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“If this document contains any restriction based on race, color, religion, sex, familial status, marital status, disability, national origin, or ancestry, that restriction violates State and Federal Fair Housing Laws and is void. Any person holding an interest in this property may request that the County Recorder remove the restrictive covenant language pursuant to subdivision (c) of Section 12956.1 of the Government Code.”

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
LAUREL TREE CONDOMINIUM
LOS ANGELES COUNTY, CALIFORNIA

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DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
LAUREL TREE CONDOMINIUM
LOS ANGELES COUNTY, CALIFORNIA

THIS DECLARATION, made on the date hereinafter set forth, by DAON CORPORATION, a Delaware corporation ("Declarant"), is made with reference to the following facts:

A. Declarant is the owner of certain improved real property located in County of Los Angeles, State of California, more particularly described in EXHIBIT A attached hereto and incorporated by reference. The property described in EXHIBIT A, together with any property annexed thereto under this Declaration, shall be referred to herein as the "Property".

B. The Property presently consists of several apartment buildings and various recreational facilities. Declarant intends to subdivide the Property into a condominium under the provisions of the California Condominium Act.

C. The development shall be referred to as the "Project." The Owner of each Unit shall receive title to his individual condominium Unit plus an undivided interest as tenant in common in the Common Area. Each Unit shall have appurtenant to it a membership in the LAUREL TREE CONDOMINIUM ASSOCIATION.

D. Declarant intends by this document to impose upon the Property mutually beneficial restrictions under a general plan of improvement for the benefit of all of the said condominiums and the Owners thereof.

NOW, THEREFORE, Declarant hereby declares that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the following declarations, limitations, covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, and the Project, and every part thereof, in accordance with the plan for the subdivision of the Property and the conversion thereof into condominiums. All of the limitations, covenants,

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conditions, restrictions and easements shall constitute covenants which shall run with the land and shall be binding upon Declarant and its successors and assigns, and all parties having or acquiring any right, title or interest in or to any part of the Property or the Project.

ARTICLE 1

DEFINITIONS

1.1 "Articles" shall mean and refer to the Articles of Incorporation of the Association as amended from time to time.

1.2 "Assessment" shall mean that portion of the cost of maintaining, improving, repairing, operating and managing the Property which is to be paid by each Unit Owner as determined by the Association.

1.3 "Association" shall mean and refer to the LAUREL TREE CONDOMINIUM ASSOCIATION, a California nonprofit corporation, the members of which shall be the Owners of Units in the Project.

1.4 "Board" or "Board of Directors" shall mean and refer to the governing body of the Association.

1.5 "Bylaws" shall mean and refer to the Bylaws of the Association as amended from time to time.

1.6 "Common Area" shall mean and refer to those portions of the Property to which title is held by all of the Owners as tenants in common including the Recreational Common Area, but excluding the individual condominium Units as defined herein; provided, however, that the Common Area contained within any phase of the Project shall be owned solely by the Owners of Units within that phase as tenants in common. The Common Area includes, without limitation: land; exterior parking and driveway areas; stairs; bearing walls, columns, girders, subfloors, unfinished floors, roofs, and foundations; central heating and air-conditioning equipment, if any, reservoirs, tanks, pumps, motors, ducts, flues and chutes; conduits, pipes, plumbing, wires and other utilities required to provide power, light, telephone, gas, water, sewerage, drainage, heat and air-conditioning service; sprinklers, sprinkler pipes, and sprinkler heads which protrude into the airspace of the condominium Unit; central television antenna; and all swimming pools, playgrounds, recreational buildings and other facilities and improvements located within the Recreational Common Area.

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1.7 "Common Expenses" means and includes the actual and estimated expenses of operating the Property and the Association and any reasonable reserve for such purposes as found and determined by the Board and all sums designated common expenses by or pursuant to the Project Documents.

1.8 "Common Interest" means the proportionate undivided interest in the Common Area which is appurtenant to each Unit as set forth in this Declaration.

1.9 "Condominium" shall mean an estate in real property as defined in California Civil Code §783, consisting of title to a Unit and an undivided interest in a Common Area. The ownership of each condominium shall include (1) the ownership of a Unit; (2) an undivided interest in that portion of the Common Area located within the particular phase in which that Unit is located; (3) exclusive use of the portion of the Restricted Common Area appurtenant to that Unit (except where this Declaration provides for non-exclusive use of Restricted Common Area); (4) a non-exclusive right to use the Recreational Common Area (including any Recreational Common Area which may be located within any prior or subsequent phase of the Project); (5) membership in the Association; and (6) a nonexclusive easement for ingress and egress over the Common Area of prior and subsequent phases of the Project (exclusive of a condominium building). Each Unit shall be a separate freehold estate consisting of the space described and defined in Article 2 hereof.

1.10 "Condominium Building" shall mean a residential structure containing condominium Units.

1.11 "Condominium Plan" shall mean and refer to the recorded diagrammatic floor plan or plans of the Units built or to be built on the Property which identifies each Unit and shows its dimensions pursuant to Civil Code § 1351.

1.12 "Declarant" shall mean and refer to DAOM CORPORATION, and its successors and assigns, but shall not include members of the public purchasing completed condominium Units.

1.13 "Declaration" shall mean and refer to this enabling Declaration.

1.14 "Institutional Lender" shall mean any bank, savings and loan association, insurance company, or other financial institution holding a recorded first mortgage on any Unit.

1.15 "Map" shall mean and refer to that subdivision map number 33821, recorded January 30, 1979, in Map Book 909,

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Pages 91 through 93, inclusive, of Maps, in the Office of the Los Angeles County, California Recorder, and any subsequently recorded subdivision map and all amendments thereto, which cover the Property or a portion thereof.

1.16 "Member" shall mean and refer to a person entitled to membership in the Association as provided herein.

1.17 "Mortgage" shall include a deed of trust as well as a mortgage.

1.18 "Mortgagee" shall include the beneficiary or a holder of a deed of trust as well as a mortgagee.

1.19 "Mortgagor" shall include the trustor of a deed of trust as well as a mortgagor.

1.20 "Owner" or "Owners" shall mean and refer to the record holder or holders of title of a Unit in the Project. This shall include any person having a fee simple title to any Unit, but shall exclude persons or entities having any interest merely as security for the performance of any obligation. Further, if a Unit is sold under a recorded contract of sale to a purchaser who resides in the Unit, the resident purchaser, rather than the fee owner, shall be considered the "Owner" as long as he resides in the Unit as a contract purchaser.

1.21 "Person" means a natural person, a corporation, a partnership, a trustee, or other legal entity.

1.22 "Phase" shall mean and refer to a particular parcel of property which is or shall become part of the Project pursuant to the recordation of an appropriate Declaration of Annexation. The property described in EXHIBIT A to this Declaration shall be deemed to be the first phase of the Project and any parcel annexed to the property described in EXHIBIT A under a Declaration of Annexation shall be deemed to be a subsequent phase of the Project.

1.23 "Project" shall mean and refer to the entire Property including all structures and improvements erected or to be erected thereon, and including all phases thereof.

1.24 "Project Documents" means and includes this Declaration as it may be amended from time to time, the exhibits, if any, attached hereto, the Condominium Plan, the Articles and Bylaws of the Association, and the rules and regulations for the Members as established from time to time.

1.25 "Property" or "Properties" means and includes the real property covered by this Declaration (including property annexed pursuant to this Declaration), and all improvements erected thereon and all property, real, personal or mixed, intended for or used in connection with the Project.

1.26 "Recreational Common Area" shall mean and refer to the area or areas so designated on the Condominium Plan, and all improvements erected thereon. The Recreational Common Area shall be part of the Common Area, and as such shall be owned by all Unit Owners as tenants in common according to this Declaration.

1.27 "Restricted Common Area" shall mean and refer to those portions of the Common Area set aside for exclusive use of a Unit Owner or Owners pursuant to Article 2 hereof, which portions of the Common Area are shown and defined on the Condominium Plan.

1.28 "Unit" shall mean and refer to the elements of an individual condominium, as defined in Article 2, which are not owned in common with the Owners of other condominiums in the Project.

1.29 "Unit designation" means the number, letter, or combination thereof or other official designation shown on the Condominium Plan.

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END OF ARTICLE 1 ENTITLED
DEFINITIONS

ARTICLE 2
DESCRIPTION OF PROJECT, DIVISION OF PROPERTY, AND
CREATION OF PROPERTY RIGHTS

2.1 Description of Project

The Project consists of the underlying Property with the residential Units and all other improvements located or to be located thereon, and includes all phases annexed pursuant to this Declaration.

2.2 Division of Property

The Property is hereby divided as follows:

2.2.1 Dwelling Units

Each of the Units as separately shown, numbered and designated on the Condominium Plan consists of the space bounded by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows, and doors of each Unit. Each Unit includes both the portions of the building so described and the airspace so encompassed. The Unit does not include those areas and those things which are defined as "Common Area" below. Each Unit is subject to such encroachments as are contained in the building, whether the same now exist or may be later caused or created in any manner. In interpreting deeds and plans, the then existing physical boundaries of a Unit, whether in its original state or reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than the boundaries expressed in the deed or plan, regardless of settling or lateral movement of the building and regardless of minor variance between boundaries shown on the plan or deed, and those of the building.

