

ARTICLE VII

REPAIR AND MAINTENANCE

Section 7.01 - Repair and Maintenance by Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided, and without limiting the generality of the statement of duties and powers contained in this Declaration, the Articles, Bylaws or Association Rules, the Association shall have the duty to accomplish the following upon the Covered Property or other land in such manner and at such times as the Board shall prescribe:

- (a) maintain, repair, restore, replace and make necessary improvements to the Common Area, including, without limitation, the following:
 - (i) the exterior surfaces of all Condominium Buildings, to include the painting thereof, including, without limitation, the interior surface boundaries of Condominium Elements which are exterior walls of Condominium Buildings;
 - (ii) the Restricted Common Area;
 - (iii) private walkways, bicycle path, trails or other pedestrian paths;
 - (iv) private streets and adjacent streetscapes within the Covered Property in conformance with the standard of maintenance established by the responsible public official of the City for public streets and streetscapes within the City;
 - (v) drainage facilities and easements in accordance with the requirements of the County Flood Control District;
 - (vi) lakes and streams and any related pumping facilities within the Development; and
 - (vii) garage doors, including, without limitation, hinges, springs and other parts of the door mechanism, but excluding automatic garage door openers.
- (b) paint the exterior surfaces of the Condominiums, but not including glass which shall be maintained, repaired and replaced by the Owners;
- (c) maintain, repair and replace the exteriormost material of the roofs of the Condominiums, together with such subsurface roofing materials as are consistent with good roofing maintenance practice;

(d) if determined by the Board to be economically feasible, perform a monthly inspection and preventative program for the prevention and eradication of infestation by termites and other wood destroying and other pests and organisms in the Covered Property;

(e) maintain all other areas, facilities, equipment, services or aesthetic components of whatsoever nature as may from time to time be requested by the vote or written consent of a majority of the voting power of the Members.

Those portions of the Covered Property that the Association is required to maintain, repair and restore pursuant to this Section must be maintained in good, sanitary and attractive condition. The costs of any such maintenance and repair pursuant to this Section shall be paid out of the general funds of the Association, except as otherwise herein specified as payable by the particular Owners.

Section 7.02 - Repair and Maintenance by Owner. Except as the Association shall be obligated to maintain and repair as may be provided in this Declaration, every Owner shall:

(a) maintain, repair, replace and restore all of the Residential element, the Laundry Area element, and the Deck element or the Patio element. Without limiting the generality of the foregoing, Owners shall maintain all plants or other growing things emplaced or located within the nonresidential elements of Units, and such plants or other growing things shall be permitted to encroach into or onto the Common Area, subject to the Article hereof entitled "Architectural Control";

(b) repair, maintain and replace the air conditioning unit and apparatus which serve the Owner's unit;

(c) repair and replace all window glass for his own Condominium, and Owners shall be responsible for the interior and exterior cleaning of such window glass.

(d) maintain, repair, replace and restore all portions of the Unit including without limitation, the interior walls, ceilings, floors and doors in a clean, sanitary and attractive condition. In the event the Board shall determine that the walls, ceilings, floors, doors or any other portion of the Common Area forming the boundaries of a Unit have been damaged from within the Unit, notwithstanding that such damage may be to the Common Area, the Owner of the Unit shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or Architectural Committee shall from time to time adopt.

Section 7.03 - Right of Association to Maintain and Install. In the event that an Owner fails to accomplish any installation, maintenance or repair required by this Article, the Association or its delegates may, but shall not be obligated to, cause such installation, maintenance and repair to be accomplished as hereinafter set forth.

(a) Upon finding by the Board of a deficiency in such maintenance, repair or installation, the Board shall give notice of the deficiency to the Owner which shall briefly describe the deficiency and set a date for the cure thereof. If the violating Owner submits a written request to the Board for a hearing within fifteen (15) days after the mailing of such deficiency notice, the Board shall set a date for such hearing before the Board or a committee selected by the Board for such purpose. The Board may delegate its powers under this Section to a duly appointed committee of the Association.

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

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

(d) If the deficiency continues to exist after the time limitation set forth in the deficiency notice or, in the event a hearing is held, the date imposed by a final decision of the Board or any such committee, the Board or such committee may cause such installation, maintenance and repair to be accomplished.

(e) In the event the Board or such committee elects to cause such installation, maintenance or repair to be accomplished, it shall give written notice of such election to the violating Owner and the following shall apply:

(i) The Owner shall have no more than ten (10) days following receipt thereby of said written notice of election in which to select a day or days upon which such installation, maintenance or repair work shall be accomplished;

(ii) The date which said Owner selects shall be not less than ten (10) days nor more than thirty (30) days following the last day of the ten (10) day period specified in such notice of election;

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

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

(f) If the Association pays for all or any portion of such maintenance, repair or installation, such amount shall be reimbursed by the affected Owner.

Section 7.04 - Right of Entry. The Association shall have the right to enter upon any Residence in connection with any exterior maintenance, repair or construction in the exercise of the powers and duties of the Association.

Section 7.05 - Maintenance By Governmental Authorities. The City may provide for the maintenance of the private water meters and appurtenant water provision facilities within the Development if, in the opinion of the City, it should be determined that adequate maintenance is not being performed for such private water meters and facilities.

Section 7.06 - Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore the underground facilities or public utilities which are located within easements in the Common Area owned by such public utilities. However, the Association shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 7.07 - Assumption of Maintenance Obligations. Declarant, its subcontractors and the agents and employees of the same shall have the right to come on the Common Area to complete the construction of any landscaping or other improvement to be installed on the Common Area, and

if any excess of Assessments collected over actual Common Expenses incurred by the Association is caused by reason of construction or maintenance pursuant to this Section, or otherwise, such excess shall be placed in reserve to offset the future expenses of the Association in any manner designated by the Board.

Section 7.08 - Eradication of Termites and Other Pests.

If any Owner shall enter into a contract to sell his Residence which requires that such Owner deliver to his buyer a pest control report which provides that any infestation of termites, wood destroying insects or other pests or organisms be remedied as a condition to such sale, and if such remedy requires that any other Residence be vacated for a period not to exceed five (5) days, the following shall apply:

(a) The Owner attempting to sell such Residence shall notify any officer or director of the Association or its professional managing agent, specifying which Residences must be vacated for the above purpose. Such notice shall be accompanied by a writing from a state-licensed pest control operator that such action is needed to accommodate eradication attempts.

(b) Within three (3) days of the delivery of the above notice, the Association shall notify all Owners who must vacate their Residences, which notice shall specify a date not less than seven (7) nor more than fourteen (14) days after the date of the Association's notice on which such Residences must be vacated. The Association's notice shall also specify when the Residences may be re-occupied. The Association shall have the right of entry on the Residences and the right to remove Owners from their Residences, as necessary to proceed with the eradication program. Without limiting the foregoing, the Board may impose monetary penalties against any Owner failing to vacate as provided in the notice of the Association.

(c) The cost of eradication, including any related repairs and maintenance, shall be a Common Expense of the Association, but each Owner shall bear his own costs of temporary relocation.

ARTICLE VIII

INSURANCE

Section 8.01 - Types. The Association shall obtain and maintain in effect the following types of insurance:

(a) Comprehensive public liability insurance insuring the Association, all Declarants, including the Master Landlord, and the agents and employees of each and the Owners and the respective family members, guests and invitees of the Owners against any liability incident to the ownership or use of the Common Area, including without limitation liability for property damage, bodily injury and deaths of persons in connection with the operation, maintenance or use of the Common Area and legal liability arising out of lawsuits related to employment contracts of the Association. Such policy shall include, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured, and a "severability of interest" clause or endorsement precluding the insurer from denying the claim of an Owner because of negligent acts of the Association or other Owners. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000) for death of or injury to one or more persons and/or property damage arising out of a single occurrence.

(b) A master or blanket policy of fire and casualty insurance for one hundred percent (100%) of the current replacement cost, without deduction for depreciation or coinsurance, of all of the improvements within the Covered Property, including fixtures and building service equipment to the extent that they are part of the Common Area as well as common personal property and supplies belonging to the Association. In addition, all Originally Installed Unit Improvements and any fixtures, equipment or other property within the Units, including without limitation Additional Unit Improvements, which are to be financed by a First Mortgage held, insured or guaranteed by any of the Federal Agencies shall be covered by such policy. Such insurance must afford protection against at least loss or damage by fire and other perils normally covered by the standard extended coverage endorsement, and such other perils which are customarily covered with respect to similar condominium projects in the area of the Covered Property, including all perils normally covered by the standard "all risk" endorsement, if available. Such policy shall contain extended coverage, agreed amount, inflation guard and replacement cost endorsements, if

available, and may also contain vandalism and malicious mischief coverage, special form endorsement, a stipulated amount clause and a determinable cash adjustment clause, a similar clause to permit cash settlement covering full value of the Project Improvements and insured Unit Improvements on the Covered Property in the event of destruction of improvements and a decision not to rebuild pursuant to the Article herein entitled "Destruction of Improvements." Such policy shall be in such amounts as shall be determined from time to time by the Board, shall name as insured the Association, the Owners and all Declarants, so long as Declarants are the Owner of any of the Condominiums, and all Mortgagees as their respective interests may appear, and shall contain a loss-payable endorsement in favor of the Trustee as trustee for each Owner and each such Owner's Mortgagee if any. Such policy shall contain the "standard mortgage clause" or equivalent endorsement providing that coverage of a Mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Covered Property is located, unless such coverage is prohibited by applicable law. If available, such policy must also provide for a waiver of the right of subrogation against Unit Owners individually, and that the insurance is not prejudiced by any act or neglect of individual Unit Owners which is not in the control of such Owners collectively.

(c) Fidelity coverage against dishonest acts on the part of directors, officers, trustees, employees or volunteers of the Association who handle or who are responsible to handle the funds of or administered by the Association. Where the Association delegates some or all of the responsibility for the handling of funds to a management agent, fidelity bonds are required for its officers, employees and agents handling or responsible for funds of, or administered on behalf of, the Association. All such fidelity bonds shall name the Association as obligee, shall be written in an amount equal to one hundred fifty percent (150%) of the estimated annual operating expenses of the Association, including reserves, and shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression.

Section 8.02 - Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners, all Declarants, and the Mortgagees as their interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners hereby waive and release all claims against the Association, the Board, other Owners, all Declarants and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 8.03 - Other Insurance. The Board may and, if required by an Institutional Mortgagee or Master Landlord, shall purchase and maintain in force demolition insurance in adequate amounts to cover demolition in the event of a total or partial destruction and a decision not to rebuild, as well as a blanket policy of flood insurance. The Board shall also purchase and maintain workmen's compensation insurance, to the extent that the same shall be required by law, for all employees of the Association. The Board shall also purchase and maintain in effect such other insurance as it deems necessary or as is required by any Institutional Mortgagee including, without limitation, earthquake insurance, plate-glass insurance and officers' and directors' liability insurance.

