

**TENANCY IN COMMON AGREEMENT
FOR
1325 MASSELIN AVENUE**

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EXHIBITS “A”-“E”

INTRODUCTION

This Tenancy in Common Agreement (“Agreement”) is entered into on its Effective Date between the parties listed on Exhibit “A” to this Agreement (“Parties”). The Parties co-own the real property commonly known as 1325 Masselin Avenue, Los Angeles, California, as tenants in common (“Property”). The Property consists of four (4) residential units. The Parties wish to divide ownership and control of the Property into four (4) separate shares referred to as “Ownership Interests,” each of which is owned by an “Owner,” as these terms are defined in this Agreement.

The Parties wish to set forth the terms and conditions of their co-ownership, including the assignment of exclusive use rights, their maintenance and financial obligations as well as other obligations, benefits and rights, as described in this Agreement. The Parties also intend that this Agreement protect the interests of each Lender, and recognize that Lenders will be relying on this protection when they decide whether or not to make loans secured by the Property. Therefore, the Parties agree as follows:

DEFINITIONS AND EXHIBITS

“Accounts Manager” is defined in Section 8.1. Non-Party Accounting Manager is also defined in Section 8.1.

“Assessment” means the proportionate costs of operating, maintaining and managing the Property assessed against each Owner. There are three types of assessments: Regular Assessments, Special Assessments and Reimbursement Assessments, as described in Article 7.

“Association” means the association of Owners as described in Article 3.

“Association Manager” is defined in Section 8.2.

“Base Percentage” is defined in Section 7.4A.

“Common Area” is defined in Section 2.3.

“Declaration” means the “DECLARATION OF PROPERTY TAX, NONPARTITION, AND MAINTENANCE COVENANTS FOR 1325 MASSELIN AVENUE” recorded with the Recorder’s Office of the City and County of Los Angeles, California on _____ in Book _____ at Page _____, as amended.

“Designated Party” is defined in Section 2.1C.

“Effective Date”. The Effective Date of a Notice is defined in Section 15.1. The Effective Date of the Agreement is defined in Section 15.8.

“Emergency” means a condition within the Property that (i) immediately endangers the integrity of Property, or the safety or health of the Occupants, guests or public, or (ii) is the subject of a condemnation or enforcement action by a governmental agency.

“Exclusive Use Common Area” means those portions of the Common Area reserved for the exclusive use of one or more, but fewer than all Owners. The term “Exclusive Use” also refers to an Exclusive Use Common Area.

“Fair Market Value” means the value as determined under Section 15.2.

“Governmental Regulations” means all applicable laws, ordinances, resolutions, procedures, orders, standards, conditions, approvals, rules, regulations and the like of any governmental entity with jurisdiction over the Property.

“Grant Deed”. Each Party’s percentage interest in the Property is shown on a grant deed, which is recorded in the Recorder’s Office of the City and County of Los Angeles. If no percentage interest is shown on the grant deed, the Owners are presumed to have equal percentage interests in the Property.

“Lender” is defined in Section 13.2.

“Maintain” and “Maintenance” mean, respectively, “maintain, repair and replace” or “maintenance, repair and replacement,” except where the context clearly intends just the term “maintain” or “maintenance” to apply.

“Maintenance Reserves” means funds collected for the repair and replacement of the major components of the Property that the Association is obligated to Maintain.

“Majority Owner Approval” means the approval of a majority of non-abstaining Owners represented in person, or by proxy, at a properly Noticed and conducted Owner Meeting.

“Mandatory Expenses” means those expenses specifically described as such and those other expenditures approved by the Association under the decision-making procedures of this Agreement.

“Notice” means a writing prepared and transmitted in accordance with Section 15.1.

“Occupant” means a person who sleeps in a Unit during more than fourteen (14) calendar days within any thirty (30)-day period.

“Ownership Interest”, “Owner”, “Party”, “Group”, “Percentage Interest/Title Percentage”.

“Ownership Interest” and “Owner” are defined in Section 2.1.

“Party” refers to each individual person or entity who owns all or any portion of an Ownership Interest.

“Group” means a group of Parties who together constitute one (1) Owner and who together hold one (1) Ownership Interest.

“Percentage Interest/Title Percentage”. The terms “Percentage Interest” and “Title Percentage” refer to the percentage interest in the Property, owned by an Owner, which is shown on his/her/their Grant Deed and on Exhibit “A” to this Agreement. Where several Parties own an Ownership Interest, the term “Percentage Interest” shall refer to the total percentage interest of all Parties.

“Owner Maintenance Costs” and “Association Maintenance Costs” are defined in Article 4.

“Promptly” means within three (3) calendar days of the event triggering the requirement to act.

“Relative Value Percentage”. The Relative Value Percentage of an Ownership Interest shall be determined as follows: the Association shall obtain the Fair Market Value of each Owner's assigned Unit and Exclusive Use Common Area, which shall be divided by the total of all Fair Market Values to determine the Relative Value Percentages.

“Unanimous Owner Approval” means the approval of all non-abstaining Owners represented in person, or by proxy, at a properly-Noticed and conducted Owner Meeting.

“Unit” is defined in Section 2.2.

“Utilities” and “Utility” refers to gas, electric (including cable and internet), water, sewer, scavenger, and other similar services to the Property.

“EXHIBIT A Owner Information Chart” is the chart showing the Owner names, area assignments, purchase prices and Percentage Interests.

“EXHIBIT B Property Diagram” is the diagram of the Property that identifies the assigned Units and Exclusive Use areas.

“EXHIBIT C Annual Certificate” is the Annual Certificate of Validity form, which the Accounts Manager is required to complete each year pursuant to Section 8.1 to reaffirm the validity of this Agreement and identify any modifications or amendments to the Agreement.

“EXHIBIT D Assumption and Release” is the Assumption and Release of Obligations form, which must be completed in connection with each resale or other transfer of an Ownership Interest, pursuant to Section 12.2.

“EXHIBIT E Refinance Certificate” is the Refinance Certificate form, which must be completed in connection with each refinance of an Ownership Interest, pursuant to Section 8.1.

ARTICLE 1—BASIC PRINCIPLES

1.1 Undivided Percentage Interests. Each Owner owns an undivided Percentage Interest in the entire Property. Each Owner's recorded Grant Deed, shows his/her Percentage Interest. Each Party expressly acknowledges that he/she does not own a particular Unit and that his/her rights of exclusive occupancy of a Unit, and any other exclusive usage rights, such as for parking or storage, are derived solely from this Agreement, and not from any other document, such as a Grant Deed or a purchase contract. Each Party expressly acknowledges that his/her Grant Deed does not refer to a particular Unit or to any occupancy rights to a Unit. Each Party acknowledges that, based on his/her undivided Percentage Interest, any person or entity who is not a Party may hold any of them responsible for any and all obligations and liabilities associated with ownership of the Property.

1.2 Obligations And Rights. The Parties allocate all rights and obligations associated with the Property as provided in this Agreement, regardless of Percentage Interests. Each Party expressly acknowledges, on behalf of him/herself and his/her successors in interest, that each Owner's Percentage Interest does not determine the allocation of occupancy or usage rights to a Unit or any portion of the Common Area, the allocation of expenses (including property tax, insurance, and Maintenance), or how proceeds from a sale of the entire Property are distributed. In addition, each Party expressly acknowledges, on behalf of him/herself and his/her successors in interest, that as a result of Unit improvements, market fluctuations and other factors, the allocations described in this Agreement will not necessarily reflect the relationship between the value of an individual Ownership Interest and the value of the entire Property.

1.3 Not A Subdivision. This Agreement is a private unrecorded agreement between the Parties. Neither this Agreement nor the manner in which the Property is marketed or sold is intended to create a condominium project, stock cooperative, community apartment project, or planned development. From time to time, this Agreement may refer to, incorporate, or paraphrase certain provisions and procedures of California law governing the operation of residential subdivisions, but this practice is not intended to imply that the Property is subject to such law.

1.4 Recorded Declaration Of Property Tax/Non-Partition/Maintenance Covenants.

- A.** The undersigned signatories of this Agreement shall sign and cause to be recorded a "Declaration of Property Tax, Non-Partition and Maintenance Covenants" ("Declaration") in the Recorder's Office of the City and County of Los Angeles, California. The recorded Declaration is intended to provide notice that the Agreement is binding upon each Party, and each successor in interest to each Party.
- B.** In addition, the Declaration confers a power of sale upon the Association for the collection of delinquent Assessments, in accordance with the procedures described in Article 14.3 and in the Declaration.

ARTICLE 2— PROPERTY DESCRIPTION AND RIGHTS

2.1 OWNERSHIP INTERESTS AND OWNERS.

- A.** The term "Ownership Interest" refers to the bundle of rights, including exclusive occupancy and usage rights to a particular Unit or Exclusive Use Common Area, and to all obligations associated with a particular Owner. Ownership of the Property is divided into four (4) "Ownership Interests".
- B.** The term "Owner" refers to the individual person or entity (or collectively, to the several persons or entities), who owns an Ownership Interest. Each Ownership Interest is owned by an "Owner", referred to as "Owner One", "Owner Two", "Owner Three" and "Owner Four".
- C.** If a "Group", (meaning more than one Party) owns an Ownership Interest, the Group shall designate one (1) Party, who is a natural person, to act on behalf of the Owner, referred to as the "Designated Party". A Group must disclose to the Association the full legal names of each person or entity with any ownership interest in the Group within ten (10) calendar days from the Effective Date of a Notice from the Accounts Manager or an Owner so requesting. Each person within the Group is jointly and severally liable for all obligations and responsibilities associated with the Ownership Interest. Any act or omission by any one (1) person within the Group shall be deemed the act or omission of the Owner. All rights associated with the Ownership Interest shall be deemed jointly and severally held by the persons within the Group and, absent a written agreement or provision of law to the contrary, all such

persons shall be deemed to have equal control of such rights.

- D. Each Owner agrees not to claim a right of occupancy to, or a right to income derived from, another Owner's exclusive occupancy or usage rights provided all of the latter Owner's obligations to the Association and to the other Owners have been satisfied.
- E. A Party who is transferring an interest in the Property, including any addition, subtraction or any change to any person or entity within a Group, must comply with the provisions of Article 12. No Party may transfer an Ownership Interest in the Property that does not include all costs, obligations, benefits and rights associated with an Ownership Interest. Any transfer in violation of this Agreement is void.

2.2 ASSIGNMENT AND DESCRIPTION OF UNITS . Each Owner is assigned exclusive occupancy rights to a "Unit". The particular Unit assigned to each Owner is identified on the Owner Information Chart attached as Exhibit "A" and is shown on the Property Diagram attached as Exhibit "B". The term "Unit" includes the following areas and elements of the Property:

- A. **Area:** A Unit includes the area bounded by the interior unfinished surfaces of its perimeter walls, bearing walls, floors, fireplaces, ceilings, windows and doors. Wallboard, plaster, paint, paneling, tile, carpet, hardwood floors, and other finishes exposed within a Unit are part of the Unit. A Unit does not include any bearing wall or structural component of walls, ceilings, and floors, except that the finished surfaces of such walls, ceilings and floors, are part of the Unit. Each Unit includes the portions of the building so described as well as the airspace so encompassed.
- B. **Doors, Windows and Skylights:** With respect to doors, a Unit includes, in addition to all interior doors, all exterior doors exposed within a Unit interior, including the entire frame of such doors, and all hardware and mechanical elements of such doors. With respect to windows and skylights, a Unit includes all windows and skylights exposed within a Unit interior, including the sash and the entire frame, and all hardware and mechanical elements of such windows and skylights. A Unit does not include the exterior paint of exterior doors, windows or skylights.
- C. **Utility Fixtures and Systems:** A Unit includes any heating, cooling, water heating or other Utility fixture wherever located, which exclusively serves that Unit. The Unit also includes all Utility systems servicing such fixtures such as Utility hook-ups, ducts, wiring, and pipes, regardless of whether those systems are located inside or outside a Unit.

2.3 COMMON AREA. The term "Common Area" means the entire Property except for the areas and elements defined as a Unit, and includes, without limitation, the roof, foundation, exterior walls, all bearing and retaining walls, all fences, gates or other building structure on the perimeter of the Property, all drainage systems, and all Utility fixtures and systems that serve more than one Unit. The Common Area includes all Exclusive Use Common Areas.

2.4 ASSIGNMENT AND DESCRIPTION OF EXCLUSIVE USE COMMON AREAS. Portions of the Common Area are assigned to particular Owners as Exclusive Use Common Areas. The assigned Exclusive Use areas are identified on the Owner Information Chart attached as Exhibit "A", and are shown on the Property Diagram attached as Exhibit "B".

2.5 EXCEPTIONS TO EXCLUSIVE USAGE RIGHTS. All exclusive occupancy and usage rights assigned by this Agreement are subject to the following rights reserved by the Association and each individual Owner: (i) the right, reserved by the Association, to enter all assigned areas for the purposes of performing its duties under this Agreement; (ii) the right, reserved by all Owners, to enter all assigned areas where necessary for the purposes of fulfilling his/her Maintenance obligations; (iii) the right, reserved by the Association and each Owner, for the continued placement of any Utility in the same approximate position where it exists on the Effective Date of the Agreement; and (iv) the right, reserved on behalf of all Occupants, to pass through all assigned areas for escape in an Emergency. Whenever the Association or an Owner temporarily enters an assigned area based upon rights described in this Section, the entry shall be made with as little inconvenience as possible to the Occupants, following seventy-two (72) hours prior Notice; however, no Notice is required for entry in the case of an Emergency.

ARTICLE 3—THE ASSOCIATION

3.1 PURPOSE OF ASSOCIATION. The Association is a private association of the Owners and is formed, without additional documentation or requirements, upon the Effective Date of this Agreement. Each Owner is automatically a member of the Association. The primary purpose of the Association is to manage and Maintain the Property in accordance with the terms of this Agreement in order to preserve the safety, value and desirability of the Property. The Association shall have an Accounts Manager, a Non-Party Accounting

Manager, and an Association Manager at all times, whose duties are described in Articles 5, 7, 8 and elsewhere in this Agreement. In most instances, the Accounts Manager, Non-Party Accounting Manager and the Association Manager have the authority under this Agreement to perform their responsibilities without the approval of the other Owners. Where this Agreement requires the approval of the Association, unless a specific approval procedure is described in a particular Section, the decision-making procedures described in Section 8.4 shall apply.

3.2 POWERS OF ASSOCIATION. The Association is empowered to obtain a federal and state tax identification number, open deposit accounts, contract for goods and services as authorized by this Agreement, and perform such other functions on behalf of the Parties as are reasonably necessary to operate the Property and accomplish the purposes of this Agreement, in instances where doing so in the name of all of the Parties would be impossible, impractical or inefficient.

ARTICLE 4— MAINTENANCE OBLIGATIONS

4.1 OWNER MAINTENANCE OBLIGATIONS. Each Owner shall Maintain all areas and elements of the Property that he/she is obligated to Maintain in good condition in order to preserve the safety, value and desirability of the Property. All associated costs are referred to as Owner Maintenance Costs. Each Owner has the following Maintenance obligations:

- A. Assigned Unit.** Each Owner shall Maintain all elements of his/her assigned Unit as defined in Section 2.2. In addition, in his/her Unit, each Owner shall maintain at least one (1) functioning fire extinguisher and smoke/carbon monoxide detectors as required by Governmental Regulations.
- B. Exclusive Use Common Area.** Each Owner shall keep his/her Exclusive Use parking area neat and clean and shall remove any oil, grease or other waste.
- C. Timing of Work Completion.** All work performed by or on behalf of an Owner must be diligently and consistently pursued through completion, and must be completed within a reasonable time.
- D. Failure To Maintain.** If an Owner fails to satisfy his/her Maintenance obligations, then, following a Notice and an opportunity to perform, the Association, has the right, but not the obligation to perform the Maintenance work, and assess any associated expense as a Reimbursement Assessment. However, the failure of the Association to perform any Maintenance work that is an individual Owner's obligation shall not transfer to the Association any responsibility for loss or damage resulting from the Owner's failure to fulfill his/her obligations.