2.2.2 Common Area

The remaining portion of the Property, referred to herein as "Common Area" or "Common Areas" (including the Recreational Common Area and the Restricted Common Area), shall include, without limitation, all of the elements set forth in Article 1.6. Each Unit Owner shall have, as appurtenant to his Unit, a fractional undivided interest in the Common Area of the particular phase in which that Unit is located, as set forth

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in EXHIBIT C-1 attached hereto and incorporated by reference for the initial phase of the Project, or in an appropriate exhibit to the Declaration of Annexation for any subsequent phase. The ownership of each condominium shall include a Unit and such undivided interest in the Common Area. The common interest appurtenant to each Unit is declared to be permanent in character and cannot be altered without the consent of all the Unit Owners affected, and the first mortgagees of such Unit Owners, as expressed in an amended declaration. Such common interest cannot be separated from the Unit to which it is appurtenant. Subject to any restrictions set forth in Article 7, below, each Unit Owner shall have a non-exclusive right to use the Common Area in accordance with the purposes for which it is intended without hindering the exercise of or encroaching upon the rights of any other Unit Owners.

2.2.3 Restricted Common Area

Portions of the Common Area referred to as "Restricted Common Area" are hereby set aside and allocated for the exclusive use of the Owners of individual Units. The aggregate Restricted Common Area shall be designated as such on the Condominium Plan. The rights of an individual Owner in the Restricted Common Area shall consist of (1) an exclusive easement to use for vehicle parking purposes, the parking space or spaces specifically assigned by Declarant to the Owner as being appurtenant to that Unit; and (2) an exclusive easement to use the stairs and landing area, if any, adjacent and appurtenant to that Owner's Unit (provided that the use of such stairs and landing area shall be shared with any other Unit to which the stairs and landing area are also adjacent and appurtenant); and (3) an exclusive easement to use a balcony or patio element, as the case may be, adjacent to and appurtenant to the residential element, as shown and defined on the Condominium Plan.

2.2.4 Recreational Common Area

That portion of the Property designated on the Condominium Plan as "Recreational Common Area" shall be part of the Common Area, and as such shall be owned by all Unit Owners as tenants in common according to this Declaration. The Recreational Common Area shall be operated and maintained by the Association for the use and benefit of Owners of Units in the Project, subject to reasonable rules and regulations enacted according to the Bylaws. Notwithstanding the transfer of undivided interests in the Common Area to Unit Owners, the Declarant shall reserve and hereby reserves in itself and its successors and assigns an easement over and onto the Common Area for common driveway purposes, for drainage and encroachment purposes and for ingress to and egress from the Common Area for the purpose of completing improvements thereon, for the performance of necessary repair work, and for entry onto adjacent

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Property in connection with the development of additional phases of the Project. Declarant also reserves the right to grant to Owners of Units of prior and subsequent phases of the Project, easements for the reasonable use of all parts and facilities of the Common Area (other than a condominium building).

2.3 No Separate Conveyance of Undivided Interests

The foregoing interests and exclusive easements are hereby established and are to be conveyed only with the respective Units, and cannot be changed, except as herein set forth. Declarant, its successors, assigns and grantees covenant and agree that the undivided interests in the Common Areas, the exclusive easements of the Restricted Common Areas, and the fee title to the respective Units conveyed therewith, shall not be separated or separately conveyed, and each such undivided interest and exclusive easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the fee title to the Unit.

2.4 Partition Prohibited

The Common Area shall remain undivided as set forth above. Except as provided by California Civil Code §1354, or by any applicable successor statute, no Owner shall bring any action for partition, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project. Judicial partition by sale of a single Unit owned by two or more persons and division of the sale proceeds is not prohibited hereby (but partition of title to a single Unit is prohibited).

2.5 Annexation of Additional Parcels

Additional parcels may be annexed to the Property and become subject to this Declaration by either of the following methods:

2.5.1 Annexation Pursuant to Plan

The Property described in EXHIBIT B, or any portion thereof, may be annexed to and become a part of the Project, subject to this Declaration, and subject to the jurisdiction of the Association, without the assent of the Association or its Members, on condition that:

2.5.1.1 Any annexation pursuant to this Subarticle shall be made prior to three (3) years from the date of the original issuance of the most-recently-issued public report for any phase of the Project.

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2.5.1.2 A Declaration of Annexation shall be recorded by Declarant covering the applicable portion of the Property to be annexed. Said Declaration shall incorporate this Declaration by reference and may contain such complementary additions and modifications of the covenants and restrictions contained in this Declaration as may be necessary to reflect the different character, if any, of the added property, and as are not inconsistent with the scheme of this Declaration. The Declaration of Annexation shall contain, among other things, an appropriate exhibit setting forth the percentage interest in the Common Area of that phase to be transferred to the Owner of each Unit in that phase, and shall reserve easements (and the right to grant such easements) for ingress and egress over the Common Area of that phase that is not part of a condominium building, and for the use and enjoyment of any Recreational Common Area located within that phase by Owners of Units in prior and subsequent phases.

2.5.2 Annexation Pursuant to Approval

Upon the vote or written assent of Declarant (while Declarant is an Owner) and of two-thirds (2/3) of the total votes residing in Members of the Association other than Declarant, the owner of any property who desires to add it to the scheme of this Declaration and to subject it to the jurisdiction of the Association, may record a Declaration of Annexation in the manner described in the preceding Subarticle.

Upon annexation of a new phase, the annexed parcel shall become subject to this Declaration without the necessity of amending individual sections hereof. The Owners of the Units in a pre-existing phase will continue to have the same interest in the Common Area of their phase, will have a nonexclusive easement for ingress and egress over the Common Area of the new phase that is not a part of a condominium building, and will have a nonexclusive easement for the use and enjoyment of any Recreational Common Area located within the new phase. Owners of Units in the new phase will have such an interest in the Common Area of that phase as shall be set forth on an exhibit to the Declaration of Annexation, will have a nonexclusive easement for ingress and egress over the Common Area of all pre-existing phases that is not a part of a condominium building, will have a nonexclusive easement for the use and enjoyment of any Recreational Common Area located within all pre-existing phases, and will become Members of the Association. Declarant hereby reserves to itself, its successors and assigns, the right to, and agrees that it will, grant to the Owners of Units in any new or pre-existing phase, the nonexclusive easements for ingress, egress, use and enjoyment described in this paragraph.

2.6 De-annexation of Parcels.

Any parcel annexed to the Property pursuant to

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the plan of Declarant, in accordance with Subarticle 2.5.1 above, may be de-annexed by Declarant and removed from the Project and the jurisdiction of this Declaration and the Association at any time by the recordation of an appropriate Declaration of De-annexation; provided that such de-annexation shall take place (1) before any Unit in the annexed parcel has been sold by Declarant to a member of the general public; (2) before any vote has been exercised on behalf of any such Unit; and (3) before any such Unit has incurred any assessment obligation to the Association.

See Exhibit D for Agreement C.

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END OF ARTICLE 2 ENTITLED
DESCRIPTION OF PROJECT, DIVISION OF PROPERTY, AND
CREATION OF PROPERTY RIGHTS

ARTICLE 3

ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND
VOTING RIGHTS

3.1 Association to Manage Common Area

The management of the Common Area shall be vested in the Association in accordance with the Bylaws. The Owners of all the Units covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, the Articles, and the Bylaws of the Association, subject to the standards set forth in this Declaration and all applicable laws, regulations and ordinances of any governmental or quasi-governmental body or agency having jurisdiction over the Project.

3.2 Membership

The Owner of a Unit shall automatically, upon becoming the Owner of same, be a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his membership in the Association shall automatically cease. Membership shall be in accordance with the Articles and the Bylaws of the Association.

3.3 Transferred Membership

Membership in the Association shall not be transferred, pledged, or alienated in any way, except upon the transfer of ownership of the Unit to which it is appurtenant, and then only to the new Owner. Any attempt to make a prohibited transfer is void. In the event the Owner of any Unit should fail or refuse to transfer the membership registered in his name to the purchaser of his Unit, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

3.4 Classes of Membership.

The Association shall have two (2) classes of voting membership established according to the following provisions:

3.4.1 Class A Membership

Class A Membership shall be that held by each Owner of a Unit other than Declarant and each Class A Member shall be entitled to one (1) vote for each Unit owned. If a Unit is owned by more than one (1) person, each such person shall be a Member of the Association, but there shall be no more than one vote for each Unit.

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3.4.2 Class B Membership

Class B Membership shall be that held by Declarant (or its successor) who shall be entitled to three (3) votes for each Unit owned by Declarant; provided that Class B Membership shall be converted to Class A Membership and shall forever cease to exist on the occurrence of whichever of the following is first in time:

3.4.2.1 The total outstanding votes held by Class A Members equal the total outstanding votes (tripled as above) held by the Class B Member; or

3.4.2.2 The second anniversary of the original issuance of the most-recently-issued public report for a phase of the Project; or

3.4.2.3 The fourth anniversary of the original issuance of the subdivision public report for the first phase of the Project.

3.5 Voting Requirements

While there are two (2) outstanding classes of membership, any action by the Association which must have the approval of the Association membership before being undertaken shall require the vote or written assent of the prescribed percentage of each class of membership.

3.6 Commencement of Voting Rights

Voting rights attributable to any Unit shall not vest until an assessment has been levied against that Unit by the Association, pursuant to Article 4, below.

3.7 Membership Meetings

Regular and special meetings of Members of the Association shall be held with the frequency, at the time and place, and in accordance with the provisions of the Bylaws of the Association.

3.8 Board of Directors

The affairs of the Association shall be managed by a Board of Directors, which shall be established, and which shall conduct regular and special meetings according to the provisions of the Bylaws of the Association.