Section 8.04 - Premiums, Proceeds and Settlement. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Casualty insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Improvements." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any three (3) directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and the Members.

Section 8.05 - Annual Insurance Review. The Board shall annually determine whether the amounts and types of insurance it has obtained provide adequate coverage for the Covered Property in light of increased construction

costs, inflation, practice in the area in which the Covered Property is located, or any other factor which tends to indicate that either additional insurance policies or increased coverage under existing policies are necessary or desirable to protect the interest of the Owners and of the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 8.06 - Abandonment of Replacement Cost Insurance. Unless at least seventy-five percent (75%) of the Institutional Mortgagees based on one (1) vote for each First Mortgage held have given their prior written approval, the Association may not maintain the extended coverage fire and casualty insurance required in this Article on less than a one hundred percent (100%) current replacement cost basis.

Section 8.07 - Federal Requirements. Notwithstanding the foregoing provisions of this Article, the Association must obtain and shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for Condominium projects established by any of the Federal Agencies, when any such Federal Agency first becomes and as long as it continues to be either a Mortgagee, Owner, or insures or guarantees a Mortgage within the Covered Property, except to the extent such coverage is not available or has been waived in writing by the foregoing entity.

Section 8.08 - Trustee. Except as provided below, all insurance proceeds payable under paragraph (b) of the Section entitled "Types" of this Article shall be paid to a Trustee. The Trustee shall hold, distribute and expend such proceeds for the benefit of Owners, Mortgagees and others, as their respective interests shall appear, pursuant to the provisions of the Article herein entitled "Destruction of Improvements." The Trustee shall be appointed by the Board and shall be a commercial bank, or branch thereof, or a trust company in the County, which has agreed in writing to accept such trust; provided, however, if the Board is unable to find such an institution to act as Trustee for reasonable compensation after a diligent search, the Board may designate itself to act as the Trustee. In any event, when proceeds from a single claim do not exceed Ten Thousand Dollars (\$10,000), such proceeds shall be paid directly to the Association to be used as provided in the Article hereof entitled "Destruction of Improvements."

Section 8.09 - Individual Casualty Insurance Prohibited.
Except as expressly provided in the Section of this Article entitled "Rights of Owners to Insure", no Owner may separately insure his Condominium or any part thereof against loss by fire or other casualty covered by any insurance carrier under paragraph (b) of the Section entitled "Types" of this Article. Should any Owner violate this provision, and should any loss intended to be covered by insurance carried by the Association occur, and the proceeds payable thereunder be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by it to the extent of such reduction to the Trustee for application by the Board to the same purposes as the reduced proceeds are to be applied. In the event that such Owner has failed to pay such amount within thirty (30) days of a written demand therefor by the Association or the Trustee, the Board may levy a Special Assessment against such Owner and his Condominium for such amount. In the event such Special Assessment is not paid within thirty (30) days of its due date, the Board may effect the remedies of Section 1356 of the California Civil Code or any successor statute thereof and the Article hereof entitled "Nonpayment of Assessments."

Section 8.10 - Rights of Owners to Insure.
Notwithstanding the other provisions of this Article, an Owner shall be permitted to insure his personal property against loss by fire or other casualty and may carry public liability insurance covering his individual liability for damage to persons or property occurring inside his individual Unit. In addition, any improvements made by an Owner to his Unit, including without limitation any Unit Improvements not required to be insured by the Association pursuant to the Section of this Article entitled "Types," may be separately insured by such Owner, provided such insurance shall be limited to the type and nature of coverage commonly known as "tenant's improvements" coverage. Provided, however, such limitation as to type and nature of coverage shall not apply to improvements installed within the Patio element, but any policy of insurance covering such improvements shall meet the other requirements of this Section. All such policies as may be carried by the Owners shall contain waivers of subrogation of claims against the Association, the Board, other Owners, all Declarants and the agents and employees of each of the foregoing with respect to any loss covered by such insurance, whether or not caused by negligence or breach of any agreement by said persons, but to the extent of insurance proceeds

received in compensation for such loss only; provided, however, such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association, and duplicate copies or certificates of such other policies shall be deposited with the Board.

Section 8.11 - Required Waiver. All policies of physical damage insurance shall provide for waiver of the following rights to the extent such waivers are obtainable from the respective insurers:

- (a) Subrogation of claims against the Owners or tenants of the Owners;
- (b) Any defense based on co-insurance;
- (c) Any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;
- (d) Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising from any act, neglect or omission of any named insured or the respective agents, contractors and employees of any insured;
- (e) Any right of the insurer to repair, rebuild or replace and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance the lesser of the replacement value of the improvements insured or the fair market value thereof;
- (f) Notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Unit; and
- (g) Any right to require any assignment of any Mortgage to the insurer.

Section 8.12 - Notice of Cancellation or Modification. All insurance policies maintained by the Association must provide that such policies may not be cancelled, reduced or substantially modified without at least ten (10) days' prior written notice to the Association and to each First Mortgagee listed as a scheduled First Mortgagee in the policy, and at least thirty (30) days prior written notice to Master Landlord. All fidelity bonds maintained by the Association must provide that such fidelity bonds may not be cancelled or substantially modified without at least ten (10) days' prior written notice to the Association or the Trustee and each mortgage servicing contractor acting on behalf of any of the Federal Agencies, and at least thirty (30) days prior written notice to Master Landlord.

ARTICLE IX

DESTRUCTION OF IMPROVEMENTS

In the event of total or partial destruction of any Condominium Building, and if the Owners or the Association have any option pursuant to the Master Lease and the individual leases between Owners and Lessor, then such option or other right granted by the Master Lease or individual leases shall be exercised pursuant to the provisions of this Article. All insurance proceeds shall be distributed pursuant to this Article, unless the Lessor or Master Landlord has a prior right therein because of the Master Lease or the individual leases between Owners and Lessor. The Trustee shall pay all insurance proceeds to the parties entitled thereto pursuant to the terms of the Master Lease, the individual leases, and, to the extent not inconsistent, this Article.

Section 9.01 - Automatic Reconstruction. In the event of partial or total destruction of any Condominium Building, the Board shall promptly take the following action:

(a) The Board shall ascertain the cost of reconstruction by obtaining fixed price bids from at least two (2) reputable contractors, including the obligation to obtain a performance bond if the Board deems the same to be necessary or appropriate, and obtaining one or more independent appraisals if the Board deems such appraisal or appraisals to be necessary or desirable.

(b) The Board shall determine the amount of insurance proceeds, if any, payable by contacting the appropriate representative of the insurer of said Condominium Building.

(c) The Board shall meet and determine whether the insurance proceeds, if any, will cover eighty-five percent (85%) or more of the estimated cost of reconstruction as determined pursuant to subsection (a) of this Section, or whether the portion of the estimated cost not covered by insurance is less than One Hundred Dollars (\$100.00) per year per Condominium. Such percentage covered by insurance or such cost shall hereinafter be referred to as the "Acceptable Range of Reconstruction Cost." If the Board finds that a bid obtained under this Section is within the Acceptable Range of Reconstruction Cost, the Board shall cause a notice to be sent to all Owners of Condominiums in the Project within which the partially or totally destroyed Condominium Building is located (hereinafter in this Article the "affected Owners") and to

Mortgagees of Mortgages encumbering Condominiums in said Condominium Building setting forth such findings and informing said Owners and said Mortgagees that the Board intends to commence construction pursuant to this Declaration. In the event that at least twenty percent (20%) of the affected Owners, based on one (1) vote for each Condominium, object in writing to such reconstruction by the date indicated therefor on such notice, which in no event shall be sooner than ten (10) days nor later than thirty (30) days after the date on which the Board sends such notice to the Members, the Board shall call a meeting of the affected Owners pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article. In the event that the foregoing requirements are satisfied and the requisite number of affected Owners do not object in writing by such date, the Trustee shall pay such insurance proceeds as are available to the Board and the Board shall cause reconstruction to take place as promptly as practicable and shall levy a Reconstruction Assessment against each affected Owner at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds. If the Board in good faith determines that none of the bids submitted under this Section reasonably reflects the anticipated reconstruction costs, the Board shall proceed according to the Section entitled "Reconstruction Pursuant to Meeting" of this Article.

(d) The foregoing determinations shall be made by the Board as soon as possible. However, if such determinations cannot be made within sixty (60) days of the date of destruction because of the unavailability or unacceptability of an insurance estimate or reconstruction bid, or otherwise, the Board shall immediately call a meeting of the affected Owners pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article.

(e) If the Board determines that any Unit has become uninhabitable by reason of its total or partial destruction, Regular Assessments shall abate against the Owner thereof until the Board determines that the reconstruction of the Unit has restored its habitability. However, if the Board determines that such abatement will adversely and substantially affect the management, maintenance and operation of the Covered Property, it may elect to disallow such abatement.

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(f) In the event that Condominium Buildings are totally or partially destroyed in more than one (1) Project, the Board shall separately follow the procedures set forth in this Article as to each Project so affected.

Section 9.02 - Reconstruction Pursuant to Meeting. If the Board determines that the requirements of the Acceptable Range of Reconstruction Cost have not been met, or if the requisite number of affected Owners object in writing to a decision by the Board to reconstruct pursuant to the Section entitled "Automatic Reconstruction" of this Article, the Board shall call a meeting of affected Owners by mailing notice of such determination and of the meeting to such Owner at his address as shown on the records of the Association. Such meeting shall be held not less than fourteen (14) days and not more than twenty-one (21) days after (i) the meeting at which the Board makes its determination that the cost of reconstruction was not within the Acceptable Range of Reconstruction Cost, or (ii) the date indicated on the notice of the Board sent to Members pursuant to subsection (c) of the Section entitled "Automatic Reconstruction" above, as the case may be. The affected Owners may, by a vote at such meeting or by the written consent of not less than seventy-five percent (75%) of the affected Owners based on one (1) vote for each Condominium, determine to proceed with the reconstruction. If the affected Owners so determine to reconstruct the partially or totally destroyed Condominium Building, the Board shall levy a Reconstruction Assessment against each affected Owner at such time and in such amount as the Board shall determine necessary to cover the costs of reconstruction in excess of insurance proceeds.

Section 9.03 - Decision to Reconstruct; Procedure After Meeting. In the event that the Association undertakes reconstruction pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article, the following shall apply:

(a) Immediately after such meeting, the Board shall notify by first-class mail, registered or certified, all Institutional Mortgagees of Condominiums in totally or partially destroyed Condominium Buildings of the Association's decision to undertake reconstruction. The Board shall also send a true copy of all such notices to the Trustee.