4.2 ASSOCIATION MAINTENANCE OBLIGATIONS. The Association shall Maintain all areas and elements of the Property that it is obligated to Maintain in good condition in order to preserve the safety, value and desirability of the Property. All associated costs are referred to as "Association Maintenance Costs". The Association has the following Maintenance obligations:

- A. General Maintenance Obligations.** The Association shall Maintain all Common Area excluding those elements of an Exclusive Use Common Area that an individual Owner is obligated to Maintain. Without limiting the areas and elements of the Property that the Association is obligated to Maintain, the Association shall Maintain all structural and retaining walls, all fences or building structures on the perimeter of the Property, and all drainage systems, regardless of whether any of these elements are located in an Exclusive Use Common Area.
- B. Maintenance Reserve Study.** At least once every three (3) years, the Association shall conduct a competent and diligent visual inspection of the accessible areas of the major components of the Property that the Association is obligated to Maintain and which have a remaining useful life of less than fifteen (15) years. The Association shall prepare a Maintenance Reserve Study that identifies such components and estimates the remaining useful life of each such component.
- C. Fire Safety.** The Association shall have all fire escapes inspected as needed but at least annually and shall otherwise comply with all fire safety regulations of the Los Angeles Fire Department, including but not limited to the installation of smoke alarms in all interior Common Areas.
- D. Deck, Balcony and Elevated Elements Inspection.** At least once every nine (9) years the Association shall cause a reasonably competent and diligent visual inspection of exterior elevated elements that the Association is obligated to Maintain. The inspector shall prepare a report with regard to the condition of the load-bearing components of such exterior elevated elements and the

associated waterproofing systems.

4.3 CONDUCT/MALFUNCTION DAMAGE AND LOSS. The following provisions shall supersede the general rules described in Sections 4.1 and 4.2.

- A. Damage Due To Conduct.** Each Owner is responsible for the cost of all Maintenance required as a result of any act or omission of him/herself, his/her guests or invitees, including independent contractors and employees. The Association shall perform the work, and shall assess the cost as a Reimbursement Assessment. The Association is responsible for the cost of all Maintenance required as a result of any act or omission of its invitees, including independent contractors and employees.
- B. Damage Due To Malfunction.** When the damage is the result of a malfunction of an element, the Association shall determine the following:
 - (1) Association Policy/Covered Loss.** If the loss would be covered by a typical policy of fire/casualty insurance required to be maintained by the Association ("Association Covered Loss"), the Association shall submit a claim for such loss. If the Maintenance cost exceeds policy limits or is within a policy deductible, or if coverage is denied despite reasonable efforts by the Association, the cost of Maintenance shall be allocated based on "Point of Origin" as described in Subsection (2) below. However, if there is no coverage as a result of the failure of the Association to maintain coverage required by this Agreement, the Association shall pay the entire cost of Maintenance.
 - (2) Determination of Point of Origin When No Coverage.** The Point of Origin is the specific element of the Property that malfunctioned first, and began the chain of events that led to the loss or damage. Where the preceding Subsection provides that the cost of Maintenance shall be allocated based on Point of Origin, the following provisions shall apply:
 - (a)** If the Association is responsible for the element at the Point of Origin, it shall be responsible for the costs of Maintenance. For example, if the Association is responsible for exterior painting and siding, and water intrudes into the building from the side, damaging the interior of a Unit, the Association would be responsible for the cost of Maintenance of damage to, or within, the Unit;
 - (b)** If an Owner is responsible for the element at the Point of Origin, he/she shall be responsible for the costs of Maintenance. For example, if an Owner is responsible to Maintain a plumbing pipe, and the pipe bursts resulting in damage to the Common Area and to another Unit, the Owner would be responsible for the cost of Maintenance of all the damage to, or within, the Common Area and the other Unit. In such an instance, the Association shall perform the work in the Common Area and the other Unit, and shall assess the cost as a Reimbursement Assessment.

ARTICLE 5— ALTERATION RIGHTS AND RESTRICTIONS

5.1 PERMITTED ALTERATIONS.

- A. Alterations of Units.** An Owner may alter the interior boundaries of his/her assigned Unit, without the approval of the Association, provided the alteration (i) does not alter the exterior appearance of the Property, (ii) does not increase sound transmission to another Unit, (iii) does not impair the structural integrity, mechanical systems, or value, safety or desirability of the Property, or (iv) does not violate any provision of this Agreement or applicable law. Any other alteration to a Unit requires the prior approval of the Association in accordance with the alteration approval procedures described in this Agreement.
- B. Alterations of Common Area.** Any alteration of the Common Area, including an Exclusive Use Common Area, requires the prior written approval of the Association in accordance with the alteration approval procedures described in this Agreement, except as specifically provided in Subsection C below.
- C. Permitted Alterations of Common Area.** Each of the Owners who are assigned Units 2 and 3 may install air-conditioning units on the roof area above his/her assigned Unit, without the approval of the Association, provided the alteration does not impair the structural integrity, mechanical systems, or value or desirability of the Property, or does not violate any provision of this Agreement or applicable law.

5.2 ALTERATION POLICY.

A. Procedure For Alteration Approval.

- (1) An Owner wishing to make an alteration that requires Association approval ("Applicant Owner") shall call a Special Owner Meeting in accordance with the Notice and agenda requirements of this Agreement. The meeting Notice shall include a description of the proposed alteration, including, as appropriate, its shape, height, width, elevation, materials, color, location and such further information as may be necessary to allow the Owners to evaluate it fully. Upon the reasonable request of any Owner made at the meeting, the Applicant Owner shall provide (i) a set of construction drawings prepared by an architect and/or engineer licensed by the State of California, and/or (ii) a certificate by an architect or engineer licensed by the State of California stating that the alteration will not impair the structural integrity or mechanical systems of the Property. When such a request is made by an Owner, the Applicant Owner shall be given Notice. The Applicant Owner shall then call another Special Owner Meeting in accordance with the Notice and agenda requirements of this Agreement when he/she can comply with the request, and include the newly-requested information with the meeting Notice.
- (2) Decisions shall be made at the first Owner Meeting at which all requested information has been provided, except that, upon the request of any Owner, such meeting may be continued for up to thirty (30) days for further investigation and consideration, in which case the decision shall be made by the conclusion of the continued meeting. The Association Manager shall provide Notice to the Applicant Owner of the Association decision. If the Association Manager fails to provide Notice to the Applicant Owner of its decision within ten (10) calendar days following the Owner Meeting at which the decision was required, the application shall be deemed approved. If a proposed change is disapproved, the written decision shall include an explanation of why the proposed change is disapproved.
- (3) Decisions regarding alteration approvals shall be made by Owner vote. Alterations shall require Majority Owner Approval unless they fall within one of the categories of decisions requiring Unanimous Owner Approval. The Association decision must be made in good faith and may not be unreasonable, arbitrary, or capricious. The Association shall approve an alteration only if it makes an affirmative finding that the alteration (i) will not impair the structural integrity or mechanical systems of the Property, (ii) will not detract from the appearance, harmony, attractiveness and enjoyment of the Property, and (iii) will not impose an unreasonable maintenance burden on the Association. The approval or disapproval of an alteration shall not be deemed a waiver of the Association's subsequent right to approve or disapprove a similar alteration or any other matter.

- B. Timing and Pace of Work.** All alteration work, whether approval is required or not, must be diligently and consistently pursued through completion, and must be completed within a reasonable time. With respect to an alteration for which approval by the Association was required, the Owner shall commence the alteration within one (1) year from the date of the approval. If the Owner fails to comply with the provisions of this Subsection, the approval given shall be deemed revoked unless the Association extends the time for commencement. Any request for an extension shall be made in a Notice.

5.3 PERMITS, NOTICE AND INSPECTION.

- A. Maintenance and Alterations-Permit Required.** For Maintenance work or for an alteration for which a building permit is required by Governmental Regulations, unless otherwise specifically authorized by the Association: (i) the Owner undertaking the work must obtain a building permit, (ii) the work must be performed by a contractor with a currently-valid license to perform the work; and (iii) the contractor performing the work shall maintain in effect a liability insurance policy, with policy limits of at least Two Million Dollars (\$2,000,000) per incident, naming all Owners as insureds, covering damage to persons and property (including the personal Property of all Occupants) that occurs as a result of the work either during or after performance.
- B. Notice.** The Owner undertaking the work must (i) provide a Notice with a copy of such permits and approvals to the Association at least ten (10) calendar days before commencing work, and (ii) obtain final governmental inspection and sign-off.
- C. Inspection.** Any Owner, following a Notice, may inspect any work performed on the Property to ensure it is done in accordance with this Section, whether Association approval is required or not. If, as a result of an inspection, an Owner finds a violation of this Section, he/she may provide Notice to the violating Owner of the violation. The Notice shall specify the particulars of non-compliance and shall require the Owner to remedy it. If the Owner fails to remedy the non-compliance in accordance with the provisions of the Notice, then, after the expiration of thirty (30) days from the Effective Date of the Notice, the Owner who discovered the alleged non-compliance shall call a Special Owner Meeting in accordance with the Notice and agenda requirements of this Agreement to consider the Owner's continuing non-compliance. At the meeting, if a majority of non-abstaining Owners

finds that there is no valid reason for the continuing non-compliance, the Association shall require the violating Owner to remedy it within a period of not more than forty-five (45) days from the date of the Association decision. At any time within such period, the Association, upon Majority Owner Approval, may choose not to wait for the violating Owner to act, and instead may act on its own to remedy the non-compliance, and shall assess the cost as a Reimbursement Assessment against the violating Owner.

ARTICLE 6— USAGE RIGHTS AND RESTRICTIONS

6.1 RESIDENTIAL USE. The Property may be used solely for residential purposes except that an Occupant may engage in a professional or administrative occupation within the Property provided (i) there is no external evidence of business activity, (ii) it conforms to all applicable Governmental Regulations, and (iii) it is merely incidental to the use of the Unit as a residence.

6.2 NUISANCE.

- A.** No person may use any part of the Property in a way that unreasonably interferes with the quiet enjoyment of anyone else, or that is noxious, illegal, seriously annoying or offensive to a person of reasonable and normal sensitivity. Exterior fires are not permitted except in barbecue receptacles or fire pits designed for that purpose. No activity may be carried on that adversely affects insurance coverage or rates on the Property. No Owner shall do or permit anything to be done which is in violation of a Governmental Regulation or which will or may decrease the attractiveness, desirability or value of another Unit or the Property as a whole.
- B.** Without limiting the generality of the preceding Subsection, all Occupants specifically agree to use reasonable efforts to minimize noise and disruption to other Occupants. During “Quiet Hours”, loud noise is prohibited. Loud noise is defined as anything that is disturbing to Occupants including but not limited to washer/dryers, kitchen appliances, amplified sound systems, televisions, excessive footfalls, and musical instruments. The Quiet Hours are as follows:

Sunday-Thursday: after 10:00 p.m. Friday and Saturday: after 11:00 p.m.
Monday-Friday: before 8:00 a.m. Saturday and Sunday: before 10:00 a.m.

- C.** Within ninety (90) days from the Effective Date of a Notice from an Owner in an adjacent Unit, an Owner shall cause seventy five percent (75%) of each hallway and room of his/her assigned Unit to be covered with rugs over padding or carpet over padding. This requirement shall not apply to a kitchen or bathroom that is situated above or below a kitchen or bathroom of the other Unit. The provisions of this Subsection apply regardless of whether a Unit owner-occupied or rented.

6.3 OCCUPANCY LIMITATIONS. A maximum of two (2) adult Occupants for each legal bedroom is permitted in a Unit.

6.4 ANIMALS.

- A.** An Owner may keep only the following animals in a Unit: domestic dogs, cats, birds, fish, and provided they are inside cages, birds, rodents and reptiles. The following restrictions apply to animals kept in a Unit:
 - (1)** An Owner may keep no more than three (3) non-caged four-legged pets in a Unit, of which only two (2) may be dogs. The following dog breeds, or any mixed-breed dog which clearly exhibits traits of any one of these breeds, are not permitted to be kept in a Unit or to be brought onto the Property at any time: Mastiff, Rottweiler, Doberman, Presa Canario, German Shepherd, or Pit Bull.
 - (2)** All dogs must be kept on a hand-held leash when outside a Unit. No part of the Common Area may be used for toileting purposes.
 - (3)** Permitted animals may not be kept, bred, or raised for commercial purposes.
- B.** All Occupants who keep pets on the Property shall keep such pet under reasonable control at all times. Any Owner who keeps a pet on the Property, or who permits a pet to be brought onto the Property, are liable for any damage to persons or property proximately caused by such pet, and shall indemnify and hold harmless the Association and all Parties against any and all loss, cost or liability, including reasonable attorneys’ fees, arising out of claims related to such pet.

6.5 SMOKING. Smoking is prohibited in all areas of the Property including inside the Units and in all exterior areas. Smoking is also prohibited within twenty (20) feet from the front of the Property.

6.6 PARKING.

- A.** Each Owner may park or store motor vehicles and/or bicycles within his/her Exclusive Use parking area provided that every part of such items is contained entirely within the boundaries of his/her Exclusive Use parking area. Strict compliance with this provision is required at all times; "temporary" or "very short term" violations shall be deemed no different from long-term parking or storage. Any motor vehicle or bicycle not located entirely within an Exclusive Use parking area shall be deemed "Improperly Parked", and may be removed from the Property and towed to a storage facility without prior notice or hearing of any kind. The cost of towing and storage shall be levied by the Association against the responsible Owner as a Reimbursement Assessment. Neither the Association, nor any Owner, nor anyone acting on behalf of the Association or any Owner, shall have any liability as a result of exercising the rights provided under this Section. The fact that a motor vehicle or bicycle has been allowed to be Improperly Parked previously shall not diminish or otherwise affect the application of the provisions of this Section, or impose additional duties or responsibilities on the Association or on any Owner with regard to the removal of such item.
- B.** Parking areas may not be used for storage of any item other than a motor vehicle, except as specifically permitted by this Agreement. Parking areas may not be used for living, recreational or business purposes. Major repair of a motor vehicle is not permitted anywhere on the Property.
- C.** Each Owner is responsible for violations of this provision by each Party comprising such Owner, each Occupant of such Owner's assigned Unit, and each invitee of and such Party or Occupant.

6.7 STORAGE AND PLACEMENT IN COMMON AREA.

- A.** An Owner may not store or place any item in the Common Area, including his/her Exclusive Use Common Area, without the prior written approval of the Association, except as specifically permitted in this Agreement. In an area where items are permitted to be stored or placed, all items must be in an organized, neat and attractive manner so as not to detract from the value or desirability of the Property or create a fire or pest hazard. Hazardous items are not permitted to be stored on the Property.
- B.** Parking Areas: An Owner may park or store vehicles and/or bicycles in his/her Exclusive Use parking area. In addition, an Owner may store items in the rear of his/her parking area not to exceed two (2) feet from the rear wall.
- C.** Except as specifically permitted in this Section, any item stored in the Common Area without the prior written approval of the Association may be removed from such area without prior notice or hearing of any kind, and disposed of, and the reasonable cost of such removal and disposal shall be levied by the Association against the Owner who stored such items as a Reimbursement Assessment. Neither the Association, nor any Owner, nor anyone acting on behalf of the Association or any Owner, shall have any liability as a result of exercising the rights provided under this Section. The fact that items have been allowed to be improperly stored in a particular location for an extended period shall not diminish or otherwise affect the application of the provisions of this Section, or impose additional duties or responsibilities on the Association or on any Owner with regard to the removal of such items.

6.8 GARBAGE DISPOSAL.

- A.** Unless other arrangements are approved by the Association and made with a scavenger service, each Owner is responsible for the timely placement of his/her garbage and recycling at the curb for pickup and for retrieving the bins within twelve (12) hours after pickup. The Association shall arrange the compost disposal service
- B.** Each Owner is responsible for knowing the disposal company's recycling, compost and garbage program, and for placing only acceptable items in the appropriate bin. All items must be broken down so that the lid can be fully closed. No items may be left adjacent to the bins. Each Owner is individually responsible for disposing of any item that does not fit into the appropriate bin.
- C.** Equipment for the storage or disposal of garbage, recycling and compost shall be kept in a clean and sanitary condition and shall be kept in the south west corner of the Property.

