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Recording requested by,
and when recorded mail to:

AMERICAN BEAUTY INVESTMENT CO., a General Partnership
c/o First Financial Group
16830 Ventura Boulevard, Suite 600
Encino, California 91436

DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
ESTABLISHING A PLAN OF CONDOMINIUM OWNERSHIP

THIS DECLARATION is made as of the date set forth below by the undersigned Declarant (defined hereinbelow) and is intended to establish (i) a "condominium project" as defined in California Civil Code Section 1351(f) as to each "Project" (defined hereinbelow) and (ii) a "planned development" as defined in California Civil Code Section 1351(k) as to the "Community Facilities" (defined hereinbelow).

RECITALS:

A. Declarant is fee owner of certain real property located in the unincorporated area of the County of Los Angeles (hereinafter referred to as "said County"), State of California, more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference, which real property shall be the initial Covered Property under this Declaration and which real property Declarant has improved or intends to improve in the manner described in Exhibit "B" attached hereto and incorporated herein by this reference.

B. Pursuant to this Declaration, certain additional real property may from time to time be annexed and become part of the Covered Property.

C. Declarant has deemed it desirable to establish covenants, conditions, restrictions and easements applicable to the Covered Property as hereinafter set forth which will,
..... a general plan of condominium ownership for the

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This document is an exact copy (not prepared by the County Recorder) of a Declaration of Real Property which was recorded in the County Recorder's office of Los Angeles County on 3-29-90 as instrument No. 90-621449

Official Records of Los Angeles County.
Ticor Title Insurance Company of California

By D. Swenson
Title Officer

SUBORDINATION

The undersigned, Beneficiary under Deed of Trust recorded FEBRUARY 27, 1990, as Instrument No. 90-317311, Official Records, Los Angeles County, California, does hereby consent to each and all of the provisions contained in the within instrument and does hereby agree that the lien and charge of said Deed of Trust shall be, and is hereby made, subordinate to, junior to and subject to the attached "Declaration of *Covenants, Conditions and Restrictions Establishing a Plan of Condominium Ownership."

Dated: MARCH 12, 1990.

CITICORP REAL ESTATE, INC., a Delaware corporation, Beneficiary under said Deed of Trust

By: [Signature] DON WATTS
Its Vice President

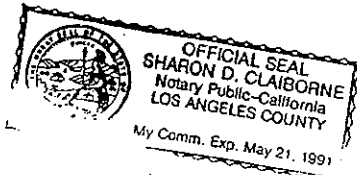
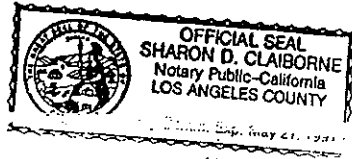
By: _____
Its _____ Secretary

State of California)
County of Los Angeles) SS.

On March 12, 1990, before me, the undersigned, a Notary Public in and for said State, personally appeared Donald G. Watts personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within Certificate as the Vice President, and _____ personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within Certificate as the _____ Secretary, of the corporation that executed the within Certificate and acknowledged to me that such corporation executed the within Certificate pursuant to its Bylaws or a resolution of its Board of Directors.

Witness my hand and official seal.

Sharon D. Claiborne
NOTARY PUBLIC



management of the Covered Property and for the use, occupancy and enjoyment thereof, all for the purpose of enhancing and protecting its value, desirability and attractiveness and the quality of life therein.

D. It is desirable for the efficient management of the Covered Property to create a corporation to which should be delegated and assigned the powers of managing the Covered Property, maintaining and administering the Community Facilities and the Common Area, administering and enforcing the covenants, conditions, restrictions and easements hereinafter set forth, collecting and disbursing funds pursuant to the assessments and charges hereinafter set forth and performing such other acts as shall generally benefit the Covered Property.

E. The Association (defined hereinbelow), a non-profit mutual benefit corporation, has been incorporated under the laws of the State of California for the purpose of exercising the powers and functions as aforesaid.

F. All purchasers of Condominiums within all or that portion of the initial Covered Property designated as the first Project in Exhibit "B" to this Declaration shall be Owners as defined herein and shall thereby automatically become Members of the Association and shall be subject to its powers and jurisdiction. In addition, all purchasers of Condominiums within all or any portion of the Covered Property which has been annexed pursuant to this Declaration and which has been designated as a Project in the Supplementary Declaration applicable to such annexation or elsewhere shall be Owners as defined herein and shall thereby automatically become Members of the Association and shall be subject to its powers and jurisdiction. The Covered Property shall consist of the real property designated as the first Project in Exhibit "B" to this Declaration, Community Facilities comprising a part of the initial Covered Property,

other Projects within real property annexed pursuant to this Declaration and Community Facilities within real property annexed pursuant to this Declaration. Owners of Condominiums within each Project shall share ownership of that Project and the Association shall own all Community Facilities. Except as otherwise expressly provided in this Declaration, the rights, duties and obligations of all Members of the Association must be determined with regard to the entire membership of the Association and not just with regard to those Members who are Owners in any particular Project. The foregoing shall not require Declarant to annex any real property pursuant to this Declaration.

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

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

ARTICLE I

DEFINITIONS

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

Section 1. "Architectural Committee" shall mean and refer to the committee provided for in the Article hereof entitled "Architectural Control."

Section 2. "Articles" and "Bylaws" shall mean and refer to the Articles of Incorporation and Bylaws of the Association as the same may from time to time be duly amended.

Section 3. "Assessments" shall mean and refer to any or all of the following:

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

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

"Reconstruction Assessment" shall mean a charge against each Owner and his Condominium representing a portion of the cost to the Association for reconstruction of any portion or portions of the Covered Property pursuant to the provisions of this Declaration.

"Capital Improvement Assessment" shall mean a charge against each Owner and his Condominium representing a portion of

the cost to the Association for installation or construction of any capital improvements on any portion or portions of the Covered Property which the Association may from time to time authorize pursuant to the provisions of this Declaration.

Section 4. "Association" shall mean and refer to CANYON PARK VILLAGE OWNERS ASSOCIATION, a nonprofit mutual benefit corporation, incorporated under the laws of the State of California, its successors and assigns.

Section 5. "Association Rules" shall mean and refer to rules adopted by the Association pursuant to the Article hereof entitled "Duties and Powers of the Association."

Section 6. "Board" shall mean and refer to the Board of Directors of the Association.

Section 7. "Common Area" shall mean and refer to all portions of the Projects except the Units.

Section 8. "Common Expenses" shall mean and refer to the actual and estimated costs of:

(a) maintenance, management, operation, repair and replacement of the Common Area, Community Facilities and all other areas on the Covered Property which are maintained by the Association (unless repair and replacement is otherwise provided for elsewhere in this Declaration, including the Articles hereof entitled "Destruction of Improvements" and "Eminent Domain");

(b) unpaid Assessments;

(c) maintenance by the Association of areas not within the Covered Property if provided for in this Declaration or pursuant to one or more separate agreements;

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

(e) utilities, trash pickup and disposal, gardening and other services not separately billed to Condominiums which

generally benefit and enhance the value and desirability of the Covered Property;

(f) fire, casualty, liability, workers' compensation and other insurance obtained by the Association covering the Community Facilities, the Common Area and/or the Units;

(g) any other insurance obtained by the Association;

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

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

(j) taxes paid by the Association;

(k) amounts paid by the Association for discharge of any lien or encumbrance levied against the Community Facilities or Common Area, or portions of either thereof;

(l) obligations incurred by committees established by the Board; and

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

Section 9. "Community Facilities" shall mean and refer to all real property and the improvements thereon owned, leased, or controlled from time to time by the Association for the common use and enjoyment of the Members. Upon the date of the first conveyance of a Condominium to an Owner, the Community Facilities shall be that certain property described in Exhibit "B." Any real property denominated as "Community Facilities" in a Supplementary Declaration shall be conveyed or leased to the Association prior to or concurrently with the first conveyance of

a Condominium located within the real property which is annexed to the coverage hereof by such Supplementary Declaration. Declarant shall convey or lease the Community Facilities to the Association free of all liens and encumbrances except current real property taxes (which taxes shall be prorated as of the date of conveyance), title exceptions of record and the covenants, conditions, restrictions and easements contained in this Declaration and the instrument which conveys the Community Facilities to the Association.

Section 10. "Condominium" shall mean and refer to a fractional undivided interest in common with the other Owners within a Project in the Common Area of such Project, together with a separate interest in a Unit and all easements and other interests appurtenant to said fractional undivided interest and/or appurtenant to said Unit. Such fractional undivided interest in common of each Owner is described in Exhibit "B" hereto as to the Project within the initial Covered Property and will be described in a Supplementary Declaration recorded pursuant to the Article hereof entitled "Integrated Nature of the Covered Property" for any Project within an annexed area, if any. Such fractional undivided interest shall not be changed except as provided in the Section entitled "Amendment of Condominium Plan" of the Article hereof entitled "Destruction of Improvements" and the Section entitled "Change of Condominium Interest" of the Article hereof entitled "Eminent Domain."

Section 11. "Condominium Building" shall mean and refer to a separate building containing one or more Units or elements of Units.

Section 12. "Condominium Plan" shall mean and refer to each of those certain condominium plans recorded or to be recorded in the Office of the County Recorder of said County for each Project, and any amendments thereto.

Section 13. "Covered Property" shall mean and refer to all the real property described in Exhibit "A" hereto and, subsequent to the annexation thereof pursuant to the Article hereof entitled "Integrated Nature of the Covered Property," any additional real property which shall become subject to this Declaration.

Section 14. "Declarant" shall mean and refer to AMERICAN BEAUTY INVESTMENT CO., a General Partnership (in this Section referred to as "Original Declarant"), and such of Original Declarant's successors in title to all or a portion of the remainder of the Covered Property as may be designated a "Declarant" in a recorded instrument executed by Original Declarant.

Section 15. "Exclusive Use Common Area" shall mean and refer to, and is hereby designated as, only the following portions of the Common Area and/or Community Facilities, if any (and if any of the following portions of the Common Area and/or Community Facilities do not in fact exist, nothing herein shall be construed as obligating Declarant or any other person or entity to install or construct the same): (i) shutters, awnings, window boxes, doorsteps, stoops, exterior doors, door frames and hardware incident thereto, screens, windows, window frames and hardware incident thereto, window glass, heating, water heating, air-conditioning equipment and other fixtures which are designed to serve a single Unit but which are not a part of such Unit, (ii) those portions of the Common Area and/or Community Facilities which are defined as "Exclusive Use Common Area" by law, (iii) other portions of the Common Area which are defined as "Exclusive Use Common Area" in the Condominium Plan and/or the initial conveyances of Condominiums and which are designed to serve a single Unit but which are not a part of such Unit, and (iv) other portions of the Common Area and/or Community Facilities which are defined as "Exclusive Use Common Area" in a

Supplementary Declaration and which are designed to serve a single Unit but which are not a part of such Unit.

Section 16. "Exhibit" shall mean and refer to those documents so designated herein and attached hereto, and each such Exhibit is by this reference incorporated into this Declaration. As additional property is annexed pursuant to the Article entitled "Integrated Nature of the Covered Property" of this Declaration, Exhibits similar to the Exhibits attached to this Declaration may be attached to such Supplementary Declarations pertaining to the annexed property, and each of such Exhibits shall thereby be incorporated into such Supplementary Declaration.

Section 17. "Final Subdivision Public Report" shall mean and refer to a final report issued by the Department of Real Estate of the State of California pursuant to Section 11018.2 of the California Business and Professions Code or any similar statute then in effect.

Section 18. "First Mortgage" shall mean and refer to a Mortgage which has priority over any other Mortgage encumbering a specific Condominium.

Section 19. "First Mortgagee" shall mean and refer to a Mortgagee under a First Mortgage.

Section 20. "Individual Owner" shall mean and refer to an Owner other than a person or entity defined herein as a "Declarant."

Section 21. "Member" shall mean and refer to every person or entity who qualifies for membership pursuant to the Article hereof entitled "Membership," including Declarant so long as Declarant qualifies for membership pursuant to said Article.

Section 22. "Mortgage" shall mean and refer to any duly recorded mortgage or deed of trust encumbering a Condominium.

Section 23. "Mortgagee" shall mean and refer to the

mortgagee or beneficiary under any Mortgage, or assignee thereof.

Section 24. "Owner" shall mean and refer to one or more persons or entities who are alone or collectively the record owner of a fee simple title to a Condominium, including Declarant, or the vendee of a Condominium under an installment land sales contract, but excluding those having any such interest merely as security for the performance of an obligation.

Section 25. "Project" shall mean and refer to each portion of the Covered Property for which Declarant records a separate Condominium Plan in the office of the County Recorder of said County and which Declarant designates or describes as a Project in this Declaration or in a Supplementary Declaration. A Project is a "condominium project" as defined in Section 1351(f) of the California Civil Code or any similar statute then in effect.

Section 26. "Supplementary Declaration" shall mean and refer to each of those certain declarations of covenants, conditions and restrictions or similar instruments annexing additional property and extending the plan of this Declaration to such additional property as provided in the Article hereof entitled "Integrated Nature of the Covered Property."

Section 27. "Trustee" shall mean and refer to the insurance trustee as more fully described in the Article hereof entitled "Insurance."