(b) In the event that any such Institutional Mortgagee desires to apply insurance proceeds allocable to the Condominium encumbered by its Mortgage to the

reduction or elimination of the indebtedness secured by such Mortgage, such Institutional Mortgagee shall notify the Trustee and the Association in writing of such election within thirty (30) days of the date the notice of the Board sent pursuant to subsection (a) above is deposited in the United States mail. Upon receipt of timely notice from any such Institutional Mortgagee, the Trustee shall promptly pay to such Institutional Mortgagee the insurance proceeds allocable to the Condominium encumbered by the Mortgage of such Institutional Mortgagee for the purpose of the reduction or elimination of the obligation secured by such Mortgage; provided, however, in no event shall the Trustee pay to such Institutional Mortgagee an amount greater than (i) the outstanding indebtedness secured by said Mortgage, or (ii) the insurance proceeds allocated to such Condominium, whichever of (i) or (ii) is the lesser. Simultaneously with such payment, the Trustee shall notify the Board of the amount of such payment. The Trustee shall not make any payments to Institutional Mortgagees pursuant to this subsection (b) unless such Institutional Mortgagee notifies the Trustee of its election prior to the expiration of the thirty (30) day period following the deposit in the United States mail of the Board's notice to such Institutional Mortgagee pursuant to this subsection (b).

(c) As to each Condominium for which insurance proceeds have been paid to the Trustee and for which an Institutional Mortgagee has not timely notified the Trustee of its election to apply such proceeds towards the reduction or elimination of the obligation owing to such Institutional Mortgagee, the Trustee promptly upon the expiration of the appropriate time period shall pay all insurance proceeds allocable to such Condominium to the Board to be applied to reconstruction undertaken by the Association pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article. In the event that the Trustee has paid a portion of the insurance proceeds allocable to a Condominium to an Institutional Mortgagee after timely request therefor, simultaneously with such payment the Trustee shall pay all remaining proceeds, if any, allocable to such Condominium to the Board to be applied to reconstruction undertaken by the Association pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article.

(d) For the purposes of this Section, the amount of insurance proceeds "allocated" or "allocable" to a Condominium shall be determined pursuant to this

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subsection (d). The amount of insurance proceeds allocable to each Residence shall be determined by multiplying the amount of insurance proceeds available for distribution by a fraction, the denominator of which is the total decrease of M.A.I. appraised fair market value of all Residences for which insurance proceeds have been paid by reason of the casualty and the numerator of which is the decrease of M.A.I. appraised fair market value of each such Residence. The appraised values shall all be determined by an M.A.I. appraiser selected by the Trustee. Such allocation shall be final and binding on the Owners, the Mortgagees and the Association.

(e) In the event that the Trustee pays insurance proceeds to any Institutional Mortgagee pursuant to this Section, the Owner of the Condominium which was encumbered by the Mortgage of such Institutional Mortgagee shall pay to the Association an amount equal to the insurance proceeds paid by the Trustee to such Institutional Mortgagee. In the event that such Owner has failed to pay such amount within thirty (30) days of a written demand therefor by the Association, the Board may levy a Special Assessment against such Owner and his Condominium for such amount. In the event such Special Assessment is not paid within thirty (30) days of its due date, the Board may effect the remedies of Section 1356 of the California Civil Code and the Article hereof entitled "Nonpayment of Assessments."

Section 9.04 - Decision Not to Reconstruct; Procedure After Meeting. In the event that the affected Owners decide not to reconstruct at the meeting called pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article, the Trustee shall apply the insurance proceeds as follows:

(a) The Trustee shall first apply insurance proceeds to the reduction or elimination, as the case may be, of all outstanding Mortgages encumbering Condominiums for which insurance proceeds have been paid by reason of the casualty; provided, however, as to any Condominium, the Trustee shall not pay insurance proceeds to Mortgagees in an amount greater than (i) the outstanding indebtedness secured by Mortgages encumbering said Condominium, or (ii) the insurance proceeds allocable to said Condominium, whichever of (i) or (ii) is the lesser.

(b) All proceeds allocated to Condominiums and remaining after payments to Mortgagees pursuant to subsection (a) shall be distributed by the Trustee to such

Owners in the partially or totally destroyed Condominium Building after the deduction of an amount determined pursuant to subsection (c) below.

The amount of insurance proceeds allocable to each Residence shall be determined by multiplying the amount of insurance proceeds available for distribution by a fraction, the denominator of which is the total decrease of M.A.I. appraised fair market value of all Residences for which insurance proceeds have been paid by reason of the casualty and the numerator of which is the decrease of M.A.I. appraised value of each such Residence. The appraised values shall all be determined by an M.A.I. appraiser selected by the Trustee. Such allocation shall be final and binding on the Owners, the Mortgagees and the Association.

(c) The Board shall levy a Reconstruction Assessment against all affected Owners equal to the costs of clearing the debris of totally or partially destroyed Condominium Buildings and of cleaning the area. The Trustee shall pay to the Board said Reconstruction Assessments of the Owners of partially or totally destroyed Condominiums out of the insurance proceeds allocated to such Owners prior to the distribution of such proceeds thereto pursuant to subsection (b) above. In the event that insurance proceeds allocated to any Owner, after deduction of proceeds paid to Mortgagees, is not sufficient to pay the entire Reconstruction Assessment levied against such Owner, such Owner shall not be relieved of his obligation to pay any such excess.

Section 9.05 - Certificate of Intention to Reconstruct.
In the event that the Association undertakes reconstruction pursuant to this Article, the Board shall execute, acknowledge and record in the Office of the County Recorder of the County a certificate declaring the intention of the Association to rebuild not later than one hundred eighty (180) days from the date of destruction. If no such certificate of reconstruction is so filed within said one hundred eighty (180) day period, it shall be conclusively presumed that the Association has determined not to undertake reconstruction pursuant to this Article.

Section 9.06 - Compliance with Condominium Plan. Any reconstruction undertaken pursuant to this Article shall substantially conform to the Condominium Plan, as amended pursuant to the Section entitled "Amendment of Condominium Plan" of this Article, or otherwise, if appropriate, the Declaration, and the original plans and specifications.

Section 9.07 - Negotiations with Insurer. The Board shall have full authority to negotiate in good faith with representatives of the insurer of the totally or partially destroyed Condominium Building or any other portion of the Common Area, and to make settlement with the insurer for less than full insurance coverage on the damage to the Condominium Building or any other portion of the Common Area. Any settlement made by the Board in good faith shall be binding upon all Owners.

Section 9.08 - Repair of Units. Installation of improvements (including without limitation Unit Improvements) to, and repair of any damage to, the interior of a Unit, unless covered by insurance which the Association is required to maintain pursuant to the Article hereof entitled "Insurance", shall be made by and at the individual expense of the Owner of that Unit and, in the event of a determination to reconstruct after partial or total destruction, shall be completed as promptly as practical and in a lawful and workmanlike manner.

Section 9.09 - Amendment of Condominium Plan. In the event that reconstruction is to take place pursuant to this Article, the Board shall have the power to record an amendment to the Condominium Plan so that the Condominium Plan conforms to the Condominium Buildings as designed to be reconstructed; provided, however, the Board shall not file an amendment to the Condominium Plan without the prior authorization of the Mortgagee of a Mortgage encumbering any Condominium, the plan of which shall be altered by such amendment. In the event that the Board, together with said Mortgagees, if appropriate, decide to record such amendment to the Condominium Plan, all Owners within the affected Project and the record holders of all security interests in said Project shall execute and acknowledge said amendment so that it will comply with Section 1351 of the California Civil Code or any similar statute then in effect. Said Owners and holders of security interests shall also execute such other document or take such other actions as required to make such amendment effective.

Section 9.10 - Reconstruction of Common Area. If Common Area, other than a Condominium Building, is totally or partially destroyed, the Board shall cause reconstruction to commence by the earlier of (i) thirty (30) days of the Association's receipt of the insurance proceeds payable by reason of such destruction, or (ii) ninety (90) days after such destruction, and to thereafter be diligently and

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continuously prosecuted to completion within a reasonable period of time. The Trustee shall pay to the Board all insurance proceeds payable by reason of such destruction and the Board shall apply such proceeds to the costs of reconstruction. In the event that the insurance proceeds are not sufficient to pay the costs of reconstruction of the Common Area, the Board shall levy a Reconstruction Assessment against all Owners in accordance with the Proportionate Shares of their Residences. If the insurance proceeds exceed the cost of reconstruction, the Board shall distribute the excess to each Owner in accordance with the Proportionate Share of his Residence or to their Mortgagees as their interests may appear.

Section 9.11 - Availability of Labor and Material. In determining whether the plans for a reconstructed Condominium Building are in substantial conformance with the Condominium Plan, the Board may take into consideration the availability and expense of the labor and materials in the original construction of the Project. If such labor or material is not available or is prohibitively expensive at the time of reconstruction, the Board may permit the substitution of other labor or material as it deems proper.

Section 9.12 - Contracting for Reconstruction. In the event repair or reconstruction is undertaken pursuant to this Article, other than the Section entitled "Repair of Units" hereof, the Board or its delegates shall have the sole ability to contract for such work as may be necessary for said repair and reconstruction.

Section 9.13 - Seventy-Five Percent (75%) Vote Required. All insurance proceeds available from any total or partial destruction shall be applied to the purposes set forth in this Article, unless otherwise specified pursuant to the vote or written assent of not less than seventy-five percent (75%) of the Institutional Mortgagees based on one (1) vote for each First Mortgage held thereby.

Section 9.14 - Costs of Collecting Insurance Proceeds. If it should become necessary in the judgment of the Board to incur costs for appraisals, legal fees, court costs and similar expenses in order to determine or collect insurance proceeds, such costs shall be first deducted before distribution or application of insurance proceeds as provided in this Article.

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Section 9.15 - Requirements of Federal Agencies.
Notwithstanding the foregoing Sections of this Article, so long as any First Mortgage is held, guaranteed or insured by any of the Federal Agencies, the Association shall not use hazard insurance proceeds for losses to the Covered Property for other than repair, reconstruction, or replacement without the prior written consent of either sixty-seven percent (67%) of the First Mortgagees (based upon one vote for each First Mortgage owned), or sixty-seven percent (67%) of the voting power of the Association residing in Members other than the Declarant.

Section 9.16 - Reallocation of Interests in Common Area.
Notwithstanding the foregoing Sections of this Article, unless the formula for reallocation of interests in the Common Area after partial destruction of the Covered Property is fixed by applicable law, no reallocation of interests in the Common Area resulting from partial destruction of the Covered Property may be effected without the prior written approval of seventy-five percent (75%) of the First Mortgagees holding Mortgages on all remaining Residences whether existing in whole or in part.