6.9 WINDOW COVERINGS. Unless otherwise approved by Majority Owner Approval, all window coverings visible from the street or Common Area must be of a material and type commonly used for window coverings, and must be white or beige on the portion visible from the street.

6.10 SIGNS. Notwithstanding anything to the contrary in this Agreement, except as specifically provided in this Section, no one may place any sign, banner or similar item on any part of the Property (including within a Unit) in a manner that would allow it to be seen from the exterior. The following signs are permitted in reasonable locations of the Common Area: (i) non-commercial signs, posters, flags or banners that the Association is required by law to permit, and (ii) "For Sale" or "For Rent" signs that do not exceed nine (9) square feet in size.

6.11 RENTALS AND OTHER NON-PARTY USAGE.

A. Entitlement To Rent Assigned Areas.

- (1) Each Owner is permitted to rent out any area of the Property assigned to him/her under this Agreement, and to keep any income generated from such rental, subject to the restrictions and requirements of this Agreement and applicable law.
- (2) If tenants have been evicted from the Property pursuant to Government Code Sections 7060 *et seq* and/or the Los Angeles Municipal Code Sections 151.22-151.28, or any other Government Regulation permitting an owner to remove the Property from the rental market ("Ellis Act"), either before or after the Effective Date, each Owner must investigate and comply with any resulting restrictions, and individually bear any costs or losses resulting from the existence of such restrictions. Without limiting the applicability of any other provision of this Agreement, each Owner shall indemnify and hold harmless each other Owner (and each Party comprising such Owner) from any liabilities and costs (including reasonable attorneys' fees) resulting from such Owner's failure to comply with such restrictions.
- (3) Each Owner hereby grants the Association an irrevocable power of attorney to commence and pursue injunctive relief or an Unlawful Detainer action against any tenant or subtenant who is in violation of this Agreement.

B. Selection of Rental Tenants.

- (1) **Roommates and Cohabitation.** The rental tenant selection requirements of Subsection (2) below shall not apply to instances where a Party is changing the identity or number of Occupants residing with him/her in his/her assigned Unit, provided that a Party continues to be an Occupant of the Unit. However, at least seven (7) calendar days prior to the date on which there will no longer be an Occupant who is a Party, the Owner in the Unit must comply with the tenant selection requirements with regard to each non-Party, and each non-Party who is disapproved as a rental tenant shall be required to vacate on the same date that the last Party Occupant vacates.
- (2) **Tenant Approval Process.** At least seven (7) calendar days before entering into any arrangement (oral or written) under which an Owner (the "Proposing Owner") will allow one or more other individuals (each a "Prospective Tenant") to use any area of the Property assigned to him/her, regardless of whether the Prospective Tenant will pay any rent for such usage, the Proposing Owner shall provide a Notice to each other Owner together with a standard form rental application completed by each Prospective Tenant. Each Party shall be entitled to contact each Prospective Tenant to arrange a personal or telephone interview. Each Owner shall have forty-eight (48) hours from the date of the Notice to provide Notice of his/her disapproval of the Prospective Tenant to the Proposing Owner. This time period is intentionally short to minimize the likelihood that the Prospective Tenant will locate an alternative property before the process is completed. Consequently, unless otherwise agreed by the Proposing Owner, the inability of a Party to arrange an interview shall not cause this time period to be extended. To be considered valid, the Notice of disapproval must (i) be delivered within the required time frame, and (ii) state a reasonable basis not prohibited by law for disapproval of a specific Prospective Tenant. The fact that a Party does not want a portion of the Property to be rented is not a valid basis for disapproval. A Prospective Tenant shall be deemed approved unless the Proposing Owner proposing it receives valid Notices of disapproval from a majority of the Owners. As provided in Section 13.2D, Lenders, and in certain circumstances, Owners through Foreclosure, are exempt from the requirements of this Subsection.
- (3) **Parking/Garage Rental.** When an Owner rents his/her Exclusive Use parking or garage area to someone who is not an Occupant, such rental shall be subject to the rental tenant selection requirements of Subsection (2) even if the Owner will continue to be an Occupant.

- C. Written Agreement.** Before permitting a non-Party to begin a pattern of repeated usage of any portion of the Property, the Owner who is assigned the area to be used or shared shall ensure that the non-Party (including those who will use or share an area with a Party who is an Occupant) signs a written agreement describing the terms of usage and incorporating all of the usage and alteration restrictions in this Agreement. The Owner assigned the area to be used or shared by such non-Party shall provide a copy of such written agreement to each Owner before the date the non-Party begins a pattern of repeated usage.
- D. Responsibility For Non-Party User's Behavior.** As provided in Section 9.1, no one other than the Owner who is renting out all or any portion of his/her assigned Unit to a non-Party, shall be required to seek compliance by, attempt to work things out with, or otherwise interact with, such non-Party if he/she is violating the Governing Documents.
- E. Eviction Restrictions.**
- (1) Under the circumstances described in Subsection 13.2D, certain Parties who acquire an Ownership Interest following a foreclosure, are expressly authorized, at his/her/its sole expense, and without the approval of any other Party, (i) to invoke Government Code Sections 7060 *et seq* and/or the Los Angeles Municipal Code Sections 151.22-151.28, or any other Government Regulation permitting an owner to remove the Property from the rental market ("Ellis Act") for the purpose of evicting rental tenants from the Property. All Parties agree to cooperate in good faith in such eviction(s), and as applicable, with such cooperation to include them expressing a genuine intention to withdraw the Property from rental use and executing any related documents, and further agree that any action undertaken to prevent or hinder the eviction process shall be a violation of this Agreement. All Owners acknowledge that an Ellis Act eviction will need to include all renters then living in the Property, and could result in significant other burdens and restrictions.
 - (2) Except as provided in this Section, no Owner is permitted to undertake any type of eviction that will impact either the ability of other Parties to undertake future evictions, or the potential eligibility of the property for condominium conversion, without Unanimous Owner Approval. Any Party who evicts a tenant from a Unit, or pays a tenant to vacate the Property, must comply with all aspects of applicable Governmental Regulations.

ARTICLE 7— BUDGET, ASSESSMENTS AND ACCOUNTS

7.1 OPERATING BUDGET.

A. Operating Budget.

- (1) **Preparation of Operating Budget.** Within thirty (30) days of the Effective Date of the Agreement, and between forty-five (45) and sixty (60) days before the beginning of each subsequent calendar year, the Accounts Manager shall prepare an "Operating Budget" and shall determine each Owner's Regular Assessment. The Operating Budget shall include the "Operating Expenses" and the "Maintenance Reserves" as described in subparagraphs (2) and (3).
- (2) **Operating Expenses.** The Operating Expenses include Property Taxes, Association Insurance Costs, Association Utility Costs, Management Costs, and an allowance for minor Association Maintenance Costs. The Accounts Manager shall estimate the annual cost of each of these expenses based upon the best available information, and allocate such expenses among the Owners as described in Section 7.4.
- (3) **Maintenance Reserves.** The Maintenance Reserves includes the Assessments scheduled to be collected for the upcoming calendar year, based on the Maintenance Reserve Study prepared in accordance with Section 4.2C. Based on the Maintenance Reserve Study, the Association Manager shall (i) estimate the replacement cost of each component identified in the Study at the end of its useful life, making reasonable allowance for inflation, (ii) subtract any amounts previously collected and currently in Association accounts specifically for payment of the replacement cost, (iii) divide the difference by the number of years of remaining useful life. The sum of the computations for each component shall be the amount the Association collects for Maintenance Reserves, and shall be allocated among the Owners as described in Section 7.4. The Association shall review the Study annually and implement adjustments to the Maintenance Reserves as necessary.

- B. Revision of Operating Budget.** When there is a demonstrable increase or decrease in the cost of an item included in the Operating Budget during the course of a calendar year, the Accounts Manager may revise the Operating Budget to correspond with such increase or decrease, and adjust the Regular Assessments accordingly. No approval shall be required for such an adjustment. To

implement such an adjustment, the Accounts Manager must provide verifiable documentation showing the cost increase or decrease with the Notice showing the revised budget and the Regular Assessment adjustment at least thirty (30) days before the due date of the first affected Regular Assessment payment.

7.2 REGULAR ASSESSMENTS. The Accounts Manager shall divide each Owner's allocated share of the Operating Budget into equal monthly payments ("Regular Assessments"). The Accounts Manager shall notify each Owner in writing of the amount of his/her Regular Assessment for the upcoming calendar year at the same time he/she distributes the Operating Budget. Each Owner shall provide his/her Regular Assessment to the Accounts Manager no later than the first day of each month.

7.3 SPECIAL ASSESSMENTS. The Accounts Manager may impose "Special Assessments" to defray any Association expenses that were not anticipated in the Operating Budget. Special Assessments shall be imposed on all Owners.

A. Mandatory Special Assessments. A "Mandatory Special Assessment" is a Special Assessment for Mandatory Expenses (Property Taxes, Association Insurance Costs, Association Utility Costs, Association Maintenance Costs for work that is required under this Agreement), and replenishment of the minimum balance in the Operating Account. The Accounts Manager may impose a Mandatory Special Assessment at any time without Association approval. The Accounts Manager must provide verifiable documentation showing the expense with the Notice of the Special Assessment at least sixty (60) days before the due date of the Special Assessment, along with a Notice showing the amount and due date of the Assessment.

B. Discretionary Special Assessment. Discretionary Special Assessments are Special Assessments that do not fall within the definition of Mandatory Special Assessments, such as those levied for alterations approved by the Association. Any Owner may propose a Discretionary Special Assessment at an Owner Meeting. Notice of the meeting shall include an agenda item describing the proposed Assessment. The voting requirements for approval of a Discretionary Special Assessment is described in the voting provisions of this Agreement. If the Discretionary Special Assessment is approved, the Accounts Manager shall Promptly prepare a Notice for each Owner stating the amount and due date, which must be at least fifteen (15) calendar days after the Effective Date of the Notice.

7.4 ALLOCATION OF ASSESSMENTS.

A. Base Percentages. Each Owner is responsible for his/her "Base Percentage" of all costs and obligations associated with the Property, except where this Agreement specifically provides for the allocation of costs or distribution of obligations other than according to Base Percentages. Each Owner's Base Percentages is as follows:

<u>Owner</u>	<u>Assigned Unit</u>	<u>Base Percentage</u>
Owner One	1	25%
Owner Two	2	27%
Owner Three	3	24%
Owner Four	4	24%

B. Owner and Association Maintenance Costs. Each Owner is responsible for his/her Owner Maintenance Costs which include all costs associated with the Maintenance of his/her assigned Unit and those elements of his/her Exclusive Use area described in Section 4.1. The Association is responsible for all Association Maintenance Costs required under Sections 4.2 and 4.3, which are Mandatory Expenses and shall be allocated according to Base Percentage.

C. Insurance Costs. The cost of all insurance required to be maintained by the Association ("Association Insurance Costs") is a Mandatory Expense shall be allocated according to Base Percentages. Costs associated with any additional insurance obtained by an Owner shall be the responsibility of that Owner.

D. Utility Costs. Each Owner is responsible for the cost of all Utilities separately metered and billed to his/her assigned Unit ("Individual Utility Costs"). The cost of all other Utilities ("Association Utility Costs") are Mandatory Expenses and shall be allocated as follows:

- (1) The Association shall allocate charges for water and water-related service between the Units based on the number of Occupants in each Unit in accordance with this Subsection. To reduce the administrative burden of frequent recalculation of water charges, for each year's annual budget, the Association shall estimate the number of Occupants in each Unit, based on information provided by each Owner ("Annual Estimate of Occupants"). In the event that the number of Occupants is expected to change from month to month, the Association shall determine the average number of Occupants in the Unit on a monthly basis and use that number for the Annual Estimate of Occupants. For the purpose of preparing the Operating Budget, the Association shall allocate water and water-related charges based on the Annual Estimate of Occupants for each Unit. Unless otherwise approved by Majority Owner Approval, no changes shall be made to the allocation of water and water-related charges for the calendar year for which the estimate was made, regardless of whether the number of Occupants in a Unit in the preceding calendar year was lower or higher than the Annual Estimate of Occupants.
- (2) Notwithstanding any other provision to the contrary in this Declaration, for the purpose of allocating charges for water and water-related service, each Unit will always be considered to have at least one (1) Occupant even if the Unit is unoccupied.
- (3) Charges for all other Utilities paid by the Association shall be allocated equally between the Units.
- (4) When a Utility serving the Common Area is metered separately to a Unit, the Association shall reimburse the Owner of such Unit, on a monthly basis, for the portion of the cost of such Utility that is attributable to Common Area service.

E. Property Taxes. Taxes and assessments imposed on the Property by any governmental authority ("Property Taxes"), including those elements that are not assessed based on property value, are Mandatory Expenses and shall be allocated according to "Property Tax Percentage." Property Tax Percentage shall be determined by dividing each Ownership Interest's "Individual Property Tax Basis" by the "Total Property Tax Basis."

- (1) An Owner's Individual Property Tax Basis shall be the purchase price he/she paid for his/her Ownership Interest, as adjusted by any of the following as they may apply:
 - (a) **Annual Increases:** Individual Property Tax Basis shall be adjusted annually to reflect increases levied by the county assessor for cost of living and inflation. Such adjustments shall be applied retroactively to the effective date of the county reassessment.
 - (b) **Owner and Association Improvements:** Where work on an assigned Unit or Exclusive Use Common Area has triggered a reassessment of the Property, the Individual Property Tax Basis for the Ownership Interest assigned usage of such area shall be increased or decreased by the full amount of such reassessment. Where work performed by the Association (as opposed to by a particular Owner) has triggered a reassessment of the Property, the Individual Property Tax Basis of each Ownership Interest shall be adjusted in accordance with the Ownership Interest's Property Tax Percentage in effect immediately prior to the reassessment.
 - (c) **Transfers:** Where the transfer of all or part of an Ownership Interest triggers a reassessment of the Property, the Individual Property Tax Basis for the Ownership Interest shall be adjusted to accurately reflect such reassessment.
 - (d) **Exemptions:** Any Owner who obtains a property tax exemption from the county assessor for a certain amount of assessed value, including an exemption for owner occupancy, or a Proposition 60 transferred exemption, shall be entitled to the full benefit of the resulting tax reduction, and his/her Individual Property Tax Basis shall be adjusted accordingly.
- (2) Where a Party transfers one or more Ownership Interests and retains one or more, such Party shall have as his/her Individual Property Tax Basis the assessed value of the Title Percentage of the Property he/she has retained.

The Accounts Manager shall adjust the Property Tax Percentages, as well as any Operating Budget and Assessment based upon them, whenever he/she reasonably anticipates that an event will trigger a tax reassessment. Such an adjustment shall be made as quickly as possible following the event, subject to the time periods required under this Agreement for Notices relating to Assessment increases. The adjustment shall not require the approval of the Association. In addition, if the Accounts Manager determines that an Owner has overpaid or underpaid Property Tax, he/she shall either (i) levy a Reimbursement Assessment for any underpayment, or (ii) provide a refund for an overpayment. The transferee of an Ownership Interest shall be responsible to the Association for underpayment of Property Tax by any prior owner of the Ownership Interest, but shall be entitled to collect any amount owing from such prior owner. No current or former Party shall be absolved of responsibility for Property

Tax based upon the fact that the Association, or a Manager, failed to include such Property Tax in an Assessment or failed to provide Notice to the Party of such Property Tax.

THIS SUBSECTION IS EXPRESSLY INTENDED TO PRESERVE THE PROPERTY TAX BASIS OF PRIOR OWNERS IN A PARTIAL SALE, AND TO MAKE BUYERS OF PARTIAL INTERESTS PAY TAX BASED ON THEIR PURCHASE PRICE JUST AS IF THEY BOUGHT A CONDOMINIUM OR SINGLE-FAMILY HOME.

