

85-432741

EXHIBIT A
TO
LANDLORD'S CONSENT TO LEASE
AND NONDISTURBANCE AGREEMENT

FORM OF CONDOMINIUM LEASE

[Omitted pursuant to the last paragraph of Section 1 of the
Landlord's Consent to Lease and Nondisburbance Agreement.
The complete form of the Condominium Lease is attached as
Exhibit A to the Landlord's Consent to Lease and Nondisturbance
Agreement recorded on August 24, 1983 in the Official Records
of Orange County, California as Instrument No. 83-371143.]

D-196-D
5/5/83

**EXHIBIT B
TO
LANDLORD'S CONSENT TO LEASE 83-371143
AND NONDISTURBANCE AGREEMENT**

**EXHIBIT B
PROPORTIONATE RENTAL
SHARES**

<u>UNIT TYPE</u>	<u>NO. UNITS</u>	<u>APPROXIMATE SQUARE FOOTAGE*</u>	<u>TOTAL SQUARE FOOTAGE PER UNIT TYPE</u>	<u>INDIVIDUAL PROPORTIONATE RENTAL SHARE</u>	<u>TOTAL PRO-PORTIONATE RENTAL SHARE PER UNIT TYPE</u>
A	18	888	15,984	.488%	8.78%
A'	7	953	6,671	.524%	3.67%
B	48	1,139	54,672	.626%	30.04%
B'	8	1,139	9,112	.626%	5.01%
C	36	1,187	42,732	.652%	23.47%
D	18	1,370	24,660	.753%	13.55%
D'	18	1,566	28,188	.860%	15.48%
	<u>153</u>		<u>182,019</u>		<u>100%</u>

* From Exhibit C to the Declaration.

A Units are those units numbered:

15, 16, 25, 26, 35, 36, 63, 64, 73, 74, 97, 98, 107, 108, 117, 118, 144, 145

As shown on the Condominium Plans as signed by Howard Bear.

A' Units are those units numbered:

59, 60, 61, 62, 141, 142, 143

As shown on the Condominium Plans as signed by Howard Bear.

B Units are those units numbered:

1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138

As shown on the Condominium Plans as signed by Howard Bear.

B' Units are those units numbered:

13, 14, 45, 46, 83, 84, 139, 140

As shown on the Condominium Plans as signed by Howard Bear

D-196-D
4/28/83

83-371143

C Units are those units numbered:

17, 18, 23, 24, 27, 28, 33, 34, 37, 38, 43,
44, 65, 66, 71, 72, 75, 76, 81, 82, 99, 100,
105, 106, 109, 110, 115, 116, 119, 120, 125,
126, 146, 147, 152, 153

As shown on the Condominium Plans as signed
by Howard Bear.

D Units are those units numbered:

20, 22, 30, 32, 40, 42, 68, 70, 78, 80, 102,
104, 112, 114, 122, 124, 149, 151

As shown on the Condominium Plans as signed
by Howard Bear.

D' Units are those units numbered:

19, 21, 29, 31, 39, 41, 67, 69, 77, 79, 101,
103, 111, 113, 121, 123, 148, 150

As shown on the Condominium Plans as
signed by Howard Bear.

Exhibit B
(Page 2 of 2)

D-197-A
3/24/83

85-432741

EXHIBIT C
TO
CONDOMINIUM LEASE

[Intentionally Omitted]

EXHIBIT D

GENERAL DEVELOPMENT STANDARDS

1. Purposes For Which the Property May Be Used

(a) Development, maintenance and operation of a residential condominium building complex and condominiums and all structures, facilities and appurtenances reasonably related thereto;

(b) Development, maintenance and operation of community recreation facilities, including swimming pool or pools, reflecting pool or pools, lake or lakes, stream or streams, a recreational structure containing exercise rooms, dressing room facilities, meeting rooms, private banquet facilities and such other related areas and facilities reasonably related thereto.

2. Nature, Quality and Style of Construction and Development

(a) Two-story wood frame residential condominium structures, with wood, stucco and masonry exteriors applied in accordance with the architectural styles referred to below and generally in accordance with the development standards previously delivered to Master Landlord;

(b) All construction shall be of new materials of high quality and shall be performed in accordance with all applicable zoning ordinances and building codes;

(c) Parking shall be provided on the property in an amount not less than the parking spaces per residential dwelling unit required by the City of Santa Ana;

(d) Private streets may be developed within the property and all streets shall be constructed in accordance with the applicable code provisions and requirements of the City of Santa Ana;

(e) The square foot area of apartment units shall be no less than 400 square feet for an "efficiency" or "bachelor" dwelling unit, 600 square feet for a one-bedroom unit; no less than 750 square feet for a two- or more bedroom unit;

(f) Building style shall be of a contemporary architectural design with a water oriented theme;

(g) High quality landscaping shall be installed and maintained with an underground irrigation system;

(h) Street layouts, building location and placement of recreational building shall be in conformance with the requirements of the City of Santa Ana;

(i) Utilities shall be installed beneath the surface of the ground.

WHEN RECORDED, MAIL TO:

(Space Above This Line For Recorder's Use Only)

ASSIGNMENT OF CONDOMINIUM LEASE

For Valuable Consideration, receipt of which is hereby acknowledged, the undersigned _____

does hereby transfer and assign to _____

all right, title and interest of the undersigned, as Tenant, in and under that certain Condominium Lease and the condominium interests conveyed thereby dated _____, by and between _____

a _____, as Lessor and _____

as Tenant, recorded on _____ as Instrument No. _____, Official Records of Orange County, California (the "Condominium Lease"). to:

A. Leased Property

A leasehold interest as described in the Condominium Lease in the following described property in the City of Santa Ana, County of Orange, State of California:

Parcel No. 1: Unit No. _____ as shown and described on that certain Condominium Plan (the "Condominium Plan") recorded on _____ as Instrument No. _____, Official Records of Orange County, California, EXCEPTING THEREFROM, the Unit Improvements as defined in Article E of said Condominium Lease.

Parcel No. 2: An undivided percentage interest equal to the Percentage Interest set forth in Article A of said Condominium Lease in all portions of Lot _____ of Tract No. 11859 in the City of Santa Ana, California, as shown on a map recorded in Book _____, Pages _____ through _____, inclusive, in the office of the Recorder of Orange County, California, EXCEPTING THEREFROM all Project Improvements as defined in Article B of said Condominium Lease, and FURTHER EXCEPTING THEREFROM all units shown on said Condominium Plan.

Parcel No. 3: Easements which are particularly set forth in the Article entitled "Easements" in the Declaration under the Section headings in such Article entitled "Support, Settlement and Encroachment" and "Certain Easements for Owners."

EXHIBIT E
(Page 1 of 3)

D-197-A
3/24/83

B. Improvements:

Parcel No. 1: An undivided percentage interest equal to the Percentage Interest set forth in Article A of said Condominium Lease in the Project Improvements as defined in said Condominium Lease of said Lot ____ of Tract No. 11859 EXCEPTING THEREFROM, the undivided interests in said Project Improvements appertaining to all other Condominiums (as defined in said Condominium Lease) in the Project (as defined in said Condominium Lease), and FURTHER EXCEPTING THEREFROM all units shown on said Condominium Plan.

Parcel No. 2: An exclusive ownership interest in the Unit Improvements as defined in Article E of said Condominium Lease within said Unit No. _____ as shown on the Condominium Plan.

RESERVING UNTO LESSOR AND SUBJECT TO such matters as are specified in Sections 3 and 4 of Article 1 of the Condominium Lease and, without limiting the generality of the foregoing, specifically SUBJECT TO that certain Declaration of Covenants, Conditions & Restrictions recorded on _____, as Instrument No. _____, Official Records of Orange County, California, and any amendments thereto, and the covenants, conditions, restrictions, rights, easements, reservations, benefits and burdens therein contained, each and all of which are hereby expressly incorporated herein by reference as though set out herein in full.

Dated: _____

Dated: _____

D-197-A
3/24/83

CONSENT TO ASSIGNMENT

The undersigned, _____,
a _____, "Lessor" named in the
Condominium Lease referred to in the foregoing assignment,
hereby consents to such assignment and releases on its
behalf and on behalf of the Master Landlord (as defined in
said Condominium Lease) the assignor in the foregoing
assignment, without, however, waiving the restrictions, if
any, contained in said Condominium Lease with respect to
future assignments thereunder.

_____, a

By: _____

ACCEPTANCE AND AGREEMENT

The undersigned assignee named in the foregoing
assignment (if more than one, then jointly and severally) hereby
accepts said assignment and hereby agrees with and for the
benefit of _____

a _____, as "Lessor" in the Condominium
Lease described in the foregoing assignment and the Master
Landlord (as defined in said Condominium Lease) to keep, perform
and be bound by all of the terms, covenants and conditions
contained in said Condominium Lease on the part of the Tenant
therein to be kept and performed, to all intents and purposes as
though the undersigned assignee was the original tenant
thereunder.

Dated: _____

Address: _____

_____ (Assignee)

Exhibit E
(Page 3 of 3)

D-201-A
6/21/83

83-368737

RECORDING REQUESTED BY
FIRST AMERICAN TITLE INS. CO.

