by the arbitration administrator of a demand for arbitration. Because the design and construction of the Project and the units therein involve and/or affect Interstate Commerce, all matters relating to the arbitration shall be governed by the Federal Arbitration Act (9 U.S.C. " 1, et seq.), except as specifically provided below. The arbitrator shall have the right to award or include in his or her award any relief which he or she deems proper under the circumstances, including, without limitation, money damages, specific performance, injunctive relief and attorney's fees and costs, provided that the arbitrator shall not have authority to award exemplary or punitive damages. The arbitrator shall have the exclusive authority to render any decision concerning all issues of arbitrability as to any Dispute and shall allow the discovery pursuant to Code of Civil Procedure Section 1283.05 which shall include designation and deposition of expert witnesses. The award and decision of the arbitrator shall be conclusive and binding upon all parties hereto and judgment upon the award may be entered in

any court of competent jurisdiction. The parties agree to be bound by any provisions of any limitation of any period of time by which claims must be brought. The parties further agree that, in connection with any such arbitration proceeding, each party shall submit or file any claim which would constitute a compulsory cross-complaint (as defined in Section 426.30 of the Code of Civil Procedure) within the same proceeding as the claim to which it relates. Any such claim which is not submitted or filed in such proceeding shall be deemed barred. Arbitration of any matter pursuant to this section shall not be deemed a waiver of the attorney/client or attorney work product privilege.

In any such arbitration (or in any litigation if for any reason the controversies, disputes or claims are decided by a court), the arbitrator (or court) shall award to the prevailing party reasonable costs, including arbitration filing fees and the arbitrator's fees, and expenses, including attorneys' fees and expert witness fees.

Any party to the arbitration may apply to the arbitrator for a determination as to whether any Arbitrable Dispute involves a claim for indemnity, whether express or implied, contractual or equitable, total or partial (collectively "Indemnity Claim"), against a person or entity which is not bound by this arbitration agreement but which may be responsible, in whole or in part, for any material loss, injury or damage which arises from or is related to the Arbitrable Dispute ("Third Party Indemnitor"). If the arbitrator so determines, then any party to the arbitration shall have the right, for a period of 45 days following the date of written notice of such determination, to stay or dismiss such arbitration and to resolve such Arbitrable Dispute instead by litigation both against the Third Party Indemnitor and against any party who would otherwise be entitled to resolve such Arbitrable Dispute pursuant to the arbitration provisions hereof. In the event of the exercise of such right, any statute of limitations or statute of repose otherwise applicable to such Arbitrable Dispute as to any party otherwise entitled to resolve the same by arbitration hereunder shall be deemed extended to a date 90 days after the giving of written notice of the exercise of such right. The filing of any litigation with respect to an Arbitrable Dispute which includes a purported Indemnity Claim against a Third Party Indemnitor, whether commenced before, during or after the commencement of any arbitration pursuant hereto, shall not constitute a waiver of the right to arbitrate such Arbitrable Dispute if the arbitrator determines that there is no Indemnity Claim against a Third Party Indemnitor, or if, following such a determination, no party elects to exercise the aforesaid right within the aforesaid period; provided, however, that in the event of such determination or failure to exercise the right, such litigation shall be dismissed without prejudice only as to any party otherwise entitled to arbitrate the subject Arbitrable Dispute.

Any provision of this arbitration agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof and without affecting the validity or enforceability of any other provision.

CONSENT OF LIENHOLDER AND SUBORDINATION OF LIEN

The undersigned successor beneficiary, under that certain Deed of Trust recorded June 8, 2001, as Instrument No. 01-1057506 of Official Records of Los Angeles County, California, hereby consents to all of the provisions contained herein and agrees that the lien of such Deed of Trust shall be junior and subordinate and subject to said Declaration.

BANK OF AMERICA, N.A., a National Banking Association

Date: 3/27/02

By: *Paresh Patel*
PARESH PATEL, Vice President

By: _____

STATE OF CALIFORNIA
COUNTY OF LOS ANGELES

On March 27, 2002, before me, *Caralynn Offenhausser*
personally appeared *Paresh Patel*

personally known to me, OR proved to me on the basis of satisfactory evidence, to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument the persons, or the entities upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Caralynn Offenhausser
(Signature of Notary Public)



IN WITNESS WHEREOF, the undersigned, being the Declarant, has executed this Declaration for Tract No. 53402 . on the day and year first written above.

FIRENZE VILLAS, LLC, a California Limited Liability Company

Dated: 12-03-01

By: 
JAMES D. VAN ZANTEN, Managing Member

State of California
County of Los Angeles

On Dec. 3, 2001, before me, Francisco D. Urdaman, the undersigned, personally appeared JAMES D. VAN ZANTEN [XX] personally known to me - OR - [] proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.

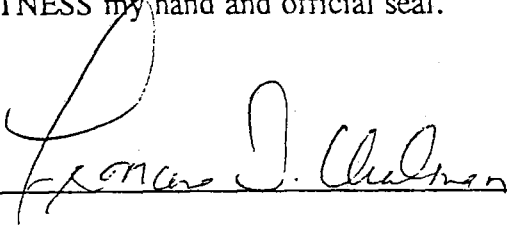


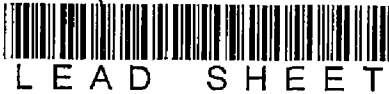
EXHIBIT "A"

LOT 1 OF TRACT 53402, IN THE CITY OF
MANHATTAN BEACH, AS PER MAP
RECORDED IN BOOK 1267, PAGES 96 AND
97, OF MAPS IN THE OFFICE OF THE
COUNTY RECORDER OF LOS ANGELES
COUNTY.