- F. Condominium Conversion Costs.** Costs associated with the conversion of the Property to condominiums shall be allocated as follows: (i) Surveying fees, legal fees, application fees, inspection fees and recording fees shall be allocated according to Base Percentages; (ii) Costs associated with Maintenance required by local Governmental Regulations as part of the conversion shall be categorized as either Owner Maintenance Costs or Association Maintenance Costs. Each Owner shall be responsible for his/her Owner Maintenance Costs. Association Maintenance Costs shall be allocated according to Base Percentage.
- G. Method of Payment.** Each Owner shall pay his/her share of Property Taxes, Association Insurance Costs, Association Utility Costs and Association Maintenance Costs to the Association as part of his/her Regular Assessment. Each Owner shall pay the remainder of his/her share of the Association Maintenance Costs, Association Conversion Costs, and other Association expenses as part of Special Assessments.
- H. Offsets.** To the extent that any Owner ("Debtor Owner") has any outstanding obligation to the Association under this Section, the following shall apply: (i) the Association shall be entitled to withhold the amount of such obligation from any distribution of funds otherwise due; and (ii) in addition to all other remedies provided by this Agreement, the Debtor Owner hereby assigns to the Association the right to collect any rent payable on the Debtor Owner's assigned Unit and Exclusive Use Common Area and to apply such rents to satisfaction of the Debtor Owner's outstanding obligation.
- I. Individual Fractional Loan Payment.** Each Owner is solely responsible for the payment of all charges associated with any loan secured by his/her Ownership Interest.

7.5 REIMBURSEMENT ASSESSMENTS. In instances where this Agreement specifically mandates the imposition of a Reimbursement Assessment, the Assessment shall be imposed by the Accounts Manager without Association approval. The Accounts Manager shall prepare a statement for the affected Owner stating the amount due from that Owner and the due date. The due date must be at least fifteen (15) calendar days after the Effective Date of the Notice. If the Accounts Manager fails or refuses to impose the Reimbursement Assessment, any Owner may do so. A Reimbursement Assessment may also be levied by the Association against any Owner to enforce such Owner's obligations and responsibilities under this Agreement, and either the Accounts Manager, the Association Manager or any Owner may propose the Reimbursement Assessment at an Owner Meeting. Notice of the meeting shall include an agenda item describing the proposed Reimbursement Assessment. If the Reimbursement Assessment is approved, the Accounts Manager shall Promptly send a Notice to the affected Owner stating the amount due and the due date. The due date must be at least fifteen (15) calendar days from the Effective Date of the Notice.

7.6 CHALLENGE TO ASSESSMENT. An Owner may challenge the accuracy or validity of the Operating Budget, a Regular Assessment or a Mandatory Special Assessment by convening an Owner meeting during which the Owners may alter the Operating Budget or the Assessment with Majority Owner Approval, provided there is a reasonable basis for doing. However, an Owner's challenge to the Operating Budget and/or Regular or Special Assessment shall not provide a legitimate basis for not paying the Assessment originally established by the Accounts Manager; rather, the Assessment shall be payable until it is changed by Majority Owner Approval. Failure to pay the Assessment shall have exactly the same legal consequences as the failure to pay any other Assessment under the Agreement and applicable law. Any change approved by Majority Owner Approval shall be retroactive to the date that the changed Assessment first became due. Within a reasonable time after such change, the Accounts Manager shall prepare a reconciliation to determine the amount by which any Owner has over or underpaid, and shall provide Notice to each Owner showing the reconciliation. Within thirty (30) days of the Effective Date of the Notice, each affected Owner shall provide to, or receive from, the Association any funds necessary to accomplish such adjustment.

7.7 ASSOCIATION ACCOUNTS. No later than ten (10) calendar days from the Effective Date of the Agreement, the Accounts Manager shall open three (3) separate accounts at a federally insured banking institution: an Operating Account; a Maintenance Reserve Account; and a Default Fund Account. The Accounts are described below:

- A. Operating Account.** The "Operating Account" is the segregated depository for Property Taxes, Association Insurance Costs, Association Utility Costs, Management Costs, minor Association Maintenance Costs and any other funds that are not Maintenance

Reserves or part of the Default Fund Account. Each Owner shall be a signatory to this account. A minimum balance of One Thousand Dollars (\$1,000) shall be maintained in the Operating Account at all times and any shortfall in the minimum balance shall be recouped by Special Assessment. The Accounts Manager, without prior authorization or approval, may make disbursements from the Operating Account for the Mandatory Expenses referenced in this Subsection. All other disbursements must be approved in accordance with the voting requirements described in this Agreement. An Owner is not entitled to withdraw any funds from the Operating Account in connection with a transfer of his/her Ownership Interest.

B. Maintenance Reserve Account. The "Maintenance Reserve Account" is the segregated depository for Maintenance Reserves. A minimum balance of One Thousand Dollars (\$1,000) shall be maintained in the Maintenance Reserve Account at all times, and any shortfall in the minimum balance shall be recouped by Special Assessment. The Accounts Manager, without prior authorization or approval, may make disbursements from the Maintenance Reserve Account for Maintenance Reserves or for litigation or arbitration involving Maintenance of items that the Association is obligated to Maintain. All other disbursements must be approved in accordance with the voting requirements described in this Agreement. Withdrawal shall require the signatures of two (2) Owners.

C. Default Fund Account. The "Default Fund Account" is the segregated depository for the Default Fund.

(1) Default Fund Account Requirements. The Association shall at all times maintain a Default Fund Account for the purpose of protecting the equity in the Property, and the credit ratings and other assets of the Parties. Beginning on the date that each Ownership Interest is first transferred by the "Original Seller" (the owner who first sold each Ownership Interest), each Owner shall maintain a balance in the Default Fund Account equal to two (2) payments of his/her Regular Assessment. The Original Seller shall ensure that upon his/her sale of an Ownership Interest, the Owner deposits his/her required contribution to the Default Fund Account, by making such contribution a condition of close of escrow of such sale. Within thirty (30) days following any substantial adjustment in any Owner's Regular Assessment, his/her deposit to the Default Fund Account shall be correspondingly adjusted, and he/she shall provide to, or receive from, the Association any funds necessary to accomplish such adjustment. The funds in the Default Fund shall be held in trust for the benefit of the non-Defaulting Owners. Withdrawal shall require the signatures of two (2) Owners.

(2) Using Default Funds. The Association may not expend Default Funds except (i) upon Majority Owner Approval, in the event of a violation of this Agreement by an Owner, (ii) following a downward adjustment in an Owner's required contribution as provided in the preceding Subsection, or (iii) upon Unanimous Owner Approval for any other reason. Anytime money is withdrawn from the Default Fund to satisfy an obligation of an Owner, such Owner shall be required to replace such funds Promptly. The fact that money from the Default Fund has been used in response to a nonpayment or other violation of an Owner shall not change the fact that such Owner has violated this Agreement, diminish the amount such Owner owes the Association, or otherwise affect the consequences of the violation or such Owners' obligations under this Agreement in any manner.

(1) No Withdrawal upon Sale. *AN OWNER SHALL NOT BE ENTITLED TO WITHDRAW ANY FUNDS FROM THE DEFAULT FUND IN CONNECTION WITH A TRANSFER OF HIS/HER OWNERSHIP INTEREST; RATHER, A TRANSFERRING OWNER WHO WANTS TO BE REIMBURSED FOR SUCH CONTRIBUTIONS SHALL BE RESPONSIBLE TO COLLECT SUCH AMOUNTS FROM HIS/HER TRANSFEREE.*

ARTICLE 8—MANAGEMENT AND DECISION-MAKING

8.1 ACCOUNTS MANAGER. An "Accounts Manager" shall be elected at the initial meeting of the Association and shall serve a term of one (1) year unless terminated for cause as provided in Section 8.3B. At the conclusion of the term, a representative of the Owner assigned the Unit with the next highest Unit number shall serve as Accounts Manager for one (1) year unless terminated for cause, and the rotation among the Units shall continue in ascending order. The Account's Manager's duties are described below:

A. Accounting Duties. The Association shall retain a book-keeper or an accountant ("Non-Party Accounting Manager,") by Majority Owner Approval, to perform the "Accounting Duties" of the Accounts Manager. The management contract shall be in writing and provide for the right of termination without a termination fee by either party with immediate notice if for cause or with sixty (60) days' written notice if without cause. The Accounts Manager shall retain the duty and authority to supervise the Non-Party Accounting Manager. The Accounting Duties to be performed by the Non-Party Accounting Manager are as follows:

- (1) Use his/her best efforts to collect all funds owed to the Association by all individuals including Owners, and to immediately provide Notice to all Owners when any funds owed to the Association are five (5) calendar days overdue, (ii) timely pay all Association debts to others from funds in the Operating Account (regardless of whether all Owners are current in their payments to the Association) and immediately provide Notice to all Owners when it becomes evident that funds in the Operating Account will be insufficient to satisfy current obligations, and (iii) maintain proper and complete books of account of the Association at his/her home or principal place of business which shall be open to inspection by any representative of any Owner at any reasonable time.
- (2) Adjust the Operating Budget, if necessary, and make Mandatory Disbursements of Association funds, as described in this Agreement.

B. Certifications, Resales and Refinancing.

- (1) Certificate of Validity: At least once each calendar year, or at the request of a Lender, the Accounts Manager shall prepare an "Annual Certificate of Validity" either in the form attached as Exhibit C, or in such other form as has been approved by all Lenders, and shall provide a copy to each Lender.
- (2) Assumption and Release of Obligations: Upon the request of the transferor of an Ownership Interest or his/her agent, or at the request of a Lender, the Accounts Manager shall provide the transferor with the Association Records described in Section 8.1C. In addition, the Accounts Manager shall sign an "Assumption and Release of Obligation" either in the form attached as Exhibit D, or in such other form as has been approved by all Lenders and shall provide a fully executed copy to each Lender.
- (3) Refinance Certificate: Promptly upon the request of any Owner seeking to refinance, or upon the request of a Lender, the Accounts Manager shall complete and sign a "Refinance Certificate" either in the form attached as Exhibit E, or in such other form as has been approved by all Lenders and shall provide a copy to each Lender.

C. Recordkeeping.

- (1) Association Records. The Accounts Manager shall at all times keep "Association Records," which shall include: (i) signed copies of the following: the TIC Agreement, Annual Certificates of Validity, all prior Assumption and Release of Obligations, and any amendments to the Agreement, (ii) the minutes of all Owner Meetings, and (iii) a current list of all Owners and the contact information for each Owner.
- (2) Association Obligations Upon Transfer of Ownership Interest. If any Association Record is not up to date and available when requested by an Owner or his/her agent, the Association shall immediately complete and provide the missing item(s) at its sole expense. This obligation on the Association is expressly intended to include a requirement that it obtain signatures of any Party who has not signed and initialed any document required in connection with his/her acquisition of an Ownership Interest. Under such circumstances, the Association shall be entitled to attempt to recoup any associated cost from a prior owner under Section 12.2, but such right shall not excuse the Association from timely complying with this Subsection; rather, the Association must first comply with this Subsection, and pay any related expenses from Association funds, then attempt to collect any amounts owed from the prior owner.

D. Other Duties. In addition to those duties listed above, the Accounts Manager shall perform other duties as described elsewhere in this Agreement.

8.2 ASSOCIATION MANAGER. An "Association Manager" shall be elected at the initial meeting of the Association by Majority Owner Approval and shall serve a term of one (1) year unless terminated for cause as provided in Section 8.3B. At the conclusion of the term, a representative of the Owner with the next highest assigned Unit number shall serve as Association Manager for one (1) year unless terminated for cause, and the rotation among the Units shall continue in ascending order. The Association Manager's duties shall be as provided below.

A. Association Maintenance. The Association Manager shall facilitate all Maintenance undertaken by the Association as follows.

- (1) If he/she reasonably believes that Maintenance is mandated by this Agreement, he/she may proceed with it without further Association approval. If the repair or replacement is estimated to cost more than One Thousand Five Hundred Dollars (\$1,500), he/she must obtain at least two bids prior to contracting for the work.
- (2) If he/she reasonably believes that Maintenance is required to end an Emergency, he/she may proceed with it without further Association approval, provided that the scope of the work undertaken prior to an Association decision is the minimum required to end the Emergency situation and stabilize the circumstances pending further Association action.
- (3) Where the Maintenance is not mandated by this Agreement or is not required to end an Emergency, he/she shall solicit and obtain at least two bids for the work and submit the matter to the other Owners for decision in accordance with this Agreement before proceeding.
- (4) In all instances, he/she shall: (i) use only licensed and fully insured contractors unless otherwise specifically authorized by the Association; (ii) in cases where a building permit is required by Governmental Regulations, unless otherwise specifically authorized by the Association, require that the contractor obtain all required permits and approvals, and ensure that the contractor obtains final governmental inspection and sign-off; (iii) enter into a written agreement for the work that describes, in detail, the scope of work, amount of payment, and timing of payment; (iv) arrange for access to the work area; (v) monitor the progress of the work by inspecting it with reasonable regularity; and upon completion of the work, perform a reasonable inspection to determine completeness and quality prior to making final payment.
- (5) It is expressly provided that unless the Association Manager completes the repair him/herself, he/she shall not be responsible for improperly completed repairs.

B. Maintenance Reserve Study. The Association Manager shall prepare the Maintenance Reserve Study in accordance with Section 4.2C.

C. Cleaning and Keys. The Association Manager shall arrange and facilitate regular cleaning and Maintenance of Common Areas other than Exclusive Use Common Areas. The Association Manager shall maintain keys to all Units and locked Exclusive Use Common Areas, but may enter these areas only in an Emergency.

8.3 MANAGER-GENERAL PROVISIONS

A. Manager Conflict. In the event any duty required of a Manager involves acting against the interest of the individual then serving as Manager, that duty shall be undertaken by a representative of the Owner next in line for the position under the rotation described above.

B. Refusal/Inability to Serve as Manager. In the event an Owner is unable or unwilling to act as Manager during the Owner's rotation, he/she shall arrange for another Owner to act as Manager on his/her behalf, and shall compensate that Owner in an amount to be negotiated between them. In the event such an agreement cannot be reached, the Owner who is unable or unwilling to act as Manager shall arrange with a non-Owner manager approved by the Association to provide the required services during his/her rotation, and shall be responsible for compensating that non-Owner Manager. Should an Owner fail to make such an arrangement, the Association may do so and the Owner who is unable or unwilling to act as Manager shall be individually and solely responsible for compensating the non-Owner manager in an amount equivalent to the customary charge by managers for such services. A Manager may be removed from office if the Association determines, by Majority Owner Approval, that he/she is not fulfilling his/her duties, and such Manager shall be considered "unable to act as Manager" under this Section.

C. No Compensation for Services. Under no circumstances shall a Party be entitled to any reimbursement from the Association or from another Party for any expenditure of time or money related to the Property unless such expenditure has been specifically authorized by this Agreement or explicitly approved by the Association as provided in this Agreement.

8.4 ASSOCIATION DECISION-MAKING AND MEETINGS.

A. Meetings and Agenda.

- (1) Decisions regarding matters that require Owner approval may be made only at duly noticed Regular or Special Owner Meetings attended by representatives of at least two (2) Owners.

- (2) **Regular Owner Meetings:** For the first year after the Effective Date of this Agreement, the Association shall hold an Owner Meeting on the last Saturday of January, May and September. Thereafter, the Association shall hold a twice-yearly Owner Meeting on the last Saturdays of January and July at 2:00 p.m. at the home of the Association Manager. The Association Manager shall provide a Notice and an agenda to each Owner at least twenty-one (21) days before the Regular Owner Meeting. Any Owner may create a supplemental agenda provided he/she provides Notice, including a copy of the supplemental agenda, to each Owner at least fourteen (14) calendar days before the Regular Owner Meeting.
- (3) **Special Owner Meetings:** Special Owner Meetings may be called by any Owner at any reasonable weekend or evening time provided he/she provides Notice and an agenda to each Owner at least fourteen (14) calendar days before the Special Owner Meeting.
- (4) **Matters not described on an agenda may not be decided at Regular or Special Owner Meetings unless all Owners are represented.** The Association Manager shall prepare minutes of each Owner Meeting, which shall be signed by each person attending. An Owner may participate in an Owner Meeting by telephone or video conference provided, he/she can hear all other participants, and can be heard by all other participants, and all participants, whether on telephone or not, can communicate concurrently.

B. Voting Power and Abstention. In general, each Owner shall have one (1) vote of equal weight. However, if one (1) or more of the Parties comprising an Owner is also one (1) or more of the Parties comprising another Owner, those two (2) Owners shall together have only one (1) vote. Only the Designated Party for an Ownership Interest shall be permitted to vote on behalf of such Ownership Interest, and it shall be conclusively presumed for all purposes that the Designated Party was acting with the authority and consent of all Parties comprising that Owner. Fractional votes are not allowed. Any Owner for whom no vote is cast shall be deemed to have abstained.