RECORDED IN OFFICIAL RECORDS
OF ORANGE COUNTY, CALIFORNIA

-4:00 PM AUG 23 '83

AFTER RECORDING MAIL TO:

KINDEL & ANDERSON (DGT)
4000 MacArthur Boulevard
Suite 1000
Newport Beach, California 92660

\$ 111.00
C2

John A. Branch COUNTY
RECORDS

Z 400-11 Edm

(Space Above This Line For Recorder's Use)

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

SOUTH COAST SPRINGS
ORANGE COUNTY, CALIFORNIA

Table of Contents

<u>Article</u>		<u>Page</u>
I	DEFINITIONS	4
	<u>Section</u>	
1.01-	Annexation Property	4
1.02-	Architectural Committee	4
1.03-	Articles and Bylaws	4
1.04-	Assessments	4
1.05-	Association	5
1.06-	Association Rules	5
1.07-	Board	5
1.08-	City	5
1.09-	Common Area	5
1.10-	Common Expenses	6
1.11-	Condominium	7
1.12-	Condominium Building	8
1.13-	Condominium Elements	8
1.14-	Condominium Plan	9
1.15-	County	9
1.16-	Covered Property	9
1.17-	Declarant	9
1.18-	Developer	9
1.19-	Development	10
1.20-	Development Improvements	10
1.21-	Development Property	10
1.22-	Eligible Insurer or Guarantor	10
1.23-	Exhibit	10
1.24-	Federal Agencies	10
1.25-	Final Subdivision Public Report	10

(1)

"Covenants and restrictions if any, based upon race, color, religion, sex, handicap, familial status, or national origin are deleted unless and only to the extent that said covenant (a) is exempt under Chapter 42, Section 3607 of the United States Code or (b) relates to handicap but does not discriminate against handicapped persons."

D-201-A
6/21/83

1.26-	Institutional Mortgagee	11
1.27-	Lessor	11
1.28-	Master Landlord	11
1.29-	Master Lease	11
1.30-	Member	11
1.31-	Mortgage	11
1.32-	Mortgagee	12
1.33-	Owner	12
1.34-	Percentage Interest	12
1.35-	Phase	12
1.36-	Project	12
1.37-	Project Improvements	13
1.38-	Project Property	13
1.39-	Proportionate Share	13
1.40-	Residence	13
1.41-	Restricted Common Area	13
1.42-	Supplementary Declaration	14
1.43-	Trustee	14
1.44-	Unit	14
1.45-	Unit Improvements	14
II MEMBERSHIP		15
2.01-	Membership	15
2.02-	Transfer	15
2.03-	Voting Rights	15
2.04-	Classes of Voting Membership	15
2.05-	Special Voting Rights	16
2.06-	Approval of All Members	16
III COVENANT FOR MAINTENANCE ASSESSMENTS		18
3.01-	Creation of the Lien and Personal Obligation of Assessments	18
3.02-	Purpose of Assessments	18
3.03-	Regular Assessments	13
3.04-	Capital Improvement Assessments	19
3.05-	Cable Television Service Assessment	20
3.06-	Assessment Allocation	20
3.07-	Certificate of Payment	21
3.08-	Exempt Property	21
3.09-	Special Assessments	21
3.10-	Date of Commencement of Regular Assessments	22
3.11-	No Offsets	22
3.12-	Homestead Waiver	23
3.13-	Reserves	23

(ii)

IV NONPAYMENT OF ASSESSMENTS	24
4.01- Delinquency	24
4.02- Costs and Charges Not Subject to Lien	24
4.03- Notice of Lien	24
4.04- Foreclosure Sale	25
4.05- Curing of Default	25
4.06- Special Assessment Power	26
V ARCHITECTURAL CONTROL	27
5.01- Approval Rights of Association, Lessor and Master Landlord	27
5.02- Appointment of Architectural Committee	27
5.03- General Provisions	28
5.04- Approval and Conformity of Plans	29
5.05- Nonliability for Approval of Plans	30
5.06- Appeal	30
5.07- Inspection and Recording of Approval	31
5.08- Reconstruction After Destruction	31
5.09- Subterranean Improvements	31
VI DUTIES AND POWERS OF THE ASSOCIATION	33
6.01- General Duties and Powers	33
6.02- General Duties of the Association	33
6.03- Assumption of Master Lease Obligations	34
6.04- Collection Agent	34
6.05- General Powers of the Association	34
6.06- General Limitations and Restrictions on the Powers of the Board	35
6.07- Association Rules	37
6.08- Delegation of Powers	38
6.09- Pledge of Assessment Rights	38
6.10- Emergency Powers	39
6.11- Association to Defend Certain Actions	39
VII REPAIR AND MAINTENANCE	40
7.01- Repair and Maintenance by Association	40
7.02- Repair and Maintenance by Owner	41
7.03- Right of Association to Maintain and Install	42
7.04- Right of Entry	43
7.05- Maintenance by Governmental Authorities	43
7.06- Maintenance of Public Utilities	43
7.07- Assumption of Maintenance Obligations	43
7.08- Eradication of Termites and Other Pests	44

VIII INSURANCE	45
8.01- Types	45
8.02- Waiver by Members	47
8.03- Other Insurance	47
8.04- Premiums, Proceeds and Settlement	47
8.05- Annual Insurance Review	47
8.06- Abandonment of Replacement Cost Insurance	48
8.07- Federal Requirements	48
8.08- Trustee	48
8.09- Individual Casualty Insurance Prohibited	49
8.10- Rights of Owners to Insure	49
8.11- Required Waiver	50
8.12- Notice of Cancellation or Modification	50
IX DESTRUCTION OF IMPROVEMENTS	51
9.01- Automatic Reconstruction	51
9.02- Reconstruction Pursuant to Meeting	53
9.03- Decision to Reconstruct; Procedure After Meeting	53
9.04- Decision Not to Reconstruct; Procedure After Meeting	55
9.05- Certificate of Intention to Reconstruct	56
9.06- Compliance with Condominium Plan	56
9.07- Negotiations with Insurer	57
9.08- Repair of Units	57
9.09- Amendment of Condominium Plan	57
9.10- Reconstruction of Common Area	57
9.11- Availability of Labor and Material	58
9.12- Contracting for Reconstruction	58
9.13- Seventy-Five Percent (75%) Vote Required	58
9.14- Costs of Collecting Insurance Proceeds	58
9.15- Requirements of Federal Agencies	59
9.16- Reallocation of Interests in Common Area	59
X EMINENT DOMAIN	60
10.01- Definition of Taking	60
10.02- Representation by Board in Condemnation Proceeding	60
10.03- Award for Condominium	60
10.04- Inverse Condemnation	61
10.05- Awards for Members' Personal Property and Relocation Allowances	61
10.06- Notice to Members	61
10.07- Change of Condominium Interest	61
10.08- Reallocation of Interests in Common Area	62

XI USE RESTRICTIONS	63
11.01- Commercial Use	63
11.02- Signs	63
11.03- Nuisance	63
11.04- Temporary Structures	63
11.05- Vehicles	64
11.06- Animals	65
11.07- Oil and Mineral Rights	65
11.08- Unsightly Items	65
11.09- Antennae and Other Roof Structures	66
11.10- Drainage	66
11.11- Garages	66
11.12- Window Covers	66
11.13- California Vehicle Code	67
XII RIGHTS OF ENJOYMENT	68
12.01- Members' Right of Enjoyment	68
12.02- Delegation of Use	69
12.03- Waiver of Use	69
XIII EASEMENTS	70
13.01- Amendment to Eliminate Easements	70
13.02- Nature of Easements	70
13.03- Certain Rights and Easements Reserved to Declarant	70
13.04- Certain Easements for Owners	71
13.05- Certain Easements for Association	72
13.06- Support, Settlement and Encroachment	73
XIV ANNEKATIONS	75
14.01- Development of the Covered Property	75
14.02- Supplementary Declarations	75
14.03- Annexation Without Approval and Pursuant to the General Plan	76
14.04- Annexation Pursuant to Approval	76
14.05- Mergers or Consolidations	77
14.06- Limitation Upon Annexation	77
XV RIGHTS OF LENDERS	78
15.01- Filing Notice; Notices and Approvals	78
15.02- Priority of Mortgage Lien	78

(v)

15.03-	Curing Defaults	79
15.04-	Resale	79
15.05-	Relationship with Assessment Liens	79
15.06-	Seventy-Five Percent (75%) Vote of First Mortgagees	80
15.07-	Other Rights of First Mortgagees	82
15.08-	Mortgagees Furnishing Information	83
15.09-	Right of First Refusal	83
15.10-	Conflicts	83
15.11-	Notice and Priority in Event of Destruction or Taking	83
15.12-	Payment of Taxes or Premiums by Institu- tional Mortgagees	84
XVI LIMITATIONS UPON THE RIGHT TO PARTITION AND SEVERANCE		85
16.01-	No Severance	85
16.02-	No Partition	85
XVII PROTECTION OF THE PROJECT FROM LIENS		86
17.01-	Association to Defend Certain Actions	86
17.02-	Payment of Lien	86
17.03-	Owners to be Specially Assessed	86
17.04-	Reimbursement by Certain Owners	87
XVIII GENERAL PROVISIONS		88
18.01-	Enforcement	88
18.02-	No Waiver	88
18.03-	Cumulative Remedies	88
18.04-	Severability	89
18.05-	Covenants to Run with the Land; Term	89
18.06-	Construction	89
18.07-	Singular Includes Plural	89
18.08-	Nuisance	89
18.09-	Attorneys' Fees	89
18.10-	Notices	89
18.11-	Obligations of Declarant	90
18.12-	Effect of Declaration	91
18.13-	Personal Covenant	91
18.14-	Nonliability of Officials	91
18.15-	Enforcement of Bonded Obligations	91
18.16-	Leases	92
18.17-	Construction by Declarant	93
18.18-	Amendments	93
18.19-	Termination of Status of Covered Property	94

D-201-A
6/21/83

83-368737

- EXHIBIT A - Initial Covered Property
- EXHIBIT B - Annexation Property
- EXHIBIT C - Percentage Interests Initial
Covered Property
- EXHIBIT D - Initial Proportionate Shares
Initial Covered Property

(vii)

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS

SOUTH COAST SPRINGS
ORANGE COUNTY, CALIFORNIA

THIS DECLARATION is made this 26th day of July, 1983 by HOWARD A. BEAR ("BEAR") and GORE DEVELOPMENT CORPORATION ("GORE"), a California corporation. BEAR, GORE and their successors and assigns shall be referred to herein collectively as "Declarant."