ARTICLE X

EMINENT DOMAIN

Section 10.01 - Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of the Covered Property.

Section 10.02 - Representation by Board in Condemnation Proceeding. In the event of a taking, the Board shall, subject to the right of all Mortgagees who have requested the right to join the Board in the proceedings, represent all of the Members in an action to recover all awards. No Member shall challenge the good faith exercise or the discretion of the Board in fulfilling its duties under this Article. The Board is further empowered, subject to the limitations herein, as the sole representative of the Members in all aspects of condemnation proceedings not specifically covered herein.

Section 10.03 - Award for Condominium. In the event of a taking of Condominiums, the award from the taking authority shall be divided among the Owners, the Master Landlord and the Lessor according to the provisions of the Master Lease and leases thereunder. The Board shall distribute that portion of the award allocable to the Owners according to the provisions of this Section after deducting therefrom fees and expenses related to the condemnation proceeding including, without limitation, fees for attorneys and appraisers and court costs. In the event that the taking is by judgment of condemnation and said judgment apportions the award among the Owners and their respective Mortgagees, the Board shall distribute the amount remaining after such deductions among such Owners and Mortgagees on the allocation basis set forth in such judgment. In the event that the taking is by sale under threat of condemnation, or the condemnation award is not apportioned among the Owners by court judgment or by agreement between the condemning authority and of the affected Owners in the subdivision, the Board shall distribute the award among the affected Owners and their respective Mortgagees based upon the relative values of the Condominiums affected by such taking as determined by: (i) an independent appraisal conducted by an M.A.I. appraiser selected by the Board, and (ii) the degree to which each Condominium has been affected by the taking. Nothing contained herein shall entitle an Owner to priority over a Mortgagee of his Condominium as to the portion of the condemnation award allocated to his

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Condominium. In no event shall any portion of such award be distributed by the Board to an Owner and/or the Mortgagees of his Condominium in a total amount greater than the portion allocated hereunder to such Condominium.

Section 10.04 - Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 10.05 - Awards for Members' Personal Property and Relocation Allowances. Where all or part of the Covered Property is taken, each Member shall have the exclusive right to claim all of the award made for his personal property, and any relocation, moving expense, or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, the Board shall represent each Member in an action to recover all awards with respect to such portion, if any, of Members' personal property as is at the time of any taking, as a matter of law, part of the real estate comprising the Condominium, and shall allocate to such Member so much of any awards as is attributable in the taking proceedings, or failing such attribution, attributable by the Board to such portion of Members' personal property.

Section 10.06 - Notice to Members. The Board, immediately upon having knowledge of any taking or threat thereof with respect to the Covered Property, or any portion thereof, shall promptly notify all Members.

Section 10.07 - Change of Condominium Interest. In the event of a taking, and notwithstanding the Section entitled "Amendments" of the Article herein entitled "General Provisions," the Board, in conjunction with the fee owners of the Covered Property, may amend the Condominium Plan to reflect the change in the Project or Projects affected by a taking. In the event that the Board decides to record such amendment to the Condominium Plan, all Owners within such Project or Projects and the record holders of all security interests in such Project or Projects shall execute and acknowledge said amendment so that it will comply with Section 1351 of the California Civil Code or any similar statute then in effect. Said Owners and holders of security interests shall also execute such other documents or take such other actions as required to make such amendment effective. The Board shall cause a notice of change in the Condominium Plan to be sent to each Owner and Mortgagee in such Project or

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Projects within ten (10) days of the filing of such amendments in the County Recorder's Office of the County.

Section 10.08 - Reallocation of Interests in Common Area. Notwithstanding the foregoing sections of this Article, unless the formula for reallocation of interests in the Common Area after a partial condemnation of the Covered Property is fixed by applicable law, no reallocation of interests in the Common Area resulting from a partial condemnation of the Covered Property may be effected without the prior written approval of seventy-five percent (75%) of the First Mortgagees holding Mortgages on all remaining Residences whether existing in whole or in part.

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ARTICLE XI

USE RESTRICTIONS

Section 11.01 - Commercial Use. Subject to the Section entitled "Construction and Sales" of the Article hereof entitled "Easements," no part of a Residence shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending, or any nonresidential purposes; provided, however, that the Association shall have the right to provide or authorize such services on the Common Area as it deems appropriate for the enjoyment of the Common Area or for the benefit of the Members.

Section 11.02 - Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Covered Property except such signs as may be used by Declarant or its sales agents in connection with the development of the Covered Property and sale of the Residences; provided, however, that a Member may display on his Residence a sign advertising the sale or lease of his Residence so long as such sign shall comply with any customary and reasonable standards promulgated by the Board as to the size, color, shape or other qualification for permitted signs.

Section 11.03 - Nuisance. No noxious or offensive trade or activity shall be carried on upon any Residence or any part of the Covered Property, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Residence, or which shall in any way increase the rate of insurance on any Residence or the Covered Property.

Section 11.04 - Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, barn or other out-building shall hereafter be used on any Residence at any time, either temporarily or permanently.

Section 11.05 - Vehicles.

(a) Except as provided in this Section, no recreational vehicle or equipment or commercial vehicles shall hereafter be permitted to remain upon the Covered Property, including, without limitation, streets, alleys or driveways, nor permitted to be parked on any street, alley, or any other portion of the Covered Property.

(b) Recreational vehicles and equipment may not be parked or stored upon the Covered Property.

(c) No automobile, recreational vehicle or equipment, commercial vehicle or any other motorized vehicle may be dismantled, rebuilt, repaired, serviced or repainted on the Covered Property. The foregoing restriction shall not be deemed to prevent temporary parking for loading or unloading of vehicles or washing and polishing and those activities normally incident to washing and polishing of vehicles.

(d) As used in this Section, "recreational vehicle or equipment" shall include, without limitation, trailers, boats, campers, trailer coaches, buses, house cars, camp cars, motor homes (if a size larger than seven (7) feet in height and/or greater than one hundred twenty-four (124) inches in wheel base length), or any other similar type of equipment or vehicle.

(e) As used in this Section, "commercial vehicle" shall be defined as a truck of greater than three-quarter (3/4) ton capacity and any vehicle with a sign displayed on any part thereof advertising any kind of business or on which racks, materials and/or tools are visible. The type of motor vehicle license plate shall not be material to the foregoing definition.

(f) Temporary parking shall mean parking of vehicles belonging to guests of Owners and commercial vehicles being used in the furnishing of services to the Association or the Owners and parking vehicles belonging to or being used by Owners for loading and unloading purposes.

(g) The Board may adopt rules for the regulation of the admission and parking of vehicles within the Covered Property, including the assessment of charges to Owners who violate, or whose invitees violate, such rules.

(h) Any fence, screen or structure required under this Section shall comply with any standards established pursuant to the Article entitled "Architectural Control" of this Declaration as to size, color, or other qualification for permitted fences or screens.

Section 11.06 - Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept upon the Covered Property, except that dogs, cats or other household pets may be kept on the Residences, provided they do not weigh more than 20 pounds, and are not kept, bred or maintained for any commercial purpose, or in numbers deemed unreasonable by the Board.

Notwithstanding the foregoing, no animals or fowl may be kept on the Residences which in the good faith judgment of the Board, or a committee selected by the Board for this purpose, result in any annoyance or are obnoxious to residents in the vicinity. All animals permitted to be kept by this Section shall be kept on a leash when on any portion of the Covered Property except within a Residence.

Section 11.07 - Oil and Mineral Rights. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in the Covered Property nor, subsequent to the recording of this Declaration, shall oil wells, tanks, tunnels, or mineral excavations or shafts be installed upon the surface of the Covered Property or within five hundred (500) feet below the surface of such properties. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon the Covered Property.

Section 11.08 - Unsightly Items. All weeds, rubbish, debris, or unsightly material or objects of any kind shall be regularly removed from the Residences and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, trash cans, woodpiles, storage areas, machinery and equipment shall be prohibited upon any Residence unless obscured from view of adjoining streets or portions of the Covered Property from a height of six (6) feet or less. Any fence or screen required by this Section shall comply with any standards established pursuant to the Article entitled "Architectural Control" of this Declaration as to size, color or other qualification for permitted fences or screens.

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Section 11.09 - Antennae And Other Roof Structures. No television, radio, or other electronic towers, aeriuls, antennae or devices of any type for the reception or transmission of radio or television broadcasts or other means of communication shall hereafter be erected, constructed, placed or permitted to remain on the Covered Property unless and until the same shall have been approved in writing by the Architectural Committee, or unless the same be contained within a building or underground conduits. No appliances or installations on exterior roofs of structures including, without limitation, roof-top turbine ventilators, shall be permitted unless they are installed in such a manner that they are not visible from streets, Common Area or neighboring Residences, except that attic ventilators and solar panels which are architecturally treated in conformity with guidelines contained in the Architectural Standards and which have been approved by the Architectural Committee pursuant to the provisions of the Article hereof entitled "Architectural Control" shall be permitted.

Section 11.10 - Drainage. All drainage of water from any Residence shall drain or flow into adjacent streets or alleys and shall not be allowed to drain or flow upon, across, or under any other portion of the Covered Property unless an easement for such purpose is granted. An Owner shall not alter the drainage of water which exists pursuant to the drainage plan originally created at the time of the initial sale of his Residence by Declarant except through the use of a positive drainage device which does not materially affect the concentration or flow direction of drainage water under said drainage plan.

Section 11.11 - Garages. No Garage doors shall be permitted to remain open except for a temporary purpose, and the Board may adopt rules for the regulation of the opening of Garage doors, including the assessment of charges to Owners who violate or whose invitees violate such rules.

Section 11.12 - Window Covers. Curtains, drapes, shutters or blinds may be installed as window covers. No window shall be covered with aluminum foil, newspapers or other material not designed for use as a window cover.

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Section 11.13 - California Vehicle Code. The City shall be allowed to impose and enforce all provisions of the applicable California Vehicle Code sections on any private streets contained within the Covered Property.

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ARTICLE XII

RIGHTS OF ENJOYMENT

Section 12.01 - Members' Right of Enjoyment. Every Member shall have a nonexclusive easement for use and enjoyment in and to the Common Area regardless of the Project in which such Member is an Owner, and such right shall be appurtenant to and shall pass with the interest required to be an Owner to every Residence, subject to all of the easements, covenants, conditions, restrictions and other provisions contained in this Declaration, including, without limitation, the following provisions:

(a) The right of the Association to limit the number of guests of Members and to limit the use of the recreational facilities, if any, on the Common Area by persons not in possession of a Residence but owning a portion of the interest in a Residence required for membership.

(b) The right of the Association to establish reasonable rules and regulations pertaining to the use of the Common Area.