C. Vote Required For Association Action. Except as otherwise specifically provided in this Agreement, Majority Owner Approval is required for Association action. In addition to the acts that specifically require Unanimous Owner Approval elsewhere in this Agreement, the following acts require Unanimous Owner Approval:

- (1) Approving a non-Mandatory Special Assessment (meaning one which is not for a Mandatory Expense) if the sum of the non-Mandatory Special Assessment and all other non-Mandatory Special Assessments made within the preceding three (3) month period would exceed One Thousand Five Hundred Dollars (\$1,500);
- (2) Approving a Discretionary Disbursement (meaning it is not for a Mandatory Expense) if the sum of the Discretionary Disbursement and all other Discretionary Disbursements made within the preceding three (3) month period would exceed One Thousand Five Hundred Dollars (\$1,500);
- (3) Except as specifically provided in this Agreement, altering, reconfiguring or redefining the boundaries of a Unit or Exclusive Use Common Area, reassigning usage or possessory rights to any area of the Property, or removing or modifying any entitlement for additions or alterations;
- (4) Altering or amending any provision of this Agreement regarding the allocation of responsibility for Maintenance between the individual Owners and the Association or regarding the method of allocating expenses or distributions among the Owners, including borrowing rights;
- (5) Altering or amending any provision of this Agreement that would significantly diminish a usage right, such as rental rights, or the number of Occupants permitted in a Unit or pet allowance.
- (6) Engaging in any business other than the operation of the subject Property with Association funds;
- (7) Entering into any contract with any entity owned by or affiliated with any Party; and
- (8) Selling the entire Property.

D. Deadlock. In the event of a deadlock, the matter shall be resolved as provided in Section 11.2. Absent law or a provision of this Agreement requiring a particular decision, any arbitrator shall make his/her decision in accordance with what he/she believes to be

the course of action most likely to preserve and enhance the value of the Property without placing an unnecessary financial hardship on any Owner.

- E. Proxies.** Parties may vote in person or by proxy. All proxies shall be in writing, dated, signed by the Party, and filed with the Association Manager before the Owner Meeting. Every proxy shall be revocable and shall automatically cease upon any of the following events: (i) conveyance by the Party of his/her Ownership Interest; (ii) receipt of Notice by the Association Manager of the death or judicially declared incompetence of the Party; or (iii) the expiration of eleven (11) months from the date of the proxy or the time specified in the proxy for expiration, not to exceed three (3) years.

ARTICLE 9— OWNER ACCOUNTABILITY AND DISPUTE RESOLUTION

9.1 OWNER ACCOUNTABILITY AND INDEMNITY.

- A. Owner Accountability.** An Owner (“Responsible Owner”) is responsible to the Association for the conduct and behavior of the following persons (“non-Owners”): his/her guests, invitees (including independent contractors and employees), any Occupants or users of his/her assigned Unit (including tenants and roommates), and guests and invitees of such Occupants and users. The consequence of such responsibility is that if a non-Owner violates this Agreement, the Responsible Owner is deemed to have committed the violation and is subject to the same procedures and consequences applicable as if he/she committed the violation. No one other than the Responsible Owner shall be required to seek compliance by, attempt to work things out with, or otherwise interact with, the violating non-Owner.
- B. Indemnity.** Each Owner shall indemnify, defend and hold harmless the Association, and each other Owner, from any loss, cost or liability, including attorney fees, resulting from: (i) Any claim made by any person, including a claim made by an Occupant, guest or invitee of such Owner’s Unit, for personal injury or property damage occurring (i) within his/her Unit, or (ii) within any Exclusive Use Common Area appurtenant to his/her Unit, unless the injury or damage occurred by reason of the negligence of another Owner temporarily visiting in his/her Unit or Exclusive Use Common Area, or is fully covered by insurance; (ii) Any claim for personal injury or property damage sustained or occurring anywhere on the Property resulting directly or indirectly from the use of his/her Unit as a rental, unless the injury or damage is fully covered by insurance; and (iii) Any claims related to the ownership, maintenance or use of motor vehicles on the Property by such Owner, such Owner’s invitees, the Occupants of such Owner’s Unit, and the invitees of any such Occupant. If any Party within one Ownership Interest becomes subject to a claim, liability, obligation, or loss arising from or related to the willful or negligent act or omission of a Party within another Ownership Interest, the latter-referenced Party, and the Owner in which he/she holds an Ownership Interest, shall fully indemnify the Party who became subject to a claim, liability, obligation or loss from all associated costs and expenses including reasonable attorneys’ fees and costs.

9.2 DISPUTE RESOLUTION.

- A. Applicability of ADR Provisions.** In general, the provisions of this Section shall apply to all disputes between Parties, or between the Association and any Party, relating to this Agreement or the Property. However, where the Association is attempting to collect all or any portion of a Regular Assessment, Special Assessment, or Reimbursement Assessment, it shall be permitted, but not obligated, to use all or some of the procedures described below, in its sole discretion. If it chooses to invoke any of these procedures, any Party from whom it is attempting to collect such Assessment shall be obligated to participate and, in the case of arbitration, the result of the procedure shall be binding. A Party that wishes to challenge the validity of the Assessment may do so only after paying the Assessment.
- B. Meet and Confer.** Disputing Parties shall make a reasonable attempt to resolve the dispute by themselves before engaging in mediation or arbitration. For the purposes of this Subsection, a reasonable attempt shall constitute, at a minimum, an attempt by each Party to schedule a telephone discussion with the other, and participation in good faith in such a telephone discussion within fourteen (14) calendar days of the first scheduling attempt. The failure or refusal of either Party to make the efforts described in this Section shall, in and of itself, constitute an Actionable Violation.
- C. Mediation.** All Parties agree to appear for mediation and to attempt in good faith to resolve any dispute related to the Property, that has not been resolved through the Meet and Confer process. A Party desiring mediation must provide a “Notice of Mediation” to one (1) representative of each Owner not less than seven (7) or more than fourteen (14) calendar days before the date set for mediation. A “Notice of Mediation” shall state (i) the name and address of a “Qualified Mediator” and (ii) a date and time for mediation. A “Qualified Mediator” is any person with at least two (2) years’ experience mediating real estate disputes and (ii) no

prior business or personal relationship with any Party. A Party desiring mediation may select any Qualified Mediator. If any Party is unable to attend mediation on the date stated in the Notice of Mediation, he/she may arrange an alternative date with the mediator and with all other Owners provided (i) the alternative date has been pre-approved by one (1) representative of each Owner, (ii) he/she provides a confirming Notice of the alternative date to one (1) representative of each Owner within forty-eight (48) hours of the Effective Date of the Notice of Mediation, and (iii) the alternative date is within five (5) calendar days of the date stated in the Notice of Mediation. A Party waives the right to change the date of mediation if the confirming Notice of the alternative date is not provided in time. The costs of mediation shall be shared equally by the Owners who are involved with the dispute and shall be paid at the time of mediation.

D. Arbitration.

- (1) Arbitration is a voluntary or mandatory method of resolving a dispute by delegating decision-making authority to a neutral individual or panel. Except as otherwise provided in this Agreement, any dispute related to the Property or the Association that has not been resolved through the Meet and Confer process or through Mediation shall be resolved through mandatory arbitration by JAMS or a private arbitration service or individual acceptable to all parties. Any Party affected by a dispute may initiate arbitration by written demand. All Parties shall pursue arbitration to a conclusion as quickly as possible and conclude every case within six (6) months from the date of the initial written demand for arbitration. Arbitrators shall have discretion to allow the Parties reasonable and necessary discovery in accordance with Code of Civil Procedure §1283.05, but shall exercise that discretion mindful of the need to promptly and inexpensively resolve the dispute. If a Party refuses to proceed with or unduly delays the arbitration process, any other Party may petition a court for an order compelling arbitration or other related act, and shall recover all related expenses, including reasonable attorneys' fees, unless the court finds that the Party against whom the petition is filed acted with substantial justification or that other circumstances make the recovery of such expenses unjust. An arbitration award may be entered as a court judgment and enforced accordingly.
- (2) *EACH PARTY IS AGREEING TO HAVE ANY DISPUTE RELATED TO THE PROPERTY OR THE ASSOCIATION, THAT HAS NOT BEEN RESOLVED THROUGH THE MEET AND CONFER PROCESS OR THROUGH MEDIATION, TO BE DECIDED BY ARBITRATION AND ACCORDINGLY EACH PARTY IS GIVING UP ANY RIGHTS HE/SHE MIGHT POSSESS TO HAVE THE DISPUTE LITIGATED IN A COURT OR JURY TRIAL. IF A PARTY REFUSES TO SUBMIT TO ARBITRATION AFTER AGREEING TO THIS PROVISION, HE/SHE MAY BE COMPELLED TO ARBITRATE. EACH PARTY'S AGREEMENT TO THIS ARBITRATION PROVISION IS VOLUNTARY.*
- (3) Each Party specifically and irrevocably waives any and all rights he/she may have under the California Code of Civil Procedure to seek the judicial revocation or modification of any arbitration order, award or judgment. All arbitration orders, awards or judgments hereunder, are final, binding, and unappealable.
- (4) The following matters need not be submitted to binding arbitration: (i) An action for unlawful detainer; (ii) An action brought pursuant to the California Small Claims Act; (iii) An action or proceeding to compel arbitration, including an action to impose sanctions for frivolous or bad faith activity designed to delay or frustrate arbitration; (iv) An action or proceeding which is within the jurisdiction of a probate or family court; or (v) An action to record a notice of pending action, or for an order of attachment, receivership, injunction or other provisional remedy which action shall not constitute a waiver of the right to compel arbitration.

ARTICLE 10-- INSURANCE COVERAGE

10.1 LIABILITY INSURANCE.

- A. Association Liability Insurance.** The Association shall maintain a policy insuring the Association against public liability incident to the ownership and use of the Property, including but not limited to claims for wrongful eviction. Limits of liability shall not be less than a combined limit of One Million Dollars (\$1,000,000) for injury, death and property damage. The policy shall contain a severability of interest endorsement precluding the insurer from denying coverage to a named insured because his/her act or omission created liability in favor of another insured.
- B. Owner Liability Insurance.** Each Owner must obtain and maintain insurance covering his/her personal liability with limits of liability not less than a combined limit of Five Hundred Thousand Dollars (\$500,000) for injury, death and property damage.

10.2 CASUALTY INSURANCE.

- A. Association Casualty Insurance.** The Association shall maintain a master policy of fire and casualty insurance covering the Property, including all cabinetry, counters, built-in appliances, or other fixtures or elements permanently attached to the Property. Such policy shall provide a multi-peril coverage endorsement, and coverage for such other risks as are commonly covered with respect to properties similar to the Property in construction, location and use, or such other fire and casualty insurance as the Association determines gives substantially equal or greater protection. Coverage shall be in an amount equal to the full replacement value of the insured items and elements.
- B. Owner Casualty Insurance.** Each Owner or, in the case of a leased or rented Unit, the Occupants of the Unit, must obtain and maintain insurance covering those portions of his/her personal property not covered by the Association casualty insurance coverage.

10.3 GENERAL INSURANCE PROVISIONS.

- A. Inability To Obtain Insurance.** If the insurance required by this Agreement is difficult, impractical or unduly expensive to obtain, the Association shall obtain insurance as nearly equivalent to the required insurance as is reasonably available.
- B. Claims Against Association Insurance.** A decision not to submit a particular claim to an Association insurance carrier must be approved by the Owner who will be responsible for the additional repair or replacement costs as a result of the decision.
- C. Casualty Insurance Proceeds.**
- (1) When a particular Owner is responsible to repair and replace an item under this Agreement (as opposed to where he/she is responsible only to pay the cost of repair or replacement), and the Association receives insurance proceeds for repair or replacement of the item, the proceeds shall be distributed to such Owner, subject to the limitations in Subsection (2) below.
 - (2) When Subsection (1) entitles one or more Owners to receive proceeds from Association insurance, but such proceeds must be allocated between Owners or between the Association and one or more Owners, the Association shall use information provided by the insurance carrier relating to how the amount of proceeds was calculated, to the extent such information is available. When such information is not available, or when such information is incomplete, the proceeds shall be allocated in proportion to the cost of repair or replacement of the damaged or lost items. Under no circumstances shall the proceeds be allocated based upon Base Percentage or based upon percentage of ownership of the Property.
 - (3) If Association insurance proceeds allocated to a particular Owner are insufficient to pay the costs of repair or replacement for which such Owner is responsible, the Owner shall pay the additional amounts. Similarly, where an Owner is responsible for the cost of repair or replacement (as opposed to where he/she is responsible to repair and replace the item), and the Association insurance proceeds allocated to such repair or replacement do not cover the full cost, the Owner shall pay the additional amounts.
- D. Other Insurance Requirements.**
- (1) The Association's insurance shall be written by an insurance company qualified to do business in California with a rating of at least an "A" by Best's Insurance Reports or equivalent. Each Association insurance policy shall (i) name the Association as trustee for policy benefits payable to the Owners, (ii) provide a waiver of subrogation rights against the Association, its officers and the Owners, (iii) state that coverage be primary and not affected by any other insurance held by an Owner, and (iv) require that at least thirty (30) days prior written notice be given to the Association by the insurer before cancellation.
 - (2) The Association shall provide Notice to each Owner as soon as reasonably practical if any of its insurance policies: (i) lapses or is canceled and is not immediately renewed, restored or replaced; (ii) will undergo significant change such as a reduction in coverage or limits, or an increase in the deductible; or (iii) is subject to a notice of nonrenewal and replacement coverage will not be in effect at the time the existing coverage will lapse.
 - (3) Within five (5) calendar days of a Notice from an Owner or the Association, each Owner shall provide to the other Owners written evidence that he/she is complying with the insurance requirements of this Agreement, including those relating to any contractor hired by him/her.

- (4) All policies of insurance shall be reviewed at least annually and adjusted, if necessary, to provide such coverage and protection as the Association may deem prudent or as reasonably required by any lender.

ARTICLE 11--CONDOMINIUM CONVERSION

11.1 AGREEMENT TO CONVERT. The Owners shall not attempt the condominium conversion of the Property unless and until all Owners, in their independent and unlimited discretion, agree to do so. It is expressly acknowledged that no Owner has represented to any other Owner that he/she is committed to converting the Property to condominiums. In the event that the Property is eligible for conversion and the Owners agree to submit an application for conversion, the following shall apply: (i) the Owners shall complete the process as quickly as possible; and (ii) to the extent that condominium conversion requires repairs or improvements to Units or portions of Exclusive Use Common Areas for which an individual Owner is responsible to Maintain, such Owner agrees to complete such work within ninety (90) days of receiving Notice of the necessity of the work.

11.2 CONDOMINIUM DISTRIBUTION. In the event the Property is converted to condominiums, each Owner shall be entitled to receive individual ownership of his/her assigned Unit and continuing exclusive usage rights to his/her Exclusive Use Common Area provided all of that Owner's obligations to the Association and to the other Owners have been satisfied. Such individual ownership and usage rights shall be considered full distribution of the Owner's interest in the Association, the Association accounts and the Property, regardless of the value of the Owner's Ownership Interest at the time of conversion.

11.3 CONDOMINIUM GOVERNING DOCUMENTS. The original Parties and their successors in interest shall be presumed to have purchased interests in the Property based on an assumption that the allocation of rights and responsibilities, and usage rules, described in this Agreement would continue for so long as they owned the Property, even if it is converted to condominiums. All Parties recognize and agree that it would be unfair to impose changes in these rules or allocations on other Parties against their will as a condition of completing a condominium conversion. Accordingly, all Parties agree that, except as otherwise mandated by law, no substantive provision of this Agreement shall be changed in the transition to condominium governing documents without Unanimous Owner Approval.

ARTICLE 12— SALES AND OTHER TRANSFERS

12.1 GENERAL TRANSFER RESTRICTION. No Party shall transfer any portion of his/her interest in the Property except as provided in this Agreement. Any other purported transfer is void.