R E C I T A L S

A. BEAR is the fee owner of the real property described in Exhibit A to this Declaration, which shall be the Initial Covered Property under this Declaration, and the real property which may from time to time be annexed pursuant to this Declaration and become a part of the Covered Property. BEAR consents to and joins in the imposition of this Declaration upon the Covered Property.

B. GORE is the holder by mesne assignments of the Tenant's interest in the following lease which covers the real property described in Exhibit A as the Initial Covered Property:

That certain lease by and between BEAR as Landlord and Donald J. Scholz & Company ("Scholz") as the original Tenant, a Memorandum of which was recorded July 15, 1974 in Book 11196, page 450, Official Records of Orange County ("Master Lease").

The term of the Master Lease expires on May 1, 2037. GORE consents to and joins in the imposition of this Declaration upon the Covered Property.

C. Declarant has deemed it desirable to establish covenants, conditions and restrictions upon the Covered Property and each and every portion thereof, which will constitute a general scheme for the management of the Covered Property, and for the use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting the value, desirability and attractiveness of the Covered Property and enhancing the quality of life within the Covered Property.

D. It is desirable for the efficient management of the Common Area and the preservation of the value, desirability and attractiveness of the Covered Property to create a corporation to which will be delegated and assigned the powers of managing, maintaining and administering the Common Area and administering and enforcing these covenants, conditions and restrictions, collecting and disbursing funds pursuant to the assessments and charges hereinafter created and referred to and to perform such other acts as shall generally benefit the Covered Property.

E. South Coast Springs Homeowners Association, a nonprofit mutual benefit corporation, has been incorporated under the laws of the State of California for the purpose of exercising the powers and functions aforesaid.

All persons who purchase Residences within the real property designated as a Project in this Declaration shall be Owners as defined herein, and shall thereby automatically become Members of said Association and shall be subject to its powers and jurisdiction. In addition, the purchasers of Residences located on the other Projects annexed to the Plan hereof pursuant to this Declaration, while not Owners within the first Project, shall also automatically become Members of said Association by virtue of certain Supplementary Declarations which Declarant intends to record covering certain lands of Declarant, more particularly described in this Declaration. Declarant intends that the Covered Property shall consist of the real property designated as a Project in this Declaration together with other Projects on other parcels of land on which Declarant intends to construct Residences. Owners within each Project shall share ownership of that Project. Except as otherwise expressly provided in this Declaration, the rights, duties and obligations of all Members of said Association must be determined with regard to the entire membership of said Association and not just with regard to those Members who are Owners in any particular Project. The foregoing shall not require Declarant to annex any other Project to the plan of this Declaration.

F. Declarant will hereafter hold and convey title to all of the Covered Property subject to certain protective covenants, conditions and restrictions hereafter set forth.

G. Execution of this Declaration by BEAR, the fee owner, shall in no way affect the rights of BEAR or GORE under the provisions of the Master Lease referred to in

D-200-B
6/21/83

83-368737

Recital B hereof, it being expressly understood that BEAR is executing this Declaration pursuant to the 'Consent' provisions of the above-mentioned Master Lease.

NOW, THEREFORE, Declarant hereby covenants, agrees and declares that all of its interest as the same may from time to time appear in the Covered Property shall be held and conveyed subject to the following covenants, conditions, restrictions and easements which are hereby declared to be for the benefit of said interests in the Covered Property, and the owners of said interests, their successors and assigns. These covenants, conditions, restrictions and easements shall run with said interests and shall be binding upon all parties having or acquiring any right or title in said interests or any part thereof, and shall inure to the benefit of each Owner thereof and are imposed upon said interests and every part thereof as a servitude in favor of each and every of said interests as the dominant tenement or tenements.

ARTICLE I
DEFINITIONS

Unless the context clearly indicates otherwise, the following terms used in this Declaration are defined as follows:

Section 1.01. "Annexation Property" shall mean and refer to that real property described on Exhibit B. Notwithstanding the provisions of the Section entitled "Development of the Covered Property" of the Article of this Declaration entitled "Annexations," the total number of Residences which may be annexed as part of the Annexation Property shall not exceed 129 Residences.

Section 1.02. "Architectural Committee" shall mean and refer to the committee or committees provided for in the Article hereof entitled "Architectural Control".

Section 1.03. "Articles" and "Bylaws" shall mean and refer to the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended.

Section 1.04. "Assessments:" The following meanings shall be given to the Assessments hereinafter defined:

"Regular Assessment" shall mean the amount which is to be paid by each Member for Common Expenses.

"Special Assessment" shall mean a charge against a particular Owner and his Residence, directly attributable to the Owner, for charges and costs that are designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules, together with attorneys' fees and other charges payable by such Owner, pursuant to the provisions of this Declaration, plus interest thereon as provided for in this Declaration.

"Reconstruction Assessment" shall mean a charge against each Member and his Residence representing a portion of the cost to the Association for reconstruction of any portion or portions of the Common Area pursuant to the provisions of this Declaration.

"Capital Improvement Assessment" shall mean a charge against each Member and his Residence, representing a portion of the cost to the Association for installation, construction or replacement (other than due to destruction) of any capital improvements on any of the Common Area which the Association may from time to time authorize pursuant to the provisions of this Declaration.

"Cable Television Service Assessment" shall mean a charge against a particular Owner and his Residence for cable television services obtained by the Association for the benefit of such Owner as provided in this Declaration.

Section 1.05. "Association" shall mean and refer to the South Coast Springs Homeowners Association, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns.

Section 1.06. "Association Rules" shall mean rules adopted by the Association pursuant to the Article hereof entitled "Duties and Powers of the Association."

Section 1.07. "Board" shall mean the Board of Directors of the Association.

Section 1.08. "City" shall mean and refer to the City of Santa Ana, California, a municipal corporation of the State of California.

Section 1.09. "Common Area" shall mean the Project Property and the Project Improvements, which together constitute all portions of the Projects except the Units. Without limiting the generality of the foregoing, Common Area specifically includes all structural projections within a Unit which are required for the support of a Condominium Building, gas, water, waste pipes, all sewers, all chimneys, ducts, chutes, conduits, wires and other utility installations of the structures wherever located (except the outlets thereof when located within the Units), the land upon which the structures are located, the air space above these structures, all bearing walls, columns, floors, the roof, the slab foundation, common stairways, window glass and the like, and all easements which benefit the Covered Property or support the use and enjoyment thereof. Common Area shall specifically exclude all air conditioning units notwithstanding that the foregoing are located in the Common Area.

Section 1.10. "Common Expenses" shall mean and refer to the actual and estimated costs of:

(a) maintenance, management, operation, repair and replacement of the Common Area, and all other areas on the Covered Property which are maintained by the Association;

(b) unpaid Assessments;

(c) costs of management and administration of the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and employees;

(d) the costs of utilities, trash pickup and disposal, gardening and other services which generally benefit and enhance the value and desirability of the Common Area;

(e) the costs of fire, casualty, liability, workmen's compensation and other insurance required to be maintained by the Association pursuant to the Article hereof entitled "Insurance" covering the Common Area and certain Unit Improvements;

(f) the costs of any other insurance obtained by the Association;

(g) reasonable reserves as deemed appropriate by the Board;

(h) the costs of bonding of the members of the Board, any professional managing agent or any other person handling the funds of the Association;

(i) taxes paid by the Association;

(j) amounts paid by the Association for discharge of any lien or encumbrance levied against the Common Area or portions thereof;

(k) costs incurred by the Architectural Committee or other committee established by the Board;

(l) costs and expenses incurred as a result of curing any default or breach or assuming any obligations of the

Lessor pursuant to the Section of this Declaration entitled "Assumption of Master Lease Obligations" of the Article entitled "Duties and Powers of the Association";

(m) the costs of maintaining the lakes and streams located on the Covered Property, including adequate reserves for the replacement thereof, and all pumps, pipes and other devices used in the operation thereof;

(n) security guards, guard gates and/or key gates at entrances to the Covered Property from the public streets, and any other security systems or services installed by or contracted for by the Association; and

(o) other expenses incurred by the Association for any reason whatsoever in connection with the Common Area, or the costs of any other item or items designated by this Declaration, the Articles, Bylaws or Association Rules, or in furtherance of the purposes of the Association or in the discharge of any duties or powers of the Association.