(c) The rights of the Association to suspend the right of a Member to use the recreational facilities, if any, located on the Common Area or any portion thereof designated by the Board during any time in which any Assessment against his Residence remains unpaid and delinquent or for a period not to exceed thirty (30) days for any single infraction of the rules and regulations of the Association, provided that any suspension of such right to use such recreational facilities, if any, located on the Common Area, except for failure to pay Assessments, shall be made only by the Association or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws. Notwithstanding the foregoing, the Association shall not have the right hereunder to suspend any Member's right to use any portion of the Covered Property necessary for such Member to gain access to his Residence.

(d) The right of the Association to grant permits, licenses and easements on, over and under the Common Area to public utilities or governmental entities or agencies for utilities, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Covered Property; provided that such permits, licenses and easements shall not unreasonably

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interfere with the right of any Owner to the use and enjoyment of his Residence and the Common Area. No such permit, license or easement shall be effective unless an instrument signed by Master Landlord, Lessor and Members entitled to cast two-thirds (2/3) of the voting power of the Members residing in the Project in which the permit, license or easement will be granted has been recorded agreeing to the granting of such permit, license or easement. The certificate of the President and Secretary of the Association attached to such instrument certifying that the Members signing such instrument represent two-thirds (2/3) of the voting power of the Members residing in the Project in which the permit, license or easement will be granted shall be deemed conclusive proof thereof. Nothing in this Section shall alter or modify the rights of the Master Landlord pursuant to the Master Lease.

(e) The right of particular Owners to the exclusive use of the Restricted Common Area as provided in the Article hereof entitled "Definitions."

Section 12.02 - Delegation of Use. Any Member may delegate his right of enjoyment to the Common Area to the members of his family or his tenants who reside on his Residence, or to his guests, or to a vendee under a land sales contract subject to the rules and regulations adopted by the Board. In the event and for so long as an Owner delegates said rights of enjoyment to his tenants, or a vendee said Owner shall not be entitled to said rights.

Section 12.03 - Waiver of Use. No Member may exempt himself from personal liability for assessments duly levied by the Association, or release the Residence owned by him from the liens, charges and other provisions of this Declaration, the Articles, Bylaws and Association Rules, by waiver of the use and enjoyment of the Common Area, or the abandonment of his Residence.

ARTICLE XIII

EASEMENTS

Section 13.01 - Amendment to Eliminate Easements. This Declaration cannot be amended to modify or eliminate the easements reserved to Declarant without the prior written approval of Declarant and any attempt to do so shall have no effect. Any attempt to modify or eliminate this Section shall likewise require the prior written approval of Declarant.

Section 13.02 - Nature of Easements. Unless otherwise set forth herein, any easement reserved to Declarant herein shall be nonexclusive.

Section 13.03 - Certain Rights and Easements Reserved to Declarant.

(a) Utilities. Easements over the Covered Property for the installation and maintenance of electric, telephone, cable television, water, gas, sanitary sewer lines and drainage facilities as are needed to service the Covered Property are hereby reserved by Declarant together with the right to grant and transfer the same; provided, however, such easements shall not unreasonably interfere with the use and enjoyment by the Members of their Residences or the Common Area.

(b) Cable Television. There is hereby reserved to Declarant over the Covered Property, together with the right to grant and transfer the same, the right to emplace on, under or across the Covered Property transmission lines and other facilities for a community antenna television system and thereafter to own and convey such lines and facilities and the right to enter upon the Covered Property to service, maintain, repair, reconstruct and replace said lines or facilities; provided, however, that the exercise of such rights shall not unreasonably interfere with any Owner's reasonable use and enjoyment of his Residence.

(c) Oil and Mineral Rights. There is hereby reserved to Master Landlord, together with the right to grant and transfer the same, all oil, oil rights, minerals, mineral rights, natural gas rights, and other hydrocarbons by whatsoever name known, geothermal steam, and all products derived from any of the foregoing, that may be within or under the Covered Property together with the perpetual right of drilling, mining, exploring and operating

therefor and storing in and removing the same from said land or any other land, including the right to whipstock or directionally drill and mine from lands other than the Covered Property, oil or gas wells, tunnels and shafts into, through or across the subsurface of the Covered Property and to bottom such whipstocked or directionally drilled wells, tunnels and shafts under and beneath or beyond the exterior limits thereof, and to redrill, returnel, equip, maintain, repair, deepen and operate any such wells or mines without, however, the right to drill, mine, store, explore and operate through the surface or the upper five hundred (500) feet of the subsurface of the Covered Property.

(d) Construction and Sales. There is hereby reserved to Declarant, together with the right to grant and transfer the same to Declarant's sales agents and representatives and prospective purchasers of Residences, over the Covered Property as the same may from time to time exist, easements for construction, display, maintenance, sales and exhibit purposes in connection with the erection and sale or lease of Residences within the Covered Property provided, however, that such use shall not be for a period beyond the sale by Declarant of all Residences within the Covered Property, and provided further that no such use by Declarant and others shall otherwise unreasonably restrict the Member in the reasonable use and enjoyment of the Covered Property.

Section 13.04 - Certain Easements for Owners.

(a) Rights and Duties: Utilities and Cable Television. Wherever sanitary sewer house connections, water house connections, air conditioning connections or ducts, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, the Owners of any Residence served by said connections, lines or facilities shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to said Owners, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service his Residence, and to enter upon the Residences owned by others, or to have utility companies enter upon the Residences owned by others, in or upon which said connections, lines or facilities, or any portion thereof lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below, provided that such Owner or utility company shall promptly repair any damage to a

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Residence caused by such entry as promptly as possible after completion of work thereon.

(b) Ingress, Egress and Recreational Rights. Declarant hereby reserves to itself, its successors and assigns, and agrees that it will grant to all Owners a nonexclusive easement for ingress, egress, pedestrian walkway and general recreational purposes over and upon the Common Area which is not Restricted Common Area, including without limitation any Common Area annexed pursuant to a Supplementary Declaration. Such easements when granted to Owners shall be subject to the rights of the Association as set forth in the Article hereof entitled "Rights of Enjoyment."

(c) Exclusive Restricted Common Area Easement. There is hereby reserved to Declarant, together with the right to grant and transfer the same, exclusive easements which shall be appurtenant to a Unit over the Restricted Common Area as shown on the Condominium Plan. The Unit shall be the dominant tenement and the exclusive easement shall burden the Restricted Common Area as the servient tenement. Subject to the rights of the Association as provided in the Section entitled "Repair and Maintenance by Association" of the Article entitled "Repair and Maintenance" of this Declaration, the benefit of such easement shall inure only to the Owners of Units indicated on the Condominium Plan and their families and guests. The easement of enjoyment over the Common Area granted to Members in the Section entitled "Ingress, Egress and Recreational Rights" of this Article shall not apply to those portions of the Common Area designated as Restricted Common Area on the Condominium Plan.

Section 13.05 - Certain Easements for Association.

(a) Association Rights. There is hereby reserved to Declarant easements over the Covered Property, together with the right and obligation to grant and transfer the same to the Association, for the purpose of permitting the Association to discharge its obligations and powers as described in this Declaration.

(b) Rights and Duties: Utilities and Cable Television. Wherever sanitary sewer house connections, water house connections, air conditioning connections or ducts, electricity, gas, telephone and cable television lines or drainage facilities are installed within the Covered Property, and said connections, lines or facilities serve the Common Area, the Association shall

have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association, an easement to the full extent necessary for the full use and enjoyment of such portion of such connections which service the Common Area and to enter upon the Residences owned by others, or to have utility companies enter upon the Residences owned by others, in or upon which said connections, lines or facilities, or any portion thereof lie, to repair, replace and generally maintain said connections as and when the same may be necessary as set forth below, provided the Association or utility company shall promptly repair any damage to a Residence caused by such entry as promptly as possible after completion of work thereon.

(c) Chimneys. Wherever chimneys are installed within the Covered Property, the Association shall have the right, and there is hereby reserved to Declarant, together with the right to grant and transfer the same to the Association, an easement over the Common Area to the full extent necessary for maintenance of such chimneys, and the right to enter upon the Residences owned by others, or to have appropriate outside personnel enter upon the Residences owned by others, to repair, replace, and generally maintain said chimneys as and when the same may be necessary.

Section 13.06 - Support, Settlement and Encroachment.
There is hereby reserved to Declarant, together with the right to grant and transfer the same to Owners, the following reciprocal easements for the purposes set forth below:

(a) An easement appurtenant to each Residence which is contiguous to another Residence or Common Area which Residence shall be the dominant tenement and the contiguous Residence or Common Area shall be the servient tenement.

(b) An easement appurtenant to the Common Area contiguous to a Residence, which Common Area shall be the dominant tenement and which contiguous Residence shall be the servient tenement.

(c) Said easements shall be for the purposes of:

(i) engineering errors, errors in original construction and support, and accommodation of the natural settlement or shifting of structures;

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(ii) encroachment by reason of a roof or eave overhang from a Residence and for the maintenance of such roof or eave overhang by the Owner of the dominant tenement; and

(iii) encroachment of fireplaces, doorsteps, foundations, footings, garage doors, utilities and other appurtenances or fixtures and the maintenance thereof by the Owner of the dominant tenement, which, in the construction of the structures upon the dominant tenement or from any reconstruction or modifications of such structures, project beyond the external surface of the outer walls of such structures.

ARTICLE XIV

ANNEXATIONS

The Annexation Property and/or any other real property may be annexed to and become subject to this Declaration by any of the methods set forth hereinafter in this Article, as follows:

Section 14.01 - Development of the Covered Property. GORE intends to sequentially develop the Annexation Property on a phased basis; however, GORE and/or successor Developer(s) may elect not to develop all or any part of such real property, to annex such real property to this Declaration in increments of any size whatsoever, or to develop more than one such increment at any given time and in any given order. Moreover, GORE reserves the right, for itself and/or any successor Developer to subject all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said property to the jurisdiction and powers of a homeowner association or other entity with powers and obligations similar to the Association and which is not subject to the provisions of this Declaration. Although GORE and successor Developers shall have the ability to annex the Annexation Property as provided in this Article, GORE and successor Developers shall not be obligated to annex all or any portion of such property, and such property shall not become subject to this Declaration unless and until a Supplementary Declaration shall have been so executed and recorded.

Section 14.02 - Supplementary Declarations. A Supplementary Declaration shall be a writing in recordable form which annexes real property to the plan of this Declaration and which incorporates by reference all of the covenants, conditions, restrictions, easements and other provisions of this Declaration and shall contain such other provisions as set forth in this Declaration relating to Supplementary Declarations. Such Supplementary Declarations contemplated above may contain such complementary additions and modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, or any merger or consolidation, revoke, modify or add to the covenants established by this Declaration with respect

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to the existing property. Any Supplementary Declaration annexing any portion of the Annexation Property shall be executed by the Master Landlord and Lessor.