Section 28. "Unit" shall mean and refer to the elements of a Condominium not owned in common with the Owners of other Condominiums in a Project. Each Unit shall be defined, identified and designated in the Condominium Plan. In interpreting recorded instruments, including deeds, declarations and plans, the existing physical boundaries of a Unit constructed in substantial accordance with the Condominium Plan of its Project shall be conclusively presumed to be its boundaries

rather than the description expressed in any such recorded instrument, regardless of settling or lateral movement of its Condominium Building and regardless of minor variances between boundaries as shown on any such recorded instrument and those of its Condominium Building as constructed. For purposes of this Declaration, any appurtenant Exclusive Use Common Area forming a part of a Unit shall be treated as if same were a part of such Unit except as otherwise expressly provided in this Declaration.

Section 29. "VA" shall mean and refer to the United States Department of Veterans Affairs or any successor department or agency thereto.

ARTICLE II

MEMBERSHIP

Section 1 - Membership. Every Owner shall be a Member. The terms and provisions set forth in this Declaration which are binding upon all Owners are not exclusive, as Owners shall, in addition, be subject to the terms and provisions of the Articles, Bylaws and Association Rules to the extent the provisions thereof are not in conflict with this Declaration. The membership of an Owner shall be appurtenant to and may not be separated from the interest of such Owner in any Condominium. Ownership of a Condominium shall be the sole qualification for membership; provided, however, a Member's voting rights may be regulated or suspended as provided in this Declaration, the Bylaws or the Association Rules.

Section 2 - Transfer. The membership held by any Owner shall not be transferred, pledged or alienated in any way, except that such membership shall automatically be transferred to the transferee of the interest of an Owner required for membership. Any attempt to make a prohibited transfer is void and will not be reflected upon the books and records of the Association. The Association shall have the right to record the transfer upon the books of the Association without any further action or consent by the transferring Owner.

Section 3 - Voting Rights. Upon the first conveyance by Declarant of a Condominium to an Individual Owner, the Association shall assume control of the Covered Property and commence to perform its obligations hereunder at which time voting rights shall commence as to all Condominiums within the Covered Property. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules.

Section 4 - Classes of Voting Membership. The Association

shall have two (2) classes of voting membership.

Class A. Class A Members shall be all Owners with the exception of Declarant. Class A Members shall be entitled to one (1) vote for each Condominium in which they hold the interest required for membership (except in the case of cumulative voting as provided in the Bylaws). When more than one person owns a portion of the interest in a Condominium required for membership, each such person shall be a Member and the vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium (except in the case of cumulative voting as provided in the Bylaws). The Association shall not be required to recognize the vote or written assent of any such co-Owner except the vote or written assent of the co-Owner designated in a writing executed by all of such co-Owners and delivered to the Association.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium in which it holds the interest required for membership (except in the case of cumulative voting as provided in the Bylaws); provided that the Class B membership shall cease and be converted into Class A membership on the happening of whichever of the following is first in time:

(a) on the second anniversary of the original issuance of the most recently issued Final Subdivision Public Report covering a portion of the Covered Property; or

(b) on the fourth anniversary of the original issuance of the Final Subdivision Public Report covering the initial Covered Property.

Section 5 - Special Voting Rights. Notwithstanding the provisions of this Article, so long as there are two (2) classes of membership, Declarant holds or controls at least fifty-one

percent (51%) of the total voting power of the Association, then Members other than Declarant shall, by a majority of the total votes held by them, among themselves elect one (1) of the directors. Said director so elected may only be removed by majority vote of Members other than Declarant.

Section 6 - Approval of Members.

(a) Simple Majority Required Unless Otherwise Specified. Unless a greater than simple majority of the membership is specified as being required in this Declaration or in the Articles or the Bylaws, or in any contract executed by the Association, any provision of this Declaration or the Articles or the Bylaws, or any contract executed by the Association, requiring the vote or written assent of the membership shall be deemed to require a simple majority thereof.

(b) Majority of Quorum Suffices Unless Otherwise Specified. Unless reference is specifically made to "total" voting power or "total" votes in this Declaration or in the Articles or the Bylaws, or in any contract executed by the Association (as is the case of the Section entitled "When Approval of Classes and Categories of Members Required" of this Article), any provision of this Declaration or the Articles or the Bylaws, or any contract executed by the Association, requiring the vote or written assent of a simple or specified majority of the voting power of the membership shall be deemed satisfied by the following:

(i) The vote of the simple or specified majority of a quorum of Members present at a meeting duly called and noticed pursuant to the provisions of the Bylaws dealing with annual or special meetings of the Members; or

(ii) A writing or writings signed by said simple or specified percentage of a quorum of members.

and, for purposes hereof, the quorum shall be the quorum required at an initially held meeting of Members rather than the quorum required at an adjourned meeting of Members.

Section 7 - When Approval of Classes and Categories of Members Required. Association approval required by any of the following provisions of this Declaration shall require (i) approval of a majority of the total voting power of the Association and (ii) approval of a majority of the total voting power of the Association residing in Members other than Declarant: the Section entitled "Capital Improvement Assessments" of the Article hereof entitled "Covenant for Assessments," and the Section entitled "General Limitations and Restrictions on the Powers of the Board" of the Article hereof entitled "Duties and Powers of the Association"; provided, however, as long as there is a Class B membership, Association approval required by any of said provisions shall instead require approval of a majority of the total voting power held by the Class A Members and approval of a majority of the total voting power held by the Class B Member.

ARTICLE III

COVENANT FOR ASSESSMENTS

Section 1 - Creation of Lien and Personal Obligation for Assessments. Each Owner, including Declarant to the extent Declarant is an Owner as defined herein, of any Condominium, by acceptance of a deed or other instrument creating in such Owner the interest required to be deemed an Owner, whether or not it shall be so expressed in any such deed or other instrument, is deemed to covenant and agree to pay to the Association: Regular Assessments, Special Assessments, Capital Improvement Assessments and Reconstruction Assessments, such Assessments to be fixed, established and collected from time to time as provided in this Declaration. The Assessments, together with all "Additional Amounts" (as such quoted term is defined in the Section entitled "Delinquency" of the Article hereof entitled "Nonpayment of Assessments") shall, upon recordation of a Notice of Delinquent Assessments in the office of the County Recorder of said County as described in the Section entitled "Notice of Delinquent Assessments" of the Article hereof entitled "Nonpayment of Assessments," become a lien upon the Condominium against which each such Assessment is made. Each such Assessment, together with all Additional Amounts, shall also be the personal obligation of the Owner of such Condominium at the time the Assessment becomes due. The personal obligation shall not pass to the successors in title of an Owner unless expressly assumed by such successors.

Section 2 - Purpose of Assessments. The Assessments levied by the Association shall be used exclusively for the purposes of promoting the recreation, health, safety and welfare of the Members, the management, maintenance, care, preservation, protection and architectural control of the Covered Property, enhancing the utility and value in the Covered Property and the

value of the Covered Property including, without limitation, the improvement and maintenance of the properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Community Facilities and Common Area, or in furtherance of any other duty or power of the Association.

Section 3 - Regular Assessments. Not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of each fiscal year, the Board shall distribute to each Member a pro forma operating statement or budget for the upcoming fiscal year which shall, among other things, estimate the total Common Expenses to be incurred for such fiscal year. The Board shall at that time determine the amount of the Regular Assessment to be paid by each Member. Each Member shall thereafter pay to the Association his Regular Assessment in installments as established by the Board. Each such installment shall be due and payable on a date established by the Board in the written notice sent to Members. In the event the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all Common Expenses for any reason, it shall then immediately determine the approximate amount of such inadequacy and issue a supplemental estimate of the Common Expenses and determine the revised amount of the Regular Assessment against each Member, and the date or dates when due.

Section 4 - Capital Improvement Assessments. In addition to Regular Assessments, the Association may levy in any fiscal year a Capital Improvement Assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction or replacement (other than due to destruction) of a described capital improvement on the Common Area, Community Facilities and/or the Units, including any necessary fixtures and personal property related thereto, to the extent the same is not otherwise provided for by the provisions imposing Reconstruction Assessments of

the Article hereof entitled "Destruction of Improvements." The Association shall not impose Capital Improvement Assessments in any fiscal year which in the aggregate exceed five percent (5%) of the estimated Common Expenses for that fiscal year, as set forth in the Section of this Article entitled "Regular Assessments," without the approval of a majority of the total voting power of the Association. Any reserves forming a part of Common Expenses and collected by the Association for the future maintenance and repair of the Community Facilities and Common Area, or any portion thereof, shall not be included in determining said limitation. All amounts collected as Capital Improvement Assessments may only be used for capital improvements and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Said funds shall not be commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members.

Section 5 - Uniform Assessments. Regular and Capital Improvement Assessments shall be fixed at an equal amount for each Condominium and may be collected at intervals selected by the Board.

Section 6 - Copies of Documents; Statement of Delinquencies. Upon the written request of an Owner, the Board shall, within ten (10) days of the mailing or delivery to it of such request, provide such Owner with (i) copies of this Declaration, the Articles, Bylaws and Association Rules, as the same may have been amended and/or supplemented as of the date of such request, (ii) a copy of the most recent financial statement distributed pursuant to Section 1365 of the California Civil Code or any similar statute then in effect, and (iii) a true statement from an authorized representative of the Association setting forth the amount of any Assessments or installments thereof

levied against the Owner's Condominium which are unpaid on the date of the statement together with the amounts of all "Additional Amounts" (as such quoted term is defined in the Section entitled "Delinquency" of the Article hereof entitled "Nonpayment of Assessments") which are or may be made a lien upon the Owner's Condominium pursuant to the Section entitled "Notice of Delinquent Assessments" of the Article hereof entitled "Nonpayment of Assessments" as of the date of the statement. The Board may impose a fee for providing such copies and preparing such statement which shall not exceed the reasonable cost to reproduce such copies and prepare such statement. Each statement furnished pursuant to this Section entitled "Copies of Documents; Statement of Delinquencies" shall be prima facie evidence of the facts therein set forth.

Section 7 - Exempt Property. The following property subject to this Declaration shall be exempt from Assessments: (i) all properties dedicated to and accepted by a public authority, and (ii) all properties and property rights comprising Community Facilities. Notwithstanding the foregoing, no real property or improvements subject to this Declaration and devoted to residential dwelling use shall be exempt from Assessments; provided, however, that nothing herein shall be construed as accelerating the date on which the payment of Assessments commence as specified in the Section entitled "Date of Commencement of Assessments" of this Article.

Section 8 - Special Assessments. Special Assessments shall be levied by the Board against a Condominium and its Owner to reimburse the Association for:

(a) costs incurred in bringing an Owner and his Condominium into compliance with the provisions of this Declaration, the Articles, Bylaws or Association Rules;

(b) any other charge assigned as a Special

Assessment in this Declaration, the Articles, Bylaws or Association Rules; and

(c) "Additional Amounts" (as such quoted term is defined in the Section entitled "Delinquency" of the Article hereof entitled "Nonpayment of Assessments").

In the event the Association undertakes to provide materials or services which benefit individual Units and which can be accepted or not by individual Owners, such Owners, in accepting such materials or services, agree that the costs thereof shall be a Special Assessment.

Section 9 - Date of Commencement of Assessments. Regular and other Assessments as to Condominiums within the initial Covered Property shall commence as to all such Condominiums on the first day of the month following the conveyance of the first Condominium therein by Declarant to an Individual Owner. Regular and other Assessments as to Condominiums in each annexed area, if any, shall commence as to all Condominiums within each such annexed area on the first day of the month following the conveyance of the first Condominium therein by Declarant to an Individual Owner.

Section 10 - Reduction or Abatement of Regular Assessments. In the event the amount budgeted to meet Common Expenses for a particular fiscal year proves to be excessive in light of the actual Common Expenses, the Board in its discretion may either reduce the amount of the Regular Assessments or may abate collection of Regular Assessments as it deems appropriate. Nothing in this Section shall require the Board either to abate or reduce the Regular Assessments. Notwithstanding the foregoing, neither an abatement nor a reduction in Regular Assessments shall be permitted so long as Declarant is possessed with or controls a majority of the total voting power of the Association or the Board.

Section 11 - No Offsets. All Assessments shall be payable in the amount specified by the Assessment and no offsets against such amount shall be permitted for any reason, including, without limitation, (i) a claim that the Association is not properly exercising its duties and powers as provided in this Declaration; (ii) a Member has made or elects to make no use of the Common Area or Community Facilities; or (iii) any construction or maintenance performed pursuant to the Section entitled "Assumption of Maintenance Obligations" of the Article entitled "Repair and Maintenance" of this Declaration shall in any way postpone Assessments or entitle a Member to claim any such offset or reduction.

Section 12 - Homestead Waiver. Each Owner, to the extent permitted by law, does hereby waive, to the extent of any liens created pursuant to this Declaration, whether such liens are now in existence or are created at any time in the future, the benefit of any homestead or exemption laws of the State of California now in effect, or in effect from time to time hereafter.