Section 1.11. "Condominium" shall mean a percentage undivided leasehold interest in common with the other Owners within a Project in the Project Property of such Project, and an undivided ownership interest in common with the other Owners within such Project in the Project Improvements located thereon (subject to the Project Improvements becoming the sole and absolute property of the Master Landlord upon the expiration of the Master Lease), together with a separate leasehold interest in the portions of a Unit other than the Unit Improvements located therein, and a separate ownership interest in the Unit Improvements in the Unit (subject to the rights of the Master Landlord in the Unit Improvements upon the termination of the Master Lease) and all right, title and interest appurtenant to the Unit. Such percentage undivided interest in common of each Owner in the Project Property and Project Improvements of the Initial Covered Property shall be equal to such Owner's Percentage Interest as set forth in Exhibit C attached hereto, shall be described in the instrument conveying a Condominium to such Owner and shall not be changed except as provided in the Sections entitled "Amendment of Condominium Plan" and "Reallocation by Interests in Common Area" of the Article hereof entitled "Destruction of Improvements" and the

Sections entitled "Change of Condominium Interest" and "Reallocation of Interests in Common Area" of the Article hereof entitled "Eminent Domain." Any "Supplementary Declaration," as defined in this Article, shall contain an exhibit setting forth each Owner's Percentage Interest, according to Unit type and Unit number, in the Project Property and Project Improvements annexed pursuant to said Supplementary Declaration.

Section 1.12. "Condominium Building" shall mean a separate building containing one or more Units or elements of a Unit.

Section 1.13. "Condominium Elements" shall mean the following elements of a Unit:

(a) "Deck" shall mean that portion of a Unit designed for use as a deck and shall be identified on the Condominium Plan by its corresponding Unit number and the letter "d".

(b) "Patio" shall mean that portion of a Unit designed for use as a patio, and shall be identified on the Condominium Plan by its corresponding Unit number and the letter "p".

The Patio shall consist of the contiguous surfaces of any Common Area walls or fences, the surfaces of the walls of contiguous Condominium Buildings, with the upper and lower horizontal boundaries being planes above and below the surface of the land as shown on the Condominium Plan, and the space and the land encompassed by all of the foregoing. In the event that the contiguous Common Area land or improvements do not completely enclose the Patio element, the remaining boundaries of the airspace contained within said Patio element shall be as delineated on the Condominium Plan.

(c) "Laundry" shall mean that portion of a Unit designed for use as a laundry area, and shall be identified on the Condominium Plan by its corresponding Unit number and the letter "L", and shall consist of the interior undecorated surfaces of the perimeter walls, floors, ceilings, window (if any) and the doors of each Laundry Area and the space encompassed thereby.

(d) "Residential Element" shall mean that portion of a Unit designed for use as a residence, and shall be identified on the Condominium Plan by a Unit number only and shall consist of the interior undecorated surfaces of the perimeter walls, floors, ceilings, windows and doors of each Residential Element and the space

83-368737

D-200-B
6/21/83

encompassed thereby, including the outlets of all utility installations therein and also including the interior surfaces of the firebox of each fireplace extending from the floor to the top of each fireplace, if any, and the space encompassed thereby, which adjoins any Residential Element.

Section 1.14. "Condominium Plan" shall mean each of those certain Condominium Plans recorded by Declarant in the Office of the Orange County Recorder for the Projects, and any amendments thereto. In interpreting deeds, leases, declarations and plans, the existing physical boundaries of a Unit constructed in substantial accord with the Condominium Plan shall be conclusively presumed to be its boundaries rather than the description expressed in the deed, lease, declaration or plan, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries as shown on the plan or in the deed, lease, or declaration and those of the building as constructed.

Section 1.15. "County" shall mean and refer to the County of Orange, State of California.

Section 1.16. "Covered Property" shall mean and refer to all the real property described on Exhibit A hereto and, subsequent to the annexation thereof pursuant to the Article of this Declaration entitled "Annexations," any real property which shall become subject to this Declaration.

Section 1.17. "Declarant" shall mean and refer collectively to HOWARD A. BEAR, GORE DEVELOPMENT CORPORATION, a California corporation, and their successors and assigns, by merger, consolidation or by purchase of all or substantially all of their assets, or by purchase of their interests in the Initial Covered Property and the Annexation Property or any portion thereof, but excluding purchasers of individual Residences. Notwithstanding the foregoing sentence, the term "Declarant" shall also mean and refer to any person or entity who leases from GORE or a successor Developer five (5) or more Residences if such person agrees in writing with Declarant to accept assignment of Declarant's rights and duties as to the portion of the Covered Property leased and such writing is recorded against such portion purchased.

Section 1.18. "Developer" shall mean and refer to any person who acquires the interests of GORE in the Initial Covered Property and the Annexation Property or a portion thereof with a view toward leasing of individual Residences to members of the general public.

Section 1.19. "Development" shall mean and refer to all portions of the Initial Covered Property and the Annexation Property to the extent annexed to the plan of this Declaration pursuant to the Article hereof entitled "Annexations."

Section 1.20. "Development Improvements" shall mean and refer to all Project Improvements and all Unit Improvements, which together constitute all portions of the Development except for the land. The Development Improvements shall include generally all Condominium Buildings, surface parking, garages, swimming pools and other recreational facilities, walkways, sidewalks, lakes and streams, foundations, private streets, utility and sewer facilities, curbs, gutters, fencing, walls, landscaping and all portions of the Development not in a bare land state.

Section 1.21. "Development Property" shall mean and refer to the real property subject to the Master Lease, excepting therefrom the Development Improvements.

Section 1.22. "Eligible Insurer or Guarantor" shall mean and refer to an insurer or governmental guarantor of a First Mortgage who has requested notice of certain matters in accordance with the Section entitled "Filing Notice; Notices and Approvals" of the Article entitled "Rights of Lenders" of this Declaration.

Section 1.23. "Exhibit" shall mean and refer to those documents so designated herein and attached hereto and each of such Exhibits is by this reference incorporated in this Declaration. As additional property is annexed pursuant to the Article entitled "Annexations" of this Declaration, exhibits similar to the Exhibits attached to this Declaration may be attached to such Supplementary Declarations pertaining to the annexed property, and each of such exhibits shall thereby be incorporated in this Declaration.

Section 1.24. "Federal Agencies" shall mean and refer to collectively one or more of the following agencies and the following letter designation for such agencies shall mean and refer to respectively the agency specified within the parentheses following such letter designation: FHLMC (Federal Home Loan Mortgage Corporation), FNMA (Federal National Mortgage Association), GNMA (Government National Mortgage Association), FHA (Federal Housing Administration), and VA (Veterans Administration).

Section 1.25. "Final Subdivision Public Report" shall refer to that report issued by the Department of Real

Estate of the State of California pursuant to Section 11018.2 of the California Business and Professions Code or any similar statute hereafter enacted.

Section 1.26. "Institutional Mortgagee" shall mean and refer to a First Mortgagee which is a bank or savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, any federal or state agency, or any other institution regulated by federal or state law. "Institutional Mortgagee" shall also mean and refer to the State of California as the vendor under an installment land sales contract covering a Residence, and any benefits or obligations of Institutional Mortgagees shall equally apply to the State of California as to such Residence.

Section 1.27. "Lessor" shall mean GORE DEVELOPMENT CORPORATION, a California corporation, tenant under the terms of the Master Lease, its successors and assigns of all or a substantial portion of the tenant's interest under the terms of the Master Lease.

Section 1.28. "Master Landlord" shall refer to Howard A. BEAR, landlord under the Master Lease described in paragraph B of the Recitals of this Declaration, and all successors and assigns of the Landlord's interest in the Covered Property pursuant to said Master Lease.

Section 1.29. "Master Lease" shall refer to the Master Lease described in paragraph B of the Recitals of this Declaration.

Section 1.30. "Member" shall mean and refer to every person or entity who qualifies for membership pursuant to the Article of this Declaration entitled "Membership," including Lessor so long as Lessor qualifies for membership pursuant to said Article.

Section 1.31. "Mortgage" shall mean and refer to any duly recorded mortgage or deed of trust encumbering a Residence. A "First Mortgage" shall refer to a Mortgage which has priority over all other Mortgages encumbering a specific Residence.

Section 1.32. "Mortgagee" shall mean and refer to the mortgagee or beneficiary under any Mortgage. A "First Mortgage" shall mean the holder of a First Mortgage.

Section 1.33. "Owner" shall mean and refer to one or more persons or entities who are alone or collectively the record owner of an undivided leasehold interest in Project Property, and an undivided ownership interest in Project Improvements, together with an exclusive leasehold interest in the portions of a Unit other than Unit Improvements and an exclusive ownership interest in the Unit Improvements within the Unit, including Lessor, or the vendee under an installment and sales contract, excluding those having any such interest merely as security for the performance of an obligation.

Section 1.34. "Percentage Interest" with respect to each Residence within the Initial Covered Property shall mean Percentage Interest set forth for each such Residence in Exhibit C attached hereto. Any Supplementary Declaration annexing additional Residences to the plan of Declaration shall contain an exhibit setting forth Percentage Interest, according to Unit type and Unit size for each annexed Residence.

The Percentage Interest of each Residence is approximately equal to, but due to rounding may differ from, the ratio obtained by dividing the approximate square footage of a typical Residence of that Unit type (as set forth in Exhibit C hereto) by the aggregate approximate square footage of all Residences (based upon the approximate square footage set forth in Exhibit C hereto of typical Residences of each Unit type) in the Project in which such Residence is located.

Section 1.35. "Phase" shall mean and refer to each increment of the Covered Property on which the Department of Real Estate of the State of California has issued a Final Subdivision Public Report.

Section 1.36. "Project" shall mean each portion of the leasehold estate in the the Covered Property (a) for which Declarant records a separate Condominium Plan in the office of the Recorder of Orange County, and (b) which Declarant designates as a Project in this Declaration or in a Supplementary Declaration. The real property and all improvements constructed thereon known as Lot 1 of

D-200-B
6/21/83

83-368737

Tract 11959, as shown on a map recorded in the office of the County Recorder of the County, is hereby designated as a Project.