Section 14.03 - Annexation Without Approval and Pursuant to the General Plan. All or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the Association or its Members, provided that a Supplementary Declaration covering the portion of the Annexation Property to be annexed shall be executed and recorded by Declarant; provided, however, the annexation must be effected prior to the third anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of the Development, but in no event later than the seventh anniversary of the recordation of this Declaration in the Official Records of the County. The recordation of said Supplementary Declaration shall constitute and effectuate the annexation of the said real property described therein, making said real property subject to this Declaration and subject to the functions, powers and jurisdiction of the Association, and thereafter said annexed real property shall be part of the Covered Property and all of the Owners of Residences in said annexed real property shall automatically be Members. No Supplementary Declaration shall be recorded pursuant to this Section until all taxes and assessments relating to such property covering any period prior to its annexation shall have been paid or otherwise satisfactorily provided for by Declarant. All improvements constructed upon the Annexation Property shall be consistent with the initial improvements in terms of quality of construction.

Section 14.04 - Annexation Pursuant to Approval. Upon approval in writing of the Association, pursuant to the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of the Class B voting power as well as the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of the Class A voting power, and after the conversion of Class B to Class A membership, the vote or written assent of sixty-six and two-thirds (66-2/3%) of the voting power of the Association as well as the vote or written assent of sixty-six and two-thirds percent (66-2/3%) of the total voting power of Members other than the Declarant, any person who desires to add real property, other than the Annexation Property to the plan of this Declaration and to subject such property to the jurisdiction of the Association, may file or record a Supplementary Declaration. The provisions of this Section shall also apply to the Annexation Property subsequent to the expiration of the power of Declarant to annex such

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property without the approval of the Members as provided in this Article. The certificate of the President and the Secretary of the Association attached to any Supplementary Declaration recorded pursuant to this Section certifying that the required voting power of the Association has approved the recordation of such Supplementary Declaration shall be deemed conclusive proof thereof.

Section 14.05 - Mergers or Consolidations. Upon a merger or consolidation of the Association with another association which merger or consolidation must be approved by two-thirds (2/3) of each class of Members, the Association's properties, rights and obligations may, by operation of law, be transferred to the surviving or consolidated association, or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants, conditions and restrictions established by this Declaration within the Covered Property, together with the covenants and restrictions established upon any other property as one plan.

Section 14.06 - Limitation Upon Annexation. Notwithstanding the foregoing Sections of this Article, no annexation of additional real property to this Declaration, unless there has been approval thereof by a majority of the voting power of the Association residing in Members other than the Declarant, shall have the effect of either overburdening the common interests of the then existing Owners, except as set forth in this Declaration, or substantially increasing the Assessments of such Owners if such increase has not been disclosed in the California Department of Real Estate's Final Subdivision Public Report applicable to such Owner's Residence.

ARTICLE XV

RIGHTS OF LENDERS

Section 15.01 - Filing Notice; Notices and Approvals. A Mortgagee or Eligible Insurer or Guarantor shall not be entitled to receive any notice which this Declaration requires the Association to deliver to Mortgagees and Eligible Insurers and Guarantors unless and until such Mortgagee, or its mortgage servicing contractor, or such Eligible Insurer or Guarantor has delivered to the Board a written notice stating that such Mortgagee or Eligible Insurer or Guarantor is the holder or guarantor or insurer of a Mortgage encumbering a Residence within the Covered Property. Such notice from a Mortgagee or Eligible Insurer or Guarantor need not state which Residence or Residences are encumbered by such Mortgage, but shall state whether such Mortgage is a First Mortgage. Wherever the approval of all or a specified percentage of Mortgagees is required pursuant to this Declaration, it shall be deemed to mean the vote or approval of all or a specified percentage only of those Mortgagees which have delivered such notice to the Board. Notwithstanding the foregoing, if any right of a Mortgagee or Eligible Insurer or Guarantor under this Declaration is conditioned on a specific written request to the Association, in addition to having delivered the notice provided in this Section, a Mortgagee or Eligible Insurer or Guarantor must also make such request, either in a separate writing delivered to the Association or in the notice provided above in this Section, in order to be entitled to such right. Except as provided in this Section, a Mortgagee's rights pursuant to this Declaration, including, without limitation, the priority of the lien of Mortgages over the lien of Assessments levied by the Association hereunder, shall not be affected by the failure to deliver a notice to the Board. Any notice or request delivered to the Board by a Mortgagee or Eligible Insurer or Guarantor shall remain effective without any further action by such Mortgagee or Eligible Insurer or Guarantor for so long as the facts set forth in such notice or request remain unchanged.

Section 15.02 - Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions herein contained, nor the enforcement of any lien provisions herein, shall affect, impair, defeat or render invalid the lien or charge of any First Mortgage made in good faith and for value encumbering any Residence, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is

derived through foreclosure or trustee's sale, or otherwise, with respect to a Residence, except as otherwise provided in this Article.

Section 15.03 - Curing Defaults. A Mortgagee, or the immediate transferee of such Mortgagee, who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 15.04 - Resale. It is intended that any loan to facilitate resale of any Residence after judicial foreclosure, deed in lieu of foreclosure or trustee's sale is a loan made in good faith and for value and entitled to all of the rights and protections afforded to other Mortgagees.

Section 15.05 - Relationship with Assessment Liens.

(a) The lien provided for in the Article hereof entitled "Nonpayment of Assessments" for the payment of Assessments shall be subordinate to the lien of any First Mortgage which was recorded prior to the date any such Assessment becomes due.

(b) If any Residence subject to a monetary lien created by any provision hereof shall be subject to the lien of a First Mortgage: (1) the foreclosure of any lien created by anything set forth in this Declaration shall not operate to affect or impair the lien of such First Mortgage; and (2) the foreclosure of the lien of said First Mortgage or the sale under a power of sale included in such First Mortgage (such events being hereinafter referred to as "Events of Foreclosure") shall not operate to affect or impair the lien hereof, except that any persons who obtain an interest through any of the Events of Foreclosure, and the successors in interest, shall take title free of the lien hereof or any personal obligation for said charges as shall have accrued up to the time of any of the Events of Foreclosure, but subject to the lien hereof for all said charges that shall accrue subsequent to the Events of Foreclosure.

(c) Any First Mortgagee who obtains title to a Residence by reason of the Events of Foreclosure, or any purchaser at a private or judicial foreclosure sale of a

First Mortgage, shall take title to such Residence free of any lien or claim for unpaid Assessments against such Residence which accrue prior to the time such First Mortgagee or purchaser takes title to such Residence, except for liens or claims for a share of such Assessments resulting from a pro rata reallocation of such Assessments to all Residences within the Covered Property.

(d) Nothing in this Section shall be construed to release any Owner from his obligations to pay for any Assessment levied pursuant to this Declaration.

Section 15.06 - Seventy-Five Percent (75%) Vote of First Mortgagees. Except upon the prior written approval of at least seventy-five percent (75%) of First Mortgagees, based on one (1) vote for each First Mortgage held, neither the Association nor the Members shall be entitled to do any of the following:

(a) Abandon or terminate by any act or omission the condominium legal status of the Covered Property, or any part thereof, except that in the event of abandonment or termination provided by law and/or this Declaration in the case of substantial destruction by fire or other casualty or in the case of a taking by condemnation or eminent domain the prior written approval of at least fifty-one percent (51%) of First Mortgagees shall be required;

(b) Dissolve the Association;

(c) Amend or add a material provision of this Declaration, the Bylaws or the Articles. A material provision of such documents shall be defined as those provisions governing the following subjects:

(i) Voting;

(ii) Assessments, assessment liens, or subordination of such liens;

(iii) Reserves for maintenance, repair or replacement of the Common Area;

(iv) Insurance or fidelity bonds;

(v) Right to use of the Common Area;

(vi) Responsibility for maintenance and repair of the Covered Property;

(vii) Expansion or contraction of the Covered Property or the addition, annexation or withdrawal of property to or from the Covered Property;

(viii) Boundaries of any Unit;

(ix) The interests in the Common Area or Restricted Common Area;

(x) Convertibility of Units into Common Area or, or of Common Area into Units;

(xi) Leasing of Residences;

(xii) Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer, or otherwise convey such Owner's Residence; and

(xiii) Any provision, which by its terms, is for the express benefit of First Mortgagees or Eligible Insurers or Guarantors.

An amendment or addition shall not be considered material under this Section if it is for the purpose of correcting technical errors, or for clarification only, and a First Mortgagee who receives a written request to approve such nonmaterial additions or amendments who does not deliver or post to the requesting party a negative response within thirty (30) days shall be deemed to have approved such request.

(d) Effectuate any decision to terminate professional management and assume self-management of the Covered Property;

(e) Abandon, partition, sell, alienate, subdivide, release, transfer, hypothecate or otherwise encumber the Common Area; provided, however, the granting of easements for public utilities or other public purposes consistent with the intended use of the Common Area shall not require such approval;

(f) Partition or subdivide a Unit or any elements thereof; or

(g) Change the Ownership interest of the Condominium as provided in the Section entitled "Condominium" in the Article hereof entitled "Definitions."

Section 15.07 - Other Rights of First Mortgagees. Any First Mortgagee or its mortgage servicing contractor, and any Eligible Insurer or Guarantor shall, upon written request to the Association, be entitled to:

(a) Inspect current copies of the Declaration, Articles, other rules concerning the Covered Property, and the books, records, and financial statements of the Association during normal business hours or under other reasonable circumstances;

(b) Receive a copy of an annual audited financial statement of the Association for the preceding fiscal year, prepared at the expense of the Association, within ninety (90) days following the end of the Association's fiscal year or within a reasonable time after a request therefor if the requesting First Mortgagee or Eligible Insurer or Guarantor filed the request more than ninety (90) days after the end of the Association's most recent fiscal year;

(c) Receive timely written notice of all annual and special meetings of the Members or of the Board, and First Mortgagees shall further be entitled to designate a representative to attend all such meetings in order to, among other things, draw attention to violations of this Declaration which have not been corrected or made the subject of remedial action by the Association; provided, however, nothing contained in this Section shall give a First Mortgagee the right to call a meeting of the Board or of the Members for any purpose or to vote at any such meeting;

(d) Receive timely written notification from the Association of any default in the performance of the obligations imposed by this Declaration by the Owner whose Residence is encumbered by a First Mortgage held, insured or guaranteed by such First Mortgagee or Eligible Insurer or Guarantor which default has not been cured within sixty (60) days of a request therefor by the Association; provided, however, the Association shall only be obligated to provide such notice to First Mortgagees and Eligible Insurers and Guarantors who have delivered a written request therefor to the Association specifying the Residence or Residences to which such request relates;

(e) Receive timely written notice from the Association of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

(f) Receive timely written notice from the Association of any proposed action which under the Declaration or the Bylaws requires the consent of a specified percentage of First Mortgagees.