Section 13 - Reserves. Regular Assessments shall include reasonable amounts collected as reserves for the future periodic maintenance, repair or replacement of the Community Facilities and Common Area, or for any other purpose as determined by the Board. All amounts collected as reserves, whether pursuant to this Section or otherwise, shall be deposited by the Board in a separate bank account or accounts to be held in trust for the respective purposes for which they are collected. Said amounts must be segregated from and not commingled with any other funds of the Association. Such reserves shall be deemed a contribution to the capital account of the Association by the Members.

Section 14 - Subsidy Agreement. In the event Declarant has

entered into a subsidy agreement with the Association, and in the further event that the California Department of Real Estate has not disapproved such subsidy agreement after the same has been submitted to it, then certain of the obligations under this Declaration may be varied to the extent set forth in such subsidy agreement, if any.

Section 15 - Limitations on Certain Increases in Regular and Special Assessments. Any provision of this Declaration to the contrary notwithstanding, the Board shall not in any fiscal year of the Association, without the vote or the written consent of all Members holding votes constituting a majority of a "quorum" (as such quoted term is defined in this Section), levy a Regular Assessment per Condominium which is more than twenty percent (20%) greater than the Regular Assessment per Condominium for the immediately preceding fiscal year of the Association. Any provision of this Declaration to the contrary notwithstanding, the Board shall not in any fiscal year of the Association, without the vote or the written consent of Members holding votes constituting a majority of a "quorum" (as such quoted term is defined in this Section), levy a Special Assessment against each Condominium which, when aggregated as to all Condominiums, exceeds five percent (5%) of the Common Expenses of the Association for such fiscal year; provided, however, this limitation shall not apply to Special Assessments which are levied for the purpose of bringing a Member and his Condominium into compliance with the provisions of this Declaration, the Article, Bylaws and/or Association Rules. For purposes of this Section, a "quorum" is defined as Members holding fifty-one percent (51%) of the total voting power of the Association. The foregoing to the contrary notwithstanding, the Board may increase Regular Assessments and Special Assessments which are subject to the foregoing limitations in an "emergency situation" which is

defined as any one of the following: (i) an extraordinary expense required by order of court; (ii) an extraordinary expense necessary to repair or maintain the Common Area, Community Facilities or any other property for which the Association is responsible where a threat to personal safety on the Common Area, Community Facilities or on such other property is discovered; and (iii) an extraordinary expense necessary to repair or maintain the Common Area, Community Facilities or any other property for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget (however, prior to the imposition and collection of an Assessment under this Subsection (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the Members with the notice of the Assessment).

Section 16 - Capitalization of Association. Upon acquisition of record title to a Condominium, each Owner shall contribute to the capital of the Association an amount equal to one-sixth (1/6) of the amount of the then annual Regular Assessment for that Condominium. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association or, if Declarant has contributed said amount to the Association for and on behalf of such buyer, to Declarant. Amounts paid pursuant to this Section entitled "Capitalization of Association" shall not be considered as advance payment of Regular, Special or other Assessments of the Association and are in addition to and not in lieu of the Regular, Special and all other Assessments of the Association.

Section 17 - Additional Limitations. Any provisions of this Declaration to the contrary notwithstanding, the Association

shall not impose an Assessment, penalty or fee that exceeds the amount necessary for the purpose or purposes for which it is imposed or levied.

ARTICLE IV

NONPAYMENT OF ASSESSMENTS

Section 1 - Delinquency. Any installment of any Assessment provided for in this Declaration which is not paid when due shall be delinquent fifteen (15) days thereafter (the "delinquency date"). If any installment of any such Assessment is not paid by the delinquency date, a late charge of Ten Dollars (\$10.00) shall be levied and the installment of such Assessment shall bear interest from and after fifteen (15) days after the delinquency date at the rate of twelve percent (12%) per annum. The Association may, at its option, and without waiving the right to judicially or nonjudicially foreclose its lien against the Condominium, pursue any available remedies, including, without limitation, the bringing of an action at law against the Member personally obligated to pay the same and/or upon compliance with the provisions set forth in the Section entitled "Notice of Delinquent Assessments" of this Article foreclose a lien against the Condominium; provided, however, that with respect to the collection of Special Assessments or installments thereof levied for the purpose of bringing an Owner and his Condominium into compliance with the provisions of this Declaration, the Articles, Bylaws or Association Rules, the only remedies available to the Association shall either be to judicially foreclose its lien therefor against the Owner and his Condominium or, without waiving its right to judicially foreclose such lien, to bring an action against the Member personally obligated to pay the same as aforesaid. If an action at law is commenced, there shall be added to the amount of such installment of such Assessment the following (hereinafter in this Article referred to collectively as the "Additional Amounts"): the late charge as above provided, interest thereon at the rate specified above, and reasonable costs incurred in collecting such installment including

reasonable attorneys' fees; and, in the event a judgment is obtained, such judgment shall include the Additional Amounts. Each Member vests in the Board, acting on behalf of the Association or its assigns, the exclusive right and power to bring all actions at law or lien foreclosures against such Member for the collection of such delinquent Assessments or installments thereof.

Section 2 - Notice of Delinquent Assessments. The amount of any delinquent Assessment or installment thereof plus the Additional Amounts shall be a lien on the Owner's Condominium from and after the time the Board, acting for and on behalf of the Association, causes to be recorded in the office of the County Recorder of said County a Notice of Delinquent Assessments which Notice of Delinquent Assessments shall set forth (i) the amount of all delinquent assessments or installments thereof then due together with all Additional Amounts thereon, (ii) the name of the record owner of the Condominium against which the lien is imposed, and (iii) if such lien is to be enforced by nonjudicial foreclosure, the name and address of the trustee authorized by the Board, acting for and on behalf of the Association, to enforce the lien by sale. The Notice of Delinquent Assessments may be signed by any two (2) officers of the Association or any two (2) members of the Board.

Section 3 - Foreclosure Sale. Any lien created pursuant to the Section entitled "Notice of Delinquent Assessments" of this Article may be enforced in any manner permitted by law including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessments, or sale by a trustee substituted therefor pursuant to Section 2934a of the California Civil Code or any similar statute then in effect. Any sale by the trustee shall be conducted in accordance with the provisions of Sections 2924, 2924b and 2924c of the California Civil Code or any similar

statutes then in effect applicable to the exercise of powers of sale in mortgages and deeds of trust. The Association, through the Board or through the Association's duly authorized agent, shall have the power to bid on the Condominium being sold at any foreclosure sale using Association funds or funds borrowed for such purpose, and to acquire and hold, lease, mortgage and convey such Condominium.

Section 4 - Curing of Default. Upon payment of the sums specified in the Notice of Delinquent Assessments, the Association shall cause to be recorded a further notice stating the satisfaction and release of the lien thereof.

ARTICLE V

ARCHITECTURAL CONTROL

Section 1 - Architectural Approval. No building, fence, wall or other structure shall be commenced or maintained upon the Covered Property, nor shall any exterior addition to, change or alteration in or painting or landscaping of any ground, surface or structure upon the Covered Property be made until plans and specifications shall have been submitted to and approved in writing by an Architectural Committee, initially to be appointed by Declarant. The Architectural Committee shall consist of three (3) persons. All such plans and specifications shall be submitted in writing over the signature of the Owner or such Owner's authorized agent. Approval shall be based, among other things, upon conformity of external design, conformity with such rules and regulations as may be adopted by the Architectural Committee in accordance with this Article and conformity of the plans and specifications to the purpose, general plan and intent of this Declaration.

Section 2 - Exclusive Appointment Period. During the period of time ending on the first anniversary of the date of original issuance by the California Department of Real Estate of a Final Subdivision Public Report covering the initial Covered Property (the "Exclusive Appointment Period"), Declarant shall have the exclusive right to appoint members to, remove members and their successors from, and fill vacancies on, the Architectural Committee. In furtherance thereof, Declarant hereby appoints the following persons to the Architectural Committee during the Exclusive Appointment Period:

Jack Shine

David Bock

John Morrisette

Section 3 - Non-Exclusive Appointment Period. During the

period commencing with the expiration of the Exclusive Appointment Period and ending upon the happening of whichever of the following is first in time (the "Non-Exclusive Appointment Period"): (i) when sales of ninety percent (90%) of the Condominiums within the Covered Property have been closed, or (ii) on the fifth anniversary of the date of original issuance by the California Department of Real Estate of a Final Subdivision Public Report covering the initial Covered Property, or (iii) upon recordation by Declarant in the office of the County Recorder of said County of an instrument relinquishing its rights of appointment during the Non-Exclusive Appointment Period, Declarant shall have the exclusive right to appoint two (2) members to, remove said two (2) members and their successors from, and fill vacancies created by said two (2) members and their successors on, the Architectural Committee. In furtherance thereof, Declarant hereby appoints the following persons to the Architectural Committee during the Non-Exclusive Appointment Period:

Jack Shine

David Bock

The third member of the Architectural Committee who shall serve during the Non-Exclusive Appointment Period shall be appointed by the Board.

Section 4 - Expiration of Non-Exclusive Appointment Period.

Upon expiration or termination of the Non-Exclusive Appointment Period, the Board shall appoint all three (3) members of the Architectural Committee.

Section 5 - Membership.

Persons appointed to the Architectural Committee by Declarant need not be Members or possess any other particular qualifications, but persons appointed to the Architectural Committee by the Board must be Members or persons appointed by Declarant to serve on

the Architectural Committee.

Section 6 - Appointment and Resignation. No appointment to or resignation from the Architectural Committee shall become effective until an instrument evidencing same has been recorded in the office of the County Recorder of said County; provided, however, the third above named appointee of Declarant during the Exclusive Appointment Period, or his successor appointed by Declarant, shall automatically cease to be a member of the Architectural Committee upon expiration of the Exclusive Appointment Period; and provided, further, all appointees of Declarant during the Non-Exclusive Appointment Period shall automatically cease to be members of the Architectural Committee upon expiration or termination of the Non-Exclusive Appointment Period.

Section 7 - Failure to Approve or Disapprove Plans and Specifications. In the event the Architectural Committee, or its representatives designated in accordance with Section entitled "Appointment and Delegation" of this Article, fails either to approve or disapprove plans and specifications within thirty (30) days after the same have been submitted to it, it shall be conclusively presumed that the Architectural Committee has approved such plans and specifications. All improvement work approved or deemed approved by the Architectural Committee shall be diligently completed and constructed in accordance with the approved plans and specifications.

Section 8 - No Liability. Neither Declarant, the Association, the Board, the Architectural Committee nor the members or designated representatives thereof shall be liable in damages or otherwise to anyone submitting plans and specifications to them for approval, or to any Owner affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance in being all of or in connection with the approval or

disapproval or failure to approve or disapprove any such plans and specifications or for any defect in any improvements constructed from such plans and specifications. Such plans and specifications are not approved for engineering design. Every person who submits plans and specifications to the Architectural Committee for approval agrees, by submission of such plans and specifications, and every Owner agrees, that he will not bring any action or suit against Declarant, the Association, the Architectural Committee or any of the members or designated representatives thereof to recover any such damages.

Section 9 - Notice of Noncompliance or Noncompletion.

Notwithstanding anything to the contrary contained herein, after the expiration of the later of: (i) one (1) year from the date of issuance of any required building permit by any municipal or other governmental authority for any improvements, or (ii) one (1) year from the date of the taking of any action which might not otherwise be in compliance with the requirements of this Article entitled "Architectural Control," said improvements or such action shall, in favor of purchasers and encumbrancers in good faith and for value, be deemed to be in compliance with all provisions of this Article, unless actual notice of such noncompliance or noncompletion, executed by the Architectural Committee or its designated representatives, shall appear of record in the office of the County Recorder of said County, or unless legal proceedings shall have been instituted to enforce compliance or completion.

Section 10 - Rules and Regulations.

The Architectural Committee may from time to time, in its sole discretion, adopt, amend and repeal reasonable rules and regulations interpreting and implementing the provisions hereof and establishing reasonable architectural standards for the Covered Property.

Section 11 - Variances. where circumstances such as

topography, location, property lines or other matters require, the Architectural Committee may allow reasonable variances as to any of the covenants, conditions or restrictions contained in this Declaration under the jurisdiction of such Committee on such terms and conditions as it shall require; provided, however, that all such variances shall be in keeping with the general plan for the improvement of the Covered Property.

Section 12 - Appointment and Delegation. The Architectural Committee may from time to time delegate any of its rights or responsibilities hereunder to one or more duly licensed architects who shall have full authority to act on behalf of the Architectural Committee in all matters delegated.

Section 13 - Review Fee and Address. All plans and specifications required by the Section entitled "Architectural Approval" of this Article shall be submitted in writing for approval together with a reasonable processing fee not to exceed One Hundred Dollars (\$100.00). The address of the Architectural Committee is as follows:

16830 Ventura Boulevard, Suite 600

Encino, California 91436

or such other place as may from time to time be designated by the Architectural Committee by a written instrument recorded in the office of the County Recorder of said County; and the last instrument so recorded shall be deemed the Architectural Committee's proper address. Such address shall be the place for the submittal of plans and specifications and the place where the current rules and regulations, if any, of the Architectural Committee shall be kept.

Section 14 - Inspection. Any member or agent of the Architectural Committee may from time to time at any reasonable hour or hours and upon reasonable notice enter and inspect any property subject to the jurisdiction of the Architectural

ARTICLE VI

DUTIES AND POWERS OF THE ASSOCIATION

Section 1 - General Duties and Powers. In addition to the duties and powers enumerated in its Articles and Bylaws or elsewhere provided for herein, and without limiting the generality thereof, the Association shall have the specific duties and powers specified in this Article.