Section 1.37. "Project Improvements" shall mean the portion of the Development Improvements other than Unit Improvements located within a Project.

Section 1.38. "Project Property" shall mean the portions of a Project other than the Project Improvements and the Units (including without limitation Unit Improvements) located therein.

Section 1.39. "Proportionate Share" with respect to each Residence within the Initial Covered Property shall initially mean the Proportionate Share set forth for each such Residence in Exhibit D attached hereto, but is subject to change as hereinafter described.

The Proportionate Share of each Residence is approximately equal to, but due to rounding may differ slightly from, the ratio obtained by dividing the approximate square footage of a typical Residence of that Unit type (as set forth in Exhibit C hereto) by the aggregate approximate square footage of all Residences in the Development (based upon the approximate square footage set forth in Exhibit C hereto of typical Residences of each Unit type), and will necessarily change upon the annexation of additional Residences to reflect the change in aggregate square footage. Any Supplementary Declaration annexing additional Residences to the plan of this Declaration shall contain an exhibit setting forth the revised Proportionate Share of each Residence in previous phases of the Development, as well as the initial Proportionate Share for each of the newly annexed Residences, according to the Unit type and Unit number, provided, however, that no change in the Proportionate Share of any Residence due to annexation of additional Residences shall be effective for the purpose of calculating Assessments until Regular Assessments against such annexed Residences shall have commenced.

Section 1.40. "Residence" shall mean and refer to a Condominium.

Section 1.41. "Restricted Common Area" shall mean those portions of the Common Area which, subject to the rights of the Association and Declarant, are reserved for the exclusive use of the Owner of particular Units. The Restricted Common Area and the Units, the Owners of which shall be entitled to such exclusive use thereof, are identified on the Condominium Plan as follows:

(a) "Air Conditioning Pad" shall refer only to the place for installing the air conditioning unit for each Unit, and shall be identified by the letters "AC" and the Unit number of the Unit to which such Air Conditioning Pad is assigned. An air conditioning unit, if installed, shall not be a part of the Common Area, shall be considered a Unit Improvement, shall be owned separately by the Owner of the Unit being served thereby and shall be maintained and repaired by such Owner.

(b) "Garage Space" shall be identified by the letters "GS" and the Unit number of the Unit to which such Garage Space is assigned, and shall include the storage facility, if any, located within such Garage Space. If two Garage Spaces are assigned to the same Unit, one space shall be identified as described above, and the second space shall be identified by the letters "GS'" and the Unit number of the Unit to which such Garage Space is assigned.

(c) "Parking Space" shall be identified by the letters "PS" and the Unit number of the Unit to which such Parking Space is assigned.

Section 1.42. "Supplementary Declaration" shall mean those certain declarations of covenants, conditions and restrictions or similar instruments, annexing additional property extending the plan of this Declaration to such additional property as provided in the Article of this Declaration entitled "Annexations."

Section 1.43. "Trustee" shall mean and refer to the insurance trustee as more fully described in the Article hereof entitled "Insurance".

Section 1.44. "Unit" shall mean the elements of a Condominium not owned or leased in common with the Owners of other Condominiums in a Project and shall consist of a Residential Element together with one or more other Condominium Elements set forth in this Article, and all Unit Improvements within that Unit. Each Unit shall be identified on the Condominium Plan with a separate number. In addition, all air conditioning units which service a particular Unit shall be deemed a part of such Unit whether or not shown on the Condominium Plan.

Section 1.45. "Unit Improvements" shall mean fixtures located within a Unit and intended to become a permanent part of the Unit. "Originally Installed Unit Improvements" shall mean all Unit Improvements installed prior to the conveyance of the Unit by Declarant to a person other than a Developer, together with replacements therefor. "Additional Unit Improvements" shall mean all Unit Improvements other than Originally Installed Unit Improvements.

ARTICLE II

MEMBERSHIP

Section 2.01 - Membership. Every Owner shall be a Member. The terms and provisions set forth in this Declaration, which are binding upon all Owners, are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules to the extent the provisions thereof are not in conflict with this Declaration. Membership of Owners shall be appurtenant to and may not be separated from the interest of such Owner in any Residence. Ownership of a Residence shall be the sole qualification for membership; provided, however, a Member's voting rights or privileges in the recreational facilities, if any, located on the Common Area may be regulated or suspended as provided in this Declaration, the Bylaws or the Association Rules.

Section 2.02 - Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner required for membership. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association shall have the right to record the transfer upon the books of the Association without any further action or consent by the transferring Owner.

Section 2.03 - Voting Rights. An Owner's right to vote shall vest immediately upon the date Regular Assessments are levied upon such Owner's Residence as provided in this Declaration. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules.

Section 2.04 - Classes of Voting Membership. The Association shall have two (2) classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of the Declarant until the Class B membership has been converted to Class A membership, and after such conversion all Owners shall be Class A Members. Class A Members shall be entitled to one (1) vote for each Residence in which they hold the interest required for membership. When more than one person owns a portion of the interest in a Residence required for membership, each such person shall be a

Member and the vote for such Residence shall be exercised as they among themselves determine, but in no event shall more than one (1) Class A vote be cast with respect to any Residence. The Association may, but shall not be obliged to, refuse to recognize the vote or written assent of any such co-Owner, except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Residence in which it holds the interest required for membership; provided that Class B membership shall forever cease and be converted to Class A membership on the happening of any of the following events, whichever occurs earlier:

- (a) When the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership;
- (b) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of the Development; or
- (c) The fourth anniversary of the original issuance of the Final Subdivision Public Report for the first Phase of the Development.

Section 2.05 Special Voting Rights. Notwithstanding the provisions of this Article, from the first election of directors, and thereafter for as long as a majority of the voting power of the Association resides in the Declarant, or as long as there is a Class B membership, not less than twenty percent (20%) of the directors shall have been elected solely by the votes of Owners other than the Declarant.

Section 2.06 - Approval of All Members. Unless elsewhere otherwise specifically provided in this Declaration, any provision of this Declaration which requires the vote or written assent of either the voting power of the Association or any class or classes of membership shall be deemed satisfied by the following:

- (a) The vote in person or by proxy of the specified percentage of all of the votes which are entitled to be cast by either the entire membership of the Association or any class or classes of membership, as the case may be. Said vote shall be at a meeting duly called and noticed

D-200-B
6/21/83

83-368737

pursuant to the provisions of the Bylaws dealing with annual or special meetings of the Members.

(b) Written consents signed by the specified percentage of all of the votes which are entitled to be cast by either the entire membership of the Association or any class or classes of membership, as the case may be. Said vote by written consent shall be solicited pursuant to the procedures provided in the Bylaws.

-17-

ARTICLE III

COVENANT FOR MAINTENANCE ASSESSMENTS

Section 3.01 - Creation of the Lien and Personal Obligation of Assessments. Each Owner, including the Declarant to the extent Declarant is an Owner as defined herein, by acceptance of a deed or other lease creating in such Owner the interest required to be deemed an Owner, whether or not it shall be expressed in any such deed or other lease, is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments, Capital Improvement Assessments, Reconstruction Assessments, and Cable Television Service Assessments, if applicable, such Assessments to be fixed, established and collected from time to time as provided in this Declaration. The Assessments, together with interest thereon, late charges, attorneys' fees and court costs, and other costs of collection thereof, as hereinafter provided, shall be a continuing lien upon the Residence against which each such Assessment is made. Each such Assessment, together with such interest, late charges, costs and attorneys' fees, shall also be the personal obligation of the Owner of such Residence at the time when the Assessment becomes due. The personal obligation shall not pass to successors in title of an Owner unless expressly assumed by such successors or required by applicable law.

Section 3.02 - Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the Members, the management of the Common Area, enhancing the quality of life in the Covered Property, and the value of the Covered Property including, without limitation, the improvement and maintenance of the Covered Property, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area, or in furtherance of any other duty or power of the Association.

Section 3.03 - Regular Assessments.

(a) Not later than sixty (60) days prior to the beginning of each fiscal year, the Board shall distribute to each Member a pro forma operating statement or budget for the upcoming fiscal year which shall, among other things, estimate the total Common Expenses to be incurred for such fiscal year. The Board shall at that time determine the amount of the Regular Assessment to be paid by each Member. Each Member shall thereafter pay to the

Association his Regular Assessment in installments as established by the Board. Each such installment shall be due and payable on a date established by the Board in the written notice sent to Members.

(b) In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of Regular Assessment against each Member, and the date or dates when due.

(c) The Regular Assessments for the fiscal year following the lease of the first Residence by Declarant shall be the amount as set forth in the Final Subdivision Public Report, as amended if applicable, in effect on the date of such first lease. After the Association's first fiscal year of operation, it shall not, without the vote or written assent of a majority of the Class B voting power as well as the vote or written assent of a majority of the Class A voting power, and after the conversion of Class B to Class A membership, the vote or written assent of a majority of the voting power of the Association as well as the vote or written assent of a majority of the total voting power of Members other than the Declarant, impose a Regular Assessment which is increased over the amount of the Regular Assessment actually assessed by the Association in the immediately preceding fiscal year more than twenty percent (20%) greater than the Regular Assessment for the immediately preceding fiscal year.