END OF ARTICLE 3 ENTITLED

ASSOCIATION, ADMINISTRATION, MEMBERSHIP AND
VOTING RIGHTS

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ARTICLE 4MAINTENANCE AND ASSESSMENTS4.1 Creation of the Lien and Personal Obligation of Assessments

The Declarant, for each Unit owned within the Project, hereby covenants, and each Owner of any Unit by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) regular annual assessments or charges, and (2) special assessments for capital improvements and unexpected expenses, such assessments to be established and collected as provided herein and in the Bylaws of the Association. The annual and special assessments, together with interest, costs, and reasonable attorneys' fees, shall be a charge and a continuing lien upon the Unit against which each assessment is made, the lien to become effective upon recording of a notice of assessment (notice of default and demand to cure). Each such assessment, together with interest, costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the Owner of such Unit at the time when the assessment fell due. No Owner of a Unit may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the Common Area or by the abandonment of his Unit.

4.2 Purpose of Assessments

The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all the residents in the entire Project for the improvement and maintenance of the Common Area for the common good of the Project. Annual assessments shall include an adequate reserve fund for maintenance, repairs and replacement of the Common Area.

4.3 Annual Assessments

Until January 1 of the year immediately following the close of escrow on the sale of the first Unit in the Project, the maximum annual assessment per Unit shall be such amount as is set forth in the Project budget approved by the Department of Real Estate, which amount shall be prorated based on the number of months remaining before January 1 of such year. Thereafter, the Board shall determine and fix the amount of the maximum annual assessment against each Unit at least sixty (60) days in advance of each annual assessment; provided, however, that the maximum annual assessment may be neither increased by more than twenty percent (20%) above, nor decreased by more than

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twenty percent (20%) below the maximum annual assessment for the previous year, without the vote or written assent of fifty-one percent (51%) of the voting power of the Association residing in Members other than Declarant.

4.4 Special Assessments

In addition to the regular annual assessments authorized above, the Board may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or to defray any unanticipated or underestimated expense normally covered by a regular assessment (and, where necessary, for taxes assessed against the Common Area); provided, however, that the aggregate special assessments for any fiscal year shall not exceed five percent (5%) of the budgeted gross expenses of the Association for that assessment year, without the vote or written assent of a majority of the voting power of the Association residing in Members other than Declarant. Special assessments may also be levied against an individual Unit and its Owner to reimburse the Association for costs incurred in bringing that Owner and his Unit into compliance with the provisions of this Declaration and the Bylaws.

4.5 Allocation of Assessments

Each Owner of a Unit in the EXHIBIT A Property shall pay the applicable beginning monthly assessment as set forth on EXHIBIT C (page 3) attached hereto and incorporated herein by reference. Each Owner of a Unit in the EXHIBIT A Property shall bear an equal share of any future special assessments unless such special assessment is for insurance, domestic water (common meter), repainting, roof, or water heaters in which case each Unit's share of the special assessment shall be prorated in accordance with the fractional undivided interests shown on EXHIBIT C-1. Where there is more than one (1) phase, the liability for the total assessment shall be divided up among the phases according to the number of Units located within each phase (each phase bearing such fraction of the total assessment for all phases of the Project as the number of Units in that phase bears to the total number of Units in all phases of the Project). Additionally, special assessments may be levied against individual Units for disciplinary reasons, as provided in the preceding Subarticle.

4.6 Date of Commencement of Annual Assessment; Due Dates

The regular annual assessments provided for herein shall commence as to all Units in the Project or any phase

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thereof on the first day of the month following the close of escrow on the sale of the first Unit in the Project or phase thereof. Due dates of assessments shall be established by the Board and notice shall be given to each Unit Owner at least thirty (30) days prior to any due date; provided that if assessments are to be due on a monthly basis, no notice shall be required other than an annual notice setting forth the amount of the monthly assessment and the day of each month on which each assessment is due.

4.7 Transfer of Unit by Sale or Foreclosure

Sale or transfer of any Unit shall not affect the assessment lien. However, the sale or transfer of any Unit pursuant to mortgage foreclosure shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer (except for assessment liens recorded prior to the mortgage). No sale or transfer shall relieve such Unit from liability for any assessments thereafter becoming due or from the lien thereof. Where the mortgagee of a first mortgage of record obtains title to a Unit as a result of foreclosure of any such first mortgage, such mortgagee shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Unit which became due prior to the acquisition of title to such Unit by such mortgagee. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Units including such mortgagee. In a voluntary conveyance of a Unit the grantee of the same shall be jointly and severally liable with the grantor for all unpaid assessments by the Association against the latter for his share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Association, setting forth the amount of the unpaid assessments due the Association and such grantee shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments made by the Association against the grantor in excess of the amount set forth in the statement; provided, however, the grantee shall be liable for any such assessment becoming due after the date of any such statement.

4.8 Enforcement of Assessment Obligation; Priorities; Discipline

Any part of any assessment not paid within ten (10) days after the due date shall bear interest at the rate of ten percent (10%) per annum from the due date until paid. When a notice of assessment (notice of default and demand to cure) has been recorded, such assessment shall constitute a lien on each respective Unit prior and superior to all other liens except (1)

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all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first mortgage of record (meaning any recorded mortgage or deed of trust with first priority over other mortgages or deeds of trust) made in good faith and for value. Such lien, when delinquent, may be enforced by sale by the Association, its attorney or other person authorized by this Declaration or by law to make the sale, after failure of the Owner to pay such assessment, in accordance with the provisions of §§2924-2924h of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. The Association, acting on behalf of the Unit Owners, shall have the power to bid for the Unit at the foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid common expenses, rent and attorneys' fees shall be maintainable without foreclosing or waiving the lien securing the same. The Board may impose reasonable monetary penalties and may temporarily suspend the Association membership rights of a Unit Owner who is in default in payment of any assessment, after notice and hearing according to the Bylaws.

4.9 Unallocated Taxes

In the event that any taxes are assessed against the Common Area, or the personal property of the Association, rather than against the Units, said taxes shall be included in the assessments made under the provisions of this Article, and, if necessary, a special assessment may be levied against the Units in an amount equal to said taxes, to be paid in two installments, thirty (30) days prior to the due date of each tax installment.

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END OF ARTICLE 4 ENTITLED
MAINTENANCE AND ASSESSMENTS

ARTICLE 5DUTIES AND POWERS OF THE ASSOCIATION5.1 Duties and Powers

In addition to the duties and powers enumerated in the Bylaws and the Articles, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall:

5.1.1 Maintain, repair, replace, restore, operate and manage all of the Common Area and all facilities, improvements, furnishings, equipment and landscaping thereon, and all property that may be acquired by the Association in good condition. This obligation shall not extend to the maintenance of any portion or facility of the Common Area required to be maintained by an individual Owner under this Declaration or the Bylaws.

5.1.2 Enforce the provisions of this Declaration by appropriate means, including without limitation, the expenditures of funds of the Association, the employment of legal counsel and the commencement of actions.

5.1.3 Maintain such policy or policies of insurance as are required by this Declaration or as the Board deems necessary or desirable in furthering the purposes of and protecting the interests of the Association and its Members.

5.1.4 Grant and reserve easements where necessary for utilities and sewer facilities over the Common Area to serve the Common Area and the Units.

5.1.5 Have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, subject to the Bylaws and restrictions imposed by any governmental or quasi-governmental body or agency having jurisdiction over the Project.

5.1.6 Adopt reasonable rules not inconsistent with this Declaration, the Articles, or the Bylaws relating to the use of the Common Area and all facilities thereon, and the conduct of Owners and their tenants and guests with respect to the Property and other Owners.

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5.2 Maintenance of Project by Association

The Association shall provide maintenance of the Project as provided in the Bylaws. The responsibility of the Association for maintenance and repair shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner, or his guests, tenants or invitees. The repair or replacement of a Unit exterior or of any portion of the Common Area resulting from such excluded items shall be the responsibility of each Owner, provided, however, that if an Owner shall fail to make the repairs or replacements which are the responsibility of such Owner, the Association, acting through the Board, shall have the right (but not the obligation) to enter the Unit and make such repairs or replacements, and the cost thereof shall be added to the assessments chargeable to such Unit and shall be payable to the Association by the Owner of such Unit.

5.3 Association Easements and Access to Units

For the purpose of performing the maintenance authorized by this Article or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Association (and its agents and employees) shall have an easement over and onto all portions of the Common Area, and shall also have the right, after reasonable notice to the Owner, and at reasonable hours, to enter any Unit.

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END OF ARTICLE 5 ENTITLED
DUTIES AND POWERS OF THE ASSOCIATION

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ARTICLE 6

UTILITIES

6.1 Owners' Rights and Duties

The rights and duties of the Owners of Units within the Project with respect to utilities shall be as follows:

6.1.1 Whenever sanitary sewer, water, electric, gas, television receiving, or telephone lines or connections, heating or air-conditioning conduits, ducts, or flues are located or installed within the Project, which connections, or any portion thereof lie in or upon Units owned by other than the Owner of a Unit served by said connections, the Owners of any Unit served by said connections shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon the Units or to have the utility companies enter upon the Units in or upon which said connections, or any portion thereof lie, to repair, replace and generally maintain said connections as and when necessary.

6.1.2 Whenever sanitary sewer, water, electric, gas, television receiving, or telephone lines or connections, heating or air-conditioning conduits, ducts, or flues are located or installed within the Project, which connections serve more than one Unit, the Owner of each Unit served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as service his Unit.