12.2 TRANSFER NOTIFICATION AND SIGNATURE REQUIREMENT.

- A. Prior to transferring any interest in the Property, each transferring Party shall provide a Notice to the Accounts Manager and to each Owner of his/her intention to do so. Within five (5) calendar days of such Notice, the Accounts Manager shall provide the transferring Party with the Association Records described in Section 8.1C.
- B. The transferring Party must provide an "Assumption and Release of Obligations" to the transferee, either in the form attached as Exhibit "D", or in such other form as has been approved by all Lenders ("Assumption and Release"). A copy of the signed TIC Agreement, any amendments to the TIC Agreement and all prior Assumption and Release of Obligations must be attached to the Assumption and Release when provided to the transferee.
- C. No transfer of any interest in the Property shall be permitted unless the transferee has signed an Assumption and Release agreeing to be bound by the terms of the Agreement and the Accounts Manager has certified that true and correct copies of the signed TIC Agreement, any amendments to the TIC Agreement and all prior Assumption and Release of Obligations are attached to the Assumption and Release.
- D. Without limiting the generality of the preceding sentence, *IT IS EXPRESSLY PROVIDED THAT IF AN INTEREST IS TRANSFERRED WITHOUT THE TRANSFEREE HAVING SIGNED A DOCUMENT EXPLICITLY AGREEING TO BE BOUND BY ALL OF THE TERMS OF THIS AGREEMENT, THE ASSOCIATION AND ANY PARTY IS EMPOWERED (i) TO IMMEDIATELY TAKE ANY AND ALL ACTION NECESSARY TO OBTAIN SUCH A DOCUMENT OR, IF THAT IS NOT REASONABLY POSSIBLE, TO ACQUIRE THE TRANSFERRED INTEREST SO THAT THE TRANSFEREE WHO DID NOT SIGN SUCH A DOCUMENT IS NO LONGER THE OWNER OF ANY INTEREST IN THE PROPERTY, OR (ii) TO TAKE ANY OTHER ACTION REASONABLY CALCULATED TO RELIEVE THE ASSOCIATION AND ALL*

PARTIES OF THE RISKS ASSOCIATED WITH HAVING A CO-OWNER WHO IS NOT A SIGNATORY, AND IT IS FURTHER EXPRESSLY PROVIDED THAT THE PARTY WHO TRANSFERRED HIS/HER INTEREST WITHOUT COMPLYING WITH THIS SECTION IS RESPONSIBLE FOR ALL ASSOCIATED COSTS.

- E.** The responsibilities assigned by this Section to a Party transferring his/her interest in the Property may not be delegated or assigned to an employee or agent in a manner that would relieve such Party of liability under this Section. This Section shall not be deemed to impose any responsibility or liability on a person whose interest has been transferred as a result of his/her own death or judicially declared incapacity, but shall be deemed to impose responsibility and liability on any successor to such person, including any trustee, receiver, executor, conservator, or similar person.

12.3 TRANSFeree AND SUCCESSOR OBLIGATION. For the purposes of this Section, the term “transferee” shall be deemed to include any successor, assignee or personal representative of any Party. Each “transferee”, whether voluntary or involuntary, shall immediately be deemed to assume all obligations and liabilities of the Party whose Ownership Interest he/she obtained, regardless of whether he/she has signed the document(s) required under Section 12.2. The purpose of this Section is to provide additional protection to the Association and all Parties in the event some individual or entity acquires an interest in the Property without signing this Agreement, but is not intended to diminish or limit the responsibilities and liabilities imposed by Section 12.2. In addition, nothing in this Section or in this Agreement shall be interpreted to alter a former Party's obligations, responsibilities or liabilities under this Agreement up to and including the date of any transfer.

12.4 MARRIAGE OR REMARRIAGE OF PARTY. Without limiting the generality of Sections 12.2 and 12.3, it is expressly provided that, if a Party marries or enters into a registered domestic partnership, the spouse or domestic partner of such Party shall be deemed a “transferee” of such Party’s interest under such Sections regardless of whether the Party actually transfers all or any portion of his/her interest to his/her spouse or domestic partner. The purpose of this provision is to avoid the circumstance where a series of events, perhaps unintended, coupled with the operation of law, effectively transfers all or a portion of an Ownership Interest to a spouse or domestic partner who is not bound by this Agreement. Should a Party wish to prevent or restrict the rights of his/her spouse or domestic partner, and/or indemnify such spouse or domestic partner from obligations or responsibilities imposed by this Agreement, the Party may do so through a separate and private agreement between him/herself and such spouse or domestic partner.

ARTICLE 13--FINANCING

13.1 FRACTIONAL FINANCING AND PROHIBITION AGAINST BLANKET LIENS.

- A. Fractional Financing.** An Owner may create an encumbrance that is solely against his/her interest in the Property (“Fractional Financing”) provided that (i) any holder of the encumbrance, or purchaser following foreclosure, shall take title to any interest in the Property subject to all of the provisions of the TIC Agreement and shall be entitled to no greater rights than the person(s) who signed the document creating the encumbrance (except as provided in this Section), and (ii) if such encumbrance secures an obligation to an institutional lender, it is fully assumable by a reasonably qualified successor in interest (under the Lender’s normal underwriting guidelines applicable to Association financing) for a reasonable fee. An Owner who obtains Fractional Financing shall be solely responsible for all associated costs.
- B. Prohibition Against Liens on Entire Property.** Except as specifically provided in this Agreement, no Owner shall incur any obligation in the name of the Association or individually, which obligation shall be secured either intentionally or unintentionally by a lien or encumbrance of any kind on the Property without Unanimous Owner Approval. Creation of such a lien or encumbrance shall be considered a violation of this Agreement.

13.2 ENCUMBRANCES AND MORTGAGE PROTECTION. This Section shall be binding upon all successors in interest (including assignees and future Lenders) of the Association and of each Owner and Party, including any successors in interest or assignees of an Owner or Party who is not a Borrower on the Effective Date of the Agreement, and upon any other entity or individual owning or managing the Property. The terms and conditions of this Section shall supersede any contrary provisions contained anywhere in this Agreement to the extent that they conflict with the provisions of this Section.

A. Definitions Applicable To Mortgage Protection.

- (1) **“Lender”** means any financial institution, individual or entity that loans money to a Party secured by the Property or a Party’s interest in the Property.
- (2) **“Borrower”** means any individual, group or entity that has borrowed money from a Lender, secured by the Property or a Party’s interest in the Property.
- (3) **“Owner Through Foreclosure”** means any individual or entity, other than a Lender, acquiring title to an Ownership Interest through foreclosure, or by way of a deed in lieu of foreclosure, and any successor in interest to such individual or entity.
- (4) **“Loan Document”** means: (i) any evidence of a written promise by a Borrower to a Lender for payment of funds (including loan principal, interest, any amounts expended or advanced by the Lender to enforce the Borrower’s obligations, or other costs or expenses), together with all renewals, extensions, modifications, consolidations, and substitutions; (ii) a security instrument (including a mortgage or a deed of trust) given by a Borrower to a Lender, which security interest grants the Lender a lien on the Property and/or Association to repay indebtedness; or (iii) credit arrangements, loan agreements, environmental agreements, security agreements, security deeds, collateral mortgages and all other instruments, agreements and documents, whether now or hereafter existing, signed in connection with any other Loan Document.
- (5) **“TIC Agreement”** means the Agreement governing the rights and obligations of all Parties for purposes of managing and Maintaining the Property.

B. Right To Create Encumbrance. Any Owner may create an encumbrance which is solely against his/her interest in the Property provided that (i) any holder of the encumbrance, or purchaser following foreclosure, shall take title to any interest in the Property subject to all of the provisions of the TIC Agreement and shall be entitled to no greater rights than the person(s) who signed the document creating the encumbrance (except as provided below in this Section), and (ii) if such encumbrance secures an obligation to an institutional lender, it is fully assumable by a reasonably qualified successor in interest (under the Lender’s normal underwriting guidelines applicable to Association financing) for a reasonable fee. Under no circumstances shall any Party or the Association incur any obligation in the name of the Association or individually, which obligation shall be secured by a blanket lien or encumbrance on the entire Property.

C. Obligation To Protect Lenders From Liens. The Association must collect and pay, prior to the date when payments are due, required payments for taxes, special taxes, assessments or charges (including water and sewer), fines, or impositions which are levied against or on account of the Property, which taxes, special taxes, assessments or charges (including water and sewer), fines, or impositions have priority over or are equal to the interest of a Lender under a Loan Document. The Association shall notify each Lender within thirty (30) days of the date that there is a failure by the Association or any Owner to make a required payment owing to the Association, or when the failure to make required payments to any individual or entity could result, or has resulted, in the imposition of a lien on or against the Property.

D. Post-Foreclosure Rights.

- (1) An Owner Through Foreclosure or a Lender shall be entitled to all of the rights assigned by the TIC Agreement to the person whose interest was foreclosed, which rights shall not be diminished by any prior or subsequent act or omission of such person. Except as provided elsewhere in this Section, an Owner Through Foreclosure or a Lender shall be subject to the provisions of the TIC Agreement.
- (2) An Owner Through Foreclosure and a Lender shall be exempt from the requirements of Section 3.14B(2) and Article 7, Condominium Conversion, provided however an Owner Through Foreclosure shall only be exempt from such requirements as long as such Owner Through Foreclosure acquired his/her/its Ownership Interest for the purpose of preparing, managing or transferring such Ownership Interest for sale to a member of the general public.
- (3) Notwithstanding anything to the contrary in this Agreement, in addition to all remedies available under applicable law (including the remedies for breach of a rental agreement), an Owner Through Foreclosure or a Lender shall be permitted to undertake an Ellis Act eviction as described in Article 3 if all of the following requirements are satisfied: (i) the Unit(s) assigned to the interest(s) which have been foreclosed upon is tenant occupied at the time of the foreclosure, (ii) the monthly rent paid by such tenant is less than Eighty-Five Percent (85%) of the foreclosed-upon Owner’s Regular Assessment plus the foreclosed-upon Owner’s previous monthly mortgage obligation to Lender, and (iii) the Ellis Act eviction is commenced within two (2) years

after title to the Ownership Interest associated with such assigned Unit was first acquired through foreclosure or deed in lieu of foreclosure. The following conditions and requirements shall also apply:

- (a) At least forty (40) days prior to invoking the Ellis Act, the Owner Through Foreclosure, or the Lender, shall provide all Owners with a "Notice of Right To Purchase", sent by certified mail, showing the purchase price and the basis for its computation (as described below) and the contact information for the representative or agent who has the authority to conduct the sales transaction (the "Lender's Agent"). The purchase price shall be the sum of (i) all amounts owing to Lender at the time of foreclosure (whether or not Lender entered a full credit bid), (ii) interest at the legal rate from the time of the foreclosure sale to the date of the sale to the Owner Through Foreclosure or Lender and (iii) any costs associated with the sale of the Lender's interest to the Owner Through Foreclosure.
- (b) An Owner may exercise this right by providing written notice of his/her tentative intent to purchase (a "Notice of Tentative Intent"), by certified mail postmarked no later than ten (10) calendar days from the date of the postmark of the Notice of Right To Purchase, and then providing a written notice of his/her final intent to purchase (a "Notice of Final Intent") by certified mail postmarked no later than ten (10) calendar days from the date of the postmark of the Notice of Tentative Intent. The Notice of Final Intent shall be binding. If more than one (1) Owner provides a Notice of Final Intent, competitive bidding shall be permitted and the Lender's Agent shall determine the purchaser.
- (c) Failure to complete the purchase on the terms and conditions stated in the Notice of Final Intent within sixty (60) days from the Effective Date of the Notice of Final Intent shall be a violation of this Agreement. If an Owner fails to provide either Notice, he/she waives his/her Right to Purchase. The time periods provided in this Section will not be extended under any circumstances, including filing of bankruptcy, unless the Lender's Agent provides written consent.
- (d) In the event either no Owner elects to exercise his/her Right to Purchase, or an Owner fails to complete a purchase on the terms and conditions stated in the Notice of Final Intent within sixty (60) days of the postmark of the Notice of Final Intent, the Owner Through Foreclosure, or the Lender, shall be permitted, in its sole discretion, to invoke the Ellis Act, provided he/she/it serves all tenants residing in each residential Unit with an eviction notice within two (2) years of acquiring title to the foreclosed interest.

E. Effect Of Association Enforcement. No action taken by the Association, or by any Party, to enforce an obligation imposed by the TIC Agreement, including but not limited to a forced sale, a judicial or non-judicial foreclosure, or the creation of a lien of any kind, shall:

- (1) Diminish, undermine or in any way affect, the rights of any Lender under a Loan Document, including a Loan Document recorded after the occurrence which provides the basis for the enforcement action by the Association or Party;
- (2) Impair the right of a Lender, under a Loan Document, or of any Owner Through Foreclosure, to transfer the usage or possessory rights explicitly assigned to such Lender's Borrower under the TIC Agreement in effect at the time the Loan Document was created. In furtherance of the preceding sentence, the Association shall cooperate in the efforts of a Lender to transfer usage or possessory rights, including allowing open houses, and signing deeds and related sales documentation.

An Owner Through Foreclosure and the Lender shall take title free of any liens or claims and shall be obligated to pay only assessments or other charges that come due and payable after the date he/she/it acquired title. Accordingly, any claims of equitable subordination or subrogation that could be raised under California Civil Code Section 2903 or any successor or corollary statute are waived by all Parties and by the Association against any such Owner Through Foreclosure or Lender.

Each Party agrees not to assert the failure of another Party, or of the Association to fulfill any obligation under this Agreement, including an obligation to pay taxes, special taxes, assessments or charges (including water and sewer), fines, or impositions which are levied against or on account of the Property, as a defense to a foreclosure or other enforcement action by a Lender.

F. Rights Of First Refusal. Any right of first refusal or purchase option shall not bind a Lender and shall not impair the rights of a Lender (i) to foreclose or take title pursuant to the remedies provided in a Loan Document, (ii) to accept a deed (or assignment) in lieu of foreclosure in the event of a default under a Loan Document, or (iii) to sell or lease or transfer an Ownership Interest acquired by the Lender following default under a Loan Document.

G. Borrower Information. Any Lender can, but is not obligated to, furnish information to the Association concerning the status of any Loan Document.

H. Proceeds Priority. Each Lender shall have priority over the rights of its Borrower and the Association and their assignees and/or successors in case of distribution of proceeds allocated to its Borrower under this Agreement from a voluntary or involuntary sale of the entire Property (regardless of the manner in which such sale is triggered and who or how it is triggered), distribution of insurance, or condemnation awards for losses to or a taking of such Borrower's interest in the Property. Any provision to the contrary in the TIC Agreement is void. All fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses naming all Lenders, as their interests may appear, as loss payees, and the provisions of this Section shall be conclusive evidence of the Lender's rights under any such policies.

I. Acts Requiring Lender Consent. The prior written consent of all Lenders shall be required to take any of the following actions:

- (1) Abandon the Property, terminate the TIC Agreement, or take any action which would trigger a legal requirement or claim that any previously owner-occupied portion of the Property be rented; At any Lender's option, a Loan Document may provide that any of these events will automatically be deemed to impair Lender's security interest in the Property, and may provide that any insurance proceeds shall be used to pay Lender, (which requirement shall be honored by the Association);
- (2) Change the method of determining the obligations, assessments, dues or other charges that may be levied against an Owner, or to change the allocation of any distributions of hazard insurance proceeds or condemnation awards;
- (3) Fail to maintain fire and extended coverage on the Property in an amount not less than one hundred percent (100%) of the insurable value based on current replacement cost; and
- (4) Amend any provision of the TIC Agreement.

In addition, a sale of the entire Property shall require the approval of all Owners and Lenders. Any action taken in violation of this Subsection is void and unenforceable against every Lender and its successors. Lender consent may be withheld solely at the discretion of the Lender.