Section 3.04 - Capital Improvement Assessments. In addition to the Regular Assessments, the Association may levy in any calendar year a Capital Improvement Assessment, applicable to that year only, for the purpose of defraying, in whole or in part, the cost of any installation, construction or replacement (other than due to destruction) of a described capital improvement upon the Common Area to the extent the same is not covered by the provisions affecting Reconstruction Assessments in the Article hereof entitled "Destruction of Improvements," including the necessary fixtures and personal property related thereto. The Association shall not impose a Capital Improvement Assessment, the total amount of which exceeds five percent (5%) of the estimated Common Expenses, as set forth in the Section of this Article entitled "Regular Assessments," without the vote or written assent of a majority of the Class B voting power as well as the vote or written assent of a majority of the Class A voting power, and after the conversion of Class B to Class A membership, the vote or written assent of a majority of the voting power of the Association as

well as the vote or written assent of a majority of the total voting power of Members other than the Declarant. Any reserves collected by the Association for the future maintenance and repair of the Common Area, or any portion thereof, shall not be included in determining said annual capital improvement limitation. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by Members.

Section 3.05 - Cable Television Service Assessments.
"Cable Television Service Assessment" shall mean a charge against an Owner and his Residence for cable television services. The Board may but shall not be obligated to contract with a cable television service company to provide service for the benefit of Members who subscribe for such service. In the event the Board makes such election, Cable Television Service Assessments shall be levied against Owners who have subscribed with the Association for such service and shall be payable in full or in installments, and at the times designated by the Board.

Section 3.06 - Assessment Allocation. Regular and Capital Improvement Assessments shall be levied against each Owner and his Condominium in accordance with his Proportionate Share and may be collected at intervals selected by the Board. No change in the Proportionate Share of any Residence due to annexation of additional Residences to the plan of this Declaration shall be effective for the purpose of calculating Assessments until Regular Assessments against such annexed Residences shall have commenced. Reconstruction Assessments shall be determined for each Residence by multiplying the total amount required to be collected from the Owners pursuant to the Article hereof entitled "Destruction of Improvements" by a fraction, the denominator of which is the total square feet of floor area for all Residences within the Project in which reconstruction is undertaken, and the numerator of which is the total square feet of floor area of the appropriate Residence for which such Reconstruction Assessment is being determined. Notwithstanding the foregoing, a Reconstruction Assessment levied in the event of destruction to Common Area other than Condominium Buildings shall be levied on all Members in accordance with the Proportionate Shares of their Residences.

Section 3.07 - Certificate of Payment. The Association shall, upon demand, furnish to any Member liable for Assessments a certificate in writing signed by an officer or authorized agent of the Association setting forth whether the Assessments on such Owner's Residence have been paid, and the amount of delinquency, if any. A reasonable charge not to exceed Fifteen Dollars (\$15.00) may be collected by the Board for the issuance of these certificates. Such certificates shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

Section 3.08 - Exempt Property.

(a) Declarant and any other Owner of a Residence which is not suitable for human occupancy shall be exempt from the payment of that portion of the Regular Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and the use of the structural improvements. The exemption may include, but shall not be limited to the portion of such Regular Assessment attributable to roof replacement, exterior maintenance, walkway and carport lighting, and refuse disposal. Declarant and any other Owner of a Residence which is not suitable for human occupancy shall likewise be exempt from the payment of the Residence Water Assessment portion of the Water Assessment. Any such exemption from the payment of Regular Assessments shall be in effect only until a notice of completion of the structural improvement has been recorded in the County or until one hundred twenty (120) days after the issuance of a building permit for the structural improvements, whichever first occurs.

(b) All properties dedicated to and accepted by, or otherwise owned or acquired by, a public authority shall be exempt from the Assessments created herein.

Section 3.09 - Special Assessments. "Special Assessments" shall mean a charge against a particular Owner and his Residence, directly attributable to the Owner for charges and costs that are designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules, and include, without limitation, the following:

(a) cost of any action or undertaking on behalf of the Association which is not specifically covered under Regular Assessments, Capital Improvement Assessments, Reconstruction Assessments, or Cable Television Service Assessments;

D-200-B
6/21/83

(b) any charge designated as a Special Assessment in this Declaration, the Articles, Bylaws or Association Rules; and

(c) charges imposed against an Owner consisting of reasonable late payment penalties for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred, including attorneys' fees, in its efforts to collect delinquent Assessments; and

(d) in the event the Association undertakes to provide materials or services which benefit individual Residences and which can be accepted or not by individual Owners, such Owners in accepting such materials or services agree that the costs thereof shall be a Special Assessment. In the event a Special Assessment is to be levied against all Residences, unless otherwise set forth herein, said Special Assessments shall be levied against each Owner in accordance with his Proportionate Share.

Section 3.10 - Date of Commencement of Regular Assessments.

The Regular Assessments shall commence with respect to all Residences in a Phase on the first day of the month following the lease of the first Residence within such Phase to a person other than a Developer. In the event the amount budgeted to meet Common Expenses for the then current year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessment or may abate collection of Regular Assessment as it deems appropriate. Until such time as the Class B Membership has ceased and been converted into Class A Membership, in no event shall a reduction in the amount or the abatement in the collection of Regular Assessments pursuant to this Section result in a quantity or quality of services diminished from those upon which the Common Expense budget for the year in question is based.

Section 3.11 - No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, a claim that (i) the Association is not properly exercising its duties and powers as provided in this Declaration; (ii) a Member has made and elects to make no use of the Common Area; or (iii) any construction or maintenance performed pursuant to the Section entitled "Assumption of Maintenance Obligations" of the Article entitled "Repair and Maintenance" of this Declaration shall in any way postpone Assessments or entitle a Member to claim any such offset or reduction.

D-200-B
6/21/83

83-368737

Section 3.12 - Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect or in effect from time to time hereafter.

Section 3.13 - Reserves. The Regular Assessments shall include reasonable amounts as determined by the Board collected as reserves for the future periodic maintenance, repair or replacement of all or a portion of the Common Area or any other purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account to be held in trust for the purposes for which they are collected and are to be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Member.

ARTICLE IV

NONPAYMENT OF ASSESSMENTS

Section 4.01 - Delinquency. Any Assessment provided for in this Declaration which is not paid when due shall be delinquent on said date (the "delinquency date"). If any such Assessment is not paid within ten (10) days after delivery of notice of such delinquency from the Association, a late charge as established by the Board shall be levied and the Assessment shall bear interest from the delinquency date at the rate of ten percent (10%) per annum. The Association may at its option, and without waiving the right to judicially foreclose its lien against the Residence, pursue any available remedies, including, without limitation, bringing an action at law against the Member personally obligated to pay the same, and/or upon compliance with the notice provisions set forth in the Section entitled "Notice of Lien" of this Article, to foreclose the lien against the Residence under the power of sale granted herein. If action is commenced, there shall be added to the amount of such Assessment the late charge, interest, the costs of such action, and attorneys' fees incurred in connection with such action; and in the event a judgment is obtained, such judgment shall include said late charge, interest and reasonable attorneys' fees, together with the costs of action. Each Member vests in the Association, or its assigns, the right and power to bring all actions at law or any lien foreclosure against such Member or other Members for the collection of such delinquent Assessments.

Section 4.02 - Costs and Charges Not Subject to Lien. A monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the Articles, Bylaws, Declaration or Association Rules or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area for which the Member was allegedly responsible or in bringing the Member and his Residence into compliance with the Articles, Bylaws, Declaration or Association Rules may not be characterized nor treated as an Assessment which may become a lien against such Member's Residence enforceable in accordance with the Section entitled "Foreclosure Sale" of this Article.

Section 4.03 - Notice of Lien. No action shall be brought to foreclose said Assessment lien or to proceed under the power of sale herein provided until thirty (30) days after the date a notice of claim of lien is deposited in the United States mail, certified or registered, postage

prepaid, to the Owner of said Residence, and a copy thereof is recorded by the Association in the office of the County Recorder of the County; said notice of claim of lien must recite a good and sufficient legal description of any such Residence, the record Owner or reputed Owner thereof, the amount claimed which shall include interest on the unpaid Assessment at the rate of ten percent (10%) per annum, a late charge as established by the Board, plus reasonable attorneys' fees and expenses of collection in connection with the debt secured by said lien, and the name and address of the Association as claimant. Each Owner is hereby deemed to have consented to and authorized the recordation against his Residence of such a notice of claim of lien signed only by the Board or its delegate.

Section 4.04 - Foreclosure Sale. Said Assessment lien may be enforced by sale by the Association, its attorney or any other person authorized by the Board to make the sale after failure of the Owner to make the payments specified in the notice of claim of lien within said thirty (30) day period. Any such sale provided for above is to be conducted in accordance with the provisions of Sections 2924, 2924b, 2924c, 2924f, 2924g and 2924h of the Civil Code of the State of California as said statutes may from time to time be amended, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted or provided by law. Upon the affirmative vote of a majority of the voting power of the Association, the Association, through its duly authorized agents, shall have the power to bid on the Residence, using Association funds, or funds borrowed for such purpose, at the sale, and to acquire and hold, lease, mortgage and convey the same.

Section 4.05 - Curing of Default. Upon the timely payment or other satisfaction of: (a) all delinquent Assessments specified in the notice of claim of lien, (b) all other Assessments which have become due and payable with respect to the Residence as to which such notice of claim of lien was recorded, and (c) interest, late charges, attorneys' fees and other costs of collection pursuant to this Declaration and the notice of claim of lien which have accrued, officers of the Association or any other persons designated by the Board are hereby authorized to file or record, as the case may be, an appropriate release of such notice upon payment by the defaulting Owner of a fee to be determined by the Association, but not to exceed Fifty Dollars (\$50.00), to cover the costs of preparing and filing or recording such release.