6.1.3 In the event of a dispute between Owners with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board, which shall decide the dispute, and the decision of the Board shall be final and conclusive on the parties.

6.2 Easements for Utilities and Maintenance

Easements over and under the Property for the installation, repair, and maintenance of sanitary sewer, water, electric, gas, and telephone lines and facilities, heating and air-conditioning facilities, cable or master television antenna lines, drainage facilities, walkways, and landscaping as shown on the Map of the Property,

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and as may be hereafter required to service the Property, are hereby reserved by Declarant and its successors and assigns, including the Association, together with the right to grant and transfer the same.

6.3 Association's Duties

The Association shall maintain all utility installations located in the Common Area except for those installations maintained by utility companies, public, private, or municipal. The Association shall pay all charges for utilities supplied to the Project except those metered or charged separately to the Units.

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END OF ARTICLE 6 ENTITLED

UTILITIES

ARTICLE 7

USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Property and each Unit therein is subject to the following:

7.1 Use of Individual Units;
Possible Age Restrictions

No Unit shall be occupied and used except for single family residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein; provided that Declarant, its successors or assigns, may use any Unit or Units in the Project owned by Declarant for a model home site or sites and display and sales office during construction, and until the last Unit in the entire Project is sold; and further provided that Declarant may, in the Declaration of Annexation for a subsequent phase of the Project, designate a Unit which may be used for a day care center or other commercial use. No child under sixteen (16) years of age shall be permitted as a permanent resident of any Unit [permanent residence being defined as any continuous residence for longer than one (1) month]; provided, however, that a particular phase (or phases) of the Project (other than the first phase) may be designated as a family area in the Declaration of Annexation pertaining to such phase. Age restrictions pertaining to any subsequent phase of the Project, if any, shall be set forth in the Declaration of Annexation (along with any other restrictions unique to that phase); provided, however, that no age restriction shall apply to any child residing in a Unit in which he also resided under a lease or tenancy agreement immediately prior to the sale of that Unit by Declarant to the Owner.

7.2 Nuisances

No noxious, illegal, or offensive activities shall be carried on in any Unit, or in any part of the Property, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet enjoyment of each of the Owners of his respective Unit, or which shall in any way increase the rate of insurance for the Project, or cause any insurance policy to be cancelled or to cause a refusal to renew the same, or which will impair the structural integrity of any building.

7.3 Vehicle Restrictions

No trailer, camper, mobilehome, Recreational

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Vehicle, motorcycle, motorbike or like vehicle, commercial vehicle, truck (other than standard size pickup truck), inoperable automobile, boat or similar equipment shall be permitted to remain upon any area within the Property, other than temporarily (for purposes of loading and unloading of passengers or personal property), unless placed or maintained within an enclosed garage or carport, or in an area specifically designated for such purpose by the Board. Commercial vehicles shall not include sedans or standard size pickup trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smoky vehicles shall be operated on the Property. No off-road unlicensed motor vehicles shall be maintained or operated upon the Property, except as reasonably necessary to the execution of the rights or duties of the Association under this Declaration. Parking areas on the Property shall not be used for skateboarding, rollerskating, or any other recreational purpose.

7.4 Signs

No signs shall be displayed to the public view on any Unit or on any portion of the Property except such signs as are approved by the Board or committee appointed by the Board. The Board shall designate a location or locations within the Common Area in which "For Sale" or "For Rent" signs approved by the Board as to size and content may be displayed.

7.5 Animals

No animals or birds of any kind shall be raised, bred, or kept in any Unit, or on any portion of the Property, except that no more than one (1) usual and ordinary household pet such as a dog (having a mature weight of twenty-five [25] pounds or less), cat, or bird, may be kept, provided that it is not kept, bred or maintained for any commercial purposes, and it is kept under reasonable control at all times. The Board may enact reasonable rules respecting the keeping of animals within the Project and may designate certain areas in which animals may not be taken or kept.

7.6 Garbage and Refuse Disposal

All rubbish, trash and garbage shall be regularly removed from the Property, and shall not be allowed to accumulate thereon. Trash, garbage and other waste shall not be kept except in sanitary containers. All equipment, garbage cans, woodpiles, or storage piles shall be kept screened and concealed from view of other Units, streets and the Common Area.

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7.7 Radio and Television Antennas

No alteration to or modification of a central radio or television antenna system or cable television system, whichever is applicable, shall be permitted, and no Owner may be permitted to construct, use, or operate any radio transmitter or external radio or television antenna without the consent of the Board.

7.8 Right to Lease

The respective Units shall not be rented by the Owners thereof for transient or hotel purposes, which shall be defined as (a) rental for any period less than thirty (30) days, or (b) any rental if the occupants of the Unit are provided customary hotel service such as room service for food and beverage, maid service, furnishing laundry and linen, and bellboy service. Subject to the foregoing restrictions, the Owners of the respective Units shall have the absolute right to lease the Units provided that the lease is made subject to the covenants, conditions, restrictions, limitations and uses contained in this Declaration and the Bylaws, and any reasonable rules and regulations published by the Association.

7.9 Clothes Lines

No exterior clothes lines shall be erected or maintained and there shall be no outside laundering or drying of clothes.

7.10 Power Equipment and Car Maintenance

No power equipment, work shops, or car maintenance (other than emergency work or minor repairs requiring less than one (1) day's work) shall be permitted on the Property except with prior written approval of the Board. Approval shall not be unreasonably withheld and in deciding whether to grant approval the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception, and similar objections.

7.11 Liability of Owners for Damage to Common Area

The Owner of each Unit shall be liable to the Association for all damages to the Common Area or improvements thereon caused by such Owner or any occupant of his Unit or guest.

7.12 No Warranty of Enforceability

While Declarant has no reason to believe

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that any of the restrictive covenants contained in this Article 7 or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such restrictive covenant. Any Owner acquiring a Unit in the Project in reliance on one or more of such restrictive covenants shall assume all risks of the validity and enforceability thereof and, by acquiring the Unit agrees to hold Declarant harmless therefrom.

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END OF ARTICLE 7 ENTITLED

USE RESTRICTIONS

ARTICLE 8
ARCHITECTURAL CONTROL

8.1 Prohibition of Alteration and Improvement

Subject to the exemption of Declarant under Article 9.10, below, no building, fence, wall, obstruction, balcony, screen, patio, patio cover, tent, awning, carport, carport cover, improvement, or structure of any kind shall be commenced, erected, painted or maintained upon the Property, nor shall any alteration or improvement of any kind be made thereto until the same has been approved in writing by the Board or by an Architectural Control Committee (the Committee) appointed by Declarant and/or the Board as provided in this Article.

8.2 Plans and Approval

Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements or alterations, shall be submitted to the Board or Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures, topography, and finish grade elevation. No permission or approval shall be required to rebuild in accordance with Declarant's original plans and specifications, or to rebuild in accordance with plans and specifications previously approved by the Committee. No landscaping of patios or yards visible from the street or from the Common Area shall be undertaken by any Owner until plans and specifications showing the nature, kind, shape, and location of the materials shall have been submitted to and approved in writing by the Board or Committee.

8.3 Architectural Control Committee

The number, appointment and term of members of the Committee shall be as provided in the Bylaws, subject to the following limitations:

8.3.1 If a Committee is appointed, there shall be not less than three (3) nor more than five (5) members of the Committee.

8.3.2 Declarant may appoint all of the original members of the Committee and all replacements until the first anniversary of the issuance of a public report for the Project. Thereafter, Declarant reserves to itself the power to appoint a majority of the members of the Committee, until ninety percent

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(90%) of all Units in the overall Project (all phases) have been sold or until the fifth anniversary of the issuance of the final public report for the first phase of the Project, whichever first occurs. Committee members appointed by the Declarant need not be Members of the Association.

8.3.3 After one (1) year from the date of issuance of a public report for the Project, the Board shall have the power to appoint all members of the Committee not appointed by Declarant under Subarticle 8.3.2, above, until ninety percent (90%) of all of the Units in the overall Project (all phases) have been sold or until the fifth anniversary date of the issuance of the final public report for the first phase of the Project, whichever first occurs. Thereafter, the Board shall have the power to appoint all of the members of the Committee. Committee members appointed by the Board shall be from the membership of the Association.

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END OF ARTICLE 8 ENTITLED

ARCHITECTURAL CONTROL

ARTICLE 9**GENERAL PROVISIONS****9.1 Enforcement**

The Association, any Owner, and any governmental or quasi-governmental agency or municipality having jurisdiction over the Project shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by this Declaration, and in such action shall be entitled to recover costs and reasonable attorneys' fees as are ordered by the Court; provided, however, that an individual Owner shall have no right to enforce the collection of any assessment levied against any other Owner under Article 4 above. Failure by any such person or entity to enforce any such provision shall in no event be deemed a waiver of the right to do so thereafter.

9.2 Invalidity of Any Provision

Should any provision of this Declaration be declared invalid or in conflict with any law of the jurisdiction where the Project is situated, the validity of all other provisions shall remain unaffected and in full force and effect.

9.3 Amendments

An amendment of the Declaration may be enacted by the vote or written assent of Members representing fifty-one percent (51%) of the total voting power of the Association and fifty-one percent (51%) of the voting power held by Members other than the Declarant; provided, however, that the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. For so long as there are two (2) classes of membership in the Association, the proposed amendment must be supported by the vote or written assent of the prescribed percentage of each class of membership. Any amendment must be recorded and shall become effective upon being recorded in the Recorder's Office of the County of Los Angeles.

