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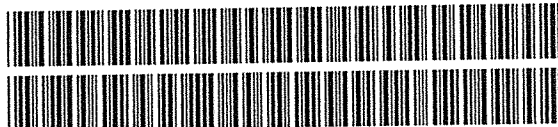
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FIRST RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TOLUCA TOWN HOUSE NO. 3 HOMEOWNERS' ASSOCIATION



ORIGINAL

**FIRST RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
TOLUCA TOWN HOUSE NO. 3 HOMEOWNERS' ASSOCIATION**

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**FIRST RESTATED DECLARATION
OF COVENANTS, CONDITIONS AND RESTRICTIONS
FOR TOLUCA TOWN HOUSE NO. 3 HOMEOWNERS' ASSOCIATION**

The Declaration of Conditions, Covenants and Restrictions for Toluca Town House No. 3 Homeowners' Association, executed by Lakeside Apartments, Inc., a California Corporation ("Declarant"), and recorded on August 5, 1964, in Book M1588, pages 452-469, of the Official Records of Los Angeles County, California (the "Original Declaration"), and any and all amendments thereto, is hereby amended and restated in its entirety to read as follows:

RECITALS

A. Declarant was the original owner of that certain real property located in the City of Burbank, County of Los Angeles, State of California, which is more particularly described in Exhibit "A" attached hereto and incorporated herein by reference.

B. The Property was improved by the construction of a residential condominium project as defined in section 1351(f) of the California Civil Code, providing for separate title in each Condominium Unit within the Property, with each Unit having an undivided interest in the Common Areas, as defined herein (the "Project"). The Project contains 36 Condominium Units.

C. Declarant deemed it desirable to impose a general plan for the development, maintenance, improvement, protection, use, occupancy and enjoyment of the Property and to establish, adopt and impose covenants, conditions and restrictions upon the Property for the purpose of enforcing, protecting and preserving the value, desirability and attractiveness of the Property and the Improvements erected by the Declarant thereon.

D. Declarant also deemed it desirable for the efficient enforcement, protection and preservation of the value, desirability and attractiveness of the Project to create a nonprofit mutual benefit corporation, known as the Toluca Town House No. 3 Homeowners' Association which was delegated and assigned the powers of administering and enforcing said covenants, conditions and restrictions.

E. To effectuate the above-described plans and purposes, Declarant acted pursuant to section 1350 et seq. of the California Civil Code to establish a plan for the development, maintenance, protection, Improvement, use, occupancy and enjoyment of the Property as a Condominium Project. Accordingly, Declarant subjected the Property to the covenants, conditions, restrictions, easements, reservations, liens and charges contained herein. Each and all of the covenants, conditions, restrictions, easements, reservations, liens and charges

(hereinafter collectively referred to as the "covenants") shall run with the land and shall inure to the benefit of and be binding upon Declarant, its successors and assigns, and all subsequent Owners of all or any portion of the Property, together with their grantees, successors, heirs, executors, administrators, devisees and assigns.

F. On November 19, 2012, 86 percent of the total voting power of the Association voted by written ballot in accordance with California Corporations Code section 7513 to amend and restate the Original Declaration, all in accordance with the procedures for amendment set forth in the Original Declaration. It was the intention of the Owners to replace the Original Declaration, in its entirety, as well as any and all amendments thereto, with the Recordation of this Declaration. The Owners' action to amend and restate the Original Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the Original Declaration was achieved, is attested by the execution of this Declaration by duly authorized officers of the Association, as required by section 1355(a) of the California Civil Code. As so amended and restated, these easements, covenants, restrictions and conditions shall run with the Property and shall be binding upon all parties having or acquiring any right, title or interest in the Property or any portion thereof, and shall inure to the benefit of each Owner thereof.

ARTICLE I

Definitions

Section 1.01. "Articles" means the Articles of Incorporation of the Association, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.02. "Assessment" means any Regular, Special or Special Individual Assessment made or assessed by the Association against an Owner and the Owner's Condominium in accordance with the provisions of Article IV, below.

Section 1.03. "Association" means Toluca Town House No. 3 Homeowners' Association, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns. The Association is an "association" as defined in section 1351(a) of the California Civil Code.

Section 1.04. "Association Rules" means the Rules and Regulations adopted by the Board of Directors of the Association pursuant to Section 3.08, below, as the same may be in effect from time to time.

Section 1.05. "Board of Directors" or "Board" means the Board of Directors of the Association.

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Section 1.06. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.07. "City" means the incorporated municipal City of Burbank, in the County of Los Angeles, State of California, and its various departments, divisions, employees and representatives.

Section 1.08. "Common Area" means the entire Property other than Units, as defined herein or as shown on the Condominium Plan. Portions of the Common Area are "Exclusive Use Common Area" as defined in Section 1.16, below.

Section 1.09. "Common Expense" means any use of Common Funds authorized by Article IV, below and Article IX of the Bylaws and includes, without limitation: (a) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Property as incurred or as may be estimated from time to time by the Association's Board of Directors; (b) any amounts reasonably required to be set aside as reserves for maintenance, repair and replacement of the Common Facilities and for nonpayment of any Assessments; and (c) the use of such funds to defray costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 1.10. "Common Facilities" refers to that portion of any residential building structure that is not defined as a Unit herein and to the trees, hedges, plantings, lawns, shrubs, landscaping, fences, utilities, berms, pipes, lines, lighting fixtures, buildings, structures, swimming pool and apron area, and other facilities constructed or installed, to be constructed or installed, or currently located on or within any portion of the Common Area.

Section 1.11. "Common Funds" means all funds collected or received by the Association: (a) for use in the maintenance, management, administration, insurance, operation, replacement, repair, addition to, alteration or reconstruction of all or any portion of the Common Area and Common Facilities; and (b) for use in discharging any and all of the Association's duties as provided in the Governing Documents.

Section 1.12. "Condominium" means an estate in real property as defined in California Civil Code section 1351(f), consisting of an undivided interest as a tenant-in-common in a portion of real property referred to herein as the Common Area, together with a fee interest in space called a Unit, all as shown and described in the Condominium Plan.

Section 1.13. "Condominium Plan" means the plan of Condominium and any amendments thereto recorded pursuant to California Civil Code section 1351(e), with respect to the Property. The Condominium Plan is recorded in the Official Records of Los Angeles County in Book 726, pages 64-66 of Maps. The Condominium Plan is incorporated herein by this reference.

Section 1.14. "County" means the County of Los Angeles, State of California, and its various departments, divisions, employees and representatives.

Section 1.15. "Day" or "Days" shall mean calendar days.

Section 1.16. "Declarant" means the original developer of the Project, namely Lakeside Apartments, Inc., a California Corporation.

Section 1.17. "Declaration" means this instrument, as it may be amended from time to time. The "Original Declaration" means the Declaration of Conditions, Covenants and Restrictions amended by this document and described in the preamble to this Declaration.

Section 1.18. "Exclusive Use Common Areas" means those portions of the Common Area including, without limitation, patios, balconies, air conditioning units, garage interiors, window boxes, exterior doors, door frames, and hardware incident thereto, screens and windows or other fixtures which are or may be set aside and allocated for the exclusive use of one or more, but fewer than all of the Owners and which is appurtenant to the Units owned by said Owners.

Section 1.19. "Family" means one or more persons each related to the other by blood, marriage or legal adoption, or a group of persons not so related who maintain a common household in a Condominium Unit. Section 7.01, below, imposes regulations on the total number of persons who can occupy a Unit.

Section 1.20. "Governing Documents" refers collectively to this Declaration and to the Articles, the Bylaws and the Association Rules, as the same may be amended from time to time.

Section 1.21. "Lease" means any agreement (written or verbal) under which a person is permitted to occupy a Unit for compensation of any kind including, without limitation, any fee, service, gratuity or other consideration while the Owner is not in residence. The verb "leasing" shall include renting or otherwise permitting a person other than an Owner to occupy a Unit for compensation of any kind including any fee, service, gratuity or other compensation while the Owner is not in residence.

Section 1.22. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by

proxy or casting written ballots equals or exceeds the minimum quorum requirement for Member action, as specified in the Bylaws or by statute.

Section 1.23. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 14.06, below.

Section 1.24. "Mortgage" means any security device, including any deed of trust, encumbering all or any portion of the Property. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a Mortgagee in the conventional sense.

Section 1.25. "Owner" means any person, firm, corporation or other entity (including contract sellers, but excluding any person or entity holding such interest merely as security for the payment of a debt or the performance of an obligation) which holds an interest in any Condominium and includes (except when the context otherwise requires) the Family, guests, tenants and invitees of such Owner.

Section 1.26. "Project" means the common interest development consisting of Condominiums which is constructed on the Property.

Section 1.27. "Property" means that certain real property described in Recital A of this Declaration, including all structures and Improvements located thereon. The Property is a statutory "condominium project" as defined in California Civil Code section 1351(f).

Section 1.28. "Record" means, with respect to any document, the recordation or filing of such document in the Office of the County Recorder.

Section 1.29. "Regular Assessment" means an Assessment levied against an Owner and the Owner's Condominium in accordance with Section 4.02, below.

Section 1.30. "Single Family Residential Use" means occupancy and use of a Unit for single family dwelling purposes in conformity with this Declaration and the requirements imposed by applicable zoning or other state or municipal laws, ordinances, rules and regulations. In no event shall any Unit be occupied by more individuals than permitted by applicable law, zoning or regulation.

Section 1.31. "Special Assessment" means an Assessment levied against an Owner and the Owner's Condominium in accordance with Section 4.03, below.

Section 1.32. "Special Individual Assessment" means an Assessment levied against an Owner and the Owner's Condominium in accordance with Section 4.04, below.

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Section 1.33. "Unit" means the elements of a Condominium that are not owned in common with the other Owners of Condominiums in the Property. Each such Unit shall be a separate freehold estate consisting of the space bounded by and contained within the unfinished interior surfaces of the perimeter walls, floors, ceilings, windows and doors of each Unit. Accordingly, the boundaries of each Unit begin at the gypsum finishing, plaster, paint, wallpaper or paneling on the perimeter walls and ceilings of the Unit and with any vinyl, hardwood or carpet finishing, if any, on the floors of the Unit. The respective elements and the boundaries of each Unit are more particularly described in the Condominium Plan. In interpreting deeds and plans, the existing physical boundaries of a Unit, or of a Unit reconstructed in substantial accordance with the original plans, shall be conclusively presumed to be the Unit's boundaries rather than the description expressed in the deed or plans, regardless of minor variances between the boundaries as shown on the plans or the deed and those of the building containing the Unit and regardless of settling or lateral movement of the building and regardless of minor variations between boundaries shown on the Condominium Plan or in the deed to a Unit and those of the building.

Whenever reference is made to a "Unit," whether in this Declaration, the Condominium Plan, any deed or elsewhere, it shall be assumed that such reference is made to the Unit as a whole, including each of its component elements (including the airspace so encompassed), and to any and all Exclusive Use Common Areas, if any, appurtenant to the Unit. The term "Unit" does not include those areas of the Property that are defined herein as Common Area or Common Facilities (other than Exclusive Use Common Areas).