D-200-B
6/21/83

83-368737

Section 4.06 - Special Assessment Power. If the City exercises its rights under this Declaration, it shall have the right to assess Special Assessments against all of the Owners in the proportions set forth in the Article hereof entitled "Covenant for Maintenance Assessments" in reimbursement of any costs incurred by the City in such exercise. Furthermore, the City shall have the right to enforce said Special Assessments pursuant to this Article.

ARTICLE V

ARCHITECTURAL CONTROL

Section 5.01 - Approval Rights of Association, Lessor and Master Landlord. Upon application to the Architectural Committee as required by this Declaration, an Owner shall have the rights of review and decision referred to in this Article. If the Committee or the Board approves the application of the Owner, then copies of such application and the documents submitted to the Committee or Board, together with the written approval of the Committee or the Board, shall be sent to the Lessor and to the Master Landlord at the addresses provided in this Declaration. The Lessor and the Master Landlord shall have the right to review the application, the documents submitted to the Committee or Board (including, without limitation, all drawings, plans, specifications, calculations or the like) and the written approval. Lessor or Master Landlord may approve the action taken by the Committee or Board, may require that the planned alterations be made in a different manner, or may require that the alterations not be undertaken. Lessor or Master Landlord shall mail to the applicant within thirty (30) days of receipt of all documents required by this section, a statement as to approval, approval with modifications or disapproval, and a brief reason for such action. If notice is not mailed within such thirty (30) day period, then the plans and specifications shall be deemed approved. The provisions of this Article shall be enforceable by and are imposed for the benefit of the Lessor and the Master Landlord in order to preserve the aesthetic appeal of the Development Property. Decision of disapproval by the Lessor or Master Landlord shall be final and binding. The provisions of this Section shall also apply to all rules promulgated by the Board which may set Architectural Standards for the Development Property.

Section 5.02 - Appointment of Architectural Committee. The Architectural Committee shall consist of not less than three (3) nor more than five (5) persons as fixed from time to time by resolution of the Board. The Declarant shall initially appoint the Architectural Committee. The Declarant shall retain the right to appoint, augment or replace all members of the Architectural Committee until one (1) year after the date of the issuance of a Final Subdivision Public Report covering the property described on Exhibit A. The Declarant shall retain the right to appoint, augment or replace a majority of the members of the Architectural Committee until five (5) years after the

date of the issuance of said Final Subdivision Public Report, or until ninety percent (90%) of the Residences within the Development have been conveyed by the Declarant to persons other than Developers, whichever shall first occur.

Notwithstanding the foregoing, commencing one (1) year following the issuance of said Final Subdivision Public Report, the Board shall have the right but not the obligation to appoint the remaining persons to the Architectural Committee. Five (5) years after the date of the issuance of said Final Subdivision Public Report, or when ninety percent (90%) of the Residences within the Development have been conveyed by Declarant to persons other than Developers, whichever shall first occur, the right to appoint, augment or replace all members of the Architectural Committee shall automatically be transferred to the Board. Persons appointed by the Board to the Architectural Committee must be Members; however, persons appointed by Declarant to the Architectural Committee need not be Members, in Declarant's sole discretion.

Section 5.03 - General Provisions.

(a) The Architectural Committee may establish reasonable procedural rules and may assess a fee not to exceed Fifty Dollars (\$50.00) per submission of plans in connection with review of plans and specifications including, without limitation, the number of sets of plans to be submitted. Every ten (10) years, commencing on the tenth (10th) anniversary of the date this Declaration is recorded, said Fifty Dollar (\$50) submittal fee may be revised upwards by the Architectural Committee to reflect the reasonable costs of reviewing plans and specifications. The Architectural Committee may delegate its plan review responsibilities to one or more members of such Architectural Committee. Upon such delegation, the approval or disapproval of plans and specifications by such persons shall be equivalent to approval or disapproval by the entire Architectural Committee. Unless any such rules are complied with, such plans and specifications shall be deemed not submitted.

(b) The address of the Architectural Committee shall be the address established for giving notice to the Association. Such address shall be the place for the submittal of plans and specifications and the place where the current Architectural Standards shall be kept.

D-200-B
6/21/83

(c) The establishment of the Architectural Committee and the systems herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to maintain, repair, alter or modify or otherwise have control over the Residences as may otherwise be specified in this Declaration, in the Bylaws or in any Association Rules.

(d) In the event the Architectural Committee fails to approve or disapprove such plans and specifications within thirty (30) days after the same have been duly submitted in accordance with any rules regarding such submission adopted by the Architectural Committee, such plans and specifications will be deemed approved, and the applicant shall thereafter personally comply with the requirements of Section 1 of this Article.

Section 5.04 - Approval and Conformity of Plans. No building, fence, wall or other structure shall be commenced, erected or maintained upon the Covered Property, nor shall there be any addition to or change to the exterior of any Residence, structure or other improvement including, without limitation, the painting (other than painting with the same color of paint as previously existed) of exterior walls, patio covers and fences, except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee, the Lessor and Master Landlord as to harmony of external design and location in relation to surrounding structures and topography. The Board may, from time to time, adopt and promulgate Architectural Standards to be administered through the Architectural Committee. The Architectural Standards may include among other things those restrictions and limitations upon the Owners set forth below:

(a) Time limitations for the completion of the architectural improvements for which approval is required pursuant to the Architectural Standards;

(b) Conformity of completed architectural improvements to plans and specifications approved by the Architectural Committee; provided, however, as to purchasers and encumbrancers in good faith and for value, unless notice of noncompletion or nonconformance identifying the violating Residence and its Owner and specifying the reason for the notice, executed by the Architectural Committee, shall be filed of record in the Office of the County Recorder, and given to such Owner within one (1) year of the expiration of the time limitation described in subsection (a) above, or unless

legal proceedings shall have been instituted to enforce compliance or completion within said one (1) year period, the completed architectural improvements shall be deemed to be in compliance with plans and specifications approved by the Architectural Committee and in compliance with the Architectural Standards of the Association, only with respect to purchasers and encumbrancers in good faith and for value. Each Owner hereby is deemed to have consented to and authorized the recordation against his Residence of such a notice of noncompletion or nonconformance executed only by the Architectural Committee or its delegate.

(c) Such other limitations and restrictions as the Board in its reasonable discretion shall adopt, including, without limitation, the regulation of the following: construction, reconstruction, exterior addition, change or alteration to or maintenance of any building, structure, wall or fence, including, without limitation, the nature, kind, shape, height, materials, exterior color, surface and location of such building or structure; and

(d) A description of the types of such construction, reconstruction, additions, alterations or maintenance which, if completed in conformity with the Architectural Standards, do not require the approval of the Architectural Committee.

Section 5.05 - Nonliability for Approval of Plans. Plans and specifications shall be approved by the Architectural Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances, and by approving such plans and specifications neither the Architectural Committee, the members thereof, the Association, the Members, the Board, Declarant nor Master Landlord assume liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications.

Section 5.06 - Appeal. In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the party or parties making such submission may appeal in writing to the Board. The written request shall be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee. The Board shall submit such request to the Architectural Committee for review, whose written recommendations are to be submitted to the Board.

Within forty-five (45) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said forty-five (45) day period shall be deemed a decision in favor of the appellant.

Section 5.07 - Inspection and Recording of Approval. Any member of the Architectural Committee or any officer, director, employee or agent of the Association may at any reasonable time enter, without being deemed guilty of trespass, upon any Residence, after notice to the Owner, in order to inspect improvements constructed or being constructed on such Residence to ascertain that such improvements have been or are being built in compliance with plans and specifications approved by the Architectural Committee and in accordance with the Architectural Standards. The Architectural Committee shall cause such an inspection to be undertaken within thirty (30) days of a request therefor from any Owner as to his Residence, and if such inspection reveals that the improvements located on such Residence have been completed in compliance with this Article, the President and the Secretary of the Association shall provide to such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Article as to the improvements described in such recorded notice, but as to such improvements only.

Section 5.08 - Reconstruction After Destruction. The reconstruction after destruction by casualty or otherwise of any Residences which is accomplished in substantial compliance with the Condominium Plan filed covering the portion of the Project in which such Residence is situated shall not require compliance with the provisions of this Article. Such reconstruction shall be conclusively deemed to be in substantial compliance with such Condominium Plan if it has received the approval of the Association.

Section 5.09 - Subterranean Improvements. No improvement in the Common Area which will extend beneath the surface of the ground for a distance of more than six (6) inches shall be commenced unless plans and specifications therefor have been approved by the Architectural Committee. Without limiting the generality of the foregoing, the Architectural Committee shall not approve plans or specifications for any such subterranean improvement which interferes with the drainage to or through the Common Area unless adequate provision has been made to relocate the drainage flow to the satisfaction of

the Architectural Committee. The procedures used by the Architectural Committee shall be adopted by the Board for submitting such plans and specifications, approval of and conformity to such plans and specifications, time limitations for completion of improvements in compliance with approved plans and specifications, and determining when such plans and specifications shall be deemed approved. Plans and specifications are not approved for engineering design, and by approving such plans and specifications neither the Board, the members thereof, the Association, the Members, Declarant nor Master Landlord assume liability or responsibility therefor, or for any defect in any structure constructed from such plans and specifications.

D-200-B
6/21/83

ARTICLE VI

DUTIES AND POWERS OF THE ASSOCIATION

Section 6.01 - General Duties and Powers. In addition to the duties and powers enumerated in its Articles and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall have the specific duties and powers specified in this Article.