J. Acts Requiring Lender Notice. The Association shall provide each Lender with a copy of the Annual Certificate of Validity certified by the Accounts Manager to be a true and correct copy, as well as written notice of the following:

- (1) Any notice which the Association gives to an Owner upon whose interest the Lender has a lien, regarding any breach of the TIC Agreement or any termination of any such Owner's rights to use, rent, or remain in possession of his/her assigned Unit and/or Exclusive Use Common Area;
- (2) Any amendment to the TIC Agreement;
- (3) Any legal action that the Association commences to enforce any rights or remedies provided in the TIC Agreement against an Owner upon whose interest the Lender has a lien;
- (4) The occurrence of any loss, casualty, condemnation, or eminent domain which decreases or impairs the value of the interest encumbered by any of its Loan Documents;
- (5) The initiation of a lawsuit or legal proceeding against the Association or any Owner, seeking to challenge or invalidate any particular use of the Property, asserting that the Property is in violation of any local, state, or federal law or regulation, or challenging the enforceability of the TIC Agreement; and
- (6) Any lapse or cancellation of any Association insurance policy.

Failure of a Lender to receive a notice required by this Section shall not be construed to benefit a Party or to impede the Association from enforcing the TIC Agreement against an Owner.

K. Lender Entry. The Association and each Party hereby represent and acknowledge that all Lenders have the following rights and licenses which are in addition and separate and independent of the rights of any Party upon whose interest such Lender has a lien:

- (1) The right and license at any time, during the term of any Lender's Loan Documents, and in furtherance of or subsequent to judicial or non-judicial foreclosure by Lender of any of the Lender's Loan Documents, to enter its Borrower's assigned Unit and Exclusive Use Common Area in person, or by agent or receiver, and to possess and use the Unit and Exclusive Use Common Areas for the purpose of exercising any of its rights, powers or remedies with respect to the Property or any personal property collateral for its loan, including but not limited to the right to remove any and all personal property collateral from the Unit and Exclusive Use Common Area, and to take such other action with respect to any and all of the personal property collateral which Lender desires; and
- (2) Subject to at least ten (10) calendar days prior written notice from a Lender to the Association, the right and license, at any time during the term of any of the Lender's Loan Documents, to exercise any creditor's rights; provided, however, that if any emergency exists which makes the giving of such notice impracticable, or would materially jeopardize the Lender's rights, then reasonable notice under the circumstances shall be given.

As a condition to the exercise of the rights set forth in this Subsection, all Regular Assessments owed by the Lender's Borrower for all periods during which use and possession of the Unit is retained by the Lender, and for those periods only, shall be paid by the Lender (if they have not been paid by the Lender's Borrower). To the extent there is a conflict between the terms of this Subsection and the Loan Documents, the terms of this Subsection shall be superseded by the Loan Documents.

L. Lender Right To Attend Meetings. Because of its financial interest in the Property, any Lender may, but has no duty to, appear (but cannot vote, except as otherwise provided in the TIC Agreement) at meetings of Owners or any board or committee to draw attention to violations of this Agreement that have not been corrected or that have been made the subject of remedial proceedings or assessments, or for general information purposes. No provision of the TIC Agreement shall operate to make any Lender directly responsible for an obligation of its Borrower, unless that obligation is assumed in writing by an authorized representative of the Lender.

M. Lender Right To Inspect Records. Because of its financial interest in the Property, any Lender may inspect and copy any Association record, including those containing any Party's current address, the books of accounts and other financial records, and minutes of meetings of the Owners or any board or committee, for any purpose reasonably related to their interests as a Lender. At the request of any Lender, the custodian of Association records shall provide the names, mailing addresses, telephone numbers and voting rights of each Owner. The Association shall establish reasonable rules for (i) notice to be given to the custodian of Association records by a Lender requesting inspection and copying of documents, (ii) hours and days of the week during which inspection and copying shall be permitted, and (iii) payment of copying costs. No original documents shall be removed for copying. Inspection and or copying of records shall be in the city where the Property is located, during normal business hours, and within fifteen (15) business days of receipt of said notice.

N. Bankruptcy Effect. The initiation of any proceedings under the United States Bankruptcy Code by the Association, or by any Owner or Party, shall not operate to alter, supersede or diminish any rights of any Lender under the TIC Agreement.

O. Condominium Conversion Effect. Subdivision of the Property into condominiums shall not alter or amend any obligations of any Borrower to his/her Lender. The Association shall not transfer title to any condominium without the consent of all Lenders.

P. Marriage Effect. If a Borrower marries or enters into a registered domestic partnership during the term of the TIC Agreement, the Borrower shall obtain the signature of his/her spouse/domestic partner to the TIC Agreement, and shall present evidence of this fact to his/her Lender. If a Borrower marries or enters into a registered domestic partnership during the duration of the TIC Agreement, the spouse/domestic partner of the Borrower shall be equally bound to all of the terms and conditions of the TIC Agreement. In addition, all of the terms and conditions of the TIC Agreement shall be enforceable in the event that the Property or any rights under the TIC Agreement is transferred or awarded to the Borrower's spouse/domestic partner or creditors under a decree of divorce or judgment of dissolution or separate maintenance.

Q. Partition. The Association, each Party and all successors in interest, and all Lenders and their successors in interest, for a period of seventy-five (75) years, unconditionally waive the right to partition the Property under California Code of Civil Procedure §872.010, et. seq., or any successor or corollary statute or law, unless one of the following conditions is satisfied: (i) more than three years before the filing of the action, the Property was damaged or destroyed, so that a material part was rendered unfit for its prior use,

and the Property has not been rebuilt or repaired substantially to its state prior to the damage or destruction, or (ii) three-fourths or more of the Property is destroyed or substantially damaged and more than fifty percent (50%) of the Owners oppose repair or restoration. Without acknowledging the right of any person to do so, in the event of partition of the Property, the Association, each Party and any successors in interest, and all assignees or creditors of such parties, waive any right to claim that said action in any way prohibits, limits, diminishes or interferes with any Lender's rights under the TIC Agreement, and further waive any right to claim that said action in any way prohibits, limits, diminishes or interferes with any Lender's right to pursue all rights and remedies under its Loan Documents, including but not limited to the right to foreclose and the right to obtain timely and full payment of its loan prior to any payment to such Lender's Borrower under the partition action.

R. Dispute Resolution Lender shall not be subject to the alternative dispute resolution provisions of the TIC Agreement.

S. Foreclosure by Lender. Notwithstanding the provisions of Sections 12.1 and 12.2, when an Ownership Interest is transferred to a foreclosing Lender by deed in lieu of foreclosure or by a trustee's sale resulting from a foreclosure, such Lender shall not be required to comply with the transfer requirements in Section 12.2.

T. Interpretation. For the purposes of this Subsection, an "Approved Loan Document" is a Loan Document: (i) executed by a Borrower; (ii) recorded in connection with the Borrower's initial purchase or refinance of his/her Ownership Interest, and (iii) encumbers only the Borrower's Ownership Interest. In the event of an inconsistency between this Agreement and an Approved Loan Document, the terms of the Approved Loan Document shall control.

U. Lender as Beneficiary. Each Lender is expressly made a third-party beneficiary of this Agreement.

13.3 MECHANICS LIENS. Whenever a Party enters into an oral or written agreement under which labor or materials are to be provided to or for the Property and associated costs are to be Owner Maintenance Costs, (i) the Owner in which that Party holds an Ownership Interest shall be deemed the "Contracting Owner", and (ii) all labor and materials provided under the agreement shall be deemed the "Contracted Labor and Materials." The Contracting Owner shall pay all costs associated with his/her Contracted Labor and Materials when due, and shall keep the Property free of mechanics and other liens resulting from actual or alleged non-payment of such costs. The Contracting Owner shall indemnify and hold harmless all Parties against any loss or expense associated with the existence of liens resulting from actual or alleged non-payment of costs associated with his/her Contracted Labor and Materials. If the Contracting Owner wishes to contest such a lien, he/she shall furnish the Association with a cash deposit, or a bond from a responsible corporate surety meeting the requirements of Civil Code §3143, in the anticipated amount of the claim underlying the lien including estimated costs and interest. If a final judgment establishing the validity of the claim underlying the lien is entered, the Contracting Owner shall satisfy the judgment within thirty (30) days. If a lien has been created and the Contracting Owner has failed to provide the Association with a cash deposit or a bond as required by this Section, the Association may pay the claim underlying the lien, and any amount so paid shall be immediately due from the Contracting Owner.

ARTICLE 14--DEFAULT

14.1 ENFORCEMENT.

- A.** The Association shall exercise prudent business judgment in determining whether, when and how to enforce this Agreement.
- B.** The Association, with Majority Owner Approval, is authorized to impose fines, suspend voting rights, and impose any other disciplinary action for violation of this Agreement to the fullest extent permitted by California law. Before a policy involving the imposition of monetary penalties takes effect, and any time such penalties are revised, the Association shall provide each Owner with a written schedule of penalties.
- C.** Each Owner shall have a right of action against another Owner or the Association for failure to comply with this Agreement or with a decision of the Association. The failure by the Association to enforce any provision of this Agreement on one or more occasions shall not be deemed a waiver or estoppel of the Association's right to enforce a similar or other violation of this Agreement.

14.2 DELINQUENT ASSESSMENTS.**A. Delinquency Timing and Charges.**

- (1) An Assessment becomes delinquent if payment is not received by the Association within fifteen (15) calendar days after its due date. The Association may impose a late charge in the maximum amount permitted by applicable law on delinquent payments as compensation for additional administrative costs, charge, recover reasonable costs incurred in collecting delinquent Assessments including reasonable attorney fees, and charge interest on delinquent payments, late charges, collection costs, and attorney fees, at the maximum amount permitted by applicable law, beginning thirty (30) days after the due date and continuing until the date payment is received. An Owner is permitted to pay any amount owed to the Association under protest to the extent allowed by applicable law.
- (2) Assessments are due and payable on their due dates without deduction or offset for any claim an Owner may have against the Association. Each Assessment, together with authorized charges, is the joint and several personal obligation of all Parties of the Ownership Interest against which it is levied. No Owner may exempt him/herself from liability for payment of Assessments.

- B. Repeated Delinquency.** If a Regular Assessment installment is not paid within fifteen (15) calendar days of the due date more than three (3) times during a calendar year, the Association may declare the entire remaining unpaid balance of the Regular Assessment for that calendar year immediately due and payable in full by providing Individual Notice to the Owner.

14.3 NON-JUDICIAL FORECLOSURE.

- A. Assessment Liens.** A delinquent Assessment, regardless of type, plus any late charges, interest, costs of collection or related charges, shall become a lien on the delinquent Owner's Ownership Interest beginning on the date the Association records a notice of delinquent Assessment with the County Recorder of the City and County of Los Angeles. Notwithstanding that the Property is not a common interest subdivision, the Association shall comply with all requirements of applicable law relating to the imposition of assessment liens in such a subdivision, including those described in Civil Code §§5660, 5670, 5673, 5675 and 5685, when recording such a notice. Such a lien may be enforced in any manner permitted by law.
- B. Foreclosure by Private Power of Sale.** As provided in the Declaration, a lien for delinquent Regular Assessments and Special Assessments, and a lien for delinquent Reimbursement Assessments levied to reimburse the Association for costs associated with the repair of damage for which an owner is responsible, may be foreclosed upon by private power of sale. However, notwithstanding that the Property is not a common interest subdivision, the Association shall comply with all requirements of applicable law relating to nonjudicial foreclosure of assessment liens in such a subdivision, including Civil Code §§5705, 5710, 5715 and 5720. A penalty, fine, charge or other financial obligation, including costs and expenses of collection, levied by the Association against an Owner as a Reimbursement Assessment for a violation of the Rules, this Agreement, or the Declaration, may be made a lien against the Ownership Interest of such Owner, but may not be enforced by nonjudicial foreclosure except as allowed by law.
- C. Payment of Delinquent Assessments.** Payment toward a delinquent Assessment shall be credited first to satisfying the Assessment, and then to late charges, collection costs, attorney fees and interest. Upon payment of delinquent sums, the Association shall promptly record a notice acknowledging satisfaction and releasing the lien. The lien shall not be affected by the sale or transfer (other than through foreclosure) of the affected Owner's Ownership Interest. Upon receipt of Association Notice from an Owner containing a request, the Association shall provide the Owner with a written statement, signed by a Manager or President of the Association, stating the amount of all unpaid Assessments, fines, penalties, charges and other financial obligations owed to the Association by the Owner as of the date of the statement. The statement shall be conclusively presumed accurate as of its date in favor of any good faith purchaser of an Ownership Interest who relies on it. The Association may charge a reasonable fee for the statement that shall not exceed the actual administrative cost.
- D. Homestead Waiver.** Each Owner waives the benefit of statutory debtor protection, including homestead and exemption rights, to the full extent permitted by California and Federal law with respect to enforcement of Assessment liens.

14.4 SUSPENSION OF USAGE RIGHTS.

- A. Association Rights and General Procedural Requirements.** The Association may suspend an Owner's right to use a Unit and/or Exclusive Use Common Area assigned to him/her only if the infraction upon which the suspension is based is either: (i) non-payment or underpayment of a Regular Assessment, Special Assessment, or Reimbursement Assessment; or (ii) there has been an

arbitrator's decision, or a court judgment, under which the existence of the infraction has been confirmed. In the event of a suspension of usage rights, the Association may seek a rental tenant for any portion of the Property assigned to the defaulting Owner and, to the extent that rental income is derived, the Association shall apply such income to repay amounts owned by the defaulting Owner. In instances where a rental tenant is occupying the Owner's assigned Unit at the time of suspension, all rent payable by that rental tenant shall become payable to the Association beginning when the suspension takes effect. Each Owner agrees that, if a rental tenant occupying his/her assigned Unit reasonably believes that the occupancy rights of his/her Owner/landlord have been suspended based on information provided by the Association, such rental tenant is required to begin paying all rents to the Association and further agrees that, if such rental tenant does so, the Owner shall have no recourse whatsoever against the rental tenant for nonpayment of rent even if it is later determined that the suspension of occupancy and income rights was wrongful.

- B. Lender Protections.** Notwithstanding any provision to the contrary in Subsection A of this Section, where a Lender has a deed of trust recorded against an Owner's interest in the Property, the loss of occupancy and income rights shall not take effect against such Owner unless the Lender has received written notice of the Association's intent to suspend such rights and, within sixty (60) days of receiving such notice, failed to initiate remedies under its Loan Documents with the Owner. No loss of occupancy or income rights shall apply to any successor in interest to the Owner who is an Owner Through Foreclosure as defined in this Agreement.

14.5 VOTING DISQUALIFICATION. An Owner shall be disqualified from voting on any matter relating to his/her alleged violation of this Agreement and on the consequences of such violation. In addition, an Owner shall lose his/her voting rights on all matters during any period while the Association has suspended his/her right to use a Unit and/or Exclusive Use Common Area pursuant to Section 14.4A.

14.6 OTHER RIGHTS AND REMEDIES. In the event of a violation of this Agreement, the Association shall be entitled to any remedy described in this Agreement or the Declaration, or available at law or equity, serially or concurrently, including judicial foreclosure or judicial execution. Except as otherwise provided by law, the pursuit of any of these remedies is not a waiver of the right to subsequently elect any other remedy.

ARTICLE 15--GENERAL PROVISIONS

15.1 NOTICES. Except where expressly prohibited by law, whenever "Notice" is required to be given to a Party, an Owner, or the Association, such Notice shall be deemed properly given if done so in accordance with the following provisions.

- A. Notice to Association.** Any Notice or other communication to the Association shall be given by email to the Association Manager's last known email address.
- B. Notice to Owner.** Notices shall be considered properly given to an Owner when they are properly given to such Owner's Designated Party.
- C. Notice to Party.** Any Notice or other communication to a Party shall be given by email to the Party's last known email address, except when otherwise required by this Agreement or by law. It shall be the responsibility of each Party (i) to regularly monitor his/her email communication, and (ii) to provide Notice to the Association when his/her email address changes. Under no circumstances shall the Association, or any of its employees, representatives, assignees or subcontractors, be responsible for the consequences when any Party fails to receive a Notice because the intended recipient either (i) failed to check his/her email account with reasonable regularity (to be defined as once every seven (7) calendar days), or (ii) has failed to timely provide Notice to the Association of a change in his/her email address within a reasonable time after such change (to be defined as within seven (7) calendar days of the change). Where Notice by email is expressly made inadequate by operation of law, or in other instances at the discretion of the Association, Notice to a Party may be accomplished in any manner permitted by law.
- D. Effective Date of Notice.** The "Effective Date" of a Notice shall be seven (7) calendar days after emailing, unless otherwise specifically provided or unless the context requires a different time limit to apply. Where Notice by email is expressly made inadequate by operation of law, the Effective Date of the Notice shall be the date specified by law for the manner in which the Notice is given or, if no such date is specified, shall be ten (10) calendar days after the Notice is sent or published.