ARTICLE II Declaration and Property Rights

Section 2.01. Ownership of Condominium; Easements. The interest of every Owner of a Condominium within the Property shall include the Owner's Unit, the respective undivided interest in the Common Area appurtenant to such Unit, a membership in the Association, any Exclusive Use Common Area allocated to such Unit and any nonexclusive easements appurtenant to such Unit over the Common Area as described in this Declaration or the Condominium Plan. The common interest portion of a Condominium appurtenant to each Unit is declared to be permanent in character and cannot be altered or severed from other interests in the Project, except as otherwise provided in Articles XII and XIII, below. An Owner's undivided interest in his or her Condominium shall be deemed to be conveyed or encumbered together with its respective Unit even though the instrument of conveyance or encumbrance may refer only to the fee title to the Unit.

Section 2.02. Owners' Nonexclusive Easements of Enjoyment. Every Owner of a Condominium shall have a nonexclusive right and easement of enjoyment in and to the Project's

Common Area, including ingress and egress to and from the Owner's Unit. However, such nonexclusive easements shall be subordinate to, and shall not interfere with, the Exclusive Use Common Areas appurtenant to a Unit. Each such nonexclusive easement shall be appurtenant to and shall pass with the title to every Condominium, subject to the following provisions:

(a) The right of the Association to assign, rent, license, lease, charge reasonable fees for, and to otherwise designate and control the use of any unassigned parking and storage spaces situated within the Common Area and to reasonably limit the number of guests of Owners who may use any recreational Common Facilities located with the Common Area.

(b) The right of the Association to adopt rules and regulations as provided in Section 3.08, below (the "Association Rules") and, in the event of a breach of the Association Rules or of any other provision of the Governing Documents, to initiate disciplinary action against the violating Owner or tenant in accordance with Section 14.06, below. Such action may include the levying of fines and/or the temporary suspension of an Owner's voting rights or the right of an Owner, the Owner's tenants and guests to use any recreational Common Facilities.

(c) The right of the Association, in accordance with the Governing Documents, to borrow money for the purpose of improving the Common Areas or Common Facilities; provided, however, that any such indebtedness shall be considered an expense of the Association for purposes of determining whether membership approval is required pursuant to the Special Assessment provisions of Section 4.03, below.

(d) The right of the Association to consent to or join in the grant or conveyance of easements, leases, licenses or rights-of-way in, on or over the Common Areas; however, such grants or conveyances must be consistent with the intended use of the Property as a residential Condominium project and shall not impair the ingress and egress to or from any Unit.

(e) The right of each Owner to the exclusive use and enjoyment of the Exclusive Use Common Areas appurtenant to the Owner's Unit.

(f) The right of the Association to designate, assign and reassign vehicle parking spaces within the Common Area to Owners as Exclusive Use Common Area.

(g) All easements affecting the Common Area which are described in Article VIII, below.

Section 2.03. Delegation of Use.

(a) Delegation of Use and Leasing of Units, Generally. Any Owner may delegate, in accordance with and subject to the Governing Documents, his or her rights to use and enjoy the Common Area and Common Facilities to his or her Family members, tenants or contract purchasers who reside in the Unit; provided that any Lease of the Owner's Unit may be only to a single family for Single Family Residential Use and for a minimum lease term of one year. During any period when a Unit has been Leased, the Owner, the Owner's Family, guests and invitees shall not be entitled to use and enjoy the recreational Common Facilities while the Owner's Unit is occupied by such tenant or lessee, unless the Owner is contemporaneously residing in another Unit within the Property. An Owner who is selling his or her Unit pursuant to a contract of sale must delegate, in accordance with the Governing Documents, the Owner's membership rights and rights of enjoyment to the Common Area and Common Facilities to the Owner's contract purchaser/vendee. An Owner who leases or rents his or her Unit shall retain the right to enter the Property and the Owner's Unit to perform all the functions and responsibilities common of landlords.

Any Lease of a Unit shall be subject to the provisions of the Governing Documents, all of which shall be deemed incorporated by reference in the Lease. The lessor-Owner shall provide each tenant or lessee with a copy of this Declaration and any Association Rules applicable to leasing, and shall be responsible for compliance by the Owner's tenant or lessee with all applicable Governing Document provisions during the tenant's/lessee's occupancy and use of the Unit.

(b) Term of Lease Agreement. Any rental or lease agreement shall be for a minimum term of one (1) year. Lease assignments and/or subleases by a tenant are prohibited.

(c) Discipline of Lessees. Subject to subparagraph (f), below, in the event that any tenant or lessee fails to honor the provisions of any Governing Document, the Association shall be entitled to take such corrective action as it deems appropriate under the circumstances in order to preserve the quiet enjoyment of other Owners and residents within the Project. Without limiting, the foregoing, the Association's actions may include suspension of the tenant's privileges to use the Common Area and/or Common Facilities, or the imposition of fines and penalties against such Owner.

(d) Due Process Requirements for Disciplinary Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction of the Property or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have

been satisfied: (i) the Owner has received written notice from the Board, the Association's property manager or an authorized committee of the Board detailing the nature of the lessee's/tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter if the Owner feels that remedial or disciplinary action is unwarranted or unnecessary; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing if one is requested by the Owner; and (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in accordance with Section 14.06, below.

(e) Security Deposit. Through its rule making power, exercised in accordance with Section 3.07, below, the Board of Directors is hereby authorized and empowered to establish and implement an Association security deposit procedure to protect the Association, the Common Area and Common Facilities from negligence, damage and/or destruction caused by the tenants, or lessees of any Owner, their families and guests. Said security deposit, if required, will be fixed in an amount not to exceed the greater of \$500.00 or one month's Regular Assessment and shall be held by the Association in a separate security deposit fund in the name of the Association.

In the event of damage to, or destruction of, any Common Areas or Common Facilities by, or the imposition of a penalty pursuant to Article XIV, below, against, a tenant or lessee or the Owner of a leased Unit, the Association shall be entitled to apply the security deposit to the cost of any repairs necessitated by the tenant's misconduct or negligence or may apply the security deposit towards the satisfaction of any duly imposed penalty, as the case may be. The Owner-lessor shall thereupon immediately reimburse the security deposit fund in an amount equal to the sums thus applied. Upon termination of the lease and notification to the Association of such termination, the security deposit, or the balance thereof, shall be refunded to the Owner without interest. As a condition to the Association's right to apply security deposit funds in the manner provided above, the Association must give the Owner-lessor the notice and hearing rights specified in subparagraph (c) above.

Section 2.04. Obligations of Owners. Owners of Condominium Units shall be subject to the following:

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

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(b) Contract Purchasers. A contract seller of a Condominium must delegate his or her voting rights as a Member of the Association and his or her right to use or enjoy the Common Area and Common Facilities to any contract purchaser in possession of the Property. Notwithstanding the foregoing, the contract seller shall remain liable for any default in the payment of Assessments by the contract purchaser until title to the Condominium which is the subject of the contract has been transferred to the purchaser.

(c) Notification Regarding Governing Documents.

(i) Delivery of Governing Documents and Financial Information, By Owner. As more particularly provided in section 1368 of the California Civil Code, as soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Condominium Unit, the Owner thereof must give the prospective purchaser:

(A) A copy of the Governing Documents;

(B) A copy of the Association's most recent financial statement distributed in accordance with section 1365 of the California Civil Code;

(C) A true statement in writing from an authorized representative of the Association as to: (1) the amount of any unpaid Assessments, together with information relating to late charges, attorneys' fees, interest, and costs of collection which, as of the date the statement is issued are or may become a lien on the Unit being sold ("delinquency statement"); (2) the amount of the Association's current Regular and Special Assessments and fees; and (3) any monetary fines or penalties levied upon the owner's interest and unpaid on the date of the statement;

(D) A copy or summary of any notice previously sent to the Owner pursuant to Civil Code section 1363(h), that sets forth any alleged violations of the governing documents that remains unresolved at the time of the request; and

(E) Any change in the Association's current Regular and Special Assessments and fees which have been approved by the Board but have not become due and payable as of the date the information is provided.

(ii) Association's Obligation to Provide Information; Charges. In order to carry out the intent and purpose of this statutory provision, the Association shall, within 10 days of the mailing or delivery of a request therefor, provide the Owner with a copy of the documents specified in subparagraph (c)(i) above. The Association shall be entitled to impose a reasonable fee for this service, which shall not exceed the Association's reasonable cost to prepare and reproduce the requested items.

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

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

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

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

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

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ARTICLE III
Homeowners Association

Section 3.01. Association Membership. Every Owner of a Condominium shall be a Member of the Association. An Owner shall hold one membership in the Association for each Condominium owned and the membership shall be appurtenant to such Condominium. Sole or joint ownership of a Condominium shall be the sole qualification for membership in the Association. Each Owner shall remain a Member of the Association until the Owner's ownership interest in all Condominiums in the Property ceases, at which time the Owner's membership in the Association shall automatically cease. Persons or entities who hold an interest in a Condominium merely as security for performance of an obligation shall not be regarded as Members until such time as the security holder comes into title to the Condominium through foreclosure or acceptance of a deed in lieu thereof. Where Units are owned by more than one person, the Board shall have the right, pursuant to Section 3.08, below, to adopt a rule designating the minimum percentage ownership of a Unit to qualify the Owner as a Member for purposes of using any Common Facility or for determining eligibility to serve as a director. Spouses shall be permitted to aggregate their ownership interests to determine either spouse's percentage ownership of a Unit.

Section 3.02. One Class of Membership. The Association shall have one class of membership and the rights, duties, obligations and privileges of the Members shall be as set forth in the Governing Documents.

Section 3.03. Voting Rights of Members. Each Member of the Association shall be entitled to one vote for each Condominium Unit owned by said Member. When more than one person holds an interest in any Unit, all such persons shall be Members, although in no event shall more than one vote be cast with respect to any Unit. An Owner's voting rights may be temporarily suspended under those circumstances described in Section 14.06, below.

Section 3.04. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Condominium to which it is appurtenant, and then, only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Unit shall pass automatically to the purchaser upon Recordation of a deed evidencing the transfer of title. A Mortgagee does not have membership rights until he or she becomes an Owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer of a membership is void. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of the Condominium, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

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Section 3.05. Assessments. The Association shall have the power to establish, fix and levy Assessments and to enforce payment of such Assessments as more particularly provided in Article IV, below. Any Assessments levied by the Association against its Members shall be levied in accordance with and pursuant to the provisions of this Declaration.

Section 3.06. Powers and Authority of the Association.

(a) General Statement of Association Powers. The Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in operating and managing the Property and the Project and in otherwise discharging its responsibilities for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents. The Association and its Board of Directors shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Association for the peace, health, comfort, safety or general welfare of the Members in common. The specific powers of the Association and the limitations thereon shall be as set forth in Article IX of the Bylaws. The additional powers and rights described in subparagraphs (b) through (d) of this section are not intended to limit the general statement of Association authority set forth in this subparagraph (a).

(b) Association's Limited Right of Entry.