Section 2 - General Duties of the Association. The Association through the Board shall have the duty and obligation:

(a) to enforce the provisions of this Declaration, the Articles, Bylaws and Association Rules by appropriate means and carry out the obligations of the Association hereunder and thereunder, including collection of Assessments and foreclosure of the liens therefor;

(b) to maintain and otherwise manage the following:

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

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

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

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

(d) to obtain and pay for the benefit of the Common Area and Community Facilities, and for the benefit of Condominiums when they are not separately billed therefor, water, gas, electricity and other utilities and services;

(e) to establish and maintain working capital and contingency funds and asset replacement accounts;

(f) to cause the heating equipment (including any solar heating equipment) used to heat any swimming pools and spas within the Community Facilities and/or the Common Area of the initial Covered Property to be properly maintained and to cause gas, water, electricity and chemicals to be supplied to any such swimming pools and spas and the related equipment thereof so that such swimming pools and spas are available for use year-round (unless the Members determine by vote or written consent to make any such pool and/or spa available for use for any lesser period(s) of time), subject, however, to the right of the Board

(i) to curtail usage of swimming pools and/or spas during certain hours of a day, and (ii) to determine the temperatures of swimming pools and spas;

(g) to cause the heating equipment (including any solar heating equipment) used to heat any swimming pools and spas within the Community Facilities and/or the Common Area of the Covered Property other than the initial Covered Property to be properly maintained and to cause gas, water, electricity and chemicals to be supplied to any such swimming pools and spas and the related equipment thereof so that such swimming pools and spas are available for use during the months of May through and including October of each calendar year (unless the Members determine by vote or written consent to make any such pool and/or spa available for use for any greater or lesser period(s) of time or unless otherwise provided in a Supplementary Declaration), subject, however, to the right of the Board (i) to

hereof entitled "Covenants for Assessments" which has not been disapproved by the California Department of Real Estate after the same has been submitted to it.

(b) incurring aggregate expenditures for capital improvements to the Covered Property in any fiscal year in excess of five percent (5%) of the estimated Common Expenses for that fiscal year as set forth in the Article hereof entitled "Covenant for Assessments."

(c) selling any real or personal property of the Association in any fiscal year with a fair market value which in the aggregate exceeds five percent (5%) of said estimated Common Expenses for that fiscal year.

(d) paying compensation to directors or to officers of the Association for services performed in the conduct of the Association's business; provided, however, the Board may cause a director or officer to be reimbursed for expenses.

Section 5 - Association Rules. The Board shall also have the power to adopt, amend and repeal such rules and regulations as it deems reasonable (the "Association Rules") which may include the establishment of a system of fines and penalties enforceable as Special Assessments, all as provided in the Bylaws. The Association Rules shall govern matters in furtherance of the purposes of the Association and other matters specified in this Declaration, including, without limitation, the conduct of persons within the Covered Property and the use of the Common Area and Community Facilities; provided, however, that the Association Rules may not discriminate among Owners (except that special Association Rules may be adopted with respect to children), and shall not be inconsistent with this Declaration, the Articles or Bylaws. A copy of the Association Rules as they may from time to time be adopted, amended or repealed or a notice setting forth the adoption, amendment or repeal or specific

all or a portion of the maintenance or other functions now within the responsibility of the Association;

(e) unless otherwise provided by a governmental entity, to provide trash pickup and disposal service for the benefit of the Owners and their Condominiums;

(f) to negotiate and enter into such contracts with First Mortgagees and Mortgage insurers and guarantors as may be necessary or desirable to facilitate the availability of loans secured by Mortgages within the Covered Property;

(g) to cause such Board resolutions to be adopted as may be required in connection with financing pursuant to "Cal Vet Contracts" in order to reflect the fact that such contracts are superior in right to the liens for Assessments created by this Declaration to the same extent as First Mortgages are superior thereto (for purposes hereof, a "Cal Vet Contract" shall mean and refer to an installment sales contract as to a Condominium entered into under and pursuant to Article 3.1, Chapter 6, Division 4 of the California Military and Veterans Code whereunder the Department of Veterans Affairs of the State of California is Seller); and

(h) to assign, rent or license any unassigned parking and storage spaces, if any, upon such terms as it deems appropriate.

Section 4 - General Limitations and Restrictions on the Powers of the Board. In addition to the limitations and restrictions enumerated in the Articles and Bylaws, or elsewhere provided for herein, and without limiting the generality thereof, the Board shall be prohibited from taking any of the following action without the approval of a majority of the total voting power of the Association:

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

curtail usage of swimming pools and/or spas during certain hours of a day, and (ii) to determine the temperatures of swimming pools and spas;

(h) to make available to any prospective purchaser of a Condominium, any First Mortgagee, and the holders, insurers and guarantors of any First Mortgage, copies of the Declaration (including all amendments thereto), Articles (including all amendments thereto), Bylaws (including all amendments thereto), rules governing the Covered Property and all amendments thereto (including the Association rules and all amendments thereto) and all other books, records and financial statements of the Association. "Available" as used in this Subsection (h) shall mean at least available for inspection upon request during normal business hours or under reasonable circumstances; and

(i) to manage all of the Projects and the Community Facilities.

Section 3 - General Powers of the Association. The Association through the Board shall have the power but not the obligation:

(a) to employ a manager or other persons and contract with independent contractors or managing agents who have professional experience in the management of residential developments similar to the Covered Property to perform all or any part of the duties and responsibilities of the Association;

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

(c) to borrow money as may be needed in connection with the discharge by the Association of its powers and duties;

(d) to establish in cooperation with any governmental entity a special tax assessment district for the performance of

exceptions:

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

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

(iii) a lease arrangement for any common laundry fixtures and equipment, if any, of not to exceed five (5) years in duration; provided, however, that the lessor under any such agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(iv) agreements for cable television services and equipment and/or, if otherwise permitted by this Declaration, satellite dish television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more;

(v) agreements for sale or lease of burglar alarm and/or fire alarm equipment, installation and/or services of not to exceed five (5) years duration provided that the suppliers are not entities in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more; and

(vi) a subsidy agreement as described in the Section entitled "Subsidy Agreements" of the Article

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

Section 6 - Delegation of Powers. The Board and the Association shall have the right to delegate to a management agent and to committees, officers, employees or other agents any of their duties and powers under this Declaration, the Articles and Bylaws; provided, however, no such delegation other than to the Architectural Committee shall relieve the Board or Association of its obligation to perform such delegated duty.

Section 7 - Pledge of Assessment Rights. The Association shall have the power to pledge the right to exercise its Assessment powers in connection with the obtaining of funds to repay a debt of the Association; provided, however, any such pledge shall require the prior approval of not less than seventy-five percent (75%) of the voting power of the Association. Said power shall include, but not be limited to, the ability to make an assignment of Assessments which are then payable to or will become payable to the Association, which assignment may be then ~~presently effective~~ but shall allow said Assessments to continue

to be paid to and used by the Association as set forth in this Declaration unless and until the Association shall default in the repayment of the debt which is secured by said assignment. The Board may levy a Special Assessment against the Members to obtain such funds. Upon the failure of any Member to pay said Special Assessment within thirty (30) days of its due date, the Board may resort to all remedies of the Association for the collection thereof, including those set forth in the Article hereof entitled "Nonpayment of Assessments." Notwithstanding the foregoing, any pledge of Assessments shall require the prior written approval of seventy-five percent (75%) of the First Mortgagees based on one (1) vote for each First Mortgage held.

Section 8 - Emergency Powers. The Board or any person authorized by the Board may enter any Unit in the event of an emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owner as practicable, and any damage caused thereby shall be repaired by the Association unless covered by insurance carried by the Owner.

ARTICLE VII

REPAIR AND MAINTENANCE

Section 1 - Repair and Maintenance by Association. Except to the extent that an Owner may be obligated to maintain and repair as hereinafter provided in this Article and without limiting the generality of the statement of duties and powers contained in this Declaration, the Articles, Bylaws or Association Rules, the Association shall have the duty to accomplish the following upon the Covered Property or other land in such manner and at such times as the Board shall prescribe:

(a) maintain, repair, restore, replace and make necessary improvements to, and, as to landscaped areas, irrigate, plant and landscape, the Common Area and Community Facilities (including but not limited to open space thereof, parkways thereof and lighting fixtures and equipment thereof along or within walkways thereof) so that the same are at all times and continuously in a safe, sanitary and first-class condition and good state of repair;

(b) without limiting the generality of Subsection (a), maintain, repair, restore, replace and make necessary improvements to the exterior surfaces of all Condominium Buildings and the outside non-glass surfaces of all exterior doors, to include the painting thereof;

(c) maintain, repair, restore, replace, make necessary improvements to, irrigate and landscape the parkway and landscaping within any parkway areas, median areas and other areas in the immediate vicinity of the Covered Property and whether located within or outside of the Covered Property to the extent required by said County or any agency, department or district thereof, or as may be described in the Condominium Plan to be maintained by the Association;

(d) maintain, repair, restore, replace, make

necessary improvements to, irrigate and landscape such other property as may be described in any Supplementary Declaration to the extent specified therein;

(e) without limiting the generality of Subsection (a), maintain, repair, restore, replace, make necessary improvements to all drainage structures and facilities and sewer facilities serving the Covered Property to the extent required by said County; and

(f) pay out of the general funds of the Association the costs of any such maintenance and repair pursuant to this Section, except as otherwise in this Declaration specified as payable by the particular Owners and except as otherwise provided in the Articles hereof entitled "Destruction of Improvements" and "Eminent Domain."

Section 2 - Repair and Maintenance by Owner. Except as otherwise provided in the Section entitled "Special Maintenance by Association" of this Article and in other Articles of this Declaration, every Owner shall at his sole cost and expense:

(a) maintain, repair, replace and restore all portions of his Unit, including without limitation, the interior walls, ceilings, floors and doors in a clean, sanitary and attractive condition and also including Exclusive Use Common Area appurtenant thereto, provided, however, with respect to any balcony area element of his Unit, an Owner shall only be required to sweep and clean certain surfaces bounding the same as described in Subsection (e), below, and any such balcony area element shall otherwise be maintained, repaired, replaced and restored by the Association at its expense;

(b) repair and replace all window glass for his own Unit, and Owners shall be responsible for the interior and exterior cleaning of such window glass;

(c) maintain in an open and unobstructed condition all

sewer and drainage pipes and lines serving his own Unit between the points at which same enter said Unit and the points at which same join other sewer and drainage pipes and lines serving other Units;

(d) maintain, replace, repair and restore the water heating, air-conditioning and heating equipment which serve only his own Unit; and

(e) clean and sweep surface areas (other than exterior building surfaces) bounding any balcony area element of his Unit.

Section 3 - Damage from Within a Unit. Except to the extent covered by insurance carried by the Association, in the event the Board shall determine that the walls, ceilings, floors, doors, or windows or any other portion of the Common Area forming the boundaries of a Unit have been damaged from within the Unit, notwithstanding that such damage may be to the Common Area, the Owner of the Unit shall be responsible for repairing such damage in a timely manner and in accordance with such rules as the Board or Architectural Committee shall from time to time adopt.

Section 4 - Right of Association to Maintain and Install. In the event that an Owner fails to accomplish any maintenance or installation required by this Article, the Association or its agents may, but shall not be obligated, to cause such maintenance or installation to be accomplished as hereinafter set forth:

(a) Upon a finding by the Board of a deficiency in such maintenance or installation, the Board shall give notice of such deficiency to the Owner which shall briefly describe the deficiency to the Owner and which shall set a date for a hearing before the Board or a committee selected by the Board for such purpose. The Board may delegate its powers under this Subsection to a duly appointed committee of the Association.

(1) Such hearing shall be held not less than ten (10)

nor more than thirty (30) days from the date of said notice.

(c) Such hearing shall be conducted according to such reasonable rules and procedures as the Board shall adopt which shall provide the Owner with the right to present oral and written evidence and to confront and cross-examine any person offering at such hearing evidence adverse to such Owner. If the Board or any such committee renders a decision against the Owner, it shall further set a date by which the deficiency is to be corrected by the Owner. A decision of such committee may be appealed to the Board within ten (10) days after the rendering thereof, but a decision of the Board shall be final.

(d) If the deficiency continues to exist after the time limitation imposed by a final decision of the Board or any such committee, the Board or such committee may cause such maintenance or installation to be accomplished.

(e) In the event the Board or such committee elects to cause such maintenance or installation to be accomplished, the following shall apply:

(i) the Owner shall have no more than ten (10) days following the receipt of written notice of such election from the Board or such committee to select a day or days upon which such maintenance or installation work shall be accomplished;

(ii) the date which said Owner selects shall be not less than fifteen (15) days nor more than forty-five (45) days following the last day of said ten (10) day period;

(iii) if said Owner does not select such day or days within said ten (10) day period, the Board or such committee may select a day or days upon which such work may be accomplished which shall be not less than twenty-five (25) days nor more than fifty-five (55)

days from the last day of said ten (10) day period; and
(iv) unless the Owner and the Board otherwise agree, such maintenance or installation shall take place only during daylight hours on any day Monday through Friday, excluding holidays.