Section 15.08 - Mortgagees Furnishing Information.
Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage.

Section 15.09 - Right of First Refusal. In the event this Declaration provides or is amended to provide for any right of first refusal to purchase or lease a Residence in the Association, a Mortgagee who comes into possession of a Residence pursuant to a judicial foreclosure, a deed in lieu of foreclosure or a trustee's sale shall be exempt therefrom. In addition, conveyances to and from third party foreclosure purchasers and mortgage insurers and guarantors shall also be exempt.

Section 15.10 - Conflicts. In the event of any conflict between any of the provisions of this Article and any of the other provisions of this Declaration, the provisions of this Article shall control.

Section 15.11 - Notice and Priority in Event of Destruction or Taking. In the event that any Condominium, Common Area and any improvements thereto or any portion thereof is damaged or is made the subject of any condemnation proceedings in eminent domain or is otherwise sought to be acquired by a condemning authority, the Board shall promptly notify any Institutional Mortgagee and any Eligible Insurer or Guarantor affected by such destruction, taking or threatened taking. As used herein, "damaged" or "taking" shall mean damage to or taking of the Common Area exceeding Ten Thousand Dollars (\$10,000) or damage to or taking of a Unit exceeding One Thousand Dollars (\$1,000). If requested in writing by an Institutional Mortgagee or Eligible Insurer or Guarantor, the Association shall evidence its obligations under this Section in a written agreement in favor of such Institutional Mortgagee or Eligible Insurer or Guarantor. Nothing in the Declaration, Articles or Bylaws shall give an Owner, or any other party, priority over the rights of a First Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of any Condominium or the Common Area.

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Section 15.12 - Payment of Taxes or Premiums by Institutional Mortgagees. Institutional Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area unless such taxes or charges are separately assessed against the Owners, in which case the rights of Institutional Mortgagees shall be governed by the provisions of their Mortgages. Institutional Mortgagees may, jointly or singly, also pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for the Common Area and Institutional Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. Entitlement to such reimbursement shall be reflected in an agreement in favor of any Institutional Mortgagee which requests the same to be executed by the Association.

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ARTICLE XVI

LIMITATIONS UPON THE RIGHT TO PARTITION AND SEVERANCE

Section 16.01 - No Severance. The Owners of Condominiums shall not have the right of severance, the elements of a Condominium being inseparable. No lease may be made of less than the entire condominium and the appurtenances thereto and any conveyance made in contravention of this Section shall be void.

Section 16.02 - No Partition. The right of partition is hereby suspended, except that any Owner may, upon the prior written approval of the Institutional Mortgagee of the First Mortgage encumbering his Condominium, bring an action for partition by sale of the Project in which his Condominium is located as provided in Section 1354 of the California Civil Code or any similar statute then in effect upon the occurrence of any of the events therein provided. Provided, further, that if any Condominium shall be owned by two (2) or more co-tenants, nothing herein contained shall be deemed to prevent a judicial partition as between such co-tenants. No right of partition or judicial decree of partition shall alter or modify the rights of the Master Landlord pursuant to the Master Lease.

ARTICLE XVII

PROTECTION OF THE PROJECT FROM LIENS

Section 17.01 - Association to Defend Certain Actions. In the event that a lawsuit is brought against all or substantially all of the Members within a Project which will or could result in any lien or encumbrance being levied against an entire Project, the Association shall defend such lawsuit and the costs of such defense shall be a Special Assessment against all of the Members within such Project joined as defendants in such lawsuit; 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 so chooses he shall not be relieved of liability for the Special Assessment provided for in this Section.

Section 17.02 - Payment of Lien. In the event that a lien or encumbrance not covered by California Civil Code Section 1357 or any successor statute thereof is attached to all or substantially all of a Project by reason of a judgment or otherwise, the Association shall promptly take the appropriate steps to remove such lien, including but not limited to the payment of money and the posting of a bond. The Association shall have the power to borrow money and to take such other steps as are necessary to free a Project of such liens.

Section 17.03 - Owners to be Specially Assessed. Simultaneously with any action taken pursuant to the Section entitled "Payment of Lien" of this Article, the Association shall levy a Special Assessment against all of the Members whose Condominiums were subject to the lien or encumbrance which caused the Association to act pursuant to said Section equal to each such Member's pro rata share of such lien or encumbrance. In the event that such Special Assessment is not paid within thirty (30) days of its due date, the Board may effect the remedies of Section 1356 or any successor statute thereof of the California Civil Code and the Article hereof entitled "Nonpayment of Assessments."

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Section 17.04 - Reimbursement by Certain Owners. In the event that it shall be proven in a court of law of competent jurisdiction over the claim or claims causing the Association to take action under this Article that a judgment resulting in a lien on all or a portion of the Project was primarily due to the acts or omissions of a particular Member or Members or the families thereof, such Member or Members shall reimburse the Association for all expenses incurred by it pursuant to the provisions of this Article. Upon such reimbursement the Association shall distribute the funds received to the Members against whom Special Assessments were levied pursuant to the provisions of this Article.

ARTICLE XVIII

GENERAL PROVISIONS

Section 18.01 - Enforcement. The Association, the Master Landlord, the Lessor, the City or any Owner shall have the right to enforce by proceedings at law or in equity, all restrictions, conditions, covenants and reservations, now or hereafter imposed by the provisions of this Declaration or any amendment thereto, including the right to prevent the violation of such restrictions, conditions, covenants, or reservations and the right to recover damages or other dues for such violation. The Association, the Master Landlord, the Lessor, the City or any Owner shall also have the right to enforce by proceedings at law or in equity the provisions of the Articles or Bylaws and any amendments thereto. With respect to architectural control and Association Rules, the Association shall have the exclusive right to the enforcement thereof unless the Association refuses or is unable to effectuate such enforcement, in which case the Master Landlord, the Lessor, the City or any Owner who otherwise has standing shall have the right to undertake such enforcement. With respect to Assessment liens, the Association, or if the Association refuses to act pursuant to the powers granted by this Declaration, then the Master Landlord and Lessor shall have the exclusive right to the enforcement thereof; provided, however, that the City shall have the enforcement rights granted by the Section entitled "Special Assessment Powers" of the Article hereof entitled "Nonpayment of Assessments."

Section 18.02 - No Waiver. Failure by the Association, the Master Landlord, the Lessor, the City or any Member to enforce any covenant, condition, restriction or reservation herein contained, or the Articles, Bylaws or Association Rules, in any certain instance or on any particular occasion shall not be deemed a waiver of such right on any such future breach of the same or any other covenant, condition, restriction or reservation.

Section 18.03 - Cumulative Remedies. All rights, options and remedies of Declarant, the Association, the Master Landlord, the Lessor, the Owners or Mortgagees under this Declaration are cumulative, and no one of them shall be exclusive of any other, and Declarant, the Association, the Master Landlord, the Lessor, the Owners and the Mortgagees shall have the right to pursue any one or all of such rights, options and remedies or any other remedy or relief which may be provided by law, whether or not stated in this Declaration.

Section 18.04 - Severability. Invalidation of any one or a portion of these covenants, conditions, restrictions or reservations by judgment or court order shall in no way affect any other provisions which shall remain in full force and effect.

Section 18.05 - Covenants to Run with the Land; Term. The covenants, conditions, restrictions and reservations of this Declaration shall run with and bind the Covered Property and shall inure to the benefit of and be enforceable by the Association, the Master Landlord, the Lessor or any Owner, their respective legal representatives, heirs, successors and assigns until May 1, 2040.

Section 18.06 - Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a plan for the development of a residential community or tract and for the maintenance of the Covered Property. The Article and Section headings have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 18.07 - Singular Includes Plural. Whenever the context of this Declaration requires same, the singular shall include the plural and the masculine shall include the feminine and the neuter.

Section 18.08 - Nuisance. The result of every act or omission where any provision, condition, restriction, covenant, easement, or reservation contained in this Declaration is violated in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result, and may be exercised by the Association, the Master Landlord, the Lessor or any Member. Such remedy shall be deemed cumulative and not exclusive.

Section 18.09 - Attorneys' Fees. In the event action is instituted to enforce any of the provisions contained in this Declaration, the party prevailing in such action shall be entitled to recover from the other party thereto as part of the judgment, reasonable attorneys' fees and costs of such suit.

Section 18.10 - Notices. Any notice to be given to an Owner, the Association, a Mortgagee or mortgage servicing contractor, or an Eligible Insurer or Guarantor under the

provisions of this Declaration shall be in writing and may be delivered as follows:

(a) Notice to an Owner shall be deemed to have been properly delivered when delivered to the Owner's Residence, whether said Owner personally receives said notice or not, or placed in the first class United States mail, postage prepaid, to the most recent address furnished by such Owner in writing to the Association for the purpose of giving notice, or if no such address shall have been furnished, then to the street address of such Owner's Residence. Any notice so deposited in the mail within the County shall be deemed delivered forty-eight (48) hours after such deposit. In the case of co-Owners any such notice may be delivered or sent to any one of the co-Owners on behalf of all co-Owners and shall be deemed delivery on all such co-Owners.

(b) Notice to the Association shall be deemed to have been properly delivered when placed in the first class United States mail, postage prepaid, to the address furnished by the Association or the address of its principal place of business.

(c) Notice to a Mortgagee or its mortgage servicing contractor or to an Eligible Insurer or Guarantor shall be deemed to have been properly delivered when placed in the first class United States mail, postage prepaid, to the address furnished to the Association by such Mortgagee, such contractor or such Eligible Insurer or Guarantor for the purposes of notice or, if no such address is furnished, to any office of the Mortgagee or Eligible Insurer or Guarantor in the County, or if no such office is located in the County, to any office of such Mortgagee or Eligible Insurer or Guarantor.

(d) The affidavit of an officer or authorized agent of the Association declaring under penalty of perjury that a notice has been mailed to any Owner or Owners, to any Mortgagee or Mortgagees, to any Eligible Insurer or Guarantor or to all Members or all Mortgagees, or all Eligible Insurers or Guarantors to the address or addresses shown on the records of the Association, shall be deemed conclusive proof of such mailing, whether or not such notices are actually received.

Section 18.11 - Obligations of Declarant. So long as GORE or its successors or assigns as Declarant is utilizing the easement described in the Section entitled "Construction and Sales" of the Article in this Declaration entitled

"Easements," Declarant shall not be subject to the provisions of the Article entitled "Architectural Control" or the provisions of the Article entitled "Use Restrictions" to the extent necessary to exercise its rights and fulfill its duties with regard to the development of the Covered Property.