15.2 FAIR MARKET VALUE. Whenever this Agreement requires a determination of the "Fair Market Value" of any interest in, or portion of, the Property, the value shall be determined through a valuation process as follows:

- A. Not later than five (5) calendar days from the date on which this Agreement requires an Owner to initiate determination of Fair Market Value ("Valuation Initiation Date"), any interested Party may retain two (2) persons meeting the following requirements ("Qualified Valuation Consultant"): (i) having at least two (2) years' experience valuing real estate similar to the Property in the area where the Property is located, (ii) holding a valid real estate sales, brokerage or appraisal license, (iii) having no prior business or personal relationship with any Owner, and (iv) agreeing in writing to complete his/her valuation within fourteen (14) calendar days of retention. If this Agreement does not specifically require an Owner to initiate determination of Fair Market Value on a particular day, then the Valuation Initiation Date shall be the date stated in a Notice to all Owners that may be provided by any Owner wishing to trigger an event requiring valuation.
- B. The Parties shall instruct each Qualified Valuation Consultant to determine a fair market value for the relevant interest(s) in or portion(s) of the Property based upon the conditions which exist at the time of the valuation or, in the case of Catastrophic Damage, based upon the conditions which existed on the date immediately preceding the Catastrophic Damage. Within fourteen (14) calendar days of the Valuation Initiation Date, any Party who retains one or more Qualified Valuation Consultant shall provide a complete and unaltered copy of the valuation(s) to one (1) representative of each Owner. A Party waives the right to retain a Qualified Valuation Consultant if he/she fails to timely fulfill the requirements of this Subsection.
- C. Upon expiration of fourteen (14) calendar days following the Valuation Initiation Date, the Association Manager shall determine Fair Market Value as follows: (i) If only one (1) valuation from a Qualified Valuation Consultant is received, the Fair Market Value shall be the value stated in that valuation; (ii) If two (2) or three (3) valuations from Qualified Valuation Consultants are received, the Fair Market Value shall be the average of the values stated in the valuations; (iii) If four (4) or more valuations from Qualified Valuation Consultants are received, the Association Manager shall disregard the lowest and highest valuations, and the Fair Market Value shall be the average of the values stated in the remaining valuations.
- D. Each Party shall pay the fees of the Qualified Valuation Consultant that he/she retains.

15.3 CATASTROPHIC DAMAGE. As used in this Section, "Catastrophic Damage" means sudden and unexpected physical damage to portions of the Property that the Association is obligated to Maintain for which the cost will exceed fifty percent (50%) of the full replacement cost.

- A. **Obtaining Bids/Determining Funds Availability.** As soon as practical after any event causing Catastrophic Damage, the Association shall (i) determine the amount of all funding available for repair from Association funds and insurance proceeds, and (ii) obtain two or more written repair bids from separate licensed contractors. Repair bids shall include at a minimum a detailed scope of work, a fixed or not-to-exceed contract price, a completion date and a provision for adequate insurance coverage by the contractor.
- B. **Decision To Repair.** Provided that repairing the damaged areas of the Property would not necessitate a Special Assessment of more than Fifty Thousand Dollars (\$50,000) on any Owner, the Association shall repair, and any difference between the total funds available and the actual repair cost shall be imposed as a Special Assessment. If repair would necessitate a Special Assessment of more than Fifty Thousand Dollars (\$50,000) on any Owner, the Association shall not repair unless all such Owners vote to do so. If the Association does not repair, it shall sell the entire Property in its then existing condition on the best available terms. The sale proceeds together with any insurance proceeds shall then be distributed as provided in Section 15.4. If the Association fails to sell the Property within a reasonable period of time, any Owner may bring an action for judicial partition.
- C. **Repair Procedure.** All individuals or entities performing repair of Catastrophic Damage for the Association shall (i) hold all licenses legally required for such repairs and (ii) enter into a written contract with the Association which satisfies all of the requirements for repair bids specified in Subsection A. The Owners shall ensure that repairs are diligently pursued to completion in accordance with best construction practices prevailing in the locale at the time the work is done. Payment and performance bonds shall be required in repair contracts exceeding One Hundred Thousand Dollars (\$100,000).
- D. **Emergency Repair.** Any Owner may make temporary repairs or take any other necessary action in an Emergency without first complying with the provisions of this Section.

15.4 DISTRIBUTIONS. Proceeds from condemnation, partition, sale of the entire Property, or insurance not used to repair the Property, shall be distributed among the Owners based upon Relative Value Percentage. Each Owner's share of the distribution shall be reduced by the amount of any other outstanding obligation he/she has under this Agreement.

15.5 VACANCY UPON FORCED SALE. Notwithstanding any provision to the contrary in this Agreement, in the event of any Forced Sale, no proceeds shall be distributed to the affected Owner until (i) such Owner and all of his/her relatives, guests, pets, tenants or subtenants have vacated the Property and removed all personal property and debris, and (ii) such Owner has broom-cleaned his/her assigned Unit and Exclusive Use Common Area.

15.6 PARTITION. Except as otherwise provided in Section 9.3, each Party agrees to waive his/her right to seek partition or sale in lieu of partition.

15.7 REFERENCE DATE OF AGREEMENT The "Reference Date" of this Agreement is the date referred to in the recorded Declaration as the date of the Agreement. Each authentic page of this Agreement shall bear the Reference Date in its footer, and pages that fail to do so shall not be deemed authentic. Where different versions of a page bear a different Reference Date, the latest version on record in the files of Sirkin Law APC shall be deemed the controlling version.

15.8 EFFECTIVE DATE OF AGREEMENT. The "Effective Date" of this Agreement shall be the date the Agreement is signed by the first person to sign it.

15.9 TERMINATION OF AGREEMENT. This Agreement shall bind the Parties for ninety (90) years or until such time as one (1) of the following events occurs: (i) One hundred percent (100%) of the Property is resold in a single transaction; (ii) The Property is converted to condominiums, ownership of the condominiums is distributed in accordance with this Agreement, and all debts and obligations of the Association are satisfied; (iii) All Owners explicitly agree in writing to no longer be bound by this Agreement; or (iv) This Agreement is superseded or lapses by operation of law.

15.10 AMENDMENT OF AGREEMENT. This Agreement may be amended with Majority Owner Approval except when the affirmative vote of all Owners entitled to vote is required under this Agreement. An amendment must be in writing. The Accounts Manager shall provide a copy of the fully executed Amendment to all Owners Promptly after execution.

15.11 NOT A PARTNERSHIP. This Agreement is not intended to create a partnership or a joint venture. No Party is authorized to act as agent for or on behalf of any other Party, to do any act which would be binding on any other Party, or to incur any expenditures with respect to the Property except as specifically provided in this Agreement. Since the Parties do not intend to create a partnership, pursuant to §761 of the Internal Revenue Code of 1986, as amended, they elect out of sub-chapter K of chapter 1 of that Code and agree to report their respective shares of income, deductions and credits in a manner consistent with the exclusion from sub-chapter K.

15.12 OTHER GENERAL PROVISIONS. This Agreement and the Declaration contain the entire agreement of the Parties relating to any matter regarding the Property. Any prior or contemporaneous written or oral representations, modifications or agreements regarding these matters, including but not limited to those contained in any purchase agreement or preliminary commitment, shall be of no force and effect unless contained in a subsequently dated, written document expressly stating such representation, modification or agreement, signed by one (1) representative of each Owner. In the event any claim is made by any Party relating to any conflict, omission or ambiguity in this Agreement, no presumption or burden of proof or persuasion shall be implied by virtue of the fact that this Agreement was prepared by or at the request of a particular Party or his or her counsel. If any provision of this Agreement or the application of such provision to any person or circumstance shall be held invalid, the remainder of this Agreement or the application of such provision to persons or circumstances other than those to which it is held invalid shall not be affected. Any reference to "days" shall refer to calendar days unless otherwise specifically stated to be "business days".

Except as specifically provided in this Agreement, no Party shall have the right to assign any of his/her rights or to delegate any of his/her duties under this Agreement without the prior written consent of all Owners. Except as specifically provided in this Agreement, a provision of the Agreement shall be waived (i) by an Owner, only when a written document explicitly describing the waiver is signed by one (1) representative of the Owner, and (ii) by the Association, only when a written document explicitly describing the waiver is signed by one (1) representative of each Owner. No waiver by any Owner, or by the Association, of any breach of this Agreement shall constitute a waiver of any subsequent breach of the same or different provision of this Agreement.

Each Party hereby consents to the exclusive jurisdiction of the state and federal courts sitting in California in any action on a claim arising out of, under or in connection with this Agreement or the transactions contemplated by this Agreement. Each Party further agrees that personal jurisdiction over him/her may be effected by service of process by registered or certified mail addressed as provided in this Agreement, and that when so made shall be as if served upon him or her personally within the State of California.

15.13 ATTORNEY FEES. In the event that any dispute between the Parties related to this Agreement or to the Property should result in litigation or arbitration, the prevailing Party in such dispute shall be entitled to recover from the other Party all reasonable fees, costs and expenses of enforcing any right of the prevailing Party, including without limitation, reasonable attorneys' fees and expenses, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered in such action shall contain a specific provision providing for the recovery of reasonable attorneys' fees and costs incurred in enforcing such judgment and an award of prejudgment interest from the date of the breach at the maximum rate allowed by law. For the purposes of this Section: (i) reasonable attorneys' fees shall include, without limitation, fees incurred in the following: (a) post-judgment motions; (b) contempt proceedings; (c) garnishment, levy, and debtor and third-Party examinations; (d) discovery; and (e) bankruptcy litigation; and (ii) prevailing Party shall mean the Party who is determined in the proceeding to have prevailed or who prevails by dismissal, default or otherwise.

15.14 ATTORNEY DISCLOSURES. This Agreement was prepared by an attorney representing all Parties identified on its Effective Date. Each Party understands and acknowledges that his/her interests conflict with the interests of the other Parties and that the attorney preparing this Agreement is unable to adequately represent the interests of any Party individually. The Parties acknowledge that the legal and tax aspects of cotenancy have not yet been fully tested through litigation in the court or tax system. The Parties acknowledge that they have been advised to independently hire economic, tax and legal counsel to evaluate and review the financial, tax and legal consequences of this transaction and this Agreement. The Parties acknowledge that they have either conducted their own independent tax and legal analysis of each of the terms of this Agreement or hereby knowingly waive their right to do so.

15.15 SIGNATURE AND CERTIFICATION. Each Party to this Agreement hereby states that he/she has read and fully understands all the terms and conditions of this Agreement, and that he/she agrees to abide by each and every one of them. Each Party further represents that, to the best of his/her knowledge as of the date he/she signs the Agreement, the information on Exhibit "A" is correct, and no individual or entity not listed on Exhibit "A" to this Agreement has an ownership in the Property or any obligations under the Agreement. Each Party shall assume all of the duties and obligations, and shall be entitled to all the rights and benefits, of his/her assigned Ownership Interest as shown on Exhibit "A."

_____ Date

_____ Date

_____ Date

_____ Date

EXHIBIT "A"
Owner Identities and Unit and Exclusive Use Area Assignments

**TENANCY IN COMMON AGREEMENT
FOR
1325 MASSELIN AVENUE**

IDENTITY	UNIT	PRICE	TITLE %	EXCLUSIVE USE COMMON AREA
				All as shown on the Property Diagram
Owner One:	1	\$	25%	Parking area: P-1
Owner Two:	2	\$	25%	Parking area: P-2
Owner Three:	3	\$	25%	Parking area: P-3
Owner Four:	4	\$	25%	Parking area: P-4

EXHIBIT "B"
Property Diagram

[Begins on Following Page]

1325 Masselin Ave.

Los Angeles, CA 90019



*All sizes are estimates. Information deemed reliable but not guaranteed.

EXHIBIT "C"
Annual Certificate of Validity

TENANCY IN COMMON AGREEMENT FOR 1325 MASSELIN AVENUE

THIS ANNUAL CERTIFICATE OF VALIDITY pertains to property commonly known as 1325 Masselin Avenue, LOS ANGELES, California, ("Property"), for which there exists an Agreement entitled "TENANCY IN COMMON AGREEMENT FOR 1325 MASSELIN AVENUE" dated July 1, 2020 ("Agreement"). The purpose of this Annual Certificate is to maintain an annual record of all changes to the Agreement since its Effective Date, in accordance with Section 8.1 of the Agreement.

1. Changes to Tenancy in Common Agreement.

The Agreement has been amended, altered or otherwise supplemented. Yes _____ No _____

If the Agreement has been amended, altered or supplemented, true and correct copies of all such amending, altering or supplementing documents, including Lender approvals if required by this Agreement, are attached to this Certificate.

2. Changes in assigned Unit, Parking and/or Storage Rights.

Since the Effective Date of the Agreement, no reassignments of Units or Exclusive Use Common Areas have been made, or if there have been reassignments, a true and correct copy of all documents amending the Agreement, including Lender approvals if required by this Agreement, are attached to this Certificate.

3. Changes in Ownership.

Since the Effective Date of the Agreement, Ownership Interests have been transferred. Yes _____ No _____

If yes, an Assumption and Release of Obligations for each transfer is attached to this Certificate.

4. Changes in Non-Owner Occupant.

The following chart accurately lists all Units located in the Property that are not owner-occupied as of the date of this Annual Certificate, the names of all occupants, the rental amount, and the remaining duration of any lease term, or if month to month.

Unit #	Names of All Tenants and Occupants	Rent	Lease End

5. Current List of Owners. A true and correct copy of Exhibit "A" [Or other document] showing all the current Owners, and listing his/her assigned Unit and exclusive use areas, is attached to this Certificate.

In order to validate this Annual Certificate, (i) at least one (1) representative of each Owner and the Accounts Manager must sign below and (ii) the Accounts Manager's signature must be notarized. (Signatures on following page).

THE OWNERS:

_____	_____
DATE	DATE
_____	_____
DATE	DATE
_____	_____
Accounts Manager, Printed Name	Accounts Manager Signature DATE

CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT (Attach here)

EXHIBIT "D"
Assumption and Release of Obligation

**TENANCY IN COMMON AGREEMENT
FOR
1325 MASSELIN AVENUE**

THIS ASSUMPTION AND RELEASE OF OBLIGATIONS pertains to property commonly known as 1325 Masselin Avenue, LOS ANGELES, California, ("Property"). This Assumption and Release of Obligations is entered into between the undersigned parties pursuant to Section 12.2, TRANSFER NOTIFICATION AND SIGNATURE REQUIREMENT, of the "TENANCY IN COMMON AGREEMENT FOR 1325 MASSELIN AVENUE" dated July 1, 2020 ("Agreement"). An interest in the Property, identified in the Agreement as "Owner _____" ("Ownership Interest") is being transferred by _____ ("Seller"), to _____ (collectively, "Buyer"). The full purchase price being paid by Buyer for such interest is _____ DOLLARS, (\$_____).

1. Buyer has read and fully understands all of the terms and conditions of the Agreement, and agrees to abide by each and every one of them. Buyer shall assume all the duties and obligations, and shall be entitled to all the rights and benefits, of the Ownership Interest, and Seller is hereby released from all such duties and obligations and hereby relinquishes all such rights and benefits.
2. Exhibit "A" of the Agreement is replaced and superseded by Exhibit "A" to this Assumption and Release of Obligations.
3. The Accounts Manager certifies that true and correct copies of any Amendment(s) made to the Agreement since its Effective Date and all prior Assumption and Release of Obligations, are attached to this Assumption and Release of Obligations.

ATTACHED: AMENDED EXHIBIT "A"; ALL PRIOR ASSUMPTION & RELEASE OF OBLIGATIONS

Seller DATE

Seller DATE

Buyer DATE

Buyer DATE

Accounts Manager, Printed Name

Accounts Manager, Signature, DATE

**CALIFORNIA ALL-PURPOSE ACKNOWLEDGEMENT
(Attach here)**

