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PARK OCEAN PARTNERS, LTD.,
A Limited Partnership

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS

BY

PARK OCEAN PARTNERS, LTD.

ESTABLISHING A PLAN OF CONDOMINIUM OWNERSHIP

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
BY
PARK OCEAN PARTNERS, LTD.

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS-
AND RESERVATION OF EASEMENTS

BY

PARK OCEAN PARTNERS, LTD.

ESTABLISHING A PLAN OF
CONDOMINIUM OWNERSHIP

THIS DECLARATION is made on this, the 6th day of July, in the year 1981, by Park Ocean Partners, Ltd., a limited partnership, ("Grantor"), whose address is 666 E. Ocean Boulevard Suite 2405, Long Beach, California 90802.

P R E A M B L E

A. Grantor is the owner of real property ("Real Property") located in the City of Long Beach, County of Los Angeles, State of California, described fully in Exhibit "A" attached hereto. Grantor has improved or intends to improve the real property in the manner and to the extent described fully in Exhibit "B" attached hereto. Grantor's Real Property and the existing improvements or proposed prospective improvements thereon collectively shall be referred to herein as the "Project."

B. It is the desire and intention of Grantor to subdivide the Project into condominium estates and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the condominium estates created.

C. Grantor hereby declares that all of the Project shall be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restric-

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tions, easements, conditions and covenants, liens and charges, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Project for the purpose of enhancing the value, desirability and attractiveness of the Project. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions, restrictions, liens and charges hereof, are hereby imposed as equitable servitudes upon the Project. All of the limitations, restrictions, easements, conditions, covenants, liens and charges herein shall run with the land and shall be binding on and for the benefit of all of the Project and all parties having or acquiring any right, title or interest in the Project, or any part thereof, and their successors and assigns. Grantor further declares that it is the express intent that this declaration satisfy the requirements of California Civil Code Section 1355, as amended.

D. Grantor, its successors, assigns and grantees, covenant and agree that the undivided interest in the Common Areas, the membership in the Association, any easements conveyed therewith and the fee titles to the respective Units conveyed therewith shall not be separated or separately sold, conveyed or transferred, and each such undivided interest, membership and 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 Unit; provided, however, that this restriction upon the severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Project is suspended in accordance with Section 1354(b) of the California Civil Code and the provisions of Article XI hereof. Any conveyance by a Unit Owner of a Condominium or a Unit, or any

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portion thereof, shall be presumed to convey the entire Condominium, together with a membership in the Association.

ARTICLE I DEFINITIONS

Unless otherwise expressly provided, the following words and phrases when used in this Declaration or any amendment thereto shall have the meanings hereinafter specified.

Section 1.01. Architectural Committee. "Architectural Committee" shall mean the Architectural Review Committee created pursuant to Article IV of this Declaration.

Section 1.02. Articles. "Articles" shall mean the Articles of Incorporation of the Association as filed in the Office of the Secretary of State of the State of California, a true copy of which is attached hereto, marked Exhibit "C" and incorporated herein by this reference, as such Articles may be amended from time to time.

Section 1.03. Assessment, Annual. "Annual Assessment" shall mean a charge against a particular Unit Owner and his Condominium, representing a portion of the costs of maintaining, improving, repairing and managing the Project and all other Common Expenses, including, but not limited to, operation costs for the Common Areas, which is to be paid by each Unit Owner to the Association for Common Expenses in accordance with the provisions of Article V herein respecting Annual Assessment.

Section 1.04. Assessment, Capital Improvement. "Capital Improvement Assessment" shall mean a charge against each Unit Owner and his Condominium, representing a portion of the cost to the Asso-

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ciation for installation or construction of any capital improvements on any of the Common Areas which the Association may from time to time authorize. Such charge shall be levied against and among all of the Condominiums in the Project in the same proportion as Annual Assessments, as provided herein.

Section 1.05. Assessment, Reconstruction. "Reconstruction Assessment" shall mean a charge against a particular Unit Owner and his Condominium, representing a portion of the Cost to the Association for substantial repairs or reconstruction of any of the Common Areas which the Association may from time to time authorize, and which shall be levied against and among all of the Condominiums in the Project on the basis of the ratio the square footage of the floor area of the Unit to be assessed bears to the total square footage of floor area of all Units to be assessed.

Section 1.06. Assessment, Special. "Special Assessment" shall mean a charge against a particular Unit Owner and his Condominium, directly attributable to, or reimbursable by, the Unit Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of this Declaration plus interest and other charges thereon as provided for in this Declaration.

Section 1.07. Association. "Association" shall mean PARK OCEAN CONDOMINIUM ASSOCIATION, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns.

Section 1.08. Beneficiary. "Beneficiary" shall mean a mortgagee under a mortgage or a beneficiary under a deed of trust, as the case may be, and the assignees of such mortgagee or beneficiary.

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Section 1.09. Board or Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Association, elected in accordance with the By-Laws.

Section 1.10. By-Laws. "By-Laws" shall mean the By-Laws of the Association which have or will be adopted by the Board, initially in the form of Exhibit "D" attached hereto and fully incorporated herein by this reference, as such By-Laws may be amended by the membership of the Association from time to time.

Section 1.11. Close of Escrow. "Close of Escrow" shall mean the date on which a deed is recorded conveying a Condominium pursuant to a Final Subdivision Public Report for the Project issued by the California Department of Real Estate.

Section 1.12. Common Areas. "Common Areas" shall mean and include all areas on the Project, as it may exist from time to time, except the Units. With respect only to maintenance by the Association, and not necessarily by way of fee title, the Common Areas shall include, but not be limited to, all gas, water, and waste pipes; all sewers; all ducts, chutes, conduits, wires, and other utility installations of the structure wherever located (except the outlets thereof when located within the Units); the lot upon which the structure is located and the airspace above the structure; all bearing walls; columns; unfinished floors; the roofs; foundation slabs; party walls; utility walls; foundations; private streets; walkways; swimming pool(s), spa-whirlpool and other recreation facilities; common stairways; laundry rooms; parking areas; and landscaping.

Section 1.13. Common Areas, Restricted. "Restricted Common Areas" shall mean those portions of the Common Areas over which exclusive easements, if any, are reserved for the benefit of certain Unit Owners and their family members, guests and lessees, for

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storage compartments, tuck-under garage and open parking purposes, and respecting balcony and patio rails, walls, ceilings, windows, floors and doors, if any, as such Restricted Common Areas are described in the Condominium Plan and assigned in the individual Grant Deeds of the respective Condominiums.

Section 1.14. Common Expenses. "Common Expenses" shall mean the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Areas (including unpaid Annual Assessments, Special Assessments, Reconstruction Assessments and Capital Improvement Assessments); the costs of any and all utilities metered to more than one Unit and other commonly metered charges for the Project; the costs of any common trash collection and removal; costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security and other services benefiting the Common Areas; the costs of fire, casualty and liability insurance, workers' compensation insurance, and other insurance covering the Project and the directors, officers and agents of the Association; the costs of bonding of the members of the Board; taxes paid by the Association, including any blanket tax assessed against the Project; amounts paid by the Association for discharge of any lien or encumbrance levied against the entire Project, or portions thereof; and the costs of any other item or items designated by, or in accordance with other expenses incurred by the Association, for any reason whatsoever in connection with the Project, for the common benefit of the Unit Owners.

Section 1.15. Condominium. "Condominium" shall mean an estate in real property as defined in California Civil Code 725 consisting of

an equal one-two hundred nineteenth (1/219th) undivided fee simple ownership interest (as a tenant-in-common) in the Common Areas, together with a separate ownership interest in fee in a Unit shown and described in the Condominium Plan, and all easements appurtenant thereto.

Section 1.16. Condominium Plan. "Condominium Plan" shall mean the engineering drawings and related materials, showing the diagrammatic floor plans of the Units, the boundaries of the Units, the Common Areas, the Restricted Common Areas and, where applicable, dimensions, specific alternative uses as authorized by this Declaration, and such other information reasonably necessary to identify a Condominium. A copy of the Condominium Plan for the Project, as filed with the California Department of Real Estate is attached hereto, as Exhibit "E".

Section 1.17. Declaration. "Declaration" shall mean the within Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as it may be amended from time to time as provided herein.

Section 1.18. Deed of Trust. "Deed of Trust" shall mean a mortgage or a deed of trust, as the case may be.

Section 1.19. Family. "Family" shall mean one or more persons each related to the other by blood, marriage or adoption, or a group of not more than four (4) Persons not all so related, inclusive of their domestic servants, who maintain a common household in a Residence.

Section 1.20. Grantor. "Grantor" shall mean Park Ocean Partners, Ltd., a limited partnership, its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment.

Section 1.21. Improvements. "Improvements" shall mean all structures and appurtenances thereto of every type and kind, including, but not limited to, buildings, outbuildings, walkways, sprinkler pipes, tuck-under garages, spa-whirlpool, swimming pool, roads, driveways, parking areas, fences, screening walls, retaining walls, patio covers, awnings, stairs, decks, landscaping, hedges, windbreaks, the exterior surfaces of any visible structure, planted trees and shrubs, poles, signs, exterior air conditioning and water softener fixtures or such equipment, and private sewer systems.

Section 1.22. Maintenance Funds. "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association pursuant to Article V, Section 5.02 hereof.

Section 1.23. Manager. "Manager" shall mean the Person, firm or corporation employed by the Association, and delegated certain duties, power or functions of the Association as limited by the provisions of this Declaration.

Section 1.24. Member. "Member" shall mean and refer to every Person holding a membership in the Association, pursuant to Article II, Section 2.03 hereof.

Section 1.25. Mortgage. "Mortgage" shall mean any mortgage or deed of trust or other conveyance of a Condominium or other portion of the Project to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used shall be synonymous with the term "Mortgage".

Section 1.26. Mortgagee, Mortgagor. "Mortgagee" shall mean a Person to whom a mortgage is made and shall include the beneficiary of a Deed of Trust. Such term shall include, without limitation, a mortgagee that is a bank or savings and loan association, established

mortgage company or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency. "Mortgagor" shall mean a Person who mortgages his or its property to another (i.e., the maker of a Mortgage), and shall include the Trustor of a Deed of Trust. The term "Trustor" shall be synonymous with the term "Mortgagor" and the term "Beneficiary" shall be synonymous with the term "Mortgagee."

Section 1.27. Notice and Hearing. "Notice and Hearing" shall mean written notice and a public hearing before the Board, at which the Unit Owner concerned shall have an opportunity to be heard in Person, or by counsel at the Unit Owner's expense, in the manner further provided in the By-Laws.

Section 1.28. Person. "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

Section 1.29. Project. "Project" shall mean that portion of the land described in Exhibit "A" attached to this Declaration which land is divided into Condominiums in accordance with Section 1350 of the California Civil Code, including the Common Areas and the Units therein.

Section 1.30. Record, File. "Record " or "File" shall mean, with respect to any document, the recordation or filing of such document in the office of the County Recorder of the County of Los Angeles, State of California.

Section 1.31. Residence. "Residence" shall mean and include a Unit, intended for use by a single Family.

Section 1.32. Restrictions. "Restrictions" shall mean this Declaration, the Articles, the By-Laws, and the Rules and Regulations from time to time in effect.

Section 1.33. Rules and Regulations. "Rules and Regulations" shall mean the rules and regulations adopted by the Board pursuant to the By-Laws, as such Rules and Regulations may be amended from time to time.

Section 1.34. Unit. "Unit" as defined by California Civil Code Section 1350(2), shall mean the elements of a Condominium not owned in common with the Owners of other Condominiums in the Project. Each of the Units in the multi-family structure shall be a separate freehold estate, as separately shown, numbered, defined and designated in the Condominium Plan. Each such Unit consists of the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows, and doors (collectively referred to as "Surfaces"), and the living area space or spaces bounded by and contained within said Surfaces, as shown and defined in the Condominium Plan, together with a separately defined area of space bounded by and contained within the interior unfinished surfaces of perimeter walls, floors, ceilings, windows, guard rails, and doors of balconies and patios, if any, as described particularly and assigned in the Condominium Plan. In interpreting deeds, declarations and plans, the existing physical boundaries of the Unit or a Unit constructed or reconstructed in substantial accordance with the Condominium Plan and the original plans thereof, if such plans are available, shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed, Condominium Plan or Declaration, regardless of settling or lateral movement of the building and regardless of minor variances between boundaries, as shown on the Condominium Plan or defined in the deed and Declaration, and the boundaries of a building as constructed or reconstructed.

Section 1.35. Unit Owner. "Unit Owner" or "Owner" shall mean the record owner, whether one or more Persons, of a fee simple interest in a Condominium, including Grantor with respect to each Condominium owned by Grantor, and including sellers under executory contracts of sale, but excluding those Persons holding title as security for the performance of an obligation or as a contract purchaser.

ARTICLE II

PARK OCEAN CONDOMINIUM ASSOCIATION

Section 2.01. Organization of Association. The Association is or shall be incorporated under the name of PARK OCEAN CONDOMINIUM ASSOCIATION, as a corporation not for profit under the Nonprofit Mutual Benefit Corporation Law of the State of California.

Section 2.02. Duties and Powers. The duties and powers of the Association are those set forth in the Declaration, the Articles and By-Laws, together with its general and implied powers of a nonprofit corporation, which permit the Association generally to do any and all things that a corporation organized under the laws of the State of California may lawfully do which are necessary or proper, in operating for the peace, health, comfort, safety and general welfare of its members, subject only to the limitations upon the exercise of such powers as are expressly set forth in the Articles, in the By-Laws and in this Declaration. From and after Close of Escrow for the sale of the first Condominium in the Project, the Association shall assume the payment of real property taxes assessed against the Project and accruing subsequent to such Close of Escrow, until such taxes are assessed directly against the Unit Owners and their individual Condominiums, and shall be charged with the duties and invested with the

powers set forth in the Articles, the By-laws and this Declaration, including but without limitation, control and maintenance of the Common Areas and any Common Area facilities. Grantor shall furnish the Association with any and all tax statements in order to assist the Association in carrying out its obligations hereunder. The Association shall further have the right to install or construct capital improvements on the Common Areas, as provided herein. The Association may at any time, and from time to time reconstruct, repair, replace or refinish any improvement, or portion thereof, in, on or under the Common Areas in accordance with the original design, finish or standard of construction of such improvement; replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Areas, as further provided herein. The Association may employ personnel necessary for the effective operation and maintenance of the Common Areas, including the employment of legal, management and accounting services, as provided in this Declaration and the By-Laws.

Section 2.03. Membership. Every Unit Owner, upon becoming the Owner of a Condominium, shall automatically become 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. Ownership of a Condominium shall be the sole qualification for Membership in the Association. All memberships shall be appurtenant to the Condominium conveyed, and with the exception of Grantor, a Person shall be deemed a Unit Owner of a Condominium only upon recordation of a deed conveying the Condominium to such Person. No Owner shall hold more than one Membership in the Association even though such Owner may own, or own an interest in, more than one Condominium. A Person who holds

an interest in a Condominium merely as security for performance of an obligation is not to be regarded as a Member. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be provided in this Declaration, the Articles, the By-Laws and in the Rules and Regulations, and all their amendments.

Section 2.04. Transfer. The Membership held by any Unit Owner shall not be assigned, transferred, pledged hypothecated, conveyed or alienated in any way, except upon the sale or encumbrance of such Unit Owner's Condominium, and then only to the purchaser or Beneficiary of such Condominium. Any attempt to make a prohibited transfer is void, and will not be reflected upon the books and records of the Association. A Class A Member who has sold his Condominium to a contract purchaser under an agreement to purchase shall be entitled to delegate to such contract purchaser his Membership rights in the Association. Such delegation shall be in writing and shall be delivered to the Board before such contract purchaser may vote. However, the contract seller shall remain liable for all charges and assessments attributable to this Condominium until fee title to the Condominium sold is transferred, as further provided in Article V, Section 5.07 of this Declaration. In the event the Owner of any Condominium should fail or refuse to transfer the Membership registered in his name to the purchaser of such Condominium upon transfer of fee title thereto, the Board of Directors shall have the right to record the transfer upon the books of the Association.

Section 2.05. Classes of Membership. The Association shall have two (2) classes of voting Membership.

Class A. Class A Members shall be those Unit Owners described in Section 2.03 above, with the exception of Grantor for so

long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned by such Class A Members. Grantor shall become a Class A Member with regard to Condominiums owned by Grantor upon conversion of Grantor's Class B Membership as provided below. When more than one (1) Person holds such interest in any Condominium, all such Persons shall be Members. The vote of such Condominium shall be exercised as they among themselves determine in accordance with Section 2.06 of this Article II of this Declaration, but in no event shall more than one (1) Class A vote be cast with respect to any Condominium.

Class B. The Class B Member shall be Grantor, and Grantor shall be entitled to three (3) votes for each Condominium owned by Grantor. The Class B Membership shall cease and be converted to Class A Membership on the happening of any of the following events, whichever occurs earlier:

(1) When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(2) On the second anniversary of the original issuance of the Final Subdivision Public Report for the Project issued by the California Department of Real Estate. Any provision in the Restrictions calling for Membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of the Grantor under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of Membership during the time that there are two outstanding classes of Membership.

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All voting rights shall be subject to the restrictions and limitations provided in this Declaration and in the Articles and By-Laws of the Association.

Section 2.06. Voting Rights. At any meeting of the Association, each Unit Owner except as otherwise provided in this Section 2.05 of this Article II with respect to the voting power of Grantor, shall be entitled to cast no more than one (1) vote for each Condominium owned as shown on the Condominium Plan.

Section 2.06.1. Co-Owner Voting. Where there is more than one (1) record Unit Owner of a Condominium ("Co-Owners"), any or all of such Co-Owners shall be Members and may attend any meeting of the Association, but only one (1) of such Co-Owners shall be entitled to exercise the single vote to which the Condominium is entitled. Such Co-Owners shall from time to time all designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Condominium shall be exercised, if at all, as a unit. Where no voting Co-Owner is designated, if such designation has been revoked, or if more than one (1) Co-Owner exercises the voting rights for a particular Condominium, the vote for such Unit shall be exercised, or deemed exercised, as the majority of the Co-Owners of the Unit mutually agree. Unless the Board receives a written objection in advance from a Co-Owner, it shall be conclusively presumed for all purposes that the corresponding voting Co-Owner is acting with the consent of his or her Co-Owners. No vote shall be cast for any Condominium where the majority of the Co-Owners present in person or by proxy and representing such Condominium cannot agree to said vote or other action. The non-voting Co-Owner or Co-Owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly owned Condominium and

shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the By-Laws of the Association, shall be deemed to be binding on all Unit Owners, their successors and assigns.

Section 2.06.2. Cumulative Voting. As further provided in Section 4.05 of the By-Laws, every Member entitled to vote at any election of Directors of the Board may cumulate his votes for Director. Voting for the Board of Directors shall be by secret written ballot. Cumulative voting in the election of Directors shall be prescribed for all elections in which more than two (2) Directors are to be elected. A Member shall have a number of votes equal to one (1) vote for each Condominium owned multiplied by the number of Directors to be elected, and may cast that number of votes for any one candidate or may distribute the votes among as many candidates as each Member desires. Each Member shall be entitled to cumulate his vote only if all candidates' names have been placed in nomination prior to voting and if the Member has given notice at the meeting, prior to the voting, of his intention to cumulate votes. The candidates receiving the highest number of votes up to the number of Directors to be elected shall be deemed elected. Notwithstanding anything to the contrary herein contained, such voting shall be in accordance with Section 7615 of the Mutual Benefit Nonprofit Corporations Law of California, as amended.

Section 2.07. Repair and Maintenance Rights and Duties of Association. Subject to Article XI pertaining to eminent domain, and subject to Article X pertaining to destruction of improvements, the Association shall maintain, repair, replace, and make necessary improvements to the Common Areas, or shall contract for such maintenance.

nance, repair, replacement and improvements, to assure reasonable maintenance of the Common Areas; provided, however, that the Association shall not be responsible for or obligated to perform those items of maintenance, repair, replacement, or improvement of the Units or Restricted Common Areas, which are the responsibility of the Unit Owner(s) as provided in Section 2.08 of this Article II. Association maintenance, repairs, replacement, and improvements shall include, without limitation: the right, without the obligation, to perform all corrective architectural, janitorial, landscaping and repair work within any Residence, if the Unit Owner fails to repair such Residence which is subject to his duty to maintain, the repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Common Areas, if any; the payment of all charges for any and all utilities which serve individual Units, but which are subject to a common meter; the payment of all expenses for common services including, without limitation, trash pick-up, security gates and security services, and clustered mailboxes; the payment of all Common Expenses and charges for water and utilities serving recreational amenities and common laundry areas, if any; the repair and maintenance of all walks, common driveways, private streets and other means of ingress and egress within the Project; the operation and maintenance of the private sewer system(s) connected to the public sewer; and the operation and maintenance of any on-site storm drainage system(s). All fees, costs and expenses incurred in connection with the maintenance, repair, replacement and improvement of the Project shall be designated as Common Expenses and paid for from the Association Maintenance Funds as provided in this Declaration. All work performed for and on behalf of a Unit Owner which is not a maintenance responsibility of the Association shall be charged

to such Unit Owner as a Special Assessment, as herein provided. It shall further be the affirmative duty of the Board of Directors to require strict compliance with all provisions of this Declaration and to cause the Project to be inspected by the Architectural Committee for any violation thereof. The Association shall repair, maintain and replace, as necessary, any individual air conditioning compressor units located on the roof of the building; however, the cost of any such item of repair, maintenance or replacement shall be borne by the Unit Owner(s) served by such equipment, as a Special Assessment levied by the Board.

To the extent not assessed against or paid by the Unit Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Project. In addition, if all of the Units in the Project are taxed under a blanket tax bill covering all of the Project, each Unit Owner shall pay his proportionate share of any installment due under said blanket tax bill to the Association at least ten (10) days prior to the delinquency date; and the Association shall transmit such taxes to the appropriate tax collection agency. Blanket taxes shall be allocated among the Unit Owners in the same ratio that Annual Assessments are assessed against the Unit Owners. The Association shall, at least forty-five (45) days prior to the delinquency date of any such blanket tax installment, deliver to each Unit Owner a copy of the tax bill, along with a written notice setting forth such Unit Owner's obligation to pay his proportionate share of such tax installment and the potential additional charges to such Unit Owner for failure to comply. The Association shall pay such taxes on behalf of any Unit Owner who does not pay his proportionate share, and shall use any available sums in the Operating Fund or borrow such sums as may be required to make

such payments on behalf of delinquent Owners. The Association shall levy a Special Assessment in the amount of any such sum advanced against any delinquent Unit Owner, plus interest at the rate of ten percent (10%) per annum and may, in addition, include as part of such Special Assessment an amount necessary to reimburse the Association for any penalty or late charge actually assessed in connection with the blanket tax bill where said late charge(s) results from the failure of the delinquent Owner(s) to make timely payment of his/their proportionate share(s) of such taxes. For so long as Grantor owns an interest in any Unit in the Project, the foregoing provisions relating to the collection of taxes in connection with a blanket tax bill on all or any portion of the Project may not be amended without the express written consent of Grantor.

Section 2.09. Repair and Maintenance by Unit Owner. Each Unit Owner shall maintain, repair, replace, paint, paper, plaster, tile, finish and restore or cause to be so maintained, repaired, replaced and restored, at his sole cost and expense, all portions of his Unit, including the windows and the interior surfaces of the walls, ceilings, windows, floors, doors and permanent fixtures, in a clean, sanitary and attractive condition, in accordance with the Condominium Plan and the original construction design of the Improvements in the Project. Notwithstanding the foregoing, no interior walls, ceilings, floors or other structural or utility bearing portions of the buildings housing the Units shall be pierced or otherwise altered or repaired, without the prior written approval of the plans for such alteration or repair by the Architectural Committee. It shall further be the duty of each Unit Owner, at his sole cost and expense, to keep free from debris and in a reasonably good state of repair subject to the approval of the Architectural Committee, the

Restricted Common Areas over which exclusive easements have been reserved for the benefit of such Unit Owner; provided, however, ~~that~~ no Unit Owner shall be responsible for the periodic structural ^y repair, resurfacing, replacement or painting of the Restricted Common Areas assigned to him, so long as such painting, repair or replacement is not caused by the willful or negligent acts of the Unit Owner or his Family, guests or tenants. It shall further be the duty of each Unit Owner to pay when due any and all charges for all utility services which services are not centrally metered but are separately metered to his Unit.

Section 2.09. Use of Agent. The Board of Directors, on behalf of the Association, may contract with a professional management agent for the performance of maintenance and repair and for conducting other activities on behalf of the Association, as further provided in the applicable provisions found elsewhere herein and in the By-Laws of the Association.

ARTICLE III

RIGHTS IN COMMON AREAS

Section 3.01. Association Easement. The Association shall have an easement over the Common Areas for purposes described in this Declaration. Upon Close of Escrow for the sale of the first Condominium in the Project to a purchaser pursuant to a Final Subdivision Public Report Issued by the California Department of Real Estate, the Association shall immediately become responsible for all maintenance, operation, control and expenses associated with the Common Areas.

Section 3.02. Partition. There shall be no judicial partition of the Common Areas, or any part thereof for the term of the Project, nor shall Grantor, any Unit Owner or any other Person

acquiring any interest in any Condominium in the Project seek any such judicial partition.

Section 3.03. Members' Easements of Use and Enjoyment of Common Areas. Subject to the provisions of this Declaration, every Member of the Association shall have, for himself and his family and guests, a non-exclusive easement of access, ingress, egress, use and enjoyment of, in, to and throughout the Common Area, and such easement shall be appurtenant to and shall pass with title to every Condominium in the Project. Such non-exclusive easements shall be subordinate to and shall not interfere with, exclusive easements appurtenant to Units over the Common Areas, if any.

Section 3.04. Extent of Members' Easements. The rights and easements of use and enjoyment of the Common Areas created by this Declaration shall be subject to Restrictions, including without limitation the following:

(a) The right of the Association to limit the number of guests, and to adopt Association rules and regulations ("Rules and Regulations") regulating the use and enjoyment of the Common Areas;

(b) The right of the Association to charge reasonable admission and other fees for the use of any unassigned parking and storage spaces and any recreational facility situated on the Common Area;

(c) The right of the Association to borrow money to improve the Common Areas;

(d) The right of the Association to assign, rent, license or otherwise designate and control use of unassigned parking and storage spaces within the Common Area (other than those

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portions subject to exclusive easements appurtenant to Units, if any);

(e) The right of the Board to suspend the rights and easements of any Member, and the Persons deriving such rights and easements from any Member, for use and enjoyment of any recreation facilities located on the Common Areas, for any period during which the payment of any Annual, Special, Capital Improvement or Reconstruction Assessment against such Member and his Condominium remains delinquent, and, after Notice and Hearing as provided in the By-Laws, to suspend such rights and easements for the period set forth in the By-Laws for any violation of the Restrictions, it being understood that any suspension for either nonpayment of any Assessment or breach of the Restrictions shall not constitute a waiver or discharge of the Member's obligation to pay Assessments as provided herein;

(f) The right of the Association to consent to or otherwise cause the construction of additional improvements on the Common Areas and to consent to or otherwise cause the alteration or removal of any existing improvements on the Common Areas for the benefit of the Members of the Association;

(g) The right of the Association, acting through the Board, to consent to or join in the grant or conveyance of easements, licenses or rights-of-way in, on or over the Common Areas for purposes not inconsistent with the intended use of the Project as a residential Condominium project;

(h) The right of the Association, or its agents, to enter any Unit to perform its obligations under this Declaration, including obligations with respect to construction, maintenance or repair for the benefit of the Common Areas or the Owners in

common, or to make necessary repairs that the Unit Owner has failed to perform. The right shall be immediate in case of an emergency originating in or threatening such Unit, and the obligation can be performed whether or not the Owner is present;

(i) Subject to the provisions of this Declaration, the right of each Unit Owner to the exclusive use and occupancy of the Restricted Common Areas allocated to his respective Unit;

(j) The rights and reservations of Grantor as set forth in this Declaration; and

(k) The right of the Association, acting through the Board, to reasonably restrict access to roofs, maintenance areas and other areas of the Project.

Section 3.05. Delegation of Use. Any Member entitled to the right and easement of use and enjoyment of the Common Areas may delegate, in accordance with the By-Laws, his right to use and enjoyment of the Common Areas to the members of his family, his guests, invitees, tenants, contract purchasers or subtenants who reside in his Condominium, or to such other persons as may be permitted by the By-Laws and Rules and Regulations, subject however to this Declaration, to the By-Laws and to the Rules and Regulations. However, if a Unit Owner of a Condominium has sold his Condominium to a contract purchaser or rented it, the Unit Owner, members of his family, his guests and invitees shall not be entitled to use and enjoy the Common Areas of the Project while the Unit Owner's Condominium is occupied by such contract purchaser or tenant. Instead, the contract purchaser or tenant, while occupying such Condominium, shall be entitled to use and enjoy the Common Areas of the Project and can delegate the rights of use and enjoyment in the same manner as if

such contract purchaser or tenant were the Unit Owner of such Condominium during the period of his occupancy. Each Unit Owner shall notify the secretary of the Association of the names of any contract purchaser or tenant of such Unit Owner's Condominium. Each Unit Owner, contract purchaser or tenant also shall notify the secretary of the Association of the names of all persons to whom such Unit Owner, contract purchaser, or tenant has delegated any rights of use and enjoyment in the development and the relationship that such person bears to the Unit Owner, contract purchaser, or tenant. Any delegated rights of use and enjoyment are subject to the same Rules and Regulations to the same extent as the rights of Unit Owners are.

Section 3.06. Waiver of Use. No Member may exempt himself from personal liability for Assessments duly levied by the Association, nor effect the release of his Condominium from the liens and charges thereof, by waiver of the use and enjoyment of the Common Areas or by abandonment of his Condominium.

Section 3.07. Damage by Member. Each Member shall be liable to the Association for any damage to the Common Areas not fully reimbursed to the Association by insurance which may be sustained by reason of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any improvement by said Member, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Common Areas from said Member, or his or their respective family and guests, both minor and adult. Notwithstanding the foregoing, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the Association further reserves the right, after Notice and Hearing as provided in the By-Laws, to levy a Special Assess-

ment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by such Member of the Person as for whom such Member may be liable as described above. In the case of joint ownership of a Condominium, the liability of such Unit Owners shall be joint and several, except to the extent that the Association shall have previously contracted in writing with such joint Unit Owners to the contrary. After Notice and Hearing as provided in the By-Laws, the cost of correcting such damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against the Condominium, and may be enforced as provided herein for the enforcement of other Assessments.

ARTICLE IV

ARCHITECTURAL REVIEW COMMITTEE

Section 4.01. Members of Committee. The Architectural Review Committee, sometimes referred to in this Declaration as the "Architectural Committee" or the "Committee", shall consist of at least three (3) members. The initial members of the Committee shall consist of representatives of Grantor, whose business address is first listed on page one (1) of this Declaration. Regardless of the fact that Grantor may have then lost voting control within the Association, Grantor shall have the unrestricted right and power to appoint or remove a majority of the members of the Architectural Committee and to fill any vacancy of such majority until the "turnover date", which shall be the date on which either (a) Close of Escrow has occurred for the sale by Grantor of ninety percent (90%) of the Condominiums subject to this Declaration, or (b) five (5) years following the date of original issuance of the Final Subdivision Public Report for the Project issued by the California Department of Real Estate, whichever occurs earlier. Grantor may at any time assign in writing such

powers of removal and appointment to any Person, subject to such terms and conditions as Grantor may choose to impose. Commencing one (1) year from the date of issuance of the Final Subdivision Public Report for the Project, the Board shall have the power to appoint one (1) member to the Architectural Committee, until the turnover date has occurred. After the occurrence of the turnover date, the Board shall have the power to appoint and remove all of the members of the Architectural Committee. Members appointed to the Committee by the Board shall only be from the Membership of the Association, but Persons appointed to the Architectural Committee by Grantor need not be Members of the Association.

Section 4.02. Review of Proposed Construction. The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. Subject to Article VII of this Declaration, no construction, alteration, addition, modification, decoration, redecoration, reconstruction or removal of an Improvement in the Project shall be commenced or maintained until the plans and specifications therefor showing the nature, kind, shape, height, width, elevation, color, materials and location of the same shall have been submitted to the Committee and approved in writing by the Committee. The Unit Owner shall obtain a written receipt for the plans and specifications from an authorized agent of the Committee. The Committee shall approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding

area of the Project as a whole, or will not unreasonably interfere with the view of another Unit Owner; that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the harmony, wholesomeness and attractiveness of the Common Areas or the enjoyment thereof by the Members; and that the upkeep and maintenance thereof will not become a burden on the Association. The Committee may condition its approval of proposals or plans and specifications for any improvement (1) on such changes therein as it deems appropriate, (2) upon the agreement by the Person (referred to in this Section 4.02 as "applicant") submitting the same to grant appropriate easements to the Association for the maintenance of the improvements (as applicable), or (3) upon the agreement of the applicant to reimburse the Association for the cost of maintenance, or all three, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Committee shall also issue Architectural Committee Standards or guidelines setting forth specific standards of approval, procedures for the submission of plans for approval (including the requirement of a fee to the Association to accompany each application for approval), and any additional reasonable factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of such fee shall be uniform, or that it be determined in any other reasonable manner, such as based upon the reasonable cost of the construction, alterations or additions contemplated. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the

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Committee of any required plans and specifications, the Committee may postpone review of any plan submitted for approval. Decisions of the Committee and the reasons therefor shall be transmitted by the Committee to the applicant at the address set forth in the application for approval, within forty-five (45) days after receipt by the Committee of all materials required by the Committee. Notwithstanding anything to the contrary herein contained, any complete application properly submitted pursuant to, and in compliance with, this Section 4.02 shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the applicant within forty-five (45) days after the date of receipt by the Committee of all required materials. Grantor need not seek approval of the Committee with respect to its construction activities, until Close of Escrow for the sale of the last Condominium in the Project from Grantor pursuant to a Final Subdivision Public Report as issued by the California Department of Real Estate.

Section 4.03. Meetings of the Committee. The Committee shall meet from time to time as necessary to perform its duties hereunder. The Committee may from time to time by resolution unanimously adopted in writing designate a Committee Representative (who may, but need not, be one of its members) to take any action or perform any duties for and on behalf of the Committee, except the granting of variances pursuant to Section 4.08 of this Article IV. In the absence of such designation, the vote of a majority of the Committee, or the written consent of a majority of the Committee taken without a meeting, shall constitute an act of the Committee.

Section 4.04. No Waiver of Future Approvals. The approval of the Committee of any proposals or plans and specifications or draw-

ings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans and specifications, drawings or matter whatsoever subsequently or additionally submitted for approval or consent.

Section 4.05. Compensation of Members. The members of the Committee shall receive no compensation for services rendered, other than reimbursement for reasonable expenses incurred by them in the performance of their duties hereunder.

Section 4.06. Correction of Defects. Inspection of work and correction of defects therein shall proceed as follows:

(a) The Committee or its duly authorized representative may at any time inspect any Improvement for which approval of plans is required under this Article IV; provided, however, that the Committee's right of inspection of the Improvement for which plans have been submitted and approved shall terminate sixty (60) days after such work of Improvement shall have been completed and the respective Unit Owner shall have given written notice to the Committee of such completion. The Committee's rights of inspection shall not terminate pursuant to this paragraph in the event that plans for the work of Improvement have not previously been submitted to and approved by the Committee. If, as a result of such inspection, the Committee finds that such Improvement was done without obtaining approval of the plans therefor or was not done in substantial compliance with the plans approved by the Committee, it shall notify the Unit Owner in writing of failure to comply with this Article IV within sixty (60) days from the date of inspection, specifying

the particulars of noncompliance. The Committee shall have the authority to require the Unit Owner to take such action as may be necessary to remedy the noncompliance.

(b) If noncompliance exists, the Unit Owner shall immediately upon receipt of such notification commence to remedy or remove the same and shall complete such work within a period of not more than forty-five (45) days from the date that notice of the Committee ruling is given to the Unit Owner. The Committee shall determine the estimated cost of correcting or removing the same. If the Unit Owner does not comply with the Committee ruling within such period, the Board, as its option, may, after Notice and Hearing as provided in the By-Laws, record a Notice of Noncompliance in the Office of the County Recorder of Los Angeles County and may peacefully remove the noncomplying improvement or otherwise peacefully remedy the noncompliance, and the Unit Owner shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Unit Owner to the Association, the Board shall levy a Special Assessment against such Unit Owner for reimbursement collectible in the same manner as Annual Assessments provided in this Declaration. The right of the Association to remove a noncomplying improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity or pursuant to this Declaration.

(c) If for any reason the Committee fails to notify the Unit Owner of any noncompliance of previously submitted and approved plans within sixty (60) days after receipt of said written notice of completion from the Unit Owner, the Improve-

ment shall be deemed to be in accordance with said approved plans.

Section 4.07. Non-Liability of Committee Members. Neither Grantor, the Architectural Committee, nor any member of the Architectural Committee or the Board nor their duly authorized representatives shall be liable to the Association, or to the Unit Owners, or to any of them, for any loss, damage or injury arising out of or in any way connected with the performance of the duties hereunder, unless due to the willful misconduct or bad faith of such Person. The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed improvement, alteration or addition, solely on the basis of aesthetic considerations and the overall benefit or detriment which would most probably result to the immediate vicinity and the Project generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of improvements, landscaping, color schemes, exterior finishes and materials and similar features. The Committee's approval or disapproval shall be based solely on the consideration set forth in this Article IV, and the Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed an approval or warranty of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

Section 4.08. Variances. The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by a majority of the Com-

mittee, and shall become effective upon recordation in the Office of the County Recorder of Los Angeles County. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, and shall not necessarily serve as a basis for subsequent variances with respect to other Condominiums. The granting of any variance shall not affect in any way the Unit Owner's obligation to comply with all governmental laws and regulations affecting his use of the Residence.

ARTICLE V

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

Section 5.01. Creation of the Lien and Personal Obligation of Assessments. Grantor, for each Condominium owned by it in the Project, hereby covenants and agrees to pay, and each Unit Owner, by acceptance of a deed of a Condominium whether or not it shall be so expressed in any such deed, is deemed to covenant and agree, for each Condominium owned, to pay to the Association all Annual Assessments for Common Expenses and all applicable Special Assessments, Reconstruction Assessments and Capital Improvement Assessments, all of such assessments to be established, made and collected as provided in this Declaration. Except as provided in Section 5.07 of this Article V, all such assessments, together with interest, collection costs, and reasonable attorneys' fees, shall be a separate, distinct and personal obligation of the Person who was the Unit Owner of such Condominium at the time when the assessment fell due, and shall bind

his heirs, devisees, personal representatives and assigns. If more than one Person was the Owner of a Condominium, the personal obligation to pay such assessments, respecting such Condominium shall be both joint and several. This personal obligation cannot be avoided by abandonment of the Condominium or by an offer to waive, or the waiver of, the use and enjoyment of all or any portion of the Common Areas.

Section 5.02. Maintenance Funds of Association. The Board of Directors shall establish no fewer than two (2) separate accounts (the "Maintenance Funds"), into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. Each of the Maintenance Funds shall be established as separate trust savings or trust checking accounts at a banking or savings institution located within the County in which the Real Property is located. The Maintenance Funds shall include: (1) an Operating Fund for current Common Expenses of the Association, (2) a Reserve Fund for capital improvements, replacements, painting and repairs of the Common Areas (which cannot normally be expected to occur on an annual basis), and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. The Board of Directors shall not commingle any amounts deposited into any of the Maintenance Funds with one another. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

Section 5.03. Purpose of Assessments. The assessments levied by the Board of Directors on behalf of the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Condominiums and for the operation, replacements, improvements, maintenance and repairs of the Project. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Unit Owners for purposes authorized by this Declaration, as amended from time to time. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as may be necessary for the discharge of its responsibilities herein for the common benefit of all of the Unit Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Board of Directors for the respective purposes specified in this Article V. Nothing in this Declaration shall be construed in such a way as to prohibit the Association from using the Operating Fund to abate any annoyance or nuisance emanating from outside the boundaries of the Project.

Section 5.04. Basis of Maximum Annual Assessment. Until the first day of the Association's fiscal year next following the Close of Escrow for the sale of the first Condominium to a purchaser pursuant to a Final Subdivision Public Report issued by the California Department of Real Estate, the maximum Annual Assessment under this Article V shall be determined in accordance with the initial budget of the Association as approved by said California Department of Real Estate, and reflected in the most recent Final Subdivision Public Report issued thereby, for the sale of Condominiums in the Project. A copy of such Initial budget as filed with the California Department

of Real Estate, is attached hereto, marked Exhibit "F" and incorporated herein by this reference.

Should the Board of Directors determine that the initial maximum Annual Assessment is insufficient to meet the Common Expenses of the Association during the remainder of the Association's initial fiscal year, the Board of Directors may, by majority vote, increase that Annual Assessment by not more than ten percent (10%) above the maximum Annual Assessment for such year reflected in the approved budget for the Association. Any proposed Annual Assessment in excess of ten percent (10%) above the maximum Annual Assessment prior to the end of the Association's initial fiscal year shall be subject to approval by the vote or written assent of at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor, and reported to the California Department of Real Estate.

(a) Commencing on the first day of the fiscal year next following the Close of Escrow for the sale of the first Condominium to a purchaser, the maximum Annual Assessment may be increased by the Board, above the maximum Annual Assessment for the previous year, without a vote of the Membership and effective no sooner than the first day of each fiscal year, in an amount no more than the greater of (1) ten percent (10%), or (2) the percentage by which the U.S. Bureau of Labor Statistics, [Los Angeles-Long Beach-Anaheim], Consumer Price Index For All Urban Consumers, has increased as of the date of the increase over the level of the Index as of the date the Annual Assessment was last established.

(b) Commencing on the first day of the fiscal year next following the Close of Escrow for the sale of the first Condomin-

lum to a purchaser pursuant to a Final Subdivision Public Report, the maximum Annual Assessment may be increased above the greater of (1) ten percent (10%), or (2) said percentage by which the Index has so increased, by the vote or written assent of at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor.

(c) Except as provided in Sections 5.04 and 5.05 of this Article V, the Board of Directors may not fix an Annual Assessment at an amount which exceeds the maximum Annual Assessment.

Section 5.05. Commencement of Annual Assessments. The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Unit, as provided herein, by majority vote of the Board. The Initial Annual Assessment shall begin on all Condominiums (including unsold Condominiums therein owned by Grantor) on the first day of the calendar month following Close of Escrow for the sale of the first Condominium in the Project. All Annual Assessments shall be assessed and levied against the Unit Owners and their Condominiums on the same basis (i.e., on an equal or prorated basis) as indicated in the initial budget (as approved by the California Department of Real Estate), a copy of which is attached hereto as Exhibit "F", as amended from time to time in accordance with the provisions of this Declaration. The Board shall fix the amount of the Annual Assessment against each Condominium at least thirty (30) days in advance of each Annual Assessment period.

Each Member shall pay to the Association his Annual Assessment in instalments at such frequency and in such amounts as established by the Board. Each Annual Assessment may be paid by the Member to the Association in one check or in separate checks as payments attributable to the deposits under the Operating Fund and the Reserve

Fund. In the event that any installment of an Annual Assessment payment is less than the amount assessed and the payment does not specify the Maintenance Fund or Funds into which it should be deposited, the receipt by the Association from that Unit Owner shall be credited in order of priority first to the Operating Fund, until that portion of the Annual Assessment has been satisfied, and second to the Reserve Fund.

In the event that the Board shall determine that the estimate of total charges for the current year is, or will become, inadequate to meet all expenses of the Project for any reason, it shall immediately determine the approximate amount of such inadequacy. Subject to the provisions of Section 5.04 of this Article V, the Board shall have the authority to levy, at any time by a majority vote, a supplemental Annual Assessment, reflecting a revision of the total charges to be assessed against each Condominium. In no event shall the sum of all increases in Annual Assessments levied by the Board in any fiscal year (including all supplemental Annual Assessments levied pursuant to this Section 5.05 and increases authorized pursuant to Section 5.04) exceed the maximum Annual Assessment for the previous fiscal year by more than ten percent (10%) or the percentage increase in the Consumer Price Index, whichever is greater, unless such excess increase has first been approved by the vote or written assent of at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor. Written notice of any change in the amount of Annual Assessments levied by the Association through the Board shall be given to all Members not less than thirty (30) days prior to the effective date of such change.

Section 5.06. Association Budgets. The Board of Directors shall cause to be prepared an annual report containing a balance sheet, an income statement reflecting income and expenditures of the Association for each fiscal year, including deposits in and withdrawals from the Reserve Fund and the Operating Fund, a statement of changes in financial position and a statement of the place where the names and addresses of the current Members are located. The Board shall distribute, or cause to be distributed, a copy of each such annual report to each Member, and to each first Mortgages who has filed a written request for copies of the same with the Board of Directors, in the manner provided in the By-Laws of the Association. The Board of Directors may distribute, or cause to be distributed, financial statements to all Members in such greater frequency and at such further intervals as deemed appropriate by the Board of Directors of the Association. At least sixty (60) days prior to the beginning of each fiscal year, the Board of Directors shall prepare and distribute to the Membership of the Association, a written, itemized estimate (budget) of the income and expenses of the Association during such year in performing its functions under this Declaration (including a reasonable provision for contingencies and deposits into the Reserve Fund, less any expected income and accounting for any surplus from the prior year's respective Maintenance Fund). Each Annual Assessment shall constitute an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Reserve Fund and the Operating Fund.

Section 5.07. Collection of Annual Assessments. From and after the first day of the first month following Close of Escrow for the sale of the first Condominium in the Project, the Board of Directors shall

fix and collect from each Member his pro rata share of the Annual Assessments, at such frequency as the Board shall determine. Annual Assessments for fractions of any month involved shall be prorated. Grantor shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums in the Project.

At the end of any fiscal year of the Association, the Membership may determine that all excess funds in the Operating Fund may be returned to the Members proportionately, or may be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Project, any amounts remaining in any of the Maintenance Funds shall be distributed proportionately to or for the benefit of the Members.

Upon any voluntary or involuntary conveyance of a Condominium, the new Unit Owner ("Purchaser") shall be jointly and severally liable with the previous Unit Owner ("Seller") for all unpaid assessments levied by the Board of Directors against the Seller for his share of the Common Expenses up to the time the grant or conveyance was recorded, without prejudice to the right of the Purchaser to collect from the Seller therefor. However, any such Purchaser shall be entitled to a statement from the Board of Directors or the Management Agent of the Association, as the case may be, setting forth the amount of the unpaid assessments against the Seller due the Association; and such Purchaser shall not be liable for, nor shall the Condominium conveyed be liable for any unpaid assessments levied by the Board of Directors against the Seller in excess of the amount set forth in the statement. Notwithstanding anything to the contrary herein contained, in the case of a subordination of a lien for assessments to a first mortgage or first trust deed, the transfer of a

Condominium as the result of the exercise of a power of sale or a judicial foreclosure involving a default under the first mortgage or first trust deed shall extinguish the lien of assessments which were due and payable prior to the transfer of the Condominium. The transfer of a Condominium as the result of a foreclosure or exercise of a power of sale shall not relieve the Purchaser, whether it be the former beneficiary of the first mortgage or trust deed or another individual or entity, from liability for any assessments thereafter becoming due or from the lien thereof.

Section 5.08. Capital Improvement Assessments. Should the Board of Directors determine the need for a capital improvement or other such expenditure, the cost of which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for the then current fiscal year, then the vote or written consent of at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor, as provided herein, shall be required to approve and render effective a Capital Improvement Assessment levied by the Board of Directors to cover the cost of such expenditure. Capital Improvement Assessments may be levied by the Board without the consent of the Members, if the aggregate cost of the expenditure does not exceed five percent (5%) of the budgeted gross expenses of the Association for the then current fiscal year. Such Capital Improvement Assessments shall be levied upon the same basis as that prescribed for the levying of Annual Assessments, provided herein.

Section 5.09. Delinquency and Acceleration. Any installment of an assessment provided for in this Declaration shall become delinquent if not paid on the due date, which shall be the first (1st) day of each month, unless some other due date is established by the Board

of Directors of the Association. With respect to each installment of an assessment not paid within ten (10) days after its due date, the Board of Directors may, at its election, require the delinquent Unit Owner to pay a late charge not to exceed Five Dollars (\$5.00) or five percent (5%) of the amount of the delinquent installment, whichever is greater, together with interest at the maximum rate permitted by law on such delinquent sums, calculated from the date of delinquency to and including the date full payment is received by the Association. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail a notice to the Unit Owner and to each first Mortgagee of a Condominium which has requested a copy of the notice. Such notice shall specify (1) the fact that the installment is delinquent; (2) the action required to cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Unit Owner, by which such default must be cured; and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of the Annual Assessment for the then current fiscal year and sale of the Condominium. The notice shall further inform the Unit Owner of his right to cure after acceleration and to bring a court action to assert the nonexistence of a default or any defense of the Unit Owner to acceleration and sale. If the delinquent installments of the Annual Assessment and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment for the then current fiscal year, attributable to the Unit Owner and his Condominium, to be immediately due and payable without further demand and may enforce the collection of the

full Annual Assessment and all charges thereon in any manner authorized by law and this Declaration.

Section 5.10. Notice of Lien. The Board of Directors may cause to be recorded in the Office of the County Recorder of Los Angeles County a Notice of Assessment ("Notice of Lien") securing the payment of any assessment or installment thereof, levied by the Association against any Condominium Owner as provided in Section 1356 of the California Civil Code. Such Notice of Lien shall state the amount of such assessment or installment, as the case may be, and other authorized charges and interest, including the cost of preparing and recording such Notice of Lien, the expenses of collection in connection with any delinquent installments, reasonable attorneys' fees, a sufficient description of the Condominium against which the same has been assessed, the name and address of the Association, and the name of the Unit Owner thereof. Such Notice of Lien shall be signed by an authorized representative of the Association. Upon payment to the Association of the full amount claimed in the Notice of Lien, or other satisfaction thereof, the Board of Directors shall promptly cause to be recorded a Notice of Satisfaction and Release of Lien ("Notice of Release") stating the satisfaction and release of such amount claimed. The Board of Directors may demand and receive from the applicable Unit Owner a reasonable charge for the preparation and recordation of such Notice of Release before recording the same. Any purchaser or encumbrancer who has acted in good faith and extended value may rely upon such Notice of Release as conclusive evidence of the full satisfaction of the sums stated in the Notice of Lien.

Section 5.11. Liens, Enforcement. All sums assessed in accordance with the provisions of this Declaration shall constitute a lien (hereinafter referred to as "Lien") on the respective Condominium

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prior and superior to all other liens, except (1) all taxes, bonds, assessments and other levies (collectively referred to as "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 or seniority over other Mortgages or Deeds of Trust) made in good faith and for value and recorded prior to the date on which the Lien became effective (hereinafter referred to as "Mortgagee's Lien"), subject to the provisions of Article V, Section 5.07 and Article XII of the Declaration. Notwithstanding the foregoing, any Lien provided for hereunder shall be prior and superior to any declaration of homestead recorded after the recordation of this Declaration. Said Lien shall become effective upon recordation of the Notice of Lien in the manner provided in Section 5.10 of this Article V. To the extent allowed by law, such Lien, Levies, and first Mortgagee's Lien shall relate only to the individual Condominium against which said Lien, Levies or first Mortgagee's Lien was levied and not to the Project as a whole. It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one or more of the alternative means of relief afforded by this Declaration. Such Lien may be enforced by sale of the Condominium by the Association, its attorney or other persons authorized to make the sale, after failure of the Unit Owner to pay an assessment, or installment thereof, as provided herein. Such sale shall be conducted in accordance with the provisions of the California Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any manner permitted by law. An action may be brought to foreclose the Lien of the Association by the Board, or by any Unit Owner if the Board fails or refuses to act, after the expiration of at least thirty (30) days from the date on

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which the Notice of Lien was recorded; provided that at least ten (10) days have expired since a copy of the Notice of Lien was mailed to the Unit Owner affected thereby, and subject to the provisions of Section 5.09 of this Article V in the event that the Board accelerates the due date of any Annual Assessment installments. In any such foreclosure, the Unit Owner shall be required to pay a reasonable rental for the Condominium, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Association, through its agents, shall have the power to bid on the Condominium at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid Assessments shall be maintainable without foreclosing or waiving the Lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit in law or equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

ARTICLE VI

PROJECT EASEMENTS AND RIGHTS OF ENTRY

Section 6.01. Easements.

(a) Access. Grantor expressly reserves for the benefit of the Unit Owners in the Project reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Areas, including any driveways currently existing in the Project or subsequently added thereto. Subject to the provisions of this Declaration governing use and enjoyment thereof, such easements may be used by Grantor, its successors, purchasers and all Unit Owners, members of their families, their guests, tenants and invitees, residing on or temporarily visiting the Project, for

walkways, vehicular access, and such other purposes reasonably necessary for use and enjoyment of a Condominium in the Project. The Board, with a vote or written consent of a majority of the Class A and Class B Members, shall have the right to grant easements and rights-of-way over the Common Areas to any Person after Close of Escrow for the sale of the first Condominium from Grantor in the Project. Such right shall include, without limitation, the power to grant and convey to any third party easements and rights-of-way in, on, over and under the Common Areas for the purpose of constructing, erecting, operating (or maintaining lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities, and each purchaser, in accepting a deed to a Condominium, expressly consents to such easement. However, no such easement can be granted if it would interfere with the use, occupancy or enjoyment by any Owner of his Unit, any exclusive easements over any Common Areas appurtenant to the Unit, or the recreational facilities of the Project.

(b) Maintenance and Repair. Grantor expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements over the Common Areas (including the Restricted Common Areas) as necessary to improve, maintain and repair the Common Areas, and to perform all other tasks in accordance with the provisions of this Declaration. Such easements over the Common Areas

shall be appurtenant to, binding upon and shall pass with the title to every Condominium conveyed.

(c) Restricted Common Areas. Grantor expressly reserves for the benefit of certain Unit Owners exclusive easements appurtenant to their Units for use of those Restricted Common Areas depicted on the Condominium Plan, for one (1) or two (2) numbered parking spaces, to be assigned to such Unit Owners as Restricted Common Areas in the Grant Deed to each individual Unit. Unit Owners shall be entitled to exchange the Restricted Common Area parking space(s) assigned to their respective Units in their individual grant deeds, provided that (1) a reciprocal assignment identifying the exchanged Restricted Common Area parking space(s), the exchanging Owners, and their respective Condominiums, is (a) executed by the exchanging Owners and the first Mortgagees of such exchanging Owners, and (b) recorded, and (2) no exchange of a Restricted Common Area parking space(s) shall be effective if any Unit participating in such an exchange would not have at least one (1) parking space, to which it was originally entitled, subsequent to the exchange. A copy of the recorded reciprocal assignment shall be delivered to the Board of Directors as soon as possible after recordation.

(d) Utility Easements. Grantor expressly reserves for the benefit of the Association the right of Grantor to grant additional easements and rights-of-way in, on, over and under the Project to utility companies and public agencies, as necessary, for the property development and disposal of the Property, until Close of Escrow for the sale of the last Condominium from Grantor pursuant to a Final Subdivision Public Report issued by the California Department of Real Estate.

(e) Encroachments. Grantor, the Association and Unit Owners of contiguous Residences shall have a reciprocal easement appurtenant to each of the Residences over the Residences and the Common Areas for the purpose of (1) accommodating any existing encroachment of any wall of the building, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the building or any other portion of the Project housing their respective Units. There are specifically reserved for the benefit of the Unit Owners easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Common Areas. The foregoing easements shall be as not to unreasonably interfere with the use and enjoyment by the Unit Owners of adjoining Residences. No portion of the Common Areas including without limitation, parking spaces and other amenities contemplated as a part of the Project, are proposed to be leased by Grantor to the Unit Owners or to the Association.

Section 6.02. Rights of Entry. The Board of Directors shall have a limited right of entry in and upon the Common Areas and the exterior of all Units for the purpose of inspecting the Project, and taking whatever corrective action may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, nothing herein shall be construed to impose any obligation upon the Association to improve, maintain or repair any property or improvements required to be maintained or repaired by the Unit Owner. Nothing in this Article VI shall in any manner limit the right of the Unit Owner to exclusive occupancy and control over the interior of his Unit. However, a Unit Owner shall permit an Im-

mediate right of entry to the Board of Directors or any other person authorized by the Board of Directors, as reasonably necessary, such as in case of any emergency originating in or threatening his Unit, whether the Unit Owner is present or not. Furthermore, a Unit Owner shall permit other Unit Owners, or their representatives, to enter his Residence for the purpose of performing required installation, alterations or repairs to the mechanical or electrical services including, without limitation, installation of television antennae and related cables, to a Residence, provided that such requests for entry are made in advance and that entry is at a reasonable and convenient time to the Owner whose Unit is being entered; provided further, that the entered Unit is left in substantially the same condition as existed immediately preceding such entry. In case of an emergency, such right of entry shall be immediate. Upon receipt of reasonable notice from the Association (which shall in no event be less than seven (7) days) each Unit Owner shall vacate his or her Unit in order to accommodate efforts by the Association to eradicate the infestation of wood destroying or other pests and organisms from the Common Areas or to perform any other maintenance or repairs pursuant to this Declaration. The Association, acting through its Board, shall have the right of entry to the Units and the right to remove Unit Owners from their Units, as necessary, to accomplish its duties under this Declaration, including without limitation its obligations with respect to construction, maintenance, improvements or repairs of the Common Areas which necessitate the entry of any or all Units to effectuate such construction, maintenance, improvements or repairs, or to make necessary repairs that a Unit Owner who is obligated to do so pursuant to this Declaration fails or refuses to do. The cost of eradicating any such infestation or of performing any such maintenance or repairs shall be

a Common Expense of the Association; however, each Unit Owner shall bear his or her own costs of temporary relocation.

ARTICLE VII

GRANTOR'S RIGHTS AND RESERVATIONS

Nothing in the Restrictions shall limit, and no Unit Owner or the Association shall do anything to interfere with, the right of Grantor to subdivide or resubdivide any portion of the Project, or to complete retrenchment of improvements to and on the Common Areas or any portion of the Project owned solely or partially by Grantor, or to alter the foregoing and its construction plans and designs, or to construct such additional improvements as Grantor deems advisable in the course of development of the Project so long as any Condominium in the Project is owned by Grantor. Such right shall include, but shall not be limited to, such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. Each Unit Owner by accepting a deed to a Condominium hereby acknowledges that the activities of Grantor may temporarily or permanently impair the view of such Owner and may constitute a temporary inconvenience or nuisance to the Unit Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Grantor at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Grantor to establish on that Condominium additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Project. Grantor may use any Condominiums owned by Grantor in the Project as models, real estate sales or leasing offices. All or any part of the rights of

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Grantor hereunder and elsewhere in these Restrictions may be assigned by Grantor to any successor in interest to any portion of Grantor's interest in any portion of the Project by an express written assignment recorded in the Office of the Los Angeles County Recorder. Notwithstanding any other provision of this Declaration, the prior written approval of Grantor, as developer of the Project, will be required before any amendment to this Article shall be effective. Each Unit Owner hereby grants, upon acceptance of his deed to his Unit, an irrevocable, special power of attorney to Grantor to execute and record all documents and maps necessary to allow Grantor to exercise its rights under this Article. Grantor shall be entitled to the nonexclusive use of the Common Areas and any recreational facilities thereon, without further cost for access, ingress, egress, use or enjoyment, in order to show the Project to its prospective purchasers and dispose of the Project as provided herein; provided that such access and use by Grantor shall not unreasonably interfere with the rights of the Unit Owners. Notwithstanding anything to the contrary herein contained, Grantor's rights, privileges, and reservations provided under this Article VII shall expire on the third anniversary of the first sale of a condominium Unit in the Project. This expiration shall in no way be construed as a prohibition against the Association granting said rights and privileges to Grantor after the expiration thereof.

ARTICLE VIII

RESIDENCE AND USE RESTRICTIONS

All of the Project shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemptions of Grantor set forth here and elsewhere in this Declaration.

Section 8.01. Single Family Residences. Units shall be used exclusively for single family residential purposes, subject to the exemption granted Grantor under Article VII of this Declaration. A

Unit Owner may rent his Unit to a single family provided that such Unit is rented for a term greater than thirty (30) days. Subject to all the provisions of the Restrictions, and as further required by Section 8.10 hereof, any Lease or rental agreement respecting the renting of a Condominium by a Unit Owner shall be in writing and must specify that the Tenant shall abide by and be subject to all provisions of the Restrictions.

- Section 8.02. Parking Facilities and Vehicular Restrictions.

Two hundred thirty-one (231) parking spaces shall be permanently maintained as parking facilities. No parking space may be sold, leased, sub-leased, assigned, transferred, or given to a Person not an Owner or resident of a Unit in the Condominium. Parking spaces must be owned and used solely by the Owners of the Condominium Units for the parking of their personal vehicles. A minimum of one (1) parking space shall be assigned to each dwelling Unit. At all times, said one (1) parking space per Unit must be retained for use in conjunction with the Condominium Unit with which it has been conveyed, and may not be leased, sub-leased sold or given to others regardless of residency. Each Unit Owner shall have an exclusive easement to his parking space(s). Said parking space(s) shall be designated in writing by the Board and shall be located as conveniently with respect to the location of such Owner's Unit as practical conditions may permit. The decision of the Board as to the assignment, re-assignment or location of or the condition or other matter related to any parking space shall be final and conclusive as to the rights of any Owner concerning such parking space(s). Subject to the rights of the Association, each Owner having such an exclusive easement for parking and related purposes shall keep his parking space(s) in a neat, clean, attractive and safe condition at all times. The Association shall have the right to assign or license or otherwise designate and control use of any parking space which is not subject to an exclusive easement in favor of a Unit.

Unless otherwise permitted by the Board, no Owner shall park, store, leave or keep, or cause to be parked, stored, left or kept anywhere on the Project any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck), any recreational vehicle (including, but not limited to, any camper unit, house car or motor home), bus, trailer, trailer coach, camp trailer, boat, aircraft, mobile home, inoperable vehicle or any other similar vehicle. No owner shall use the above-mentioned vehicles as a living area while such vehicles are located on the Project. In addition, no Owner shall park, store, leave or keep, or cause to be parked, stored, left or kept anywhere on the Project any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. Only passenger motor vehicles may be parked in the tuck-under or open parking spaces which constitute Restricted Common Areas and such areas shall not be converted for the purposes of living or recreational activities therein. There shall be no parking in the driveways, if to do so will or may obstruct free traffic flow, constitute a nuisance, or otherwise create a safety hazard. All garage doors shall remain closed at all times except when being used to enter and exist. The Architectural Committee shall determine, in its sole discretion, whether there is noncompliance with the parking and vehicular restrictions herein. There shall be no restoring or repairing of vehicles permitted anywhere on the Project. Any additional guest parking spaces which may constitute a part of the Common Areas shall be subject to reasonable control and use limitation by the Board of Directors. Without in any way limiting the obligations of the Unit Owners as elsewhere herein described, the Association, or agency representing Association, shall have the right, and shall be obligated, to enforce all parking restrictions

herein set forth and to remove any vehicles in violation thereof in accordance with the provisions of Section 22658 of the California Vehicle Code, or other applicable laws, codes, and statutes. If, for any reason, the Unit Owners shall fail to enforce said parking restrictions, the City of Long Beach, California shall have the right, but not the duty, to enforce said parking restrictions in accordance with the California Vehicle Code and all other applicable laws, codes, statutes and local ordinances.

Section 8.03. Nuisances. No noxious or offensive activities (including, but not limited to, the repair of automobiles or other motorized vehicles) shall be carried on or within the Project. Nothing shall be done on or within the Project that may be or may become an annoyance or nuisance to the residents of the Project, or that in any way interferes with the quiet enjoyment of occupants of Condominiums. Specifically, no horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, shall be placed or used in any such Residence. No loud noises, noxious odors, noisy or smokey vehicles, large power equipment or large power tools, unlicensed off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Project, shall be located, used or placed on any portion of the Project, or exposed to the view of other Owners without the prior written approval of the Architectural Committee. Unless otherwise permitted by the Board, no Resident shall serve food or beverages, cook, barbeque or engage in similar activity, except within such Resident's Unit or except within those portions of the Common Areas subject to exclusive easements appurtenant to such Resident's Unit. The Board of Directors of the Association shall have the sole right to determine if any noise, odor, or

activity producing such noise or odor constitutes a nuisance. No Unit Owner shall permit or cause anything to be done or kept upon the Project which will increase the rate of insurance thereon, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Unit Owners, nor will he commit or permit any nuisance thereon. Each Unit Owner shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Residence. Each Unit Owner shall be accountable to the Association and other Unit Owners for the conduct and behavior of children visiting his Unit and other family members or persons residing in or visiting his Unit; and any damage to the Common Areas, personal property of the Association, or property of another Unit Owner, caused by such children or other family members, shall be repaired at the sole expense of the Unit Owner with whom said children or other family members or persons are residing or visiting.

Section 8.04. Signs. No sign, poster, display or other advertising device of any character shall be erected or maintained anywhere on the Project, or shown or displayed to the public view on or from any Unit or Common Areas, without the prior written consent of the Architectural Committee; provided, however, that the restrictions of this Section shall not apply to any sign or notice of customary and reasonable dimension which states the Residence is for rent or sale. Such sign or notice may only be placed within a Unit and not upon any portion of the Common Areas and the specific location and design of said sign or notice shall be subject to the approval of the Board. The Board of Directors may erect within the Common Areas a master directory of Units which are for sale or for lease. Address identification signs and mail boxes shall be maintained by the Board of

Directors. This Section shall not apply to any signs used by Grantor, its agents or designees in connection with the sale and any construction, improvement or alteration of the Condominiums or Real Property within the Project as set forth in Article VII. Notwithstanding the foregoing, nothing herein contained shall be construed in such a manner as to permit or require the maintenance of any sign or notice which is not in conformance with any ordinance of the City of Long Beach.

Section 8.05. Inside and Outside Installations. No outside installation of any type, including, but not limited to, a television or radio pole, antennae, clotheslines, flag poles or other external fixtures shall be constructed, erected or maintained on or within the Common Areas or any Unit within the Project, excepting those installed or erected by Grantor as a part of the initial construction of the Project and except as may be installed by, or with the prior consent of the Architectural Committee, or any replacements thereof. No balcony covers, wiring, or installation of air conditioning, water softeners, or other machines or equipment other than that originally installed by Grantor, and their replacements, shall be installed on the exterior of the building of the Project or be allowed to protrude through the walls or roofs of the buildings of any structure within the Project, unless the prior written approval of the Architectural Committee is secured. Each Unit Owner shall have the right to maintain television and/or radio antennae within completely enclosed portions of his/her Unit. However, if cable television, or such similar system, is or becomes available to such Owner, his/her right to maintain said antennae within completely enclosed portions of his/her Unit shall terminate immediately, unless the Board authorizes their continued maintenance. Outdoor patio or lounge furniture, plants and

barbecue equipment may be maintained pursuant to rules and procedures of the Architectural Committee. The type and color of all exposed window coverings shall be subject to the prior written approval of the Architectural Committee. Notwithstanding the specificity of the foregoing, no exterior addition, change or alteration to any Residence shall be commenced without the prior written approval of the Architectural Committee. Nothing shall be done in any Unit or in, or on or to the Common Areas which will or may tend to impair the structural integrity of any building in the Project or which would structurally alter any such building except as otherwise expressly provided herein. There shall be no alteration, repair or replacement of wall coverings within Units which may diminish the effectiveness of the sound control engineering within the building in the Project. No interior wall in any of the buildings of the Project shall be pierced or otherwise altered in any way, without the prior approval of the Architectural Committee and a structural engineering analysis. No Unit Owner shall cause or permit any mechanic's lien to be filed against any portion of the Project for labor or materials alleged to have been furnished or delivered to the Project or any Condominium Unit for such Unit Owner. Any such Unit Owner shall immediately cause such lien to be discharged within five (5) days after notice to the Unit Owner from the Board; the Board may discharge the lien and charge the Unit Owner a Special Assessment for such cost of discharge after Notice and Hearing.

Section 8.06. Animal Regulations. No animals, livestock, rodents, reptiles, insects, fish, poultry or other animals of any kind shall be kept in any Residence or elsewhere within the Project, except that usual and ordinary domestic dogs, cats, fish and birds inside bird cages may be kept as household pets within any Residence

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"provided that they are not kept, bred or raised therein for commercial purposes or in unreasonable quantities or sizes. As used in the Declaration, "unreasonable quantities" shall ordinarily mean no more than two (2) pets per Residence; provided, however, that the Architectural Committee or the Board may determine that a reasonable number in any instance may be more or less. The Board shall have the right to limit the size of pets and may prohibit maintenance of any animal which constitutes, in the sole opinion of the Board of Directors, a nuisance to any other Unit Owner. Animals belonging to Unit Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure, an enclosed balcony or on a leash being held by a person capable of controlling the animal. Furthermore, any Unit Owner shall be absolutely liable to each and all remaining Unit Owners, their families, guests and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Property by a Unit Owner or by members of his family, his tenants or his guests; and it shall be the absolute duty and responsibility of each such Unit Owner to clean up after such animals which have defecated, deposited droppings or otherwise used any portion of the Common Areas.

Section 8.07. View Obstructions. No vegetation or other obstruction shall be planted or maintained upon any balcony in such location or of such height as to unreasonably obstruct the view from any other Residence in the vicinity thereof. In the event of a dispute between Unit Owners as to the obstruction of a view from a Residence, such dispute shall be submitted to the Architectural Committee, whose decision in such matters shall be binding. Any such obstruction shall, upon request of the Architectural Committee, be removed or otherwise altered to the satisfaction of the Board of Directors, by the Unit

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Owner of the Residence upon which said obstruction is located. Any item or vegetation maintained upon any balcony which item or vegetation is exposed to the view of any Unit Owner, shall be removed or otherwise altered to the satisfaction of the Architectural Committee, if such Committee determines that the maintenance of such item or vegetation in its then existing state is contrary to the purpose or provisions of this Declaration. The Architectural Committee shall ensure that the