NOTICE

(This Notice is required by California Government Code Section 12956.1)

If this document contains any restriction based on race, color, religion, sex, sexual orientation, familial status, marital status, disability, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.



02 1585160

RECORDED/FILED IN OFFICIAL RECORDS
RECORDER'S OFFICE
LOS ANGELES COUNTY
CALIFORNIA
JUL 11 2002 AT 8 A.M.

SPACE ABOVE THIS LINE FOR RECORDERS USE

TITLE(S)

FEE

FEE \$ 236.- E

D.T.T.

CODE
20

DA. FEE Code 20 \$ 4.00

CODE
19

CODE
9

Assessor's Identification Number (AIN)

To Be Completed By Examiner OR Title Company In Black Ink

Number of Parcels Shown

THIS FORM IS NOT TO BE DUPLICATED

State of California

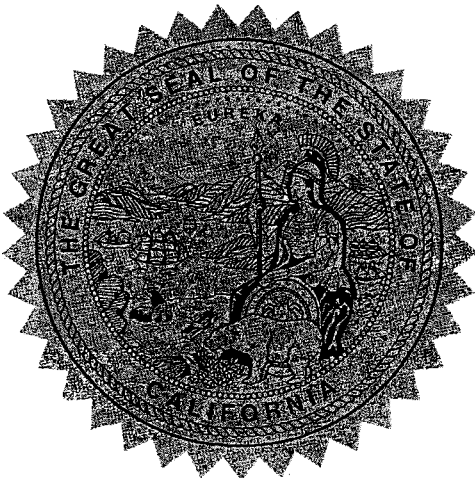


SECRETARY OF STATE



I, *BILL JONES*, Secretary of State of the State of California, hereby certify:

That the attached transcript of 3 page(s) has been compared with the record on file in this office, of which it purports to be a copy, and that it is full, true and correct.



IN WITNESS WHEREOF, I execute this certificate and affix the Great Seal of the State of California this day of

MAY 24 2002

Bill Jones

Secretary of State

**ARTICLES OF INCORPORATION
OF
MANHATTAN BEACH FIRENZE VILLAS**

ENDORSED - FILED
in the office of the Secretary of State
of the State of California

MAY 21 2002

BILL JONES, Secretary of State

I.

The name of the corporation (hereinafter called the "Corporation") is

MANHATTAN BEACH FIRENZE VILLAS

II.

The Corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

The specific purpose of this corporation is to manage a common interest development under the Davis-Sterling Common Interest Development Act.

The Corporation does not contemplate pecuniary gain or profit to any of its members. The primary purposes for which the Corporation is organized and operated are as follows:

(a) To provide for the management, administration, maintenance and care for the common area of a condominium project located at which is within that certain tract of real property situated on the southeast corner of Manhattan Beach Boulevard and Ardmore Avenue in the City of Manhattan Beach, Los Angeles County, California, described as Lot 1 of Tract 53402; and

(b) To promote the health, safety, and welfare of all the residents of the project, all according to that certain Declaration of Covenants, Conditions and Restrictions for Manhattan Beach Firenze Villas, (the "Declaration") recorded in the Office of the Recorder of Los Angeles County, State of California, with respect to Manhattan Beach Firenze Villas.

III.

The Corporation shall be managed in accordance with the provisions of the Declaration and its duly adopted Bylaws. The manner in which Directors shall be chosen and are removed from office, their qualifications, powers, duties, compensation and tenure in office, the manner of filling vacancies on the Board, and the manner of calling and holding meetings of

Directors are set forth both in the Declaration and the Bylaws. The authorized number and qualifications of members, the different classes of members, if any, the property, voting and other rights and privileges of members and their liability for dues and assessments and the method of collection thereof, are set forth both in the Bylaws and the Declaration.

Notwithstanding any of the above statements of purposes and powers, the Corporation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the primary purposes of the Corporation.

IV.

The name and address in this State of the Corporation's initial agent for service of process is:

CRAIG WEINSTEIN
820 Manhattan Avenue, Suite 203
Manhattan Beach, CA 90266

V.

The Corporation is intended to qualify as a homeowners' association under the applicable provisions of the Internal Revenue Code and the Revenue and Taxation Code of California. No part of the net earnings of this organization shall inure to the benefit of any private individual, except as expressly provided in those sections with respect to the acquisition, construction, or provision for management, maintenance, and care of the Corporation property and property commonly owned by the members of the Corporation, and other than by a rebate of excess membership dues, fees, or assessments. In the event of the dissolution, liquidation, or winding up of the Corporation, upon or after termination of the project in accordance with the provisions of the Declaration, its assets remaining after payment, or provision for payment, of all debts and liabilities of the Corporation shall be divided among and distributed to the members in accordance with their respective rights therein.

VI.

These Articles may be amended only by the affirmative vote of a majority of the Board of Directors of the Corporation, and by the affirmative vote (in person or by proxy) of members representing a majority of the voting power of the Corporation and a majority of the votes of members other than Declarant, or where the two (2) class voting system is still in effect (as provided by the Bylaws and/or the Declaration), a majority of the members of each class of membership. However, the percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause.

VII.

The Association has not yet appointed a managing agent. The location of the Association's office, which is off-site, is: 2501 North Sepulveda Blvd., 2nd Floor, Manhattan Beach, California 90266-2700.

IN WITNESS WHEREOF, for the purposes of forming this Corporation under the laws of the State of California, the undersigned has executed these Articles of Incorporation on the date written below.

Dated: 5-10-02



CRAIG WEINSTEIN