Section 6.02 - General Duties of the Association. The Association through the Board shall have the duty and obligation to:

(a) enforce the provisions of this Declaration, the Articles, Bylaws, and Association Rules, by appropriate means and carry out the obligations of the Association hereunder;

(b) maintain and otherwise manage the following:

(i) all easements and real property and all facilities, improvements and landscaping thereon in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association;

(ii) all personal property in which the Association holds an interest, subject to the terms of any instrument transferring such interest to the Association; and

(iii) all property, real or personal, which the Association is obligated to repair or maintain pursuant to this Declaration, including, without limitation, the Article of this Declaration entitled "Repair and Maintenance."

(c) pay any real and personal property taxes and other charges assessed to or payable by the Association;

(d) obtain, for the benefit of the Common Area, water, gas and electric, refuse collections and other services;

(e) establish and maintain a working capital and contingency fund for reserves in an amount to be determined by the Board pursuant to the provisions of this Declaration.

Contributions to such fund shall be a Common Expense and shall be collected as part of the Regular Assessments. Said fund shall be used by the Board as it deems fit to carry out the objectives and purposes of the Association;

(f) act as a managing agent for all of the Projects;

(g) accept and administer on behalf of and for the benefit of the Members any initial working capital fund or contingency reserve fund established by the Declarant pursuant to an agreement between the Declarant and any of the Federal Agencies; and

(h) as soon as practicable after the annexation of additional Residences to the plan of this Declaration, notify each Owner of his revised Proportionate Share, and the anticipated date upon which such revised Proportionate Share will be effective for the purposes of calculating Assessments.

Section 6.03 - Assumption of Master Lease Obligations. In the event of default or breach of the Master Lease by Lessor and written notice thereof from Master Landlord, the Association shall cure such default or breach and, if Lessor is unable or refuses to perform its duties and obligations pursuant to the terms of the Master Lease, then the Association shall thereupon assume all of the duties and obligations of the Lessor and cause the same to be faithfully kept and performed.

Section 6.04 - Collection Agent. The Association shall employ a responsible corporate agent to collect and pay over the rents and other charges due from the Owners to Lessor and the Master Landlord, as their interests may appear, pursuant to the terms of the Condominium Leases and/or the Master Lease.

Section 6.05 - General Powers of the Association. The Association, through the Board, shall have the power but not the obligation to:

(a) employ a manager or other persons and contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, provided that any agreement for professional management and any other contract providing for services of the Declarant, developer, sponsor or builder shall not exceed three (3) years in duration and shall be terminable

(i) for cause on not more than thirty (30) days' written notice by the Association, and (ii) without cause upon ninety (90) days' written notice by either party without payment of a termination fee.

(b) acquire interests in real or personal property for offices or other facilities that may be necessary or convenient for the management of the Covered Property, the administration of the affairs of the Association or for the benefit or enjoyment of the Members;

(c) borrow money in a total amount not to exceed five percent (5%) of the then existing estimated annual Common Expenses as may be needed in connection with the discharge by the Association of its powers and duties;

(d) establish in cooperation with the City a special tax assessment district for the performance of all or a portion of the maintenance or other functions now within the responsibility of the Association;

(e) provide trash pickup and disposal service for the benefit of the Owners and their Residences;

(f) contract for cable television service for the benefit of the Owners who have subscribed for such service; and

(g) negotiate and enter into contracts with Institutional Mortgagees and mortgage insurers and guarantors as may be necessary and desirable to facilitate the availability of loans secured by Mortgages within the Covered Property.

Section 6.06 - General Limitations and Restrictions on the Powers of the Board. In addition to the limitations and restrictions enumerated in the Articles and Bylaws or elsewhere provided for herein, and without limiting the generality thereof, the Board shall be prohibited from taking any of the following action without the vote or written assent of a majority of the Class B voting power as well as the vote or written assent of a majority of the Class A voting power, and after the conversion of Class B to Class A membership, the vote or written assent of a majority of the voting power of the Association as well as the vote or written assent of a majority of the total

voting power of Members other than the Declarant or such higher percentage of the voting power of the Association as may be specified in this Section:

(a) enter contracts for materials or services which have a term in excess of one (1) year, with the following exceptions:

(i) a management contract with a duration of up to three (3) years, the terms of which have been approved by the FHA or VA;

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

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

(b) incur aggregate expenditures for capital improvements to the Covered Property in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for the fiscal year;

(c) sell any real or personal property of the Association with an aggregate fair market value in excess of five percent (5%) of said estimated Common Expenses during any fiscal year;

(d) pay compensation to directors or to officers of the Association for services performed in the conduct of the Association's business; provided, however, the Board may cause a director or officer to be reimbursed for expenses incurred in carrying on the business of the Association. Nothing herein contained shall be construed to preclude any director or officer from serving the Association as agent, counsel, or any capacity other than as such director or officer and receiving compensation therefor;

83-368737

(e) incur aggregate indebtedness in excess of five percent (5%) of the then existing estimated annual Common Expenses;

(f) fill a vacancy on the Board created by the removal of a director;

(g) establish self management by the Association when professional management has been previously required by any First Mortgagee or Eligible Insurer or Guarantor, whether such entity became a First Mortgagee or Eligible Insurer or Guarantor at that time or later, without the prior consent of sixty-seven percent (67%) of the voting power of the Association;

(h) abandon or terminate by any act or omission the condominium legal status of the Covered Property, or any part thereof, without the prior consent of sixty-seven percent (67%) of the voting power of the Association; and

(i) dissolve the Association or transfer all or substantially all of its assets without the prior written consent of one hundred percent (100%) of the voting power of the Association.

Section 6.07 - Association Rules. The Board shall also have the power to adopt, amend, and repeal such rules and regulations as it deems reasonable (the "Association Rules") which may include provisions that authorize the Board to impose monetary penalties, temporary suspensions of an Owner's rights as a Member or other appropriate discipline for failure to comply with the Articles, Bylaws, Declaration or Association Rules provided that the procedures for notice and hearing satisfying the minimum requirements of Section 7341 of the Corporations Code are followed with respect to the accused Member before a decision is reached. The Association Rules shall govern such matters in furtherance of the purposes of the Association, including, without limitation, the use of the Common Area; provided, however, that the Association Rules may not discriminate among Owners, and shall not be inconsistent with this Declaration, the Articles or Bylaws and shall not empower the Association to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his Unit on account of the failure of such Owner to comply with the provisions of the Articles, Bylaws, Declaration and Association Rules, except by judgment of a court or a decision arising out of arbitration or on account of a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments duly levied by the Association. A copy of the Association

Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal of specific portions of the Association Rules shall be delivered to each Owner in the same manner established in this Declaration for the delivery of notices. Upon completion of the notice requirements, said Association Rules shall have the same force and effect as if they were set forth in and were part of this Declaration and shall be binding on the Owners and their successors in interest whether or not actually received thereby. The Association Rules, as adopted, amended or repealed, shall be available at the principal office of the Association to each Owner and Institutional Mortgagee upon request. In the event of any conflict between any such Association Rules and any other provisions of this Declaration, or the Articles or Bylaws, the provisions of the Association Rules shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such conflict.

Section 6.08 - Delegation of Powers. The Association shall have the right, according to law, to delegate to committees, officers, employees or agents any of its duties and powers under this Declaration, the Articles and Bylaws; provided, however, no such delegation to a professional management company, the Architectural Committee or otherwise shall relieve the Association of its obligation to perform such delegated duty.

Section 6.09 - Pledge of Assessment Rights. The Association shall have the power to pledge the right to exercise its Assessment powers in connection with obtaining funds to repay a debt of the Association provided, however, any such pledge shall require the prior affirmative vote or written assent of not less than sixty-six and two-thirds percent (66-2/3%) of the voting power of the Association. Said power shall include, but not be limited to, the ability to make an assignment of Assessments which are then payable to or which will become payable to the Association, which assignment may be then presently effective but shall allow said Assessments to continue to be paid to and used by the Association as set forth in this Declaration, unless and until the Association shall default on the repayment of the debt which is secured by said assignment. The Association may levy Special Assessments against the Members to obtain such funds. Upon the failure of any Member to pay said Special Assessment when due, the Association may exercise all rights, including, without limitation, the right to foreclose its lien pursuant to the Article hereof entitled "Nonpayment of Assessments". Without limiting the

generality of the foregoing, any pledge of Assessment rights in excess of an amount equal to twenty five percent (25%) of the total Regular Assessments collected by the Association in the then preceding fiscal year shall require the prior written approval of seventy-five percent (75%) of the Institutional Mortgagees based on one (1) vote for each First Mortgage held.

Section 6.10 - Emergency Powers. The Association or any person authorized by the Association may enter any Residence in the event of any emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owners as practicable, and any damage caused thereby shall be repaired by the Association unless covered by insurance carried by the Owner.

Section 6.11 - Association to Defend Certain Actions.

(a) In the event that a lawsuit is filed against all or substantially all of the Owners as Members of the Association, or a lien is levied against substantially all of the Covered Property, the Association, upon a majority vote of the Members as defendants or of those Members whose property by the lien, shall defend such lawsuit or cause it to be removed. The costs of such litigation shall be a Special Assessment against all Members as defendants in such lawsuit or whose property is covered by the lien, provided, however, in the event that an insurance carrier is obligated to provide such defense under a policy of insurance carried by the Association, the Association shall be relieved of the obligation to provide such defense. Nothing contained herein shall in any way limit the rights of any Member or Members to retain counsel of their choice to represent them in such lawsuit at their own expense. In the event that a Member chooses to retain his own counsel, he shall not be relieved of liability for the Special Assessment provided for in this Section.