(f) If the Association pays for all or any portion of such maintenance or installation, such amount shall be a Special Assessment to the affected Owner and Condominium. Upon the failure of any Owner to pay said Special Assessment within thirty (30) days of its due date, the Board may resort to all remedies of the Association for the collection thereof, including those set forth in the Article hereof entitled "Nonpayment of Assessments."

Section 5 - Right of Entry. The Association shall have the right to enter any Unit in connection with any maintenance, repair or construction in the exercise of the powers and duties of the Association. In addition, in the case of an emergency threatening damage to persons or property, the Association and Owners shall have the right to enter any Unit in order to abate such condition. No person entering a Unit pursuant to this Section shall be deemed guilty of a trespass thereby.

Section 6 - Maintenance of Public Utilities. Nothing contained herein shall require or obligate the Association to maintain, replace or restore facilities of public utilities which are located within easements in the Common Area or Community Facilities owned by such public utilities. However, the Board shall take such steps as are necessary or convenient to ensure that such facilities are properly maintained, replaced or restored by such public utilities.

Section 7 - Assumption of Maintenance Obligations. Declarant and its subcontractors, and the agents and employees of the same, shall have the right to come upon the Common Area and

Community Facilities to complete the construction or installation of any landscaping or other improvements to be installed thereupon. In the event that any of Declarant's subcontractors are contractually obligated to maintain the landscaping and/or other improvements upon any portion of the Common Area and/or Community Facilities, such maintenance shall not be assumed by the Association until the termination of such contractual obligation. If any excess of Assessments collected over actual Common Expenses incurred by the Association is caused by reason of construction or maintenance pursuant to this Section, or otherwise, such excess shall be placed in reserve to offset the future expenses of the Association in any manner designated by the Board.

Section 8 - Owner's Responsibility for Damage to Common Area or the Community Facilities. Except to the extent the Association may carry insurance to cover such risks, every Owner upon demand of the Board shall reimburse the Association for all costs incurred resulting from any damage to the Common Area or the Community Facilities caused by his negligence or willful misconduct or the negligence or willful misconduct of occupants of his Condominium or his guests or invitees. If such Owner shall fail or refuse to pay such amount to the Association within thirty (30) days after such demand for payment from the Board, the Board, acting on behalf of the Association, may resort to all remedies herein or by law provided for the collection of said amount, including the levying of a Special Assessment therefor against such Owner and his Condominium in accordance with the provisions of the Article hereof entitled "Nonpayment of Assessments."

Section 9 - Special Maintenance by Association. Any provision of this Article to the contrary notwithstanding, the Association shall maintain, landscape and/or irrigate at its

expense, or pay for all or a portion of the maintenance, landscaping and/or irrigation of, all areas, facilities, equipment, services or aesthetic components of whatsoever nature and whether located within or outside the Covered Property as may from time to time be requested by the vote or written consent of two-thirds (2/3) of the voting power of the Members.

Section 10 - Exclusive Use Common Area. Any provision of this Article to the contrary notwithstanding, except as provided in the Articles hereof entitled "Destruction of Improvements" and "Eminent Domain," each Owner shall maintain at his expense all Exclusive Use Common Area appurtenant to his Unit.

ARTICLE VIII

INSURANCE

Section 1 - Types. The Association shall obtain and maintain in effect the following types of insurance:

(a) A Comprehensive Public Liability insurance policy insuring the Association and the Owners against liability incident to the ownership or use or maintenance of the Common Area, Community Facilities, other areas which the Association is required to maintain, and including, if reasonably obtainable, a cross-liability endorsement insuring each insured against liability to each other insured. Such comprehensive liability insurance policy may be obtained as a separate policy or in combination with the insurance described in Subsection (b), next. In either case, the limits of such liability insurance shall not be less than One Million Dollars (\$1,000,000.00) under a combined single limit for each occurrence applicable both to death or injury involving one or more persons and to property damage. Such liability insurance shall also contain the broadest extensions of liability coverages reasonably available, but not excluding personal injury liability, blanket contractual liability, host liquor liability and non-owned automobile liability provisions.

(b) A master or blanket policy of insurance for the full replacement value, without deduction for depreciation, of all of the improvements of the Covered Property. Such policy shall be issued upon an "All Risk" basis excluding earthquake and flood perils with respect to building(s) and improvements and shall also contain "Replacement Cost," "Stipulated Amount" and "automatic increase (Inflationary Guard)" endorsements. Such policy may, if reasonably available, also contain a determinable cash adjustment provision, or equivalent endorsement, to permit a cash settlement covering the full value of the improvements in

the event of the destruction of improvements and a decision not to rebuild pursuant to the Article hereof entitled "Destruction of Improvements." Subject to compliance with the foregoing, and the requirements of the First Mortgagees, such policy shall be in such amounts as shall be determined by the Board pursuant to the Section of this Article entitled "Annual Insurance Review" and shall name as insureds the Association and Declarant, so long as Declarant is an Owner. All Mortgagees shall also be covered as their respective interests may appear. Such policy shall also contain a loss payable provision in favor of the Trustee (hereinafter described) or the Board, as applicable.

(c) Fidelity coverage against dishonest acts on the part of directors, officers, employees or volunteers who handle or who are responsible for handling the funds of the Association, and such fidelity bonds shall name the Association as obligee, shall be written in an amount which is not less than the estimated maximum of funds, including reserves in the custody of the Association or a management agent at any given time during the term of such fidelity bond; provided, however, such fidelity bond shall not be less than a sum equal to three (3) months aggregate installments Regular Assessments for all Condominiums plus reserves in the custody of the Association or a management agent at any given time during the term of such fidelity bond. Such fidelity bond shall, if reasonably available, contain waivers of any defense based on the exclusion of persons who serve without compensation or from any definition of "employee" or similar expression.

Section 2 - Waiver by Members. All insurance obtained by the Association shall be maintained by the Association for the benefit of the Association, the Owners and the Mortgagees as their respective interests may appear. As to each of said policies which will not be voided or impaired thereby, the Owners

hereby waive and release all claims against the Association, the Board, other Owners, the Declarant and agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only.

Section 3 - Other Insurance. The Board shall purchase and maintain in effect workers' compensation insurance to the extent required by law for all employees of the Association. The Board shall also purchase and maintain in effect insurance on personal property owned by the Association. The Board may, and if required by any First Mortgagee shall, purchase and maintain in effect earthquake insurance, flood insurance, plate glass insurance, officers and directors liability (errors and omissions) insurance and/or demolition insurance (in an adequate amount to cover demolition in the event of a total or partial destruction and a decision not to rebuild), as well as any other insurance as the Board deems necessary or as is required by any First Mortgagee. Whenever in this Article insurance coverage is to be obtained if reasonably available, the Board shall make such determination as to reasonable availability.

Section 4 - Premiums, Proceeds and Settlement. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance carried by the Association shall be a Common Expense to be included in the Regular Assessments levied by the Association. Hazard insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried, or otherwise disposed of as provided in the Article hereof entitled "Destruction of Improvements." The Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) directors of the Association may

sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and the Members.

Section 5 - Annual Insurance Review. The Board shall annually review all insurance policies described in this Article with respect to the adequacy, type and quality of insurance coverages in force, as well as the quality and financial stability of the insurance carriers providing the coverages, and shall either amend existing insurance policies or shall purchase such other or additional insurance as it deems necessary or appropriate to protect the interests of the Owners, the Mortgagees and the Association. In making such determination, due consideration should be given by the Board to fluctuations in construction costs during inflationary periods and to any new risks or exposures which affect the interests of the Owners, the Mortgagees and the Association.

Section 6 - Trustee. Except as provided below, all insurance proceeds payable under Subsection (b) of the Section entitled "Types" of this Article shall be paid to a Trustee. The Trustee shall hold, distribute and expend such proceeds for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear, pursuant to the provisions of the Article hereof entitled "Destruction of Improvements." The Trustee shall be appointed by the Board and shall be a commercial bank, or branch thereof, or a trust company in said County which has agreed in writing to accept such trust. When proceeds from a single claim do not exceed Ten Thousand Dollars (\$10,000.00), such proceeds shall be paid to the Association to be used as provided in the Article hereof entitled "Destruction of Improvements." The foregoing notwithstanding, in the event the Board fails to appoint a Trustee or determines that the use of a Trustee is not practical, then all proceeds shall be paid to the

Board and the members thereof shall collectively act in the place and stead of such Trustee.

Section 7 - Individual Casualty Insurance Prohibited.

Except as expressly provided in the Section of this Article entitled "Rights of Owners to Insure," no Owner shall separately insure his Condominium or any part thereof against loss by fire or other casualty covered by any insurance carried under Subsection (b) of the Section entitled "Types" of this Article. Should any Owner violate this provision, and should any loss intended to be covered by insurance carried by the Association occur, and the proceeds payable thereunder be reduced by reason of insurance carried by any Owner, such Owner pay the amount of such reduction to the Trustee or Board, as applicable, for application by the Trustee or Board, as applicable, to the same purposes as the reduced proceeds are to be applied. In the event that such Owner has failed to pay such amount within thirty (30) days of a written demand therefor by the Trustee or Board, the Board may levy a Special Assessment against such Owner and his Condominium for such amount. In the event such Special Assessment is not paid within thirty (30) days of its due date, the Board may resort to all remedies of the Association for the collection thereof, including those set forth in the Article hereof entitled "Nonpayment of Assessments."

Section 8 - Rights of Owners to Insure. Notwithstanding any other provisions of this Article, an Owner shall be permitted to insure his personal property against loss by fire or other casualty and may carry public liability insurance covering his individual liability for damage to persons or property occurring inside his Unit. In addition, any improvements made by an Owner to his Unit may be separately insured by such Owner provided such insurance shall be limited to the type and nature of coverage commonly known as "improvements" coverage. All such

policies as may be carried by an Owner shall contain waivers of subrogation of claims against the Association, the Board, other Owners, Declarant and the agents and employees of each of the foregoing, with respect to any loss covered by such insurance, whether or not caused by negligence of or breach of any agreement by said persons, but to the extent of insurance proceeds received in compensation for such loss only; provided, however, such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association.

Section 9 - Required Waiver. All policies of physical damage insurance shall provide for waiver of the following rights to the extent such waivers are obtainable from the respective insurers:

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

Condominium; and

(g) any right to require any assignment of any Mortgage to the insurer.

Section 10 - Overriding Insurance Requirements.

Notwithstanding any other provision of this Article:

(a) as to the Community Facilities, the Association shall continuously maintain in effect fire and extended insurance coverage on a current replacement cost basis in an amount which is at least one hundred percent (100%) of the insurable value of the improvements thereof (based upon current replacement cost);

(b) the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity requirements for condominium projects established by the Federal National Mortgage Association ("FNMA") and the Government National Mortgage Association so long as either is a Mortgagee or Owner of a Condominium within the Covered Property, except to the extent such coverage is not available or has been waived in writing by the FNMA or the Government National Mortgage Association; and

(c) except as otherwise required by Subsections (a) and (b) of this Section entitled "Overriding Insurance Requirements," in the event the Board determines that any insurance coverages, parties to be insured, endorsements, beneficiary or insured designations or other requirements of this Article are unavailable or cannot be obtained or met without placing an unreasonable financial burden upon the Association, then and in that event the Association need not obtain the same or comply with the same.

ARTICLE IX

DESTRUCTION OF IMPROVEMENTS

Section 1 - Automatic Reconstruction. In the event of partial or total destruction of a Condominium Building or Buildings within the same Project, the Board shall promptly take the following action:

(a) The Board shall ascertain the cost of reconstruction by obtaining fixed price bids from at least two (2) reputable contractors, including the obligation to obtain a performance bond if the Board deems the same to be necessary or appropriate, and by obtaining one (1) or more independent appraisals if the Board deems such appraisal or appraisals to be necessary or desirable.

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

(c) The Board shall meet and determine whether the insurance proceeds, if any, will cover eighty-five percent (85%) or more of the estimated cost of reconstruction as determined pursuant to Subsection (a) of this Section, or whether the portion of the estimated cost not covered by insurance is less than One Hundred Fifty Dollars (\$150.00) per Condominium within the Project in which such Condominium Building or Buildings are located. Such percentage covered by insurance or such cost shall hereinafter be referred to as the "Acceptable Range of Reconstruction Cost." If the Board finds that a bid obtained under this Section is within the Acceptable Range of Reconstruction Cost, the Board shall cause a notice to be sent to all Owners of Condominiums in the Project within which the partially or totally destroyed Condominium Building or Buildings are located (hereinafter in this Article the "affected Owners")

and to the First Mortgagees of Mortgages encumbering Condominiums in said Condominium Building or Buildings setting forth such findings and informing said affected Owners and said First Mortgagees that the Board intends to commence reconstruction pursuant to this Declaration. In the event that at least twenty percent (20%) of the affected Owners, based on one (1) vote for each Condominium, and all First Mortgagees of Mortgages encumbering Condominiums in said Condominium Building or Buildings object in writing to such reconstruction as indicated in such notice, the Board shall call a meeting of the affected Owners and all First Mortgagees pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article. In the event that the foregoing requirements are satisfied and the requisite number of affected Owners and all First Mortgagees of Mortgages encumbering Condominiums in said Condominium Building or Buildings do not object in writing to such reconstruction, (i) the Trustee, if the Board is not acting in its place and stead, shall pay such insurance proceeds as are available to the Board and the Board shall cause reconstruction to take place as promptly as practicable thereafter, or (ii) the Board, if it is acting in the place and stead of the Trustee, shall cause reconstruction to take place as promptly as practicable thereafter. Proceeds paid by the Trustee to the Board shall be disbursed from time to time by the Trustee to the Board against receipt by the Trustee of such evidence as it shall reasonably require that persons or entities who are entitled to assert mechanics lien claims in connection with such reconstruction will have delivered adequate lien and payment releases upon payment to them by the Board. In connection with such reconstruction, the Board shall levy a Reconstruction Assessment against each affected Owner based upon the ratio of the square footage of the interior dwelling area of the Unit of such Owner's Condominium to

the total square footage of the interior dwelling areas of all Units of all Condominiums of all such affected Owners at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds.