9.4 Encroachment Easements

Each Unit within the Property is hereby declared to have an easement over all adjoining Units and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of the building, or any other cause. There shall be

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valid easements for the maintenance of said encroachments as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Unit agree that minor encroachments over adjoining Units or Common Area shall be permitted and that there shall be a valid easement for the maintenance of said encroachments so long as they shall exist.

9.5 Mortgage Protection Clause

9.5.1 Rights of First Mortgages

No breach of any of the covenants, conditions and restrictions contained in this Declaration, nor the enforcement of any lien provisions herein, shall render invalid the lien of any first mortgage (meaning a mortgage with first priority over any other mortgage) on any Unit made in good faith and for value, but all of said covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

9.5.2 Notice to Lenders

All institutional lenders that have filed with the Association an appropriate request, shall be entitled to receive the following notices in writing from the Association:

9.5.2.1 Notice of any proposed change in the Project Documents, which notice shall be given thirty (30) days prior to the effective date of such change;

9.5.2.2 Notice of default by the Owner or trustor of any deed of trust on a Unit (the beneficial interest in which is held by said institutional lender) in the performance of such Owner's or trustor's obligations under the Project Documents, which default is not cured within sixty (60) days;

9.5.2.3 Notice of any damage or destruction to any individual Unit subject to a deed of trust (the beneficial interest in which is held by said institutional lender), which damage exceeds One Thousand Dollars (\$1,000.00), which notice shall be given immediately upon the Board's obtaining knowledge of such damage or destruction; and

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9.5.2.4 Notice of any loss to or taking of any portion of the Common Area or facilities or improvements thereon, which loss or taking exceeds Ten Thousand Dollars (\$10,000.00), which notice shall be given immediately upon the Board's obtaining knowledge of such loss or taking.

9.5.3 Changes Requiring Lender Approval

Without the prior written approval of at least sixty-six and two-thirds percent (66 2/3%) of the institutional lenders (based upon one [1] vote for each mortgage or deed of trust owned) or the Owners other than Declarant, the Association shall not be entitled to:

9.5.3.1 By act or omission, seek to abandon or terminate the condominium project;

9.5.3.2 Change the pro rata interest or obligations of any Unit for the purpose of (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership of each Unit in the Common Area;

9.5.3.3 Partition or subdivide any Unit, except as provided in Subarticle 2.4;

9.5.3.4 By act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer any portion or element of the Common Area (the granting of easements for public utilities or for other public purposes consistent with the intended use of such property shall not be deemed a transfer within the meaning of this clause);

9.5.3.5 Use hazard insurance proceeds for losses to any property on the Project (whether to Units or to Common Area) for other than the repair, replacement or reconstruction thereof, except as provided by statute in case of substantial loss or damage to the Units and/or the Common Area.

9.5.4 Mortgage Priority; Right to Inspect Records

Notwithstanding any language contained in this Declaration or the other Project Documents to the contrary, no Unit Owner and no other party shall have priority over any rights of the first mortgagee of the Unit pursuant to its mortgage in the case of a distribution to the Owner of such Unit of insurance proceeds or condemnation awards for losses to or taking of Condominium Units and/or any portion or element of the Common Area. Institutional lenders shall have the right to examine the books and records of the Association.

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9.5.5 Compliance with FHLMC Regulations

The Declarant intends that the Project shall comply with all requirements of the Federal Home Loan Mortgage Corporation (FHLMC) pertaining to the purchase by FHLMC of conventional home loans. Declarant and all Unit Owners therefore agree that, in the event the Project or any of the Project Documents do not comply with the FHLMC requirements, the Board shall have the power (on behalf of the Association) to enter into any agreement with FHLMC (or its designee) or the mortgagees of the Units reasonably required by FHLMC or the mortgagees to allow the Project to comply with such requirements.

9.5.6 Taxes, Assessments, and Charges Which May Become Liens

All taxes, assessments, and charges which may become liens prior to the first mortgage under local law shall relate only to the individual Units and not to the Project as a whole.

9.6 Owner's Right and Obligation to Maintain and Repair

Except for those portions of the Project which the Association is required to maintain and repair, each Unit Owner shall, at his sole cost and expense, maintain and repair his Unit, keeping the same in good condition. Additionally, each Owner shall maintain, repair and replace as necessary any separate air conditioning and/or water heating unit which services his Unit. Any separate air conditioning unit installed by an Owner in his Unit shall be installed only in the wall area specifically designed for air conditioner installation (and not in a window opening) and shall be of a type and capacity expressly permitted by the Board. Each Owner shall have the exclusive right to paint, plaster, panel, tile, wax, paper or otherwise refinish and decorate the inner surfaces of the walls, ceilings, floors, windows and doors bounding his Unit. In the event an Owner fails to maintain his Unit as provided herein in a manner which the Board deems necessary to preserve the appearance and value of the Property, the Board may notify Owner of the work required and request it be done within sixty (60) days from the giving of such notice. In the event Owner fails to carry out such maintenance within said period, the Board may cause such work to be done and may specially assess the cost thereof to such Owner, and, if necessary lien his Unit for the amount thereof.

9.7 Entry for Repairs

The Board or its agents may enter any Unit when necessary in connection with any maintenance, landscaping

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or construction for which the Association is responsible. Such entry shall be made upon reasonable notice and with as little inconvenience to the Owner as practicable and any damage caused thereby shall be repaired by the Board at the expense of the Association. No Owner shall do any act or create any obstruction which would unreasonably interfere with the right or ability of the Association to perform any of its obligations or exercise any of its rights under this Declaration.

9.8 Insurance; Damage or Destruction

9.8.1 Reconstruction by Unit Owners

In the event of damage to or destruction of any Unit, the Owner shall reconstruct the same as soon as reasonably practicable, and substantially in accordance with the original plans and specifications therefor. Each Owner shall have an easement of reasonable access onto any adjacent Unit for purposes of repair or reconstruction of his Unit as provided in this Subarticle.

9.8.2 Association Liability Insurance

The Association shall obtain and continue in effect comprehensive public liability insurance insuring the Association, the Declarant and the agents and employees of each and the Owners and the respective family members, guests and invitees of the Owners against any liability incident to the ownership or use of the Common Area and facilities in the Recreational Common Area, and including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured, and a "severability of interest" endorsement precluding the insurer from denying coverage to one Owner because of the negligence of other Owners or the Association. Such insurance shall be in amounts deemed appropriate to the Board and to mortgagees holding first mortgages covering individual Units.

9.8.3 Master Hazard Insurance

Additionally, the Association shall obtain and continue in effect a master or blanket policy of multi-peril insurance on the Project, providing as a minimum fire and extended coverage and all other coverage in the kinds and amounts required by institutional lenders according to FHLMC regulations, coverage to be obtained on a replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based upon replacement cost) of all improvements on the Project. Such policy shall contain extended coverage and replacement costs endorsements, if available, and may also contain vandalism and malicious mischief coverage, special form endorsement, stipulated amount clause and a determinable cash adjustment

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clause, or a similar clause to permit cash settlement covering full value of the improvements on the Project in the event of destruction and a decision not to rebuild pursuant to this Declaration. Such policy shall be in form and amount as determined by the Board, shall name as insured the Association, the Owners and Declarant (so long as Declarant is an Owner of any Units), and all mortgagees as their respective interests may appear, and shall provide that any proceeds be paid to the Association for the use and benefit of the Owners and mortgagees as their interests may appear. Such policy shall not be required to insure the personal property or customized items within any individual Units, which shall be the responsibility and risk of the Unit Owners.

9.8.4 Additional Association Insurance

The Association may purchase such other insurance as it may deem necessary, including without limitation plate-glass insurance, worker's compensation, directors liability, and errors and omissions insurance, and shall purchase fidelity coverage against dishonest acts by any directors, managers, trustees, employees or volunteers of the Association who are responsible for handling funds belonging to or administered by the Association. The fidelity insurance shall name the Association as the insured and shall provide coverage in an amount not less than one and one-half (1 1/2) times the Association's estimated annual operating expenses and reserves.

9.8.5 Choice of Carriers; Insurance Premiums

The insurance policies required under this Article 9.8 shall be acquired from carriers meeting the qualifications of the Federal Home Loan Mortgage Corporation. Insurance premiums shall be a common expense to be included in the assessments levied by the Association. The acquisition of insurance by the Association shall be without prejudice to the right of any Unit Owner to obtain additional individual condominium insurance.

9.8.6 Proceeds from Insurance

If any of the Project improvements are damaged by fire or other casualty, insurance proceeds payable to the Association shall be used to rebuild or repair such damage substantially in accordance with the original plans and specifications therefor. Custom-built items added by Owners to their Units shall be rebuilt or replaced at the expense of Owners or their insurers. Any excess insurance proceeds shall be deposited to the general funds of the Association. In the event the proceeds

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of the Association's insurance policy are insufficient to rebuild or repair a Unit or Units, and the Owner or Owners of said Unit or Units do not have sufficient funds, whether insurance proceeds or personal funds, to rebuild and restore said Unit or Units, then the Association may use funds from its general account or if necessary from levying a special assessment on all Unit Owners (or on those responsible for the damage) to restore or rebuild said Unit or Units.

9.8.7 Total Destruction

In the event the Property subject to this Declaration is totally or substantially damaged or destroyed the institutional lenders shall receive timely notice thereof. The repair, reconstruction or disposition of the Property and insurance proceeds shall be as provided by an agreement approved by more than fifty-one percent (51%) of the votes of each class of membership (subject to the rights of institutional lenders.)

9.8.8 Personal Liability Insurance

In addition to the master policies which the Association shall carry, the Board shall have the power to require each Unit Owner, at his expense, to carry personal liability insurance covering damage to property or injury to the person of others within the Project resulting from negligence of the Owner or his agents, in an amount up to One Hundred Thousand Dollars (\$100,000.00) for each occurrence.

9.8.9 Waiver of Subrogation; Notice of Cancellation

All property and liability insurance carried by the Association or the Owners shall contain provisions whereby the insurer waives rights of subrogation as to the Association, officers, and directors, and any Members, their guests, agents and employees. All insurance carried by the Association shall contain a provision requiring the insurer to notify institutional lenders requesting such notice, at least ten (10) days in advance of the effective date of any reduction in or cancellation of the policy.

9.9 Condemnation

In the event of any taking of any Unit in the Project by eminent domain, the Owner of such Unit shall be entitled to receive the award for such taking and after acceptance thereof he and his mortgagee shall be divested of all interest in the Project if such Owner shall vacate his Unit as a result of such taking. The remaining Owners shall decide by majority vote whether to rebuild or repair the Project, or

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take other action. The remaining portion of the Project shall be resurveyed, if necessary, and the Declaration shall be amended to reflect such taking and to readjust proportionately the percentages of undivided interest of the remaining Owners in the Project. In the event of a taking by eminent domain of more than one Unit at the same time, the Association shall participate in the negotiations, and shall propose the method of division of the proceeds of condemnation, where Units are not valued separately by the condemning authority or by the court. The Association should give careful consideration to the allocation of percentage interests in the Common Area in determining how to divide lump sum proceeds of condemnation. In the event any Unit Owner disagrees with the proposed allocation, he may have the matter submitted to arbitration under the rules of the American Arbitration Association.

9.10 Limitation of Restrictions on Declarant

Declarant is undertaking certain work in connection with the conversion of the Property to a condominium. The completion of that work and the sale, rental, and other disposal of said Units is essential to the establishment and welfare of the Property as a residential community. In order that said work may be completed and said Property be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

9.10.1 Prevent Declarant, its contractors, or subcontractors from doing on the Property or any Unit, whatever is reasonably necessary or advisable in connection with the completion of the work; or

9.10.2 Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Property, such structures as may be reasonable and necessary for the conduct of its business of completing said work and establishing said Property as a residential community and disposing of the same in parcels by sale, lease or otherwise; or

9.10.3 Prevent Declarant from conducting on any part of the Property its business of completing the work and of establishing a plan of Unit ownership and of disposing of said Property in Units by sale, lease or otherwise; or

9.10.4 Prevent Declarant from maintaining such sign or signs on any of the Property as may be necessary for the sale, lease or disposition thereof.

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So long as Declarant, its successors and assigns, owns one or more of the Units established and described in this Declaration and except as otherwise specifically provided herein, Declarant, its successors and assigns, shall be subject to the provisions of this Declaration.

9.11 Termination of Any Responsibility of Declarant

In the event Declarant shall convey all of its right, title and interest in and to the Property to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

9.12 Owners' Compliance

Each Owner, tenant or occupant of a Unit shall comply with the provisions of the Project Documents and all decisions and resolutions of the Association or its duly authorized representative, and failure to comply with any such provisions, decisions, or resolutions, shall be grounds for an action to recover sums due, for damages (including costs and attorneys' fees), and/or for injunctive relief. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or in the Bylaws, shall be deemed to be binding on all Owners of Units, their successors and assigns.

9.13 Conflict of Project Documents.

If there is any conflict among or between the Project Documents, the provisions of this Declaration shall prevail; thereafter, priority shall be given to Project Documents in the following order: Condominium Plan; Articles; Bylaws; and rules and regulations of the Association.

9.14 Provisions Relating to Agreement C.

The Housing Authority of the City of Los Angeles and the Declarant have entered into a certain Agreement C which places certain duties and obligations on the Declarant, its transferees or successors-in-interest, the Owners, and their transferees or successors-in-interest. A copy of Agreement C is attached hereto as EXHIBIT D and incorporated by reference.

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9.15 Special Provisions Relating to Enforcement of Declarant's Obligation to Complete Common Area Improvements

Where any Common Area improvements in the Project have not been completed prior to the issuance of the public report, and where the Association is obligee under a bond or other arrangement ("Bond") to secure performance of the commitment of Declarant to complete the improvements, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension. A special meeting of Members of the Association for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held not less than fifteen (15) days nor more than thirty (30) days after receipt by the Board of a petition for such meeting signed by Members representing ten percent (10%) of the total voting power of the Association. A vote of a majority of the voting power of the Association residing in Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has executed this Declaration this 28th day of February, 1979.

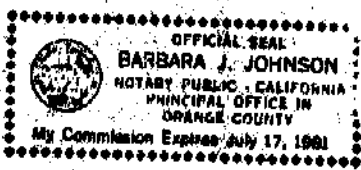
DECLARANT: DAON CORPORATION
BY: [Signature]
WILLIAM B. SMITH, Treasurer
BY: [Signature]
MORRIS B. COHEN, Controller

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STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

On February 28th, 1979, before me, the undersigned, a Notary Public in and for said County and State, personally appeared WILLIAM B. SEITH, known to me to be the Treasurer of DAON CORPORATION, whose name is subscribed to the within Covenants, Conditions and Restrictions, and known to me to be the person who executed the within instrument on behalf of such Corporation, and acknowledged to me that such Corporation executed such instrument pursuant to its Bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.

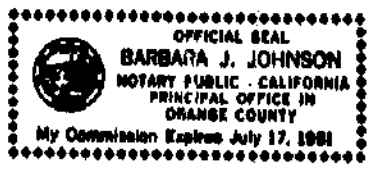


Barbara J. Johnson
Notary Public in and for
said County and State

STATE OF CALIFORNIA)
) SS.
COUNTY OF ORANGE)

On February 28th, 1979, before me, the undersigned, a Notary Public in and for said County and State, personally appeared MORRIS S. COHEN, known to me to be the Controller of DAON CORPORATION, whose name is subscribed to the within Covenants, Conditions and Restrictions, and known to me to be the person who executed the within instrument on behalf of such Corporation, and acknowledged to me that such Corporation executed such instrument pursuant to its Bylaws or a resolution of its Board of Directors.

WITNESS my hand and official seal.



Barbara J. Johnson
Notary Public in and for
said County and State

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LEGAL DESCRIPTION (PHASE I)
LAUREL TREE CONDOMINIUM

Lot 1, Tract No. 33621 as recorded in Map Book
909, Pages 91, 92 and 93 in the Recorder's Office
of the County of Los Angeles.

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EXHIBIT A

LEGAL DESCRIPTION (POTENTIAL ANNEXATION PROPERTY)
LAUREL TREE CONDOMINIUM

Lot 2, Tract No. 33821 as recorded in Map Book
909, Pages 91, 92 and 93 in the Recorder's Office
of the County of Los Angeles.

79-267180

EXHIBIT B

L

LAUREL TREE CONDOMINIUM
514 UNITS

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PART II -- PROJECT INVENTORY AND
BUDGET WORKSHEETS

	<u>Per Unit</u> <u>Per Mo.</u>	<u>Total</u> <u>Monthly</u>	<u>Total</u> <u>Annual</u>
100 <u>FIXED COSTS</u>			
101. Property Taxes	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
102. Corp. Franchise Taxes	<u>.03</u>	<u>16.67</u>	<u>200.00</u>
103. Insurance	<u>5.45</u>	<u>2800.00</u>	<u>33,600.00</u>
104. Business Licenses, etc.	<u>.02</u>	<u>10.26</u>	<u>123.12</u>
SUB TOTAL	<u>5.50</u>	<u>2826.93</u>	<u>33,923.12</u>
200 <u>OPERATING COSTS</u>			
201. Electricity (from work sheet)	<u>4.72</u>	<u>2426.50</u>	<u>29,118.00</u>
Lighting: Leased (No. _____)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
202. Gas (from work sheet)	<u>2.70</u>	<u>1389.20</u>	<u>16,670.40</u>
203. Water (from work sheet)	<u>4.02</u>	<u>2064.25</u>	<u>24,771.00</u>
205. Television Cable Service	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
207. Custodial Area Contract	<u>7.78</u>	<u>4000.00</u>	<u>48,000.00</u>
No. of Restrooms <u>2</u>			
Service	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Supplies	<u>.97</u>	<u>500.00</u>	<u>6,000.00</u>
208. Landscape Area <u>142,181 SF</u>			
Service	<u>6.81</u>	<u>3500.00</u>	<u>42,000.00</u>
Supplies	<u>.69</u>	<u>250.00</u>	<u>3,000.00</u>
209. Refuse Disposal			
Cans _____ Bins _____	<u>1.37</u>	<u>705.00</u>	<u>8,460.00</u>
210. Elevator			
No. _____ Type _____	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
211. Streets and Drives			
Area <u>199,000 SF</u>	<u>(Included in Custodial)</u>		
212. Air-Conditioning			
Area _____	<u>.29</u>	<u>150.00</u>	<u>1,800.00</u>
213. Swimming Pool			
Surface Area _____	<u>.88</u>	<u>450.00</u>	<u>5,400.00</u>
214. Tennis Court	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
215. Security Guard			
Hours Per Day <u>24 Hours</u>			
Motorized			
No. of Gates _____	<u>6.68</u>	<u>3431.00</u>	<u>41,172.00</u>

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	<u>Per Unit Per Mo.</u>	<u>Total Monthly</u>	<u>Total Annual</u>
216. Miscellaneous			
Minor Repairs	<u>4.00</u>	<u>2056.00</u>	<u>24,672.00</u>
Pest Control	<u>.29</u>	<u>150.00</u>	<u>1,800.00</u>
Snow Removal	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Intercoms	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
	<hr/>	<hr/>	<hr/>
SUB TOTAL	<u>41.00</u>	<u>21,071.95</u>	<u>252,863.40</u>
	<hr/>	<hr/>	<hr/>
TOTAL BUDGET	<u>46.50</u>	<u>23,898.88</u>	<u>286,786.52</u>
	<hr/>	<hr/>	<hr/>
300 <u>RESERVES</u>			
301-312	<u>12.26</u>	<u>6,303.56</u>	<u>75,642.72</u>
	<hr/>	<hr/>	<hr/>
400 <u>ADMINISTRATION</u>			
Resident Manager	<u>3.50</u>	<u>1,800.00</u>	<u>21,600.00</u>
401. Professional Management	<u>5.74</u>	<u>2,949.75</u>	<u>35,397.00</u>
402. Legal	<u>.83</u>	<u>427.50</u>	<u>5,130.00</u>
403. Accounting	<u>.67</u>	<u>342.00</u>	<u>4,104.00</u>
404. Miscellaneous, office expense	<u>.19</u>	<u>100.00</u>	<u>1,200.00</u>
	<hr/>	<hr/>	<hr/>
SUB TOTAL	<u>10.93</u>	<u>5,619.25</u>	<u>67,431.00</u>
	<hr/>	<hr/>	<hr/>
500 <u>CONTINGENCY</u>			
501. New Construction	<u>3.48</u>	<u>1,791.08</u>	<u>21,493.01</u>
502. Conversions 5X	<u>3.48</u>	<u>1,791.08</u>	<u>21,493.01</u>
	<hr/>	<hr/>	<hr/>
SUB TOTAL	<u>3.48</u>	<u>1,791.08</u>	<u>21,493.01</u>
	<hr/>	<hr/>	<hr/>
TOTAL BUDGET	<u>373.18</u>	<u>17,612.77</u>	<u>451,351.25</u>

Revised 3/1/79

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PRORATION OF ASSESSMENT

LAUREL TREE
514 UNITS

PHASE I:

UNITS	EXHIBIT C-1*	FACTOR *	PRORATED AMOUNT	EQUALLY SHARED AMOUNT	TOTAL MONTHLY UNIT ASSESSMENT
16	.00192	.00134	\$9.54	\$59.32	\$68.86
88	.00211	.00147	10.47	59.32	69.79
16	.00220	.00154	10.97	59.32	70.30
123	.00308	.00215	15.31	59.32	74.63
12	.00315	.00220	15.67	59.32	74.99
104	.00319	.00223	15.88	59.32	75.20
<u>359</u>					

PHASE II:

UNITS	EXHIBIT C-1**	FACTOR **	PRORATED AMOUNT	EQUALLY SHARED AMOUNT	TOTAL MONTHLY UNIT ASSESSMENT
1 (Day Care)	.01446	.00433	\$30.84	\$59.32	\$90.16
55	.00613	.00189	13.46	59.32	72.85
10	.00628	.00188	13.39	59.32	72.71
57	.00631	.00189	13.46	59.32	72.78
32	.00706	.00211	15.03	59.32	74.35
<u>155</u>					

THE ABOVE COMPUTES TO \$451,446 or \$93.00 over total annual budget of \$451,353 or .0149¢ per unit per month, which for budgeting purposes is safe.

NOTES:

* Undivided Interest In Common Area as shown on Exhibit C-1 for Units 1 thru 359 Inclusive.

FACTOR * Represents relative percentage of 359 Units (as a decimal equivalent) of the entire project of 514 Units.

** Undivided Interest In Common Area as shown on Exhibit C-1 for Units 360 thru 514 Inclusive.

FACTOR ** Represents relative percentage of 155 Units (as a decimal equivalent) of the entire project of 514 Units.

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PRORATION OF ASSESSMENTLAUREL TREE
514 UNITSTOTAL ANNUAL BUDGET

\$451,353

SERVICES DIRECTLY RELATED TO
SIZE OF UNIT:

Insurance	\$33,600	
Domestic Water (Common Meter)	18,578	
Reserve for Repainting	11,970	
Reserve for Roof	17,059	
Reserve for Water Heaters	4,267	
	<u>\$85,474</u>	<u>\$85,474</u>

SERVICES EQUALLY SHARED:\$365,879

\$451,353

514 UNITS - EQUALLY ASSESSED BASED ON
\$365,879 ANNUALLY

\$59.32

UNDIVIDED INTERESTS IN COMMON AREA
(LAUREL TREE CONDOMINIUM)

<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>	<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>
1	.00319	45	.00211
2	.00319	46	.00211
3	.00308	47	.00211
4	.00308	48	.00211
5	.00308	49	.00211
6	.00308	50	.00211
7	.00319	51	.00211
8	.00319	52	.00211
9	.00211	53	.00211
10	.00211	54	.00211
11	.00211	55	.00211
12	.00211	56	.00211
13	.00211	57	.00211
14	.00211	58	.00211
15	.00211	59	.00211
16	.00211	60	.00211
17	.00211	61	.00211
18	.00211	62	.00211
19	.00211	63	.00211
20	.00211	64	.00211
21	.00211	65	.00211
22	.00211	66	.00211
23	.00211	67	.00211
24	.00211	68	.00211
25	.00315	69	.00211
26	.00308	70	.00211
27	.00319	71	.00211
28	.00319	72	.00211
29	.00319	73	.00211
30	.00319	74	.00211
31	.00308	75	.00211
32	.00308	76	.00211
33	.00308	77	.00211
34	.00308	78	.00211
35	.00319	79	.00211
36	.00319	80	.00211
37	.00319	81	.00211
38	.00319	82	.00211
39	.00308	83	.00211
40	.00315	84	.00211
41	.00211	85	.00211
42	.00211	86	.00211
43	.00211	87	.00211
44	.00211	88	.00211

EXHIBIT C-1

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<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>	<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>
89	.00192	134	.00319
90	.00220	135	.00308
91	.00220	136	.00308
92	.00192	137	.00308
93	.00192	138	.00308
94	.00220	139	.00319
95	.00220	140	.00319
96	.00192	141	.00319
97	.00192	142	.00319
98	.00220	143	.00308
99	.00220	144	.00308
100	.00192	145	.00308
101	.00192	146	.00308
102	.00220	147	.00319
103	.00220	148	.00319
104	.00192	149	.00308
105	.00192	150	.00308
106	.00220	151	.00319
107	.00220	152	.00319
108	.00192	153	.00319
109	.00192	154	.00319
110	.00220	155	.00308
111	.00220	156	.00308
112	.00192	157	.00308
113	.00192	158	.00308
114	.00220	159	.00319
115	.00220	160	.00319
116	.00192	161	.00319
117	.00192	162	.00319
118	.00220	163	.00308
119	.00220	164	.00308
120	.00192	165	.00211
121	.00308	166	.00211
122	.00308	167	.00211
123	.00319	168	.00211
124	.00319	169	.00211
125	.00308	170	.00211
126	.00315	171	.00211
127	.00315	172	.00211
128	.00308	173	.00211
129	.00319	174	.00211
130	.00319	175	.00211
131	.00308	176	.00211
132	.00308	177	.00319
133	.00319	178	.00319

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<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>	<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>
179	.00319	221	.00319
180	.00319	222	.00319
181	.00211	223	.00308
182	.00211	224	.00308
183	.00211	225	.00308
184	.00211	226	.00308
185	.00211	227	.00319
186	.00211	228	.00319
187	.00211	229	.00308
188	.00211	230	.00308
189	.00211	231	.00308
190	.00211	232	.00308
191	.00211	233	.00319
192	.00211	234	.00319
193	.00308	235	.00308
194	.00308	236	.00308
195	.00308	237	.00308
196	.00308	238	.00308
197	.00308	239	.00319
198	.00308	240	.00319
199	.00308	241	.00308
200	.00319	242	.00308
201	.00319	243	.00308
202	.00319	244	.00308
203	.00319	245	.00319
204	.00308	246	.00319
205	.00308	247	.00308
206	.00308	248	.00308
207	.00308	249	.00319
208	.00308	250	.00319
209	.00308	251	.00319
210	.00319	252	.00319
211	.00308	253	.00308
212	.00308	254	.00308
213	.00308	255	.00319
214	.00308	256	.00319
215	.00319	257	.00319
216	.00319	258	.00319
217	.00308	259	.00308
218	.00315	260	.00315
219	.00315	261	.00315
220	.00308	262	.00308

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<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>	<u>Unit No.</u>	<u>Fractional Undivided Interest in Common Area</u>
263	.00319	312	.00308
264	.00319	313	.00308
265	.00319	314	.00308
266	.00319	315	.00308
267	.00308	316	.00319
268	.00308	317	.00319
269	.00308	318	.00319
270	.00308	319	.00319
271	.00319	320	.00308
272	.00319	321	.00308
273	.00308	322	.00319
274	.00308	323	.00319
275	.00308	324	.00308
276	.00308	325	.00308
277	.00319	326	.00308
278	.00319	327	.00308
279	.00308	328	.00319
280	.00308	329	.00319
281	.00319	330	.00319
282	.00319	331	.00319
283	.00308	332	.00308
284	.00308	333	.00315
285	.00308	334	.00315
286	.00308	335	.00308
287	.00319	336	.00319
288	.00319	337	.00319
289	.00319	338	.00308
290	.00319	339	.00308
291	.00308	340	.00319
292	.00308	341	.00319
293	.00308	342	.00319
294	.00308	343	.00319
295	.00308	344	.00308
296	.00308	345	.00315
297	.00308	346	.00315
298	.00319	347	.00308
299	.00319	348	.00319
300	.00319	349	.00319
301	.00319	350	.00319
302	.00319	351	.00319
303	.00319	352	.00308
304	.00319	353	.00308
305	.00319	354	.00319
306	.00308	355	.00308
307	.00308	356	.00308
308	.00308	357	.00308
309	.00308	358	.00308
310	.00308	359	.00308
311	.00308		

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COPY

COPY of Document Recorded
78-147338
Has not been returned to the Original
Processing Office. **G**
LOS ANGELES COUNTY REGISTER RECORDER
File No. 78-0478

Recording requested by
and mail to:
15E Ordinance Office
HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES
515 Columbia Avenue
Los Angeles, California 90017

AGREEMENT C

This Agreement is made on September 25, 1978, by and between
DAGN CORPORATION, A Delaware Corporation

his successors and assigns, hereinafter referred to as the DEVELOPER, at business
address: 1400 Quail Street
City of Newport Beach, State of California, and the Executive
Director of the Housing Authority of the City of Los Angeles acting pursuant to
Section 12.39E of the Los Angeles Municipal Code, hereinafter referred to as the
HOUSING DIRECTOR.

WITNESSETH

The parties to this Agreement, pursuant to and in compliance with Ordinance
No. 145927 entitled, "An Ordinance amending Sections 12.03 and 13.04 of the
Los Angeles Municipal Code and adding Section 12.30 thereto", said Ordinance
having been adopted by the City Council of the City of Los Angeles on April 30,
1974 and approved by the Mayor on April 30, 1974, covenant and agree as follows:

SECTION 1

A. That words and phrases used in this Agreement shall be interpreted
pursuant to the definitions set forth in Ordinance No. 145927. The word
"owner" shall mean the owner of a dwelling unit subject to the provisions of

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Ordinance No. 145927.

B. That Ordinance No. 145927 was enacted for the purpose of making increased housing opportunities in the City of Los Angeles available to low and moderate income households.

C. That DEVELOPER desires to hold certain improved property described hereafter pursuant to a tract map approved by the City of Los Angeles.

D. That DEVELOPER is the owner of property commonly known as:

120 Miraleste Drive

San Pedro

and legally described as:

Lots 1 and 2, Tract 33821, City of Los Angeles, County of Los Angeles, State of California, as per map recorded in Book 909, Pages 91, 92 and 93 of Maps, in the office of the County Recorder of said County.

E. That HOUSING DIRECTOR (pursuant to the said Ordinance) has determined that every reasonable effort has been made and that no units can be developed at a cost which would allow them to be purchased at the present time as low or moderate income dwelling units at the fair market value or that no subsidy is available to permit the purchase of the required units by low or moderate income households at the fair market value.

SECTION II

A. DEVELOPER recognizes and agrees that this Housing Development is required by Ordinance No. 145927 from and after completion of this development, to provide 6% of the units as Low Income Dwelling Units and 9% of the units as Low or Moderate Income Dwelling Units.

B. DEVELOPER, in lieu of developing the units required by Ordinance No. 145927, hereby grants to the Housing Authority the continuing right to require

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that any units in the development, up to a total of 15 percent of the total number of units therein, be sold at the then fair market value only to low or moderate income households approved by the Housing Authority. This Agreement shall run with the land and shall be binding on DEVELOPER'S transferees or successors in interest.

C. In implementation of this Agreement, DEVELOPER agrees to incorporate in all documents transferring any dwelling unit in the Housing Development and in the Declaration of Covenants, Conditions and Restrictions, the provisions of this Agreement.

D. Any provision hereof to the contrary notwithstanding, (i) the continuing right of first refusal created hereby shall have no applicability whatsoever to any foreclosure sale (whether judicial or non-judicial) conducted under or pursuant to the terms of a valid deed of trust; (ii) the provisions of this instrument shall not invalidate the lien of any mortgage or deed of trust made in good faith and for value, but the terms of this Agreement shall be binding upon any person whose title is derived through foreclosure sale or trustee's sale, including the purchaser at said sales.

SECTION III

In the event an owner, (including one who has purchased a dwelling unit in the housing development at a foreclosure sale, or acquired the property by deed in lieu of foreclosure), desires to sell a subject dwelling unit, the following procedures will be followed:

1. OWNER must notify the Housing Authority in writing of the availability of a subject unit. OWNER should indicate in the notification the fair market value of the property.
2. Within seven calendar days after receipt of notification, the Housing

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Authority shall do one of the following:

- i. Notify OWNER that it does not have a low or moderate income household ready, willing and able to purchase the unit at the suggested fair market value; or
 - ii. Notify OWNER that the Housing Authority has determined that the unit has a lower fair market value, and that the Housing Authority has a household ready, willing and able to purchase at that different figure.
3. In the event that OWNER declines to sell to the Housing Authority household at the Housing Authority's fair market value figure, the Housing Authority should be notified of such fact as soon as possible and the owner may proceed to sell the unit to any bona fide purchaser for value at a price above the Housing Authority's fair market figure.
4. In the event that the OWNER receives and is willing to accept an offer to purchase the unit at or below the Housing Authority's fair market figure, the Housing Authority must be re-notified and given an opportunity to exercise its right of first refusal at that offered price.
5. In the event that 15% of the dwelling units in the housing development are owned by low and moderate income households approved by the Housing Authority pursuant to the terms of this Agreement, upon receipt of the above-required notification, the Housing Authority shall notify owner that it will not exercise its right of first refusal.

SECTION IV

- A. The right to enforce this Agreement through any proceedings at law or in equity lies only with the Housing Authority, its successors, the HOUSING DIRECTOR and the City of Los Angeles.
- B. This Agreement shall be binding upon the heirs, executors, administrators,

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assignees, transferees and successors of the respective parties.

C. It is understood and agreed that no waiver of a breach of any of the provisions of this Agreement shall be construed as a waiver of any other breach; nor shall failure to enforce any portion of this Agreement be construed as a waiver of any of the conditions of this Agreement.

D. In the event DEVELOPER, OWNER, or their successors and assigns attempt to sell a dwelling unit subject to the provisions of this Agreement without affording the Housing Authority the right of first refusal provided for herein, such sale shall be voidable and may be set aside by the Housing Authority.

E. Upon written request of any prospective seller or purchaser of any dwelling unit subject to the terms of this Agreement, the Housing Authority shall issue a written and acknowledged certificate in recordable form, evidencing that (a) with respect to a proposed sale that proper notice was given by the selling owner and that the Housing Authority did not elect to exercise its right of first refusal; or (b) with respect to a proposed foreclosure sale that such transfer is not subject to the Housing Authority's right of first refusal.

F. It is expressly agreed that if any condition or restriction contained herein or any portion thereof is invalid or void, such shall in no way affect any other condition or restriction.

G. Any or all of the obligations of DEVELOPER set forth in this Agreement may be released by an instrument executed under the authority of an Ordinance of the City of Los Angeles to the extent and by the person directed in such Ordinance. Unless so released, the repeal or amendment of Ordinance No. 145927 shall not affect the validity, enforceability or construction of this Agreement.

H. These provisions shall cease to have any effect or confer any right or power upon the Housing Authority sixty years from the date on which this Agreement is recorded.

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IN WITNESS WHEREOF, the parties have executed this Agreement at:

Los Angeles County, California the day and year first above written.

HOUSING AUTHORITY OF THE
CITY OF LOS ANGELES

HOWER SMITH
EXECUTIVE DIRECTOR

DAON CORPORATION, A Delaware Corporation
DEVELOPER (Name typed or printed)

(Signature/s and titles):



Date 9/25/78

By JAMES D. STOUT
VICE-PRESIDENT

By Morris Cohen
Morris Cohen, Controller

STATE OF CALIFORNIA

COUNTY OF Orange

On September 25, 1978, before me, the undersigned, a Notary Public in and for said State, personally appeared James D. Stout

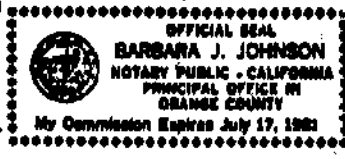
known to me to be the Vice-President, and Morris Cohen

known to me to be the Controller, Secretary of the corporation that executed the within instrument,

and known to me to be the persons who executed the within instrument on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Signature Barbara J. Johnson
Barbara J. Johnson
(Name Typed or Printed)



(This area for official material seal)

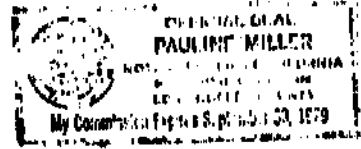
ALL SIGNATURES MUST BE PROPERLY NOTARIZED.

STATE OF CALIFORNIA) ss.
COUNTY OF LOS ANGELES)

On February 1, 1979, before me, the undersigned, a Notary Public in and for said State, personally appeared Hower Smith, known to me to be the Executive Director of the Housing Authority of the City of Los Angeles and known to me to be the person who executed the within instrument on behalf of said Housing Authority of the City of Los Angeles, and acknowledged to me that such Housing Authority of the City of Los Angeles executed the same.

WITNESS my hand and official seal.

Signature Pauline Miller



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