(i) Right of Entry, Generally. It is expressly agreed that the right of the Association, or its agents, when necessary, shall have the right to enter any Unit in order to: (A) perform the Association's obligations under this Declaration, including its obligation to enforce the covenants and restrictions set forth herein, to construct, maintain and repair Common Facilities as necessary for the benefit of the Common Areas or the Owners in common; (B) to remove any Improvement which is erected or constructed by an Owner or tenant contrary to Article V, below; or (C) to make necessary repairs that an Owner has failed to perform which, if left undone, will pose a threat or nuisance to, or cause an unreasonable interference with, portions of the Project which the Association is obligated to repair or maintain or the Owners in common.

(ii) Limitations on Exercise of Right. The Association's right of entry pursuant to this subparagraph (b) shall be subject to the following:

(A) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of an emergency originating in or threatening the Unit where entry is required or any adjoining Units or Common Area. The Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(B) In all non-emergency situations involving routine repair and/or maintenance activities, the Association, or its agents, shall furnish the Owner or his or her lessee with at least 24 hours prior written notice of its intent to enter the Unit, specifying the purpose and scheduled time of such entry, and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing in the Unit.

(C) In all non-emergency situations involving access by the Association for purposes of enforcing the Governing Documents against an Owner in default, the Association's entry shall be subject to observance of the notice and hearing requirements imposed by Section 14.06, below.

(c) Designation of Association as Attorney-in-Fact. The Association is hereby irrevocably appointed as the attorney-in-fact for the Owners of each and every Unit to: (i) manage, control and deal with the interest of such Owners in the Common Area so as to permit the Association to fulfill all of its duties and obligations hereunder and to exercise all of its rights hereunder; (ii) institute, defend, settle or intervene in litigation, arbitration, mediation or administrative proceedings on behalf of the Owners pursuant to California Code of Civil Procedure section 374 or superseding statute; (iii) deal with the Property upon its destruction or obsolescence as hereinafter provided; and (iv) to deal with and handle insurance and insurance proceeds, as provided in Article IX, below, and condemnation and condemnation awards, as provided in Article XI, below. The acceptance by any person or entity of any interest in any Unit shall constitute an appointment of the Association as the Owner's attorney-in-fact as provided above.

(d) Management Contracts. The Association shall have the authority to contract with a Manager for the performance of bookkeeping, maintenance and repair and for conducting other activities on behalf of the Association as may be determined by the Board.

Section 3.07. Association Action; Board of Directors and Officers. Except as to matters which under the Governing Documents require the approval of Members, the affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint. Such election or appointment shall be in accordance with this Declaration and the Bylaws.

Section 3.08. Association Rules.

(a) Rule Making Power. The Board may, from time to time and subject to the provisions of this Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to use of the Common Area and Common Facilities; (ii) regulation of pet ownership, parking, signs, collection and disposal of refuse, and any other subject or matter that is subject to regulation or restriction under Article VII, below; (iii) collection of delinquent Assessments; (iv) the conduct of disciplinary hearings and enforcement proceedings pursuant to Section 14.06, below; (v) designating the minimum percentage ownership of a Unit necessary to qualify an Owner as a Member, as more particularly described in Section 3.03(a), above; and (vi) any other matter within the jurisdiction of the Association under the Governing Documents.

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

(b) Distribution of Rules. A copy of the Association Rules, and any amendments thereto, shall be mailed or otherwise delivered to each Owner upon request. Furthermore, anytime a rule is amended or a new Rule is added to the Association Rules, a copy of the Rule or Rule amendment shall be provided to each Member. Finally, a current copy of the Association Rules shall be available and open for inspection by all Members during normal business hours at the principal office of the Association.

(c) Adoption and Amendment of Rules. Association Rules may be adopted, amended or supplemented by a majority vote of the Board; provided, however, that the Board shall distribute to the Members a copy of the text of any proposed new rule or rule amendment at least 30 days prior to the scheduled date of the Board meeting at which the Board is scheduled to act on the matter. Amendments to the Association Rules and any new Rules shall be distributed to each Member either by mail or by personal delivery. Association Rules shall become effective immediately after their adoption by the Board or at such later date as the Board may fix considering the nature of the rule and the circumstances attendant to its adoption.

Section 3.09. Breach of Rules or Restrictions. Any breach of the Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Section 14.06, below.

Section 3.10. Limitation on Liability of the Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. No director or officer of the Association (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Members or to any other person, for any error or omission in the discharge of his or her duties and responsibilities or for his or her failure to provide any service required under the Governing Documents; provided that such Released Party has, upon the basis of such information as he or she possessed, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget, the funding of Association capital replacement and reserve accounts, repair and maintenance of Common Areas and Common Facilities and enforcement of the Governing Documents.

(b) Other Claims Involving Tortious Acts and Property Damage. No person who suffers bodily injury (including, without limitation, emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer member of the Board or volunteer officer of the Association shall recover damages from such Board member or officer if all of the following conditions are satisfied:

- (i) The Board member or officer owns no more than two Units;
- (ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Association duties;
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least one million dollars (\$1,000,000).

The payment of actual expenses incurred by a Board member or officer in the execution of such person's Association duties shall not affect such person's status as a volunteer Board member or officer for the purposes of this section. The provisions of this subparagraph (b) are intended to reflect the protections accorded to volunteer directors and officers of community associations pursuant to California Civil Code section 1365.7. In the event said Civil Code

section is amended or superseded by another, similar provision of the California statutes, this subparagraph (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor Civil Code provision.

ARTICLE IV Assessments

Section 4.01. Assessments Generally.

(a) Covenant to Pay Assessments. Each Owner of one or more Condominium Units, by acceptance of a deed or other conveyance therefor (whether or not it shall be so expressed in such deed or conveyance), covenants and agrees to pay to the Association any: (i) Regular Assessments; (ii) Special Assessments; and (iii) Special Individual Assessments in accordance with this Article.

(b) Extent of Owner's Personal Obligation for Assessments. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the person or entity who is the Owner of the Unit at the time the Assessment is levied. Each Owner who acquires title to a Unit (whether by conventional conveyance, at judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Unit which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Unit, he or she shall not be personally liable for delinquent Assessments of prior Owners of the same Unit unless the new Owner expressly assumes the personal liability of a prior Owner. However, if the acquired Unit is conveyed subject to a valid lien for delinquent Assessments (and related costs of collection), the Association may continue to exercise its foreclosure remedies against the Unit, regardless of the change of ownership, and/or the Association may pursue its collection remedies against the prior Owner, individually.

(c) Creation of Assessment Lien. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Unit and may become a lien upon the Unit against which such Assessment is made when a notice of assessment lien is recorded in accordance with Section 4.10, below. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure as provided in Section 4.10(b), below.

(d) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself from personal liability for Assessments duly levied by the Association, nor release the Unit or other property owned by him/her from the liens and charges hereof, by waiver

of the use and enjoyment of the Common Area or any facilities thereon or by abandonment or non-use of his/her Unit or any other portion of the Property.

Section 4.02. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than 45 days nor more than 60 days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to the Common Facilities) by preparing and distributing to all Members a budget satisfying the requirements of Section 12.05 of the Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period specified in the first sentence of this section, the Board shall not be permitted to increase Regular Assessments for that fiscal year unless the Board first obtains the Members' prior approval in accordance with Section 4.08, below.

(b) Establishment of Regular Assessment by Board/Membership Approval Requirements. The total annual expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that, except as provided in Section 4.05, below, the Board of Directors may not impose a Regular Assessment that is more than 20 percent greater than the Regular Assessment for the Association's immediately preceding fiscal year without the Members' prior approval in accordance with Section 4.08, below.

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

(d) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an Assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member. The Assessment roll (which may be maintained in the form of a computer printout) shall show, for each Unit, the Assessor's Parcel Number (APN) or address, all Regular, Special and Special Individual Assessments levied against each Unit, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.04(c), above, shall be conclusive upon the Association and the Owner of such Unit as to the amount of such

indebtedness appearing on the Association's Assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(e) Mailing Notice of Assessment. Within the time requirements specified in subparagraph (a), above, the Board of Directors shall mail to each Owner, at the street address of the Owner's Unit, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year.

(f) Failure to Make Estimate. If, for any reason, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year, then the Regular Assessment made for the preceding fiscal year, together with any Special Assessment made pursuant to Section 4.03(a)(i), below, for that year, shall be assessed against each Owner and his or her Condominium Unit on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Assessment shall be payable on the regular payment dates established by the Board.

(g) Installment Payment of Assessments. The Regular Assessment levied against each Owner and his or her Unit shall be due and payable in advance to the Association in equal monthly installments on the first day of each month or on such other date or dates as may be established from time to time by the Association's Board of Directors. Installments of Regular Assessments shall be delinquent if not paid within 15 days of the due date as established by the Board.

Section 4.03. Special Assessments.

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

(i) Regular Assessment Insufficient in Amount. If, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year, then, except as prohibited by Section 4.02(a), above, the Board of Directors shall levy and collect a Special Assessment, applicable to the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder.

(ii) New Capital Improvements. The Board may levy Special Assessments for additional capital Improvements within the Common Area (i.e., Improvements not in existence

on the date of this Declaration that are unrelated to repairs for damage to, or destruction of, the existing Common Facilities). The Special Assessment power conferred hereunder is not intended to diminish the Board's obligation to plan and budget for normal maintenance, and replacement repair of the Common Area or existing Common Facilities through Regular Assessments (including the funding of reasonable reserves) and to maintain adequate insurance on the Common Area and existing Common Facilities in accordance with Article IX, below.

(iii) Major Capital Repair and Reconstruction Projects. As more particularly provided in Section 10.03, below, the Board shall be entitled to levy a Special Assessment to fund uninsured major repairs or reconstruction of Common Areas, subject to the membership approval requirements of said Section 10.03.

(b) Special Assessments Requiring Membership Approval. The following Special Assessments require prior membership approval in accordance with Section 4.08, below: (i) any Special Assessments which, in the aggregate, exceed 5 percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied; and (ii) any Special Assessments imposed pursuant to subparagraph (a)(i) of this section when the Board has failed to distribute a budget to the Members within the time specified in Section 4.02(a), above. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "emergency situation" as defined in Section 4.05, below.

(c) Allocation and Payment of Special Assessments.

(i) Special Assessments shall be divided among, assessed against and charged to each Owner and his or her Condominium Unit in the same manner prescribed for the allocation of Regular Assessments pursuant to subparagraph 4.02(c), above.

(iii) Any Special Assessment duly levied hereunder shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner. Special Assessments for purposes described in subparagraph (a)(i) of this section shall be due as a separate debt of the Owner and a lien against his or her Condominium Unit, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year. Special Assessments for purposes described in subparagraph (a)(ii) shall be due as a separate debt of the Owner and a lien against his or her Unit, and shall be payable in full to the Association within 30 days after the mailing of such notice or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Special Assessment. Special Assessments levied pursuant to subparagraph (a)(iii), above, and Section 10.03, below, shall be due as a separate debt of each Owner and a lien against the Owners' Units at such time as required by the repair or reconstruction project, but in no event sooner than 60 days following receipt of the Association's notice of levy of the Assessment.

Section 4.04. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this section until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 14.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

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

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any repair, maintenance or replacement to any portion of the Property that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion; or (C) otherwise bring the Owner and/or his or her Condominium Unit into compliance with any provision of the Governing Documents, the amount incurred by the Association (including title company fees, accounting fees, court costs and reasonable attorneys fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment. The Association's Special Individual Assessment authority hereunder shall extend to the collection of any reasonable fines or penalties imposed against an Owner pursuant to Article XIV, below.

(iii) Required Maintenance of Condominium Units. If any Unit is maintained so as to become a nuisance, structural, fire or safety hazard for any reason, including without limitation, the accumulation of trash, the Association shall have the right to enter said Unit, correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner. Any entry of a Unit by Association agents shall be undertaken in strict compliance with Section 3.06(b) hereof.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the

conditions imposed, in subparagraph (a) of this section, such Special Individual Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of the Owner payable in full to the Association within 30 days after the mailing of notice of the Assessment.

Section 4.05. Assessments to Address Emergency Situations. The requirement of a membership vote to approve:

(a) Regular Assessment increases in excess of 20 percent of the previous year's Regular Assessment; or

(b) Special Assessments which, in the aggregate, exceed 5 percent of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments necessary to address emergency situations.

For purposes of this section, an emergency situation is any of the following:

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

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

(iii) An extraordinary expense necessary to repair or maintain the Common Areas, Common Facilities or any portion of the Units which the Association is obligated to maintain that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 4.02(a), above; provided, however, that prior to the imposition or collection of an assessment under this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

Section 4.06. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Declaration is hereby declared and agreed to be for use exclusively:

(a) to promote the recreation, health, safety and welfare of individuals residing within the Property;

(b) to promote the enjoyment and use of the Property by the Owners and their families, tenants, invitees, licensees, guests and employees; and

(c) to provide for the repair, maintenance, replacement and protection of the Common Area and Common Facilities.

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

Section 4.07. Exemption of Certain of the Property From Assessments. The following real property subject to this Declaration shall, unless devoted to the use as a residential dwelling, be exempt from the Assessments and the lien thereof provided herein:

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

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 2 and 3. If Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The quorum required for such membership action shall be a majority of the Members.

Section 4.09. Maintenance of Assessment Funds.

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

California Civil Code section 1365.5 and Section 12.02 of the Bylaws. Any interest received on deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided in subparagraph (b), below.

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

(c) Separate Accounts; Commingling of Funds. To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. For purposes of accounting, but without requiring any physical segregation of assets, the Association shall keep a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 4.03(a)(i), above, shall be accounted for together with the receipts and disbursements of Regular Assessments, and a separate accounting shall be maintained for each capital improvement for which reserve funds for replacement are required to be maintained by the Association.

Unless the Association is exempt from federal or state taxes, all sums allocated to capital replacement funds shall be accounted for as contributions to the capital of the Association and as trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board that will prevent such funds from being taxed as income of the Association.

(d) Reserve Funds. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components of the Properties which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short-term cash-flow requirements or other expenses, provided the Board has made a written finding,

recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Properties, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (d). This Special Assessment is subject to the Member approval requirements of California Civil Code section 1366 and Section 4.03(b), above, if the aggregate amount of the Special Assessment exceeds five percent (5%) of the budgeted gross expenses of the Association for the year in which the Special Assessment is imposed. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of that decision in the next available mailing to all Members pursuant to California Corporations Code section 5016, and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's principal office.

Section 4.10. Collection of Assessments; Enforcement of Liens. The Association may elect to pursue one or both of the following remedies in the event of a delinquent assessment:

(a) Personal Obligation. The Association may bring a legal action directly against the Owner for breach of the Owner's personal obligation to pay the assessment and in such action shall be entitled to recover the delinquent assessment or assessments, accompanying late charges, interest, costs and reasonable attorneys' fees. Commencement of a legal action shall not constitute a waiver of any lien rights as described in subparagraph (b), below.

(b) Assessment Lien. Except as otherwise provided in Section 4.04, above, with respect to the limitation on the imposition of liens for Special Individual Assessments, the Association may impose a lien against the Owner's Unit for the amount of the delinquent assessment or assessments, plus any reasonable costs of collection (including reasonable attorneys fees), late charges and interest by taking the following steps:

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(i) At least thirty (30) days prior to recording a lien upon the Owner's Unit to collect a delinquent assessment, the Association shall notify the Owner in writing by certified mail of the following (the "Delinquency Notice"):

(A) A general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the Owner of the Unit has the right to inspect the Association records, pursuant to Section 8333 of the Corporations Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: **"IMPORTANT NOTICE: IF YOUR SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION."**

(B) An itemized statement of the charges owed by the Owner, including items on the statement which indicate the amount of any delinquent assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, any late charges, and interest, if any.

(C) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the assessment was paid on time to the Association.

(D) The right of the notified Owner to request a meeting with the Board as provided in subparagraph, below.

(ii) Any payments made by the Unit Owner toward the delinquent assessment shall first be applied to the assessments owed; and only after the assessments owed are paid in full shall the payments be applied to the fees and the costs of collection, attorneys' fees, late charges or interest. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide it. The receipt shall indicate the date of payment and the Person who received it. The Association shall provide its Members with a mailing address for overnight payment of Assessments.

(iii) An Owner may dispute the amounts claimed as due and owing in the Delinquency Notice by submitting to the Board a written explanation of the reasons for his or her dispute. If the Owner wishes to submit an explanation, it must be mailed to the Association within fifteen (15) days of the postmark of the Delinquency Notice. The Board shall respond in writing to the Owner within fifteen (15) days of the date of the postmark of the Owner's explanation.

(iv) An Owner may also submit a written request to meet with the Board to discuss a payment plan for the delinquent assessment. This request must also be made within fifteen (15) days of the postmark of the Delinquency Notice. The Association shall provide the

Owners with the standards for payment plans, if such standards have been adopted. So long as a timely request for a meeting has been tendered, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request for a meeting, unless there is no regularly-scheduled Board meeting within that period, in which case the Board may designate a committee of one or more Members to meet with the Owner.

(v) The amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code section 1366 shall be a lien on the Owner's Unit from and after the time the Association causes to be recorded with the County Recorder a Notice of Delinquent Assessment, which shall state the amount of the Assessment and other sums imposed in accordance with Civil Code Section 1366, a legal description of the Owner's Unit against which the Assessment and other sums are levied, the name of the record owner of the Owner's Unit against which the lien is imposed. In order for the lien to be imposed by non-judicial foreclosure as provided in subparagraph (viii), below, the Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice of Delinquent Assessment shall be signed by any officer of the Association or by the person designated by the Association for that purpose and mailed in the manner set forth in Civil Code Section 2924b to all record owners of the Owner's Unit no later than ten (10) calendar days after recordation. Within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Association shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Unit Owner a copy of the lien release or notice that the delinquent assessment has been satisfied.

(vi) Once the Association is no longer subject to the regulatory jurisdiction of the Department of Real Estate, a Special Individual Assessment or other monetary charge imposed by the Association as a means of reimbursing the Association for costs incurred in the repair of damage to Common Areas and Common Facilities for which the Member or the Member's guests or tenants were responsible may become a lien against the Member's Unit that is enforceable by sale of the Unit in non-judicial foreclosure pursuant to Civil Code sections 2924, 2924b and 2924c.

(vii) A lien created pursuant to subparagraph (v), above, shall be prior to all other liens recorded against the Owner's Unit subsequent to the Notice of Delinquent Assessment, except as described in Section 4.12, below.

(viii) Subject to the limitations of this Section 4.10(b), after the expiration of thirty (30) days following the recording of a Notice of Delinquent Assessment, the lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the notice of delinquent assessment, or sale by a trustee substituted pursuant to Civil Code section 2934a. Any sale by the trustee shall be conducted in accordance with Civil

Code sections 2924, 2924b and 2924c applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Civil Code sections 2924c and 2924d.

(ix) If it is determined that a lien previously recorded against a Unit was recorded in error, the party who recorded the lien, within twenty-one (21) calendar days, shall record or cause to be recorded in the Office of the County a lien release or notice of rescission and provide the Unit Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission.

(x) If the Association fails to comply with the procedures set forth in this Section 4.10(b) prior to recording a lien, the Association shall recommence the required notice process. Any costs associated with recommencing the notice process shall be borne by the Association and not by the Unit Owner.

The provisions of this Section 4.10(b) are intended to comply with the requirements of Civil Code Section 1367.1 in effect as of January 1, 2003. If these sections are amended or rescinded in any manner, the provisions of this Section 4.10(b) automatically shall be amended or rescinded in the same manner. Civil Code Section 1367.1 may have been amended by the State Legislature, and the Board should confirm the current statutory requirements.

Section 4.11. Transfer of Condominium Unit by Sale or Foreclosure. The following rules shall govern the right of the Association to enforce its Assessment collection remedies following the sale or foreclosure of a Condominium Unit:

(a) Except as provided in subparagraph (b), below, the sale or transfer of any Condominium Unit shall not affect any Assessment lien which has been duly Recorded against the Unit prior to the sale or transfer, and the Association can continue to foreclose its lien in spite of the change in ownership.

(b) The Association's Assessment lien shall be extinguished as to all delinquent sums, late charges, interest and costs of collection incurred prior to the sale or transfer of a Condominium Unit pursuant to a foreclosure or exercise of a power of sale by the holder of a prior encumbrance (but not pursuant to a deed-in-lieu of foreclosure). A "prior encumbrance" means any first Mortgage or other Mortgage or lien Recorded against the Unit at any time prior to Recordation of the Association's Assessment lien (see Section 4.12, below).

(c) No sale or transfer of a Unit as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of such Unit (whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party acquiring an interest in the Unit)

from liability for any Assessments which thereafter becomes due with respect to the Unit or from the lien thereof.

(d) Any Assessments, late charges, interest and associated costs of collection which are lost as a result of a sale or transfer of a Unit covered by subparagraph (b), above, shall be deemed to be a Common Expense collectible from the Owners of all of the Units, including the person who acquires the Unit and his or her successors and assigns.

(e) No sale or transfer of a Unit as the result of foreclosure, exercise of a power of sale, or otherwise, shall affect the Association's right to maintain an action against the foreclosed previous Owner personally to collect the delinquent Assessments, late charges, interest and associated costs of collection incurred prior to and/or in connection with the sale or transfer.

Section 4.12. Priorities. When a Notice of Delinquent Assessment has been recorded, such notice shall constitute a lien on the Unit prior and superior to all other liens or encumbrances recorded subsequent thereto except: (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (b) the lien or charge of any first Mortgage of record (meaning any recorded Mortgage with first priority over other Mortgages) made in good faith and for value; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or other prior encumbrance.

Section 4.13. Unallocated Taxes. In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than being assessed to the individual Units, such taxes shall be included in the Regular Assessment imposed pursuant to Section 4.02, above, and, if necessary, a Special Assessment may be levied against the Units in an amount equal to such taxes to be paid in two installments, thirty days prior to the due date of each tax installment.

Section 4.14. Assignment of Rents. Each Owner does hereby presently assign to the Association, absolutely and regardless of possession of the property, all rents and other monies now due or hereafter to become due under any lease or agreement or otherwise for the use or occupancy of any or all parts of any Unit owned by the Owner, now existing or hereafter made for the purpose of collecting all Assessments due the Association pursuant to this Declaration which are in default. The Association hereby confers on each Owner the authority to collect and retain the rents and other monies derived from any such lease or agreement as they become due and payable; provided, however, that the Association at its sole discretion, may revoke such authority at any time, upon written notice to the Owner of a default in the payment of any Assessment due hereunder. Upon revocation of such authority the Association may, pursuant to

court order or by court appointed receiver, collect and retain such monies, whether past due and unpaid or current.

Section 4.15. Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article, the benefit of any homestead or exemption law of California in effect at the time any Assessment or installment thereof becomes delinquent or any lien is imposed.

ARTICLE V
Architectural Committee

Section 5.01. Improvements in General; Establishment of Architectural Committee. No "Improvement" of any kind shall be commenced, erected or maintained on the Property, nor shall any exterior addition to or change or alteration be made in or to any Unit or Common Facility until the plans and specifications showing the nature, color, kind, shape, height (including front, side and rear elevations), materials, and location of the same shall have been submitted to and approved in writing by the Association's Architectural Committee as to quality of workmanship and materials, harmony of external design and location in relation to surrounding structures, setback lines and topography and finish grade elevation.

Section 5.02. Definition of Improvements Requiring Approval/Exclusion for Interior Projects. As used herein, the term "Improvement" shall include, without limitation, any building, outbuilding, structural Improvement, exterior landscaping, fence, wall, exterior modification of existing structures, internal modification of any Unit involving any roof, bearing wall or other structural component thereof, any change in exterior color, or the installation of awnings, antennas, television satellite reception dishes, patio covers, natural gas lines, exterior lights, vents, windows, doors, and door hardware.

The term "Improvement" shall not include any work or Improvement within an Owner's Unit so long as the project does not involve any load bearing wall or breach or entry into the roof of the Unit. Accordingly, each Owner shall have the exclusive right to paint, plaster, panel, tile, wallpaper or otherwise finish, refinish or decorate the inner surfaces of the walls, ceiling, floors, windows or doors of the Owner's Unit. Such projects shall not be subject to this Article.

Section 5.03. Appointment of Architectural Committee. The Board of Directors shall appoint an Architectural Committee composed of not less than three nor more than five members. Committee members appointed shall be from the membership of the Association. Members of the Committee shall serve for a term of one year. In the event of the death or resignation of any member of the Architectural Committee, a successor shall be appointed by the Board. Neither the members of the committee nor its designated representatives shall be entitled

to any compensation for services performed pursuant hereto. In the absence of an Architectural Committee, the Board shall serve as same.

Section 5.04. Submission of Plans; Action by Committee. Plans and specifications shall be submitted to the Architectural Committee by personal delivery or certified mail to the secretary of the Association or the chairman of the Architectural Committee. The Architectural Committee shall review the plans and specifications, and present to the Board with its recommendation for approval or disapproval. In the event the Board fails to approve or disapprove such design and location within 45 days after said plans and specifications have been submitted to the Architectural Committee, the request shall be deemed denied. Under such circumstances, the written request may be resubmitted. Approval of the Board can contain conditions or requests for modification of particular aspects of the Owner's plans and specifications.

Section 5.05. Architectural Committee Rules. The Architectural Committee may, subject to review and approval by the Board of Directors, from time to time adopt, amend and repeal rules and regulations to be known as "Architectural Committee Rules." The Architectural Committee Rules shall interpret and implement the provisions of this Declaration by setting forth the standards and procedures for Architectural Committee review and guidelines for architectural design, placement of any work of Improvement or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular Improvement projects within the Property; provided, however, that said rules shall not be in derogation of the minimum standards required by this Declaration. In the event of any conflict between the Architectural Committee Rules and this Declaration, the provisions of the Declaration shall prevail.

Section 5.06. Variances. The Board of Directors shall be entitled to allow reasonable variances with respect to this Article or any restrictions specified in Article VII, below, in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided the following conditions are met:

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

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

Section 5.07. Estoppel Certificate. Within 30 days after written demand is delivered to both the Board and the Architectural Committee by any Owner, and upon payment to the Association of a reasonable fee (as fixed from time to time by the Board), the Board shall execute an estoppel certificate, executed by any two of its members, certifying (with respect to any Unit owned by the applicant Owner) that as of the date thereof, either: (i) all Improvements made and other work completed by said Owner with respect to the Unit(s) comply with this Declaration; or (ii) that such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the bases of such noncompliance. Any purchaser from the Owner, or anyone deriving any interest in said Unit through the Owner, shall be entitled to rely on said certificate with respect to the matters therein set forth, such matters being conclusive as between the Association, all Owners and any persons deriving any interest through them.

ARTICLE VI Association and Owner Maintenance Responsibilities

Section 6.01. Maintenance and Repair of Open Space and Recreational Common Areas. No Improvement, excavation or work which in any way alters any portion of the Common Area devoted to open space, parking or landscaping from its condition or appearance as constructed or improved by Declarant shall be made or done except upon strict compliance with, and within the restrictions and limitations of, the following provisions of this section:

(a) No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any Improvement upon, or shall make or create any excavation or fill upon, or shall change the natural or existing drainage of, or shall destroy or remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon the Common Area, without prior approval of the Board

(b) The Association shall at any time, and from time to time:

(i) Install, construct, reconstruct, replace or refinish any Common Facility or other Improvement or portion thereof within the Common Area in accordance with the original design, finish or standard of construction of such Improvement or similar Improvements within the Common Area. Without limiting the foregoing it is noted that the on-site sanitary sewer and on-site storm drainage within the Property are private and connect with the public systems in the adjacent streets. The Association shall maintain the Common Area. The sizing and location of clean-outs and manholes shall meet the Uniform Plumbing Code and any applicable standard details promulgated by the City.

(ii) Construct, reconstruct, replace, refinish any road Improvement or surface upon any portion of the Common Area designated on a subdivision map as a private road or parking area.

(iii) Replace destroyed trees or other vegetation and plant or remove trees, shrubs and ground cover upon any portion of Common Area.

(iv) Place and maintain upon the Common Area and Common Facilities such signs as the Association may deem necessary for the identification of the development of roads, the regulation of traffic, including parking, the regulation and use of Common Area and Common Facilities.

Section 6.02. Maintenance and Repair of Unit Building Structures. In addition to its responsibilities to maintain, repair and replace all components of the open space Common Areas, parking areas and other general Common Facilities within the Project, the Association shall also maintain, repair and replace all Common Facility building structures housing Units, including, without limitation, the roofs and exterior walls of said structures, exterior doors and windows of said structures, including garage doors, and utility lines and installations, including waste and sewage disposal systems, that serve more than one Unit. The Association's obligation to respond to major damage or destruction of building structures shall be further subject to Article X, above.

Section 6.03. Association Maintenance and Repair Obligations With Respect to Exclusive Use Common Areas. The Association shall maintain, repair and replace the following Exclusive Use Common Areas: the structural components of balconies and patios.

Except as provided in the preceding sentence, the Association shall not be responsible for the maintenance, repair or replacement of any other Exclusive Use Common Areas.

Section 6.04. Owners' Maintenance and Repair Responsibilities. Each Owner of a Condominium shall be responsible for maintaining, repairing and replacing all components of the Owner's Unit, including, without limitation, the following:

(a) Maintain the Owner's Unit in a clean, attractive and sanitary condition and promptly exterminate insects, ants, roaches, etc., inside the Unit.

(b) Maintain, repair, replace and restore the plumbing, air conditioning unit, electrical lines, cable television service, water heaters and other internal installations and utilities and any other equipment that is installed for the exclusive use and enjoyment in the Owner's Unit and which are located within the inside perimeter of the exterior bearing walls of said Unit, and all appliances and equipment located in said Unit.

(c) Maintain, repair, replace and restore all utility lines and installations which service only an individual Unit, including the waste and sewage disposal system.

(d) Maintain, repair, replace and restore all portions of the Owner's Unit, including, without limitation, the interior walls, ceilings, floors and doors; provided, however, that no work shall be undertaken which involves entry into the roof or any exterior wall of a unit (including a wall which divides the Unit from an adjoining Unit) without prior notice to, and approval of the Architectural Committee in accordance with Article V.

(e) Maintain, repair and replace any Exclusive Use Common Areas adjacent to his or her Unit other than the Exclusive Use Common Areas described in Section 6.03, above, (which shall be repaired, maintained and replaced by the Association).

Every Owner shall be responsible for the prompt performance of all maintenance, repair and restoration work within his or her Unit or Exclusive Use Common Area which, if omitted or unreasonably delayed, would adversely affect the Project in its entirety or any portion of the Project inhabited by other Owners or residents.

Section 6.05. Association's Right to Recover Certain Maintenance and Repair Costs.

(a) Association Maintenance Caused by Owner Negligence. If the need for maintenance or repair which would otherwise be the Association's responsibility hereunder is caused through the willful or negligent act(s) of an Owner, or the Owner's family, guests or invitees, and is not covered or paid for by the Association insurance policies maintained by the Association or any personal liability insurance held by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 4.04, above.

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(b) Owner Defaults in Maintenance Responsibilities. If an Owner fails to undertake any maintenance, repair, replacement or restoration project enumerated herein in a timely fashion, the Association, its agents, contractors or delegates shall have the right to enter the Unit, at reasonable times, to effect such maintenance, repair, replacement or restoration and the cost thereof shall be charged to the Owner of the Unit and, if not paid in a timely fashion, shall be collected as a Special Individual Assessment. Any Association action hereunder shall be undertaken in strict compliance with the requirements and procedures regarding the Association's right to enter Units set forth in Section 3.06(b) of this Declaration.

ARTICLE VII Use of Property and Restrictions

In addition to such restrictions as may be established by law or made a part of the Association Rules (consistent with this Declaration), the following restrictions are hereby imposed upon the use and enjoyment of the Property (including, without limitation, the individual Units):

Section 7.01. Single Family Residential Use. The use of any Condominium within the Property is hereby restricted to Single Family Residential Use; provided, however, that nothing in this Declaration shall prevent an Owner from leasing or renting his or her Condominium, subject to Section 2.03, above.

Section 7.02. Prohibition of Noxious Activities.

(a) No noxious or offensive activities shall be conducted within or upon any portion of the Property nor shall anything be done or permitted within any Unit which is or could become an unreasonable annoyance or nuisance to the neighborhood.

(b) Without limiting any of the foregoing, no Owner shall permit noise of any sort (including, but not limited to, barking dogs, the operation of air conditioners, stereo amplifier systems, television sets, motor vehicles and power tools) to emanate from an Owner's Unit or any portion of the Common Area which would unreasonably disturb other Owners' enjoyment of their Units or the Common Area. Excessive noise levels may be determined in the sole discretion of the Board which may, but shall not be obligated to, rely on the County Code or other applicable governmental regulation dealing with such matters. The standards which may be considered in determining whether a violation of this section exists include, but shall not be limited to, the following: the sound pressure level of the noise; the octave band sound pressure of the noise; whether the noise is usual or unusual; whether the origin of the noise is natural or unnatural; the sound pressure level and octave band level of the background noise, if any; the

time of the day or night when the noise occurs; the duration of the noise; and whether the noise is recurrent, intermittent or constant.

(c) The Board may, in its sole discretion, prohibit maintenance within the Property of any animal that constitutes a nuisance (whether due to its size, viciousness, unreasonable noise or otherwise) with respect to any other residents.

Section 7.03. Household Pets. The following restrictions regarding the care and maintenance of pets within the Project shall be observed by each Owner and resident:

(a) No more than 2 common household pets may be kept in each Unit so long as the same are not kept, bred or maintained for commercial purposes. No other animals, or poultry of any kind shall be kept, bred or raised in any Unit.

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

(c) No household pet shall be left chained or otherwise tethered in the Common Area. Pet owners shall be responsible for the prompt removal and disposal of pet wastes deposited by their pets within the Project.

(d) Each person bringing or keeping a pet on the Property shall be solely responsible for the conduct of such pets.

(e) The Association, its Board, officers, employees and agents shall have no liability (whether by virtue of this Declaration or otherwise) to any Owners, their family members, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

(f) The Board of Directors shall have the right to establish and enforce additional regulations imposing standards for the reasonable control and keeping of household pets in, upon and around the Property to ensure that the same do not interfere with the quiet and peaceful enjoyment of the Property by the other Owners. The regulations adopted by the Board may, in the Board's sole discretion, limit the right to maintain dogs, cats and other pets that are likely to be within the Common Areas from time to time, to Owners; provided, however, that any such rule shall not affect the rights of any lessee under a lease agreement in effect at the time the rule is adopted. The Board shall have the authority to adopt further regulations regarding the restriction or removal of animals deemed to be a nuisance or a danger to the community.

Section 7.04. Signs. No commercial signs of any kind shall be displayed to the public view on any Unit or posted within or upon any portion of the Common Area except signs

required by legal proceedings and a single of reasonable dimensions placed in the window of a Unit advertising: (a) that the property is for sale, lease or exchange by the Owner or the Owner's agent; (b) the Owner's or agent's name; and (c) the Owner's or agent's address and telephone number unless the prior written consent of the Board is first obtained. Signs permitted hereunder shall not be nailed to the exterior of any Unit and directional signs advertising Units for sale or lease shall only be permitted within the Common Areas in accordance with the Association Rules.

Section 7.05. Business Activities. No business activities of any kind whatsoever shall be conducted within any building or in any portion of any Unit; provided, however, that the foregoing restriction shall not apply to the activities, signs or maintenance of buildings by the Association in furtherance of its powers and purposes as set forth herein or be construed in such a manner as to prohibit any Owner from engaging in a home occupation pursuant to the City of Burbank Municipal Code 10-1-672. Such uses are expressly declared to be customarily incident to the Unit's principal residential use and not in violation of any provision of this section.

Section 7.06. Garbage and Storage. No rubbish, trash or garbage shall be allowed to accumulate on the Property and any trash created by an Owner's use of the Owner's Unit shall be stored entirely within appropriate covered disposal containers located within said Unit. No disposal containers will be allowed in the Common Area except as maintained by the Association.

Any extraordinary accumulation of rubbish, trash, garbage or debris shall be removed promptly from the Property to a public dump or trash collection area by the Owner or tenant at the Owner's or tenant's expense. Storage of personal property shall be maintained within each Unit. The Association shall be entitled to impose reasonable fines and penalties for collection of garbage and refuse which is disposed of in any manner inconsistent with this section.

Section 7.07. Clotheslines. No exterior clothesline shall be erected or maintained and there shall be no drying or laundering of clothes on the balconies, fences, patios, porches or other areas in any manner which is visible from any neighboring Unit or from the Common Area.

Section 7.08. No Exterior Maintenance by Owners. No planting or gardening shall be done on any Condominium or common area without prior approval of the Board, and there shall be no exterior painting or maintenance of building structures housing Units by or on behalf of the Owners thereof, or any person holding thereunder, nor repair or replacement of original roofs or utility laterals by said persons, it being the intention hereunder that such items be maintained and replaced by the Association in conjunction with latter's maintenance of the Common Areas in order to preserve the external harmony and uniform appearance of the Property. Nothing herein shall be construed as preventing an Owner from maintaining common household plants located entirely within the Owner's Unit or on the Owner's Exclusive Use Common Area.

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Section 7.09. Interior Improvements. No Owner shall undertake any action or work interior that will impair the structural soundness or integrity of the Owner's Unit or an adjoining Unit or impair any easement or hereditament, or do any act or allow any condition to exist which will adversely affect the other Condominiums or their Owners.

Section 7.10. Restriction on Alteration of Common Areas or Building Exteriors. In order to insure adequate aesthetic controls and to maintain the general attractive appearance of the Property, no Owner, resident or lessee shall construct fences, walls, or make any alterations, additions or modifications to or on any part or portion of the Common Area or exterior surfaces of residential Units, except as authorized by the Association pursuant to Article V, above. No construction or alteration of structural Improvements may be undertaken on or within any Condominium Unit without approval of the Board.

Section 7.11. Barbecues. There shall be no exterior fires whatsoever except barbecue fires located on ground floor patio areas adjacent to Units and contained within receptacles designed for such purpose.

Section 7.12. Machinery and Equipment. No machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Unit by any Owner, except such machinery or equipment as is usual or customary in connection with the use and maintenance of a Condominium Unit or appurtenant structures within the Property.

Section 7.13. Diseases and Insects. No Owner shall permit any thing or condition to exist upon or within his or her Unit which shall induce, breed, or harbor infectious plant diseases, rodents, or noxious insects.

Section 7.14. Parking; Trailers, Boats and Motor Vehicles. Parking and the use, storage and operation of vehicles within the Property shall be subject to the following restrictions:

(a) Unless otherwise permitted by the Board, no automobiles shall be parked or left on any portion of the Property other than inside a garage or within a parking space. No automobiles shall be permitted to remain on the Common Area driveways.

(b) The garages are to be used for the parking of vehicles, and for storage of other household items. They are not to be converted for any type of living or recreational activities.

(c) No vehicle, including mopeds and motorcycles, shall be parked on any areas surrounding the front of residential Units, including sidewalks that surround the buildings.

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shall be kept, placed, maintained, constructed, reconstructed or repaired within any garage; provided, however, that the temporary parking of any such vehicles, boats or trailers within the Common Area for a period not to exceed four hours during any forty-eight hour period for purposes of loading or unloading the same shall not constitute a violation of this section, so long as any such temporary parking does not block the entrance to the garage or parking space of any other Owner (or any guest parking space) and does not block ingress to or egress from the Property.

(e) No motor vehicle shall be constructed, reconstructed or repaired within the Property and no dilapidated or inoperable vehicle including vehicles without wheel(s) or an engine, shall be stored on the Property; provided, however, that the provisions of this paragraph shall not apply to emergency vehicle repairs or temporary construction shelters or facilities maintained during, or used exclusively in connection with, the construction of any work or improvement approved by the Board.

(f) No commercial vehicles of any nature shall be parked or stored in a garage or on the streets within the Property, except for commercial vehicles providing services to Owners or the Association, and in that event only for the duration reasonably necessary to provide such service.

(g) The parking areas and walkways within the Common Area shall not be used for recreational purposes, including "joy riding," racing, etc. Motorcycles, bicycles, mopeds, or cars shall be allowed within the parking areas only for ingress and egress and shall not be used on walkways.

Section 7.15. Children. Each resident shall be accountable to the other Owners, their families, lessees, visitors, guests and invitees, for the conduct and behavior of their children and that of children temporarily residing in or visiting the Owner's Unit and for any property damage caused by such children.

Section 7.16. Activities Affecting Insurance. Nothing shall be done or kept in any Unit or within the Common Area which will increase the rate of insurance relating thereto without the prior written consent of the Board of Directors and no Owner shall permit anything to be done or kept in his or her Condominium or within the Common Area which would result in the cancellation of insurance on any Condominium or any part of the Common Area or which would be in violation of any law.

Section 7.17. Solar Energy Systems. A solar energy system shall meet applicable health and safety standards and requirements imposed by state and local permitting authorities. A solar energy system for heating water shall be certified by the Solar Rating Certification Corporation (SRCC) or other nationally recognized certification agencies. SRCC is a nonprofit third party

(SRCC) or other nationally recognized certification agencies. SRCC is a nonprofit third party supported by the United States Department of Energy. The certification shall be for the entire solar energy system and installation. A solar energy systems for producing electricity shall also meet all applicable safety and performance standards established by the National Electrical Code, the Institute of Electrical and Electronics Engineers, and accredited testing laboratories such as Underwriters Laboratories and, where applicable, rules of the Public Utilities Commission regarding safety and reliability.

Section 7.18. Variances. The Board of Directors may allow reasonable variances and adjustments of the Property use restrictions contained in this Article in order to overcome practical difficulties and prevent unnecessary hardships in the application of the provisions contained herein; provided however, that any variance must be authorized in accordance with the procedures described in Section 5.05, above.

ARTICLE VIII Easements

Section 8.01. Easements.

- (a) The thirty-six (36) Units shall have a non-exclusive easement appurtenant over an adjacent parcel, to wit:

An easement, for ingress and egress, to be used in common with others over the southwesterly 10 feet of Lot 37, Tract 28264, as shown on map recorded in Book 717, pages 21 and 22 of Maps, Records of Los Angeles County.

- (b) An easement is reserved for a non-exclusive easement appurtenant over the northeasterly 10 feet of Lot 37, to be used for ingress and egress by the owners, of Lot 37, Tract 28264, being property lying immediately adjacent to the hereinbefore described property, and by their guests and invitees.

ARTICLE IX Insurance

Section 9.01. Insurance Coverage. The Association shall purchase, obtain and maintain the following types of insurance, if and to the extent they are available:

- (a) Public Liability and Property Damage Insurance. A policy of comprehensive public liability insurance insuring the Association, each member of the Association Board of

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Directors, any Manager and the Owners and occupants of Units against any liability incident to the ownership or use of the Common Areas and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than \$2 million covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use.

(b) Fire and Casualty Insurance. The Association shall obtain and maintain a master or blanket policy of fire and casualty insurance, written on all risk, replacement cost basis, on all Common Facilities within the Property, including the buildings containing Units. The insurance shall be kept in full force and effect at all times. Depending on the nature of the insured property and the requirements, if any imposed by institutional Mortgagees having an interest in such property, the policies maintained by the Association pursuant to this section shall contain an agreed amount endorsement or a contingent liability from operation of building laws endorsement or the equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a clause to permit cash settlements for full insurable value in case of partial destruction. The policies required hereunder shall name as insured the Association, all Owners and all Mortgagees as their respective interests may appear. The policies may contain a loss payable endorsement in favor of the trustee described in Section 9.05, below.

(c) Director's and Officer's Liability Insurance. To the extent such insurance is reasonably obtainable the Association shall maintain individual liability insurance for its directors and officers providing coverage for negligent acts or omissions in their official capacities. The minimum coverage of such insurance shall be at least One Million Dollars (\$1,000,000.00).

(d) Other Insurance. The Board may and, if required by any institutional Mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, and a blanket policy of flood insurance. The Board also shall purchase and maintain workers' compensation insurance, to the extent that it is required by law, for all employees or uninsured contractors of the Association. The Board also shall purchase and maintain fidelity bonds or insurance (which shall be in an amount equal to three months' operating expenses including contributions to reserves and shall contain an endorsement of coverage of any person who may serve without compensation) sufficient to meet the requirements of any Mortgagee.

Section 9.02. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 9.01, above, is for any reason unavailable, then the

Association shall obtain such other or substitute policy or endorsement as may be available which, at the discretion of the Board, provides, as nearly as possible, the coverage hereinabove described.

Section 9.03. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon to have been paid) shall be retained by the Association and shall be available for inspection by Owners at any reasonable time.

Section 9.04. Individual Fire Insurance Limited. Except as provided in this section, no Owner can separately insure the Owner's Unit or any part of it against loss by fire or other casualty covered by an insurance carried under Section 9.01, above. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section 9.01, above, that results from the existence of such other insurance will be chargeable to the Owner who acquired other insurance and the Owner will be liable to the Association to the extent of any such diminution. An Owner can insure the Owner's personal property against loss. In addition, any Improvements made by an Owner within the Owner's Unit may be separately insured by the Owner, but any such insurance shall be limited to the type and nature of coverage commonly known as "tenant's Improvements." All such insurance that is individually carried must contain a waiver of subrogation rights by the carrier as to other Owners, the Association and institutional first Mortgagees of such Condominium.

Section 9.05. Trustee. All insurance proceeds payable under Sections 9.01 and 9.02, above, may, in the discretion of the Board of Directors, be paid to a trustee, to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in the County that agrees in writing to accept such trust. If repair or reconstruction is authorized, the Board shall have the duty to contract for such work as provided in this Declaration.

Section 9.06. Owner's Insurance. An Owner may carry whatever personal liability and property damage liability insurance with respect to the Owner's Unit that the Owner desires. However, any such policy shall include a waiver of subrogation clause acceptable to the Board and to any first Mortgagee.

Section 9.07. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Sections 9.01 and 9.02, above. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

Section 9.08. Annual Insurance Review. The Board shall review the insurance carried by or on behalf of the Association at least annually, for the purpose of determining if such

insurance is adequate. Such responsibility may be performed and shall be deemed reasonably performed by the Board requesting the Association's insurance agent to verify that the insurance policies in existence meet the needs of the Association.

Section 9.09. Insurance Deductibles. The amount of the deductible portion of any insurance coverage maintained by the Association shall be established in the reasonable discretion of the Board. In the event that a loss is not the result of the negligent or willful misconduct of a particular Owner or a particular guest, tenant or invitee of an Owner, or if responsibility cannot clearly be established, the cost of the deductible shall be defrayed by the Association and, if necessary the deductible shall be recovered from the Owners through levy of a Special Assessment pursuant to Section 4.03(c)(ii), above. However, if a loss is established to be the result of the negligent or willful misconduct of a particular Owner or his or her guest, tenant or invitee, that Owner shall be charged with the deductible amount as a Special Individual Assessment pursuant to Section 4.04(a)(i), above. Before such a Special Individual Assessment may be imposed the Owner who is alleged to be responsible for the loss shall be entitled to notice and a hearing in accordance with Article XIV, below.

ARTICLE X

Damage or Destruction

Section 10.01. Partial Destruction. In the event of a partial destruction of the hereinbefore described improvements on said real property, it shall be the duty of the Board of Directors to restore and repair the same to its former condition, as promptly as practicable and in a lawful and workmanlike manner. The proceeds of any insurance written pursuant to Article IX hereof shall be made available for such purpose, subject to the prior rights of beneficiaries of deeds of trust whose interest may be protected by such policies. In the event that the amount available from the proceeds of such insurance policies for such partial reconstruction shall be at least 85% of the estimated cost of reconstruction, the owners of individual units, by vote of not less than two-thirds (2/3) of the owners present and entitled to vote, in person or by proxy, at a duly constituted meeting, shall determine whether the Board of Directors shall be authorized to proceed with such partial reconstruction or not, and in the event of an affirmative vote, a special assessment of the owners, with each owner contributing a like sum, may be levied to provide the necessary funds for such reconstruction, over and above the amounts available in the Reserve Account and any insurance proceeds available for such purpose. In the event of a determination by the owners that the cost of such reconstruction would be so substantial that it would not be in their best interests to proceed with the same, the owners may, in their discretion, proceed as provided in Section 10.02 hereof.

Section 10.02. Total Destruction. In the event of a total destruction of the improvements on said real property, the owners, by said requisite vote, shall likewise have the authority to determine whether said improvements shall be rebuilt, or whether said real property shall be sold. In the event of a determination to rebuild, the necessary funds shall be raised as provided in Section 10.01 hereof, and the Board of Directors shall be authorized to have prepared the necessary plans, specifications and maps, and to execute the necessary documents to effect such reconstruction as promptly as practicable, and in a lawful and workmanlike manner. A certificate of the resolution authorizing such reconstruction shall be filed with the County Recorder within six (6) months from the date of such destruction, and in the event of a failure to record such certificate within said period, it shall be conclusively presumed that the owners have determined not to rebuild said improvements. In the event of a determination not to rebuild, the Board of Directors shall be authorized to have prepared and to file, as promptly as practicable, a corrected subdivision map, converting said real property into an unimproved parcel of land, which shall be offered for sale at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. The net proceeds of such sale, and the proceeds, if any, of insurance carried by the owners as a whole on said premises, shall be divided equally among the owners. The balance then due on any individual encumbrance executed in good faith and for value shall be first paid before the distribution of any proceeds to the owner whose unit is so encumbered.

Section 10.03. Interior of Units. Restoration and repair of any damage to the interior of any individual unit, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the owner of said unit, and in the event of a determination to rebuild after partial or total destruction, it shall be completed as promptly as practicable and in a lawful and workmanlike manner.

Section 10.04. Certificate of Resolution. Six (6) months from the date of any partial or total destruction, if a certificate of resolution to rebuild be not filed or recorded as hereinbefore provided, or if reconstructions be not actually commenced within said period, the covenant against partition, hereinbefore provided shall terminate and be of no further force or effect.

Section 10.05. Fee title. In the event of total destruction of said improvements, and in the event of a determination not to rebuild the same, fee title to Units 1 through 36 shall be deemed to merge in the interest of each owner in Lot 37, as tenants in common with the remaining owners.

ARTICLE XI Condemnation

Section 11.01. Sale by Unanimous Consent or Taking. If an action for condemnation of all or a portion of the Property is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the Owners and all institutional Mortgagees, the Property, or a portion thereof may be sold and conveyed to the condemning authority by the Board or its designees acting as the attorney-in-fact of all Owners under an irrevocable power of attorney, which each Owner by accepting a deed to a Unit hereby grants and which shall be coupled with the interest of all other Owners, for a price deemed fair and equitable by the Board. If the requisite number of Owners or institutional Mortgagees do not consent to a sale of all or a portion of the Property, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

Section 11.02. Distribution and Sale Proceeds of Condemnation Award.

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

(b) Partial Sale or Taking. In the event of a partial sale or taking of the Property, meaning a sale or taking that is not a total taking as determined in Section 11.02(a), above, the proceeds from the sale or taking shall be paid or applied in the following order of priority and any judgment of condemnation shall include the following provisions as part of its terms:

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

(ii) To Owners and to their respective Mortgagees, as their interests may appear, of Condominiums on the Property whose Condominiums have been sold or taken, an amount up to the fair market value of such Condominiums as determined by the court in the

condemnation proceeding or by an appraiser, less such Owners' share of expenses paid pursuant to Section 11.02(b)(i) (which share shall be in proportion to the ratio that the fair market value of each Owner's Condominium bears to the fair market value of all Condominiums). After such payment, the recipient shall no longer be deemed an Owner and the Board or individuals authorized by the Board, acting as attorney-in-fact of all Owners shall amend the Subdivision Map and this Declaration to eliminate from the Property the Units so sold or taken; then

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

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

ARTICLE XII

Partition of Common Area

Section 12.01. Suspension or Right of Partition. Except as expressly provided in this Article, an Owner shall have no right to partition or divide his or her ownership of the Common Area. Partition of the Common Area can be had on a showing that the conditions to such partition as stated in Section 10.06, (relating to damage or destruction) or in Article XI (relating to condemnation), above, or in California Civil Code section 1359 have been met. Nothing in this Declaration shall prevent partition of a co-tenancy in a Condominium.

Section 12.02. Distribution of Proceeds Upon Partition. Proceeds of the sale of property resulting from a partition shall be distributed to and among the respective Owners and their Mortgagees as their interests appear in proportion to the ratio that the fair market value of each Owner's Condominium bears to the fair market value of all Owners' Condominiums determined by appraisal as provided in Section 10.08, above, but as of a date immediately prior to the event giving rise to the right of Owners to partition the Common Area.

Section 12.03. Power of Attorney. Pursuant to California Civil Code section 1355(b)(9) each of the Owners irrevocably appoints the Association as attorney-in-fact and irrevocably grants to the Association full power in the name and stead of such Owner to sell the entire

Project, and to execute deeds and conveyances to it, in one or more transactions, for the benefit of all Owners when partition of the Project may be had under California Civil Code section 1359 and under the circumstances authorizing partition under this Declaration. The power of attorney shall: (i) be binding on all Owners, whether they assume the obligations under this Declaration or not; (ii) be exercisable by a majority of the Board acting on behalf of the Association, subject to obtaining the prior approval by vote or written consent of 75 percent of the Owners and 75 percent of all institutional first Mortgagees; and (iii) be exercisable only after recordation with the County Recorder of a certificate executed by those who have power to exercise the power of attorney that the power of attorney is properly exercisable under section 1359 of the California Civil Code. This certificate shall be conclusive evidence of proper exercise in favor of any person relying on it in good faith.

ARTICLE XIII

Non-severability or Component Interests

Section 13.01. Severance Prohibited. An Owner shall not be entitled to sever his or her Unit in any Condominium from his or her membership in the Association, and shall not be entitled to sever his or her Unit and his or her membership from the Owner's undivided interest in the Common Area for any purpose. None of the component interests in a Condominium can be severally sold, conveyed, encumbered, hypothecated, or otherwise dealt with; and any violation or attempted violation of this provision shall be void. Similarly, no Owner can sever any exclusive easement appurtenant to his or her Unit over the Common Area from the Owner's condominium, and any attempt to do so shall be void. The suspension of such right of severability will not extend beyond the period set forth in Article XII respecting the suspension of partition.

Section 13.02. Limitation On Interests Conveyed. After the initial sales of the Condominiums, unless otherwise expressly stated, any conveyance of a Unit or any portion of it by an Owner shall be presumed to convey the entire Condominium. However, nothing contained in this section shall preclude the Owner of any Condominium estate, such as by creating an estate for life or an estate for years, or from creating a co-tenancy or joint tenancy in the ownership of the Condominium with any other person or persons.

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ARTICLE XIV
Breach or Default

Section 14.01. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration is inadequate and that the failure of any Owner, tenant, occupant or user of any Condominium Unit or any portion of the Common Area or Common Facilities, to comply with any provision of any of the Governing Documents, as amended from time to time, may be enjoined by appropriate legal proceedings instituted by any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 14.02. Nuisances. Without limiting the generality of the foregoing Section 14.01, above, the result of every act or omission whereby any of the land use regulations contained in Article VII, above, is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 14.03. Costs and Attorneys' Fees. In any action initiated on account of any alleged breach or default of any Owner or other party hereto under this Declaration, the court may award to the prevailing party in any such action such attorneys' fees and other costs of suit as the court may deem just and reasonable.

Section 14.04. Cumulative Remedies. The respective rights and remedies provided by this Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Declaration.

Section 14.05. Failure Not a Waiver. The failure of any Owner or of the Association or its Board of Directors, officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or the Board, or any of its officers or agents.

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Section 14.06. Enforcement Rights and Remedies of the Association; Limitations Thereon.

(a) Rights Generally. In the event of a breach or violation of any Association Rule or of any of the restrictions contained in any Governing Document by an Owner, the Owner's Family, guests, employees, invitees, licensees or tenants, the Board, for and on behalf of all other Owners, shall enforce the obligations of each Owner to obey such Rules or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to appropriate hiring of legal counsel, the imposition of fines and monetary penalties in accordance with subparagraph (b) below, the pursuit of legal action, the suspension of the Owner's right to use recreational Common Facilities or the suspension of the Owner's voting rights as a Member of the Association; provided, however, the Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this section.

The decision of whether it is appropriate or necessary for the Association to initiate enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Association's Board or its duly authorized enforcement committee. If the Association declines to take action in any instance, any Owner shall have such rights of enforcement as exist by virtue of section 1354 of the California Civil Code or otherwise by law.

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

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

(d) Limitations of Disciplinary Rights.

(i) The Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Unit due to the failure by the Owner (or his or her family members, tenants, guests or invitees) to comply with any provision of the Governing Documents or of any duly enacted Association Rule except where the loss or

forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under a power of sale for failure of the Owner to pay Assessments levied by the Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Association's actions satisfy the due process requirements of subparagraph (iii), below.

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

(iii) No disciplinary action, penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Owner alleged to be in violation is given at least ten (10) days prior notices by personal delivery or first-class mail, that the Board of Directors will be meeting to consider imposing such discipline. The notice shall contain at a minimum, the date, time, and place of the meeting, the nature of the alleged violations for which the Owner may be disciplined, and a statement that the Owner has a right to attend and address the Board at the hearing. The Board shall meet in executive session if requested by the Owner.

If disciplinary action is taken, the Board shall notify the accused Owner, in writing, either by personal delivery or first-class mail, of the Board's decision within fifteen (15) days following conclusion of the hearing.

In accordance with Civil Code section 1363(h), disciplinary action shall not be effective against an Owner unless the Board fulfills the requirements of this section.

Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate

corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Association, in writing, within five (5) days following the Association's disciplinary action), or on its own initiative, conduct a hearing as soon thereafter as reasonably possible.

If the Association acts on its own initiative to schedule a hearing, notice of the date, time and location of the hearing shall accompany the notice of disciplinary action. If the accused Owner desires a hearing, a written request therefor shall be delivered to the Association no later than five (5) days following the date when the fine is levied.

The hearing shall be held no more than fifteen (15) days following the date of the disciplinary action or fifteen (15) days following receipt of the accused Owner's request for a hearing, whichever is later. Under such circumstances, any fine or other disciplinary action shall be held in abeyance and shall only become effective if affirmed at the hearing.

At the hearing, the accused shall be given the opportunity to be heard, including the right to present evidence and to present or question witnesses. The Board shall notify the accused Owner, in writing, of the Board's decision within five business days following conclusion of the hearing. In no event shall the effective date of any disciplinary action commence sooner than five (5) days following conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Properties or any portion thereof.

(iv) The notice and hearing procedures set forth in this Section 14.06 shall not apply to any actions by the Association or its duly authorized agents to collect delinquent assessments. Assessment collections shall be subject to Section 4.10, above, and any other notice, hearing and/or dispute resolution requirements or procedures as may be specifically applicable by law to Association assessment collection.

(e) Notices. Any notice required by this Article shall, at a minimum, set forth the date and time for the hearing, a brief description of the action or inaction constituting the alleged violation and a reference to the specific Governing Document provision alleged to have been violated. The notice shall be in writing and may be given by any method reasonably calculated to give actual notice; provided that if notice is given by mail it shall be sent by first-class or registered mail sent to the last address of the Member shown on the records of the Association.

(f) Rules Regarding Disciplinary Proceedings. The Board shall be entitled to adopt rules to elaborate further on the procedures and forms to be utilized in the disciplinary hearing process. Such rules shall form a part of the Association Rules.

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Section 14.07. Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Association by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of \$5,000), the Association shall first comply with the provisions of California Civil Code section 1354 relating to alternative dispute resolution. The Association's own notice and hearing procedures may be drafted to satisfy these statutory requirements.

ARTICLE XV
Notices

Section 15.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

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

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

Section 15.02. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Condominium, to any general partner of a partnership which is the Owner of Record of any Condominium, or to any officer or agent for service of process of a corporation which is the Owner of Record of any Condominium, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation, as the case may be.

Section 15.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered 72 hours after deposit in the United States mail in the County.

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ARTICLE XVI
No Public Rights in the Property

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

ARTICLE XVII
Amendment of Declaration

Section 17.01. Restatements. This section describes the methods for restating the Declaration after an amendment.

(a) General. The Board has the right, by resolution without the necessity of consent by the Owners, to restate this Declaration when it has been properly amended pursuant to its requirements for amendment. Such restatement shall be effective upon execution of the restatement by any two (2) officers of the Association and its Recordation. Upon Recordation of the restatement, the restatement shall supersede the prior declaration and its amendments in their entirety, without, however, affecting the priority of the Declaration in the chain of title to all properties that are subject to the Declaration as established by the Declaration initial date of Recordation.

(b) Form of Restatement. The restatement shall restate the entire text of the original document, with these exceptions: (i) changes incorporating all amendments approved the Owners; (ii) changes made to rearrange or delete the text for consistency with the approved amendments; (iii) changes made to delete material no longer legally effective or legally required, such as the provisions that are for the exclusive benefit of the Declarant; (iv) the addition of a statement that the Board has authorized the restatement pursuant to this section; (v) changes made to delete any provision declared illegal by constitutional or statutory enactment, by regulation, or by controlling judicial opinion; and (vi) changes needed to distinguish the restatement from the original document, such as title, section, or subsection numbering changes.

Section 17.02. Amendment of the Declaration, Generally. This Declaration may be amended or revoked in any respect upon compliance with the following provisions:

(a) Member Approval Requirements. Any amendment shall be approved by the vote or assent by written ballot of the holders of not less than fifty-one percent (51%) of the Voting Power of the Members. Notwithstanding the foregoing, the percentage of the voting power necessary to amend a specific clause or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

(b) Additional Approvals For Amendments to Particular Provisions:

(i) Mortgagee Approvals. Mortgagee approvals shall be required to amend any of the provisions described in section 14.12, above.

**ARTICLE XVIII
General Provisions**

Section 18.01. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with, and shall benefit and burden the Condominiums and the Common Area as herein provided, and shall inure to the benefit of and be binding upon the Owners, the Association, its Board of Directors, officers and agents, and their respective successors in interest, for the term of 30 years from the date of recordation of this Declaration. After the expiration of the initial term, the same shall be automatically extended for successive periods of 10 years each unless, within 6 months prior to the expiration of the initial 30-year term or any such 10-year extension period, a written instrument, approved by Owners entitled to vote and holding at least a majority of the voting power of the Association, terminating the effectiveness of this Declaration, is Recorded.

Section 18.02. Construction.

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

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

(c) Gender and Number. As used in this Declaration, the singular shall include the plural and the plural the singular, unless the context requires the contrary, and the masculine, feminine or neuter gender shall each be deemed to include the others whenever the context so indicates.

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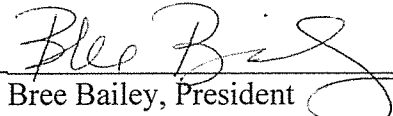
(d) Captions. All captions or titles used in this Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.

(e) Exhibits. All exhibits attached hereto and the Condominium Plan recorded together with the Original Declaration shall be deemed to be incorporated herein by reference.

(f) References to State Statutes. Any references in this Declaration to State Statutes shall be to the referenced statute as in effect on the date that this Declaration is Recorded in the Official Records of the County. In the event that any referenced statute is subsequently amended or superseded, all such references shall thereupon mean and refer to the referenced statute as so amended, modified or superseded, so long as the amended statute continues to regulate or pertain to the same subject matter.

**TOLUCA TOWN HOUSE NO. 3
HOMEOWNERS' ASSOCIATION,**
a California nonprofit mutual benefit corporation

DATED: Dec 7, 2012

By : 
Bree Bailey, President

DATED: Dec 7, 2012

By : 
Eric Lewis, Secretary

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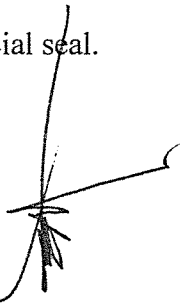
ACKNOWLEDGMENT

State of California)
County of Los Angeles)

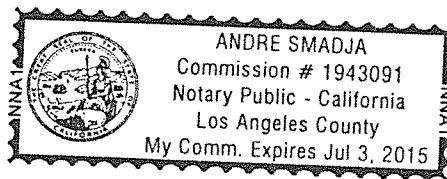
On 12/7, 2012, before me, Andre Smadja, Notary Public, personally appeared ERIC LEWIS, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/~~she~~ executed the same in his/~~her~~ authorized capacity, and that by his/~~her~~ signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under Penalty of Perjury under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.



Notary Public in and for
Said County and State



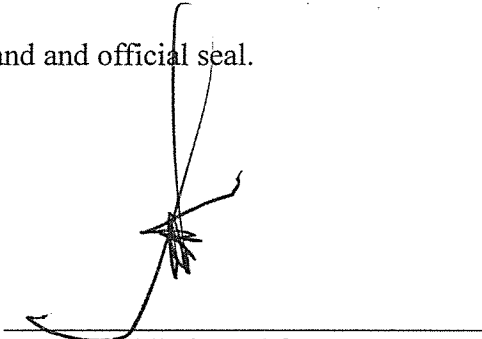
ACKNOWLEDGMENT

State of California)
County of Los Angeles)

On 12/7, 2012, before me, Andre Smadja, Notary Public, personally appeared REE BAILEY, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that ~~he~~/she executed the same in ~~his~~/her authorized capacity, and that by ~~his~~/her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under Penalty of Perjury under the laws of the State of California that the foregoing paragraph is true and correct.

Witness my hand and official seal.



Notary Public in and for
Said County and State

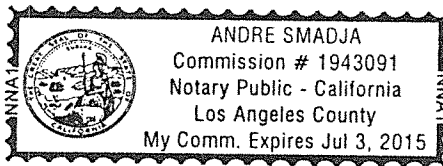


Exhibit "A"

Legal Description for Toluca Town House No.3:

Units one (1) through thirty six (36) inclusive and lot thirty seven (37) of Tract No. 28749 as shown on map recorded in Book 726, pages 64-66 of maps in the Office of the County Recorder of Los Angeles County, State of California.