(d) If the Board in good faith determines that none of the bids submitted under this Section reasonably reflects the anticipated reconstruction costs, the Board shall continue to attempt to obtain an additional bid which it determines reasonably reflects such costs. Such determination shall be made by the Board as soon as possible. However, if such determination cannot be made within ninety (90) days of the date of such destruction because of the unavailability or unacceptability of an insurance estimate or reconstruction bid, or otherwise, the Board shall immediately call a meeting of the affected Owners and all First Mortgagees pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article.

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

Section 2 - Reconstruction Pursuant to Meeting. If reconstruction is not to take place pursuant to the Section entitled "Automatic Reconstruction" of this Article, as soon as practicable after same has been determined the Board shall call a meeting of the affected Owners and all First Mortgagees by mailing a notice of such meeting to each such affected Owner and each such First Mortgagee. Such meeting shall be held not less

than fourteen (14) days and not more than twenty-one (21) days after the date of such notice. The affected Owners may, by a vote at such meeting or by the written consent of not less than sixty-six and two-thirds percent (66-2/3%) of the affected Owners based on one (1) vote for each Condominium, determine to proceed with such reconstruction; provided, however, reconstruction must take place unless a determination is made not to proceed therewith by seventy-five percent (75%) of all First Mortgagees under First Mortgages encumbering Condominiums in all Projects in the Covered Property based upon one (1) vote for each First Mortgage held thereby.

Section 3 - Decision to Reconstruct; Procedure After Meeting. In the event that the Association undertakes reconstruction pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article, the following shall apply:

(a) Immediately after such meeting, the Board shall send a notice to each First Mortgagee of a Condominium in a totally or partially destroyed Condominium Building or Buildings, which notice shall advise of the decision to undertake reconstruction. The Board shall also send a true copy of each such notice to the Trustee unless the Board is acting in the place and stead of the Trustee.

(b) As to all insurance proceeds received, (i) the Trustee, if the Board is not acting in its place and stead, shall pay same to the Board, and the Board shall apply same to reconstruction undertaken by the Association pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article, or (ii) the Board, if it is acting in the place and stead of the Trustee, shall apply same to reconstruction undertaken by the Association pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article. Proceeds paid by the Trustee to the Board shall be disbursed from time to

time by the Trustee to the Board against receipt by the Trustee of such evidence as it shall reasonably require that persons or entities who are entitled to assert mechanics lien claims in connection with such reconstruction will have delivered adequate lien and payment releases upon payment to them by the Board.

(c) In connection with such reconstruction, the Board shall levy a Reconstruction Assessment against each affected Owner based upon the ratio of the square footage of the interior dwelling area of the Unit of such affected Owner's Condominium to the total square footage of the interior dwelling areas of all Units of all Condominiums of all such affected Owners at such time and in such amount as the Board shall determine is necessary to cover the costs of reconstruction in excess of insurance proceeds.

Section 4 - Decision Not to Reconstruct; Procedure After Meeting. In the event a decision is made not to reconstruct at the meeting called pursuant to the Section entitled "Reconstruction Pursuant to Meeting" of this Article, the Trustee or Board, as applicable, shall apply the insurance proceeds as follows:

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

(b) All insurance proceeds allocable to a Condominium remaining after payments to Mortgages thereof pursuant to

Subsection (a) of this Section shall be distributed by the Trustee or Board, as applicable, to the Owner of each such Condominium after deduction of an amount determined pursuant to Subsection (c) of this Section.

(c) The Board shall levy a Reconstruction Assessment against each affected Owner based upon the ratio of the square footage of the interior dwelling area of the Unit of such Owner's Condominium to the total square footage of the interior dwelling areas of all Units of all Condominiums of all such affected Owners in such amount as the Board shall determine is necessary to cover the costs of clearing the debris of the totally or partially destroyed Condominium Building or Buildings and clearing the area in excess of insurance proceeds. The Reconstruction Assessment of the Owner of each partially or totally destroyed Condominium shall be paid out of the insurance proceeds allocable to the respective Condominium of such Owner prior to the distribution of such proceeds pursuant to Subsection (b) of this Section. In the event that the allocable insurance proceeds, after deduction of proceeds paid to Mortgagees, is not sufficient to pay the entire Reconstruction Assessment levied against such Owner, such Owner shall not be relieved of his obligation to pay any such excess.

(d) For the purposes of this Article, the amount of insurance proceeds "allocable" to a Condominium shall be determined pursuant to this Subsection (d). Such allocation shall be made by the insurance carrier or by the Board in accordance with the following procedure and shall be final and binding on the Owners, the Mortgagees, the Association and the Trustee: the insurance carrier or the Board shall allocate a fractional portion of such proceeds among each of the Condominiums in the Project within which the partially or totally destroyed Condominium Building or Buildings are located the

numerator of which fractional portion is the decrease in value of the Unit of each such Condominium (as determined by appraisals obtained by the insurance carrier or Board, as applicable, made by independent MAI appraiser as of a time before and as of a time after the occurrence of such destruction and, if made by the Board, paid for out of, or charged against, such proceeds) and the denominator of which fractional portion is the total decrease in value of all Units of all such Condominiums in such Project (as determined by reference to all of said appraisals so made). Such allocation made by the insurance carrier or Board shall be final and binding on the Owners, the Mortgagees, the Association and the Trustee.

Section 5 - Certificate of Intention to Reconstruct.

In the event the Association undertakes reconstruction pursuant to this Article, the Board shall, not later than two hundred ten (210) days from the date of destruction, execute, acknowledge and record in the office of the County Recorder of said County a certificate declaring the intention of the Association to rebuild. If no such certificate of reconstruction is so recorded within said two hundred ten (210) day period, it shall be conclusively presumed that the Association has determined not to undertake reconstruction pursuant to this Article.

Section 6 - Partition. In the event that a certificate described in the Section entitled "Certificate of Intention to Reconstruct" of this Article is not recorded within the two hundred ten (210) day period provided therein, the right of any Owner to partition the Project in which his Condominium is located through legal action as described in the Article hereof entitled "Limitations Upon the Right to Partition and Severance" shall forthwith revive.

Section 7 - Compliance with Condominium Plan. Any reconstruction undertaken pursuant to this Article shall

substantially conform to the Condominium Plan for the Project in which such destruction occurred, as amended pursuant to the Section entitled "Amendment of Condominium Plan" of this Article, or otherwise, if appropriate.

Section 8 - Negotiations with Insurer. The Board shall have full authority to negotiate in good faith with representatives of the insurer of any totally or partially destroyed Condominium Building or any other portion of the Common Area or with any insurer of any portion of the Community Facilities, and to make settlements with the insurer for less than full insurance coverage on the damage to such Condominium Building or any other portion of the Common Area or any other portion of the Community Facilities. Any settlement made by the Board in good faith shall be binding upon all Owners and Mortgagees.

Section 9 - Repair of Units. Except to the extent covered by insurance carried by the Association, installation of improvements to, and repair of any damage to, the interior of a Unit shall be made by and at the individual expense of the Owner of that Unit and, in the event of a determination to reconstruct after partial or total destruction, shall be completed as promptly as practicable and in a lawful and workmanlike manner.

Section 10 - Amendment of Condominium Plan. In the event reconstruction is to take place pursuant to this Article, the Board shall have the power to record an amendment to the Condominium Plan so that such Condominium Plan conforms to the improvements of any affected Project as designed to be reconstructed; provided, however, the Board shall not record an amendment to such Condominium Plan without the same having been executed and acknowledged by all parties required by Section 1351 of the California Civil Code or any similar statute then in effect.

Section 11 - Destruction in Several Projects. In the event

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

Section 12 - Reconstruction of Community Facilities and Common Area. If improvements to the Community Facilities or to the Common Area other than a Condominium Building are totally or partially destroyed, the Board shall cause reconstruction to commence by the earlier of (i) thirty (30) days after the Association's receipt of the insurance proceeds payable by reason of such destruction, or (ii) ninety (90) days after such destruction, such reconstruction thereafter to be diligently and continuously prosecuted to completion within a reasonable period of time. The Trustee, if the Board is not serving in its place and stead, shall pay to the Board all insurance proceeds payable by reason of such destruction and the Board shall apply such proceeds to the costs of reconstruction; otherwise, the Board shall apply such proceeds to the costs of reconstruction. Proceeds paid by the Trustee to the Board shall be disbursed from time to time by the Trustee to the Board against receipt by the Trustee of such evidence as it shall reasonably require that persons or entities who are entitled to assert mechanics lien claims in connection with such reconstruction will have delivered adequate lien and payment releases upon payment to them by the Board. In the event that the insurance proceeds are not sufficient to pay the costs of reconstruction of such improvements to the Community Facilities, the Board shall levy a uniform Reconstruction assessment against all Owners in all Projects in a total amount equal to such difference. In the event that the insurance proceeds are not sufficient to pay the costs of reconstruction of such improvements to the Common Area, the Board shall levy a uniform Reconstruction Assessment against

all Owners in the Project which suffered such damage to its Common Area in a total amount equal to such difference. If the insurance proceeds exceed the cost of reconstruction of a Project's Common Area, the Board shall distribute the excess in equal shares to each Owner in such Project or to their respective Mortgagees as their interests may appear; and in the case of Community Facilities, to each Owner in each Project or to their respective Mortgagees as their interests may appear.

Section 13 - Availability of Labor and Material. In determining whether the plans for a reconstructed Condominium Building are in substantial conformance with the Condominium Plan, the Board may take into consideration the availability and expense of the labor and materials in the original construction of the Project. If such labor or materials is not available or is prohibitively expensive at the time of reconstruction, the Board may permit the substitution of such other labor or materials as it deems proper.

Section 14 - Contracting for Reconstruction. In the event repair or reconstruction is undertaken pursuant to this Article, other than the Section entitled "Repair of Units" hereof, the Board or its delegates shall have the sole authority to contract for such work as may be necessary for said repair or reconstruction.

Section 15 - Seventy-Five Percent (75%) Vote Required. All insurance proceeds available from any total or partial destruction shall be applied as set forth in this Article, except upon the vote or written assent of not less than seventy-five percent (75%) of the First Mortgagees of all Condominiums in all Projects based on one (1) vote for each First Mortgage held thereby.

Section 16 - Costs of Collecting Insurance Proceeds. If it should become necessary in the judgment of the Board to incur

costs for appraisals, legal fees, court costs and similar expenses in order to determine or collect insurance proceeds, such costs shall be first deducted before distribution or application of insurance proceeds as provided in this Article.

Section 17 - Priority. Nothing contained in this Article shall entitle an Owner to priority over any Mortgagee under a Mortgage encumbering his Condominium as to any portion of insurance proceeds allocated to such Condominium.

ARTICLE X

EMINENT DOMAIN

Section 1 - Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of the Covered Property.

Section 2 - Representation by Board in Condemnation Proceeding. In the event of a taking, the Board shall, subject to the right of all Mortgagees who have made a request to join the Board in the proceedings, represent all of the Members in an action to recover all awards. No Member shall challenge the good faith exercise of the discretion of the Board in fulfilling its duties under this Article. The Board is further empowered, subject to the limitations hereof, to act as the sole representative of the Members in all aspects of the condemnation proceedings, and the award or proceeds of settlement (herein both of which are referred to as the "award") shall be payable to the Association; provided, however, the Board shall not be entitled to be the representative of the VA Administrator.

Section 3 - Procedure on Taking. In the event of a taking of Condominiums, the Board shall distribute the award forthcoming from the taking authority according to the provisions of this Section after deducting therefrom fees and expenses related to the condemnation proceedings including, without limitation, fees for attorneys and appraisers and court costs. In the event the taking is by judgment of condemnation and said judgment apportions the award among the Owners and their respective Mortgagees, the Board shall distribute the amount remaining after such deductions among such Owners and Mortgagees on the basis of the apportionment set forth in such judgment. In the event the taking is by sale under threat of condemnation, or if the judgment of condemnation fails to apportion the award, the Board

shall allocate and distribute a fractional portion of the award to each of the Owners in the Project in which the taking occurs and their respective Mortgagees determined as follows: the Board shall allocate (and thereafter distribute) a fractional portion of the award among such Condominiums the numerator of which fractional portion is the decrease in value of the Unit of each such Condominium (as determined by appraisals obtained by the Board made by an independent MAI appraiser as of a time before and as of a time after the taking and paid for out of, or charged against, the award) and the denominator of which fractional portion is the total decrease in value of all Units of all Condominiums in such Project (as determined by reference to all of said appraisals so made). Such allocation and distribution made by the Board shall be final and binding on the Owners and the Mortgagees. In no event shall any portion of such award be distributed by the Board to an Owner and/or the Mortgagees of his Condominium in a total amount greater than the portion allocated hereunder to such Condominium.

Section 4 - Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 5 - Revival of Right to Partition. Upon a taking which renders the Units of more than fifty percent (50%) of the Condominiums in any Project incapable of being restored to at least ninety-five percent (95%) of their floor area and substantially their condition prior to the taking, the right of any Owner within such Project to partition through legal action as described in the Article hereof entitled "Limitations Upon the Right to Partition and Severance" shall forthwith revive. The determination as to whether the Units of Condominiums partially taken are capable of being so restored shall be made by the Board, whose decision shall be final and binding on all Owners

and Mortgagees.

Section 6 - Awards for Members' Personal Property and Relocation Allowances. Where all or part of the Covered Property is taken, each Member shall have the exclusive right to claim all of the award made for his personal property, and any relocation expense, moving expense or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, the Board shall represent each Member in an action to recover all awards with respect to such portion, if any, of Members' personal property as is at the time of any taking, as a matter of law, part of the real estate comprising any Condominium, and shall allocate to such Member so much of any award as is attributable in the taking proceedings, or failing such attribution, attributable by the Board to such portion of Members' personal property.

Section 7 - Notice to Members. The Board, immediately upon having knowledge of any taking or threat thereof with respect to the Covered Property, or any portion thereof, shall promptly notify all Members.

Section 8 - Change of Condominium Interest. In the event of a taking, the Board shall have the power to record an amendment to the Condominium Plan to reflect the change in any affected Project to the extent it is affected by such taking; provided, however, the Board shall not record an amendment to such Condominium Plan without the same having been executed and acknowledged by all parties required by Section 1351 of the California Civil Code or any similar statute then in effect.

Section 9 - Award for Certain Common Area and Community Facilities. Any awards received on account of the taking of the Common Area exclusive of Condominium Buildings and/or the taking of the Community Facilities shall be distributed by the Association to each Owner and his Mortgagee pro rata in

proportion to the value of each such Owner's Condominium as determined by an MAI appraisal obtained by the Board and paid for out of such proceeds and made as of a time immediately prior to the time such taking occurs. The rights of an Owner and the Mortgagee of his Condominium as to such pro rata distribution shall be governed by any applicable provisions of the Mortgage encumbering such Condominium.

Section 10 - Priority. Nothing contained in this Article shall entitle an Owner to priority over any Mortgagee under a Mortgage encumbering his Condominium as to any portion of any proceeds received in connection with a taking.

ARTICLE XI

USE RESTRICTIONS

Section 1 - Limitations Upon All Use Restrictions. Each and all of the provisions of this Article shall be subject to the rights of, and shall in no way limit the rights of, Declarant as set forth in the Subsection entitled "Construction and Sales" of the Section entitled "Certain Rights and Easements Reserved to Declarant" of the Article hereof entitled "Easements" and as set forth in the Section entitled "Construction by Declarant" of the Article hereof entitled "General Provisions." This Section may not be modified or eliminated without the prior written approval of Declarant.

Section 2 - Commercial Use. Unless otherwise approved by the Board, no portion of the Covered Property, including Units, shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, to be used for any business, commercial, manufacturing, mercantile, storing, vending, or any nonresidential purposes; provided, however, (i) nothing herein shall be construed as prohibiting oil drilling, oil development operations, oil refining, quarrying or mining operations, or related activities, so long as the same are conducted in accordance with the Section entitled "Oil and Mineral Rights" of this Article, (ii) nothing herein shall prevent an Owner from leasing his Condominium provided such leasing complies with the Section entitled "Leases" of the Article hereof entitled "General Provisions," and (iii) nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property including, without limitation, the use of Units as models.

Section 3 - Signs. No sign of any kind shall be displayed to the public view on or from any portion of the Covered Property

without the approval of the Architectural Committee. Notwithstanding the foregoing, (i) "PRIVATE DRIVEWAY AND FIRE LANE" areas as shown upon any final map of the Covered Property shall be continually posted with "No Parking" signs in accordance with all applicable requirements of said County, (ii) one sign of reasonable dimensions advertising a Condominium for sale or for rent may be placed within the Covered Property at a location which the Board has approved by the Owner thereof or by his agent, and (iii) nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property including, without limitation, the use of all forms of signs, flags, markers and sales devices, and, in this regard, Declarant shall not be subject to the restriction set forth in (ii), above, but may place signs, flags, markers and sales devices anywhere within the Covered Property subject, however, to the time limitations set forth in Subsection (b) of the Section entitled "Certain Rights and Easements Reserved to Declarant" of the Article hereof entitled "Easements."

Section 4 - Offensive Activity. No noxious or offensive activity shall be carried on upon the Covered Property, nor shall anything be done thereon which might be or become an annoyance or nuisance to occupants within the Covered Property, which shall in any way interfere with the rights of quiet enjoyment of occupants within the Covered Property or which shall in any way increase the rate of any insurance. No item of personal property which does not belong to the Association shall be placed within or permitted to remain within the Community Facilities without the consent of the Board. No Owner or occupant shall engage in activity within the Covered Property which is in violation of any law, ordinance, statute, rule or regulation of any local, county, state or federal body. Nothing herein shall be construed as

preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property.

Section 5 - Temporary Structures. No structure or building of a temporary character, including a tent or shack, shall be placed upon the Covered Property or used therein unless the same and its proposed use are approved by the Architectural Committee. Nothing herein shall be construed as preventing Declarant from using temporary structures or trailers for construction and/or sales purposes or engaging in all forms of construction and sales activities within the Covered Property.

Section 6 - Parking. No recreational vehicle, including a truck, trailer, van or camper (including a camper shell), and no boat, motorcycle or bicycle, shall be parked anywhere within the Covered Property other than within a garage in such fashion so that the door thereof will close and is closed. Passenger motor vehicles not included within the items mentioned in the first sentence of this Section entitled "Parking" may be parked within garages and, subject to regulation by the Board, open parking spaces of the Covered Property; provided, however, parking within areas posted with "No Parking" signs shall be prohibited. The foregoing notwithstanding, temporary parking of any type of vehicle, item or thing specified by the Board, including those mentioned in the first sentence of this Section entitled "Parking," shall be permitted in any parking spaces designated by the Board (but which, in any event, are not posted with "No Parking" signs). For purposes hereof, "temporary parking" shall mean parking by Owners and occupants, and invitees of Owners and occupants, of specified types of vehicles, items and things (specified by the Board) for periods of time not in excess of those specified by the Board, parking of delivery trucks, service vehicles and other commercial vehicles being used in the

furnishing of goods and services to the Association or to Owners and occupants for periods of time not in excess of those specified by the Board, and parking of vehicles belonging to and being used by Owners, occupants and invitees for loading and unloading purposes for periods of time not in excess of those specified by the Board; provided, however, the Board may designate other types of parking as "temporary parking." The Board may adopt rules applicable to the provisions of this Section entitled "Parking" (including temporary parking), including the assessment of charges to Owners and occupants who violate, or whose invitees violate, such rules. Any charges so assessed shall be Special Assessments. Nothing herein shall be construed as preventing Declarant from parking anywhere within the Covered Property or using temporary structures or trailers for construction and/or sales purposes or engaging in all forms of construction and sales activities within the Covered Property.

Section 7 - Garages. Garages shall be used only for the parking purposes described in the Section of this Article entitled "Parking," for the storing of household goods of Owners and occupants and for such other purposes as may be permitted by the Board; provided, however, nothing shall be stored within a garage which prevents it from be used as a means of parking therein the number of motor vehicles it was designed to contain. No garage door shall be permitted to remain open except for purposes of entering a garage, exiting therefrom, cleaning or maintaining a garage and performing emergency repairs therein. The Board may adopt rules for the regulation of the provisions of this Section entitled "Garages," including the assessment of charges to Owners and occupants who violate, or whose invitees violate, such rules. Any charges so assessed shall be Special Assessments.

Section 8 - External Fixtures. No external items such as,

but not limited to, television and radio poles and antennae, flag poles, clotheslines, wiring, insulation, air-conditioning equipment, water softening equipment, fences, awnings, ornamental screens, screen doors, porch or patio or balcony enclosures, sunshades, walls, landscaping and planting, other than those provided in connection with the original construction of the Covered Property, and any replacements thereof, and other than those approved by the Architectural Committee and any replacements thereof, shall be constructed, erected or maintained on or within the Covered Property, including any structures thereof. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property.

Section 9 - Exterior Lighting. No exterior lighting shall be placed upon any Unit so as to cause unreasonable glare or illumination upon any other Unit; provided, however (i) lighting installed in connection with the original construction of the Covered Property, and any replacements thereof, and lighting installed with the approval of the Architectural Committee, and any replacements thereof, shall be permitted, (ii) lighting installed by the Association within the Community Facilities which does not create an unreasonable glare or illumination upon any Unit (as determined by the Architectural Committee) shall be permitted, and (iii) nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property.

Section 10 - Window Covers. Only curtains, drapes, shades and blinds (including miniblinds) may be installed as window covers. No window shall be covered by paint, foil, sheets or similar items. The Board or Architectural Committee may adopt

rules regulating the type, color and design of window covers.

Section 11 - Electronic Transmitting Equipment. No electronic transmitting equipment other than electronic garage door opening devices, if any, and other than electronic transmitting equipment and devices approved by the Board shall be installed, maintained or used within the Covered Property.

Section 12 - External Laundering. Unless otherwise permitted by the Board, external laundering and drying of clothing and other items is prohibited.

Section 13 - Unsightly Items. All weeds, rubbish, debris or unsightly materials or objects of any kind shall be regularly removed from Units and shall not be allowed to accumulate therein or thereon. Refuse containers and woodpiles, and machinery and equipment not a part of Units, shall be prohibited upon any Unit unless obscured from view of adjoining Units and Community Facilities. Trash and garbage not disposed of by equipment contained within Units shall be placed in containers by Owners and occupants for removal from the Covered Property in accordance with rules applicable thereto adopted by the Board. The Board may adopt rules applicable to the provisions of this Section and their enforcement, including the assessment of charges to Owners and occupants who violate, or whose invitees violate, such rules. Any charges so assessed shall be Special Assessments. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property.

Section 14 - Oil and Mineral Rights. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind shall be permitted upon the surface of the Covered Property, nor shall oil wells, tanks, tunnels, mineral excavations or shafts be installed upon the surface of the

Covered Property or within five hundred (500) feet below the surface of the Covered Property. No derrick or other structure designed for use in boring for oil or natural gas shall be erected, maintained or permitted upon the Covered Property. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property.

Section 15 - Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept upon the Covered Property, except that dogs, cats or other household pets may be kept within a Unit provided they are not raised, bred, kept or maintained for any commercial purpose or in numbers deemed unreasonable by the Board. Notwithstanding the foregoing, no animal or fowl may be kept within a Unit which, in the good faith judgment of the Board or a committee selected by the Board for this purpose, results in an annoyance or is obnoxious to residents within the Covered Property. All animals permitted to be kept by this Section shall be kept on a leash when on any portion of the Covered Property except within a Unit. The Board may adopt rules applicable to the provisions of this Section and to the keeping of pets within the Covered Property, and their enforcement, including the assessment of charges to Owners and occupants who violate such rules. Any charges so assessed shall be Special Assessments.

Section 16 - Children. The Board may adopt special rules for the regulation of the conduct of children (meaning persons under eighteen (18) years of age) within the Covered Property including the assessment of charges to Owners and occupants whose children violate such rules. Any charges so assessed shall be Special Assessments. Each Owner or occupant with children shall be accountable to all other Owners and occupants for the conduct of any child of the former while within the Covered Property.

Section 17 - Hard Floor Covering. No hard floor covering other than that installed by Declarant, and any replacements thereof, and other than that approved by the Architectural Committee, and any replacements thereof, shall be installed in any second story Unit (or portion thereof) of any Condominium within the Covered Property. For purposes hereof, "hard floor covering" shall include but shall not be limited to wood, asphalt, vinyl, linoleum and stone floor coverings. Except as otherwise permitted by the Architectural Committee, all interior flooring of any second story Unit of any Condominium not covered with hard floor covering pursuant to the provisions of this Section shall be covered with tacked down carpeting over padding or such other covering as shall be approved by the Architectural Committee. The foregoing notwithstanding, nothing herein shall be construed as preventing Declarant and its agents and assigns from engaging in all forms of construction and sales activities within the Covered Property.

Section 18 - No Parking Signs to be Posted in "PRIVATE DRIVEWAY AND FIRE LANE" Areas. "No Parking" signs shall be continually posted by the Association at its expense in any and all "PRIVATE DRIVEWAY AND FIRE LANE" areas described as such on any final map of the Covered Property.

Section 19 - Private Park and Recreational Purposes. All recreational facilities now or hereafter constructed in and upon the Community Facilities are for the use and enjoyment of Owners and occupants within the Covered Property and their permitted guests and invitees (and subject to all applicable provisions of this Declaration) and shall always be and remain restricted for park and recreational uses and uses reasonably related thereto. These uses may not be eliminated or defeated without the consent of said County.

Section 20 - Drainage. No Owner or occupant shall interfere

with the established drainage of the Covered Property. Such established drainage shall only be changed if such change complies in all respects with all applicable governmental codes, requirements of recorded documents and other applicable requirements. For purposes hereof, "established drainage" shall mean and refer to the drainage as the same existed immediately after completion of the overall grading of the Covered Property (including any initial landscaping installed therein in connection therewith).

ARTICLE XII

RIGHTS OF ENJOYMENT

Section 1 - Members' Rights of Enjoyment. Except as otherwise provided in any Supplementary Declaration, every Member shall have a nonexclusive easement and right for use and enjoyment in and to the Common Area (other than portions thereof which are Exclusive Use Common Area), regardless of the Project in which such Member is an Owner, and in and to the Community Facilities, and such easement and right shall be appurtenant to and shall pass with the interest required to be an Owner, subject to all of the covenants, conditions, restrictions, easements and other provisions contained in this Declaration, including, without limitation, the following provisions:

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

(b) The right of the Association to establish reasonable rules and regulations pertaining to the conduct of persons within, and the use of, the Common Area and Community Facilities.

(c) The right of the Association to borrow money for the purpose of improving, replacing, restoring or expanding the Community Facilities or adding new Community Facilities and, in aid thereof, to mortgage said property, provided that the prior approvals of (i) a majority of the voting power of the Association and (ii) First Mortgagees pursuant to the Article hereof entitled "Rights of Lenders" have been obtained to mortgage said property, and provided, further, that the rights of the lender thereunder shall be subordinated to the rights of the

Members. In the event of a default under any such mortgage of the Community Facilities, the lender's rights thereunder shall be limited to a right, after taking possession of such properties, to charge admission and other fees as a condition to continued enjoyment by the Members and, if necessary, to open the enjoyment of the Community Facilities to a wider public until the mortgage debt is satisfied, whereupon the possession of the Community Facilities shall be returned to the Association and all rights of the Members hereunder shall be fully restored.

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

(e) The right of the Association, subject to the approval rights of First Mortgagees pursuant to the Article hereof entitled "Rights of Lenders," to dedicate or transfer all or any part of the Community Facilities to any public agency, authority or utility or other entity. No such dedication or transfer, including, without limitation, the conveyance, lease or other transfer of any portion of the Community Facilities to a

special tax assessment district or to any governmental entity, shall be effective unless approval by Members entitled to cast two-thirds (2/3) of the votes has been obtained as evidenced by a writing executed by an officer of the Association which writing has been recorded in the Official Records of said County.

(f) The right of the Association to establish, in cooperation with any governmental entity, a special tax assessment district for the performance of all or a portion of the maintenance and other functions now within the responsibility of the Association, together with the right of the Association to convey, lease or otherwise transfer, subject to the provisions of Subsection (e) of this Section, all or any portion of the Community Facilities to said district.

(g) The right of the Association to grant permits, licenses and easements on, over or under the Common Area or the Community Facilities for utilities, roads or other purposes necessary for the proper operation of the Covered Property. As to a permit, license or easement affecting the Common Area or the Community Facilities, no such permit, license or easement shall be effective unless approval by Members entitled to cast two-thirds (2/3) of the votes has been obtained as evidenced by a writing executed by an officer of the Association which writing has been recorded in the office of the County Recorder of said County.

Section 2 - Delegation of Use. Any Member may delegate his rights of enjoyment in and to the Community Facilities and Common Area to the members of his family or his tenants who reside within his Unit, or to his invitees, subject to all provisions of this Declaration, including those set forth in the Section of this Article entitled "Members' Rights of Enjoyment," the Bylaws and the Association Rules.

Section 3 - No Waiver by Non-use. No Member may exempt

himself from personal liability for Assessments duly levied by the Association, nor release the Condominium owned by him from the liens, charges and other provisions of this Declaration, the Articles, Bylaws and Association Rules, by waiver of the use and enjoyment of the Community Facilities and/or Common Area, or by abandonment of his Condominium or the Unit thereof.

ARTICLE XIII

EASEMENTS

Section 1 - Amendment to Eliminate Easements. Until the initial sales of all Condominiums in the initial Covered Property to Individual Owners have closed and when Declarant no longer has the right to annex pursuant to the Section entitled "Annexation Without Approval" of the Article hereof entitled "Integrated Nature of the Covered Property," (i) this Declaration cannot be amended to modify or eliminate the easements reserved to Declarant without prior written approval of Declarant and any attempt to do so shall have no effect, and (ii) any attempt to modify or eliminate this Section shall likewise require the prior written approval of Declarant.

Section 2 - Nature of Easements. Unless otherwise set forth herein, any easement reserved in this Declaration shall be nonexclusive. Any and all easements reserved in this Declaration shall be deemed to be in full force and effect whether or not referred to, reserved and/or granted in any instrument of conveyance.

Section 3 - Certain Rights and Easements Reserved to Declarant.

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

(b) Construction and Sales. There are hereby reserved to Declarant, together with the right to grant and transfer the

same to others, including Declarant's sales agents, representatives and assigns, over and across the Covered Property as the same may from time to time exist, easements and rights for construction, display (including the use of Units as models), maintenance, sales and exhibit purposes (including the use of signs and other advertising devices), in connection with the erection and sale or lease of Condominiums within the Covered Property and within the real property described in Exhibit "C" hereto; provided, however, that such easements and rights shall terminate when all initial sales of Condominiums within the Covered Property and the real property described in Exhibit "C" hereto to Individual Owners have closed or on December 31, 1996, whichever first occurs.

Section 4 - Certain Easements for Owners.

(a) Rights and Duties; Utilities and Television.

Wherever sanitary sewer house connections, water house connections, electricity, gas, telephone and television lines or drainage facilities are installed within the Covered Property, the Owners of Condominiums the Units of which are served by said connections, lines or facilities shall have the right, and there are hereby reserved to Declarant and all other Owners, together with the right to grant and transfer the same, easements and rights to the full extent necessary for the full use and enjoyment of such portion of such connections, lines or facilities which service the Unit of each Condominium owned, and to enter Units of Condominiums owned by others, or to have utility companies enter Units of Condominiums owned by others, in or upon which said connections, lines or facilities, or any portions thereof, lie, to repair, replace and generally maintain said connections, lines or facilities as and when the same may be necessary, provided that such entering Owner or utility company shall repair all damage to any Unit caused by such entry as

promptly as possible after completion of work thereon.

(b) Ingress, Egress and Recreational Rights. There are hereby reserved to Declarant and to all other Owners, together with the right to grant and transfer the same, easements and rights for ingress, egress, use, enjoyment and general recreational purposes over and upon the Community Facilities and the Common Area other than portions thereof which are Exclusive Use Common Area. Without limiting the foregoing, each "Private Driveway and Fire Lane" shown on the final map of said Tract No. 45223 is hereby declared to be subject to, and there is hereby reserved over and across each such "Private Driveway and Fire Lane," a nonexclusive reciprocal easement for purposes of ingress and egress for the benefit of and appurtenant to each Condominium of the Covered Property. Such easements and rights shall be subject to the rights of the Association as set forth in the Article hereof entitled "Rights of Enjoyment."

Section 5 - Certain Easements for Association.

(a) Association Rights. There are hereby reserved to the Association easements and rights over the Covered Property for the purpose of permitting the Association to discharge its obligations as described in this Declaration. Without limiting the foregoing, each "Private Driveway and Fire Lane" shown on the final map of said Tract No. 45223 is hereby declared to be subject to, and there is hereby reserved over and across each such "Private Driveway and Fire Lane," a nonexclusive reciprocal easement for purposes of ingress and egress for the benefit of and appurtenant to the Community Facilities.

(b) Rights and Duties; Utilities and Television. Whenever sanitary sewer house connections, water house connections, electricity, gas, telephone and television lines or drainage facilities are installed within the Covered Property, and said connections, lines or facilities serve the Community

Facilities, the Association shall have the right, and there are hereby reserved to the Association, together with the right to grant and transfer the same, easements and rights to the full extent necessary for the full use and enjoyment of such portion of such connections, lines or facilities which service the Community Facilities, and to enter upon all portions of the Covered Property, or to have utility companies enter upon all portions of the Covered Property, including Units of Condominiums, in or upon which said connections, lines or facilities, or any portions thereof, lie, to repair, replace and generally maintain said connections, lines or facilities as and when the same may be necessary, provided the Association or utility company shall promptly repair all damage, including damage to any Unit, caused by such entry as promptly as possible after completion of work thereon.

Section 6 - Support, Settlement, Encroachment and Drainage.

There are hereby reserved to Declarant and all other Owners, together with the right to grant and transfer the same, the following reciprocal rights and easements for the purposes set forth below:

(a) A right and easement appurtenant to each Unit of a Condominium which is contiguous to another Unit of a Condominium or which is contiguous to the Common Area or to the Community Facilities which Unit of a Condominium shall be the dominant tenement and which contiguous Unit of a Condominium or Common Area or Community Facilities shall be the servient tenement.

(b) A right and easement appurtenant to the Common Area or to the Community Facilities contiguous to a Unit of a Condominium which Common Area or Community Facilities shall be the dominant tenement and which contiguous Unit of a Condominium shall be the servient tenement.

(c) A right and easement appurtenant to the Community

Facilities which are contiguous to the Common Area, which Community Facilities shall be the dominant tenement and which contiguous Common Area shall be the servient tenement.

(d) It is provided, however, that in the event the Common Area or the Community Facilities are the dominant tenement in a right and easement described in this Section, the Association shall have said rights and easements rather than Declarant and the Owners, and said rights and easements are hereby reserved to the Association, together with the right to grant and transfer the same.

(e) Said rights and easements shall be for the purposes of:

(i) support and accommodation of the natural settlement of structures;

(ii) encroachments by reason of roof or eave overhangs and for the maintenance of such roof or eave overhangs;

(iii) encroachments resulting from the construction, reconstruction, repair, shifting, settlement or other movement of any improvements upon the dominant tenement, and for the maintenance of such encroachments;

(iv) without limiting (iii), encroachments of structures, walls and fences resulting from any cause, including the original construction and/or original placement of structures, walls and fences upon the dominant tenement and the reconstruction or replacement of such structures, walls and fences and for the maintenance of such encroachments; and

(v) drainage from the dominant tenement in, upon, over, across and through the servient tenement in accordance with the "established drainage" of the Covered Property as

such quoted term is defined in the Section entitled "Drainage" of the Article hereof entitled "Use Restrictions."

ARTICLE XIV

INTEGRATED NATURE OF THE COVERED PROPERTY

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

Section 1 - Development of the Covered Property. Declarant intends to sequentially develop the Annexation Property on a phased basis; however, Declarant may elect not to develop all or any part of the Annexation Property, to annex all or any part of the Annexation Property to this Declaration in increments of any size whatsoever or to develop more than one such increment at any given time and in any given order. Moreover, Declarant reserves the right to subject all or any portion of the Annexation Property to the plan of this Declaration or one or more separate declarations of covenants, conditions and restrictions which subjects said property to the jurisdiction and powers of a homeowners association or other entity with powers and obligations similar to the Association and which is not subject to the provisions of this Declaration. Although Declarant shall have the ability to annex the Annexation Property as provided in this Article, Declarant shall not be obligated to annex all or any portion of the Annexation Property, and no portion of the Annexation Property shall become subject to this Declaration unless and until a Supplementary Declaration describing same shall have been executed and recorded.

Section 2 - Supplementary Declarations. A Supplementary Declaration shall be a writing in recordable form recorded in the office of the County Recorder of said County which annexes real property to the plan of this Declaration and which incorporates into it by reference or makes reference to all of the covenants,

conditions, restrictions, easements and other provisions of this Declaration and which contains such other provisions as are set forth in this Declaration relating to Supplementary Declarations. Such Supplementary Declarations contemplated above may contain such complementary additions and modifications of the covenants, conditions, restrictions and easements contained in this Declaration as may be necessary to reflect the different character, if any, of the annexed property and as are not inconsistent with the plan of this Declaration. In no event, however, shall any such Supplementary Declaration, or any merger or consolidation, revoke, modify or add to the covenants established by this Declaration with respect to the existing Covered Property.

Section 3 - Annexation Without Approval. All or any part of the Annexation Property may be annexed to and become subject to this Declaration and subject to the jurisdiction of the Association without the approval, assent or vote of the Association or its Members, provided that a Supplementary Declaration covering the portion of the Annexation Property to be annexed (herein, an "Annexed Area") shall be executed and recorded by Declarant; provided, however, (i) that such Annexed Area is to be developed substantially in accordance with a general development plan which has been submitted to VA and the California Department of Real Estate, and any approved amendments thereto, (ii) the maximum number of Condominiums that may be within the Covered Property as a result of all such annexations pursuant to this Section (including the initial Covered Property) shall not exceed two hundred seventy-five (275) Condominiums, (iii) prior to the closing of the first sale of a Condominium in each Annexed Area all improvements thereof shall be substantially completed or such completion shall be secured in accordance with applicable requirements of the