Section 18.12 - Effect of Declaration. This Declaration is made for the purposes set forth in the Recitals to this Declaration and Declarant makes no warranties or representations, express or implied as to the binding effect or enforceability of all or any portion of this Declaration, or as to the compliance of any of these provisions with public laws, ordinances and regulations applicable thereto.

Section 18.13 - Personal Covenant. To the extent the acceptance or conveyance of a Residence creates a personal covenant between the Owner of such Residence and Declarant or other Owners, such personal covenant shall terminate and be of no further force or effect from or after the date when a person or entity ceases to be an Owner except to the extent this Declaration may provide otherwise with respect to the payment of money to the Association.

Section 18.14 - Nonliability of Officials. To the fullest extent permitted by law, neither the Board, the Architectural Committee, and other committees of the Association or any member of such Board or committee shall be liable to any Member or the Association for any damage, loss or prejudice suffered or claimed on account of any decision, approval or disapproval of plans or specifications (whether or not defective), course of action, act, omission, error, negligence or the like made in good faith within which such Board, committees or persons reasonably believed to be the scope of their duties.

Section 18.15 - Enforcement of Bonded Obligations. In the event that the improvements to the Common Area have not been completed prior to the issuance of a Final Subdivision Public Report covering the Covered Property, and the Association is obligee under a bond or other arrangement (hereinafter the "Bond") to secure performance of the commitment of Declarant to complete such improvements, the following provisions shall apply:

(a) The Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvements for which

a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such improvements in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

(b) In the event that the Board determines not to initiate action to enforce the obligations under the Bond, or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the Bylaws dealing with meetings of the Members, but in any event such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

(c) The only Members entitled to vote at such meeting of Members shall be the Owners other than Declarant. A vote at such meeting of a majority of the voting power of such Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

Section 18.16 - Leases. Any agreement for the leasing or rental of Residence (hereinafter in this Section referred to as a "lease") shall provide that the terms of such lease shall be subject in all respects to the provisions of this Declaration, the Articles, the Bylaws, the Association Rules and any applicable agreements between the Association and any of the Federal Agencies. Said lease shall further provide that any failure by the lessee thereunder to comply with the terms of the foregoing documents shall be a default under the lease. All leases shall be in writing. Any Owner who shall lease his Residence shall be responsible for assuring compliance by such Owner's lessee with this Declaration, the Articles, the Bylaws and the Association Rules. No Residence shall be leased for transient or hotel purposes, which shall be defined as rental for any period less than thirty (30) days or any rental whatsoever if the occupants of the

Residence are provided customary hotel services such as room service for food and beverage, maid service, furnishing laundry and linen and bellboy service.

Section 18.17 - Construction By Declarant. Nothing in this Declaration shall limit the right of Declarant to alter the Residences or Common Area improvements, or to construct such additional improvements as Declarant deems advisable prior to completion of improvements upon and sale of the entire Development. Such right shall include but shall not be limited to erecting, constructing and maintaining on the Covered Property such structures and displays as may be reasonably necessary for the conduct of the business of completing the work and disposing of the same by sale, lease or otherwise. This Declaration shall not limit the right of Declarant at any time prior to acquisition of leasehold title by a purchase from Declarant to establish on the Covered Property additional licenses, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Covered Property. Declarant reserves the right to alter its construction plans and designs as it deems appropriate. The rights of Declarant under this Declaration may be assigned to any successor or successors to all or part of said entity's respective interest in the Covered Property, by an express assignment incorporated in a recorded deed or lease, as the case may be, transferring such interest to such successor. Declarant shall exercise its rights contained in this provision in such a way as not to unreasonably interfere with the Members' rights to use and enjoy the Covered Property.

Section 18.18 - Amendments. Subject to the other provisions of this Declaration, including, without limitation, the rights of Mortgagees pursuant to the Articles hereof entitled "Insurance" and "Rights of Lenders," or otherwise, this Declaration may be amended as follows:

(a) All amendments will require the prior written approval of the fee owners of the Covered Property.

(b) All amendments will require the prior written approval of the City Council of the City.

(c) Until such time as there is a Class A Membership pursuant to this Declaration, amendments or modifications shall be effective when executed by Lessor and the fee owners of the Covered Property, and when recorded in the Official Records of the County. Any Supplementary Declaration covering all or a portion of the Annexation Property may be cancelled or amended by Declarant until such time as there has been a conveyance of a Residence within the real property described in said Supplementary Declaration. Thereafter, as long as there is a Class B membership, any amendments shall require the vote or written assent of sixty-seven percent (67%) of the voting power of each class of Members, and after the conversion of Class B to Class A membership, a sixty-seven percent (67%) majority of the total voting power of the Association and a sixty-seven percent (67%) majority of the votes of Members other than Lessor.

Nothing in this Section shall excuse compliance with any applicable statutory or regulatory requirement, without limitation Section 11018.7 of the California Business and Professions Code or any similar statute after enacted.

An amendment or modification that requires the vote or written assent of the Members as hereinabove provided shall be effective when executed by the President and a majority of the Association who shall certify that the amendment or modification has been approved as hereinabove provided, and when recorded in the Official Records of the County. The notarized signatures of the Members shall not be required to effectuate an Amendment of this Declaration.

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

Section 18.19 - Termination of Status of Covered Property. The Association shall have no right to abandon or terminate by any act or omission the condominium legal status of the Covered Property or any part thereof, or to dissolve the Association, except as expressly set forth in this Declaration.

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IN WITNESS WHEREOF, Declarant has executed this instrument the day and year first herein above written.

Howard A. Bear
HOWARD A. BEAR

GORE DEVELOPMENT CORPORATION,
a California corporation

By: Kathryn B. Thompson
President

By: Conna J. Lawden
Secretary

-95-

83-368737

D-201-B
6/21/83

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On July 19, 1983, before me, the undersigned, a Notary Public in and for said State, personally appeared Howard A. Bear, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same.

WITNESS my hand and official seal.



Virginia L. Harrington
Notary Public

STATE OF CALIFORNIA)
) ss.
COUNTY OF Orange)

On this 26 day of July, 1983, before me, the undersigned, a Notary Public in and for said State, personally appeared Robert S. Harrison and James J. Brandon, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as President and Secretary, respectively, of GORE DEVELOPMENT CORPORATION, the corporation that executed the within instrument and known to me to be the persons who executed the within instrument on behalf of said corporation, and acknowledged to me that such corporation executed the same.

WITNESS my hand and official seal.



Gloria J. Burton
Notary Public

D-201-A
6/21/83

83-368737

EXHIBIT A

INITIAL COVERED PROPERTY

All that certain land situated in the State of California,
County of Orange, City of Santa Ana, described as follows:

Lot 1 of Tract No. 11859 as shown on a
map recorded at Book 508, pages
48 - 50, inclusive, in the Office of
the County Recorder of Orange County,
California.

D-201-A
6/21/83

83-368737

EXHIBIT B
ANNEXATION PROPERTY

All that certain land situated in the State of California,
County of Orange, City of Santa Ana, described as follows:

Lots 2 through 8, inclusive, and Lots
A, B and C of Tract No. 11859 as shown
on a map recorded at Book 508, Pages
48 - 50, inclusive, in the Office of
the County Recorder of Orange County,
California.

EXHIBIT C
PERCENTAGE INTERESTS
INITIAL COVERED PROPERTY

Project: Lot 1 of
Tract 11859

<u>UNIT TYPE</u>	<u>NO. UNITS</u>	<u>APPROXIMATE SQUARE FOOTAGE</u>	<u>TOTAL APPROX- IMATE SQUARE FOOTAGE PER UNIT TYPE</u>	<u>INDIVIDUAL PERCENTAGE INTEREST</u>	<u>TOTAL OF PERCENTAGE INTERESTS PER UNIT TYPE</u>
A	2	888	1,776	3.133%	6.27%
A'	0	953	0	0%	0%
B	12	1,139	13,668	4.018%	48.22%
B'	2	1,139	2,278	4.018%	8.04%
C	4	1,187	4,748	4.188%	16.75%
D	2	1,370	2,740	4.834%	9.67%
D'	<u>2</u> 24	1,566	<u>3,132</u> 28,342	5.525%	<u>11.05%</u> 100%

The indicated square footages represent the approximate square footages of typical Residences of the indicated Unit types.

A Units are those units numbered:

15, 16

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

A' Units are those units numbered:

NONE

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

B Units are those units numbered:

1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

Exhibit C
(Page 1 of 2)

B' Units are those units numbered:

13, 14

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

C Units are those units numbered:

17, 18, 23, 24

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

D Units are those units numbered:

20, 22

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

D' Units are those units numbered:

19, 21

As shown on the condominium plan covering the Initial Covered Property as signed by Howard Bear.

Exhibit C
(Page 2 of 2)

EXHIBIT D

INITIAL
PROPORTIONATE SHARES
INITIAL COVERED PROPERTY

<u>UNIT TYPE</u>	<u>INDIVIDUAL</u> <u>PROPORTIONATE SHARE</u> <u>OF AGGREGATE ASSESSMENT</u>	<u>TOTAL OF PROPORTIONATE</u> <u>SHARES PER UNIT</u> <u>TYPE</u>
A	3.133%	6.27%
A'	0%	0%
B	4.018%	48.22%
B'	4.018%	8.04%
C	4.188%	16.75%
D	4.834%	9.67%
D'	5.525%	11.05%
		100%

For the Unit type of each Residence in the Initial Covered Property, see Exhibit C.

Upon the annexation of additional Residences to the plan of this Declaration, the initial Proportionate Shares for the Residences in the Initial Covered Property shall be revised as set forth in the Section entitled "Proportionate Share" of the Article hereof entitled "Definitions." 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 Unit type and Unit number.

CONSENT OF ENCUMBRANCER

The undersigned, beneficiary under that certain deed of trust recorded on Feb. 28, 1983, Official Records of the County, encumbering all or a portion of the real property described within as the Covered Property, hereby consents to the within Declaration of Covenants, Conditions and Restrictions and hereby subordinates the lien of said deed of trust to the provisions of the Declaration.

FIRST FEDERAL SAVINGS BANK OF CALIFORNIA
a corporation formerly First Federal Savings
and Loan Association of
By: James F. Clark Santa Monica

By: Ann L. Sirell

STATE OF California)
) ss.
COUNTY OF Los Angeles)

On August 18, 1983, before me, the undersigned, a Notary Public in and for said State, personally appeared James F. Clark and Ann L. Sirell personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons who executed the within instrument as Sr. V.P. & Asst. Sec. of First Federal Savings Bank, the corporation that executed the within instrument on behalf of said corporation and acknowledged to me that said corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

S. Patel

[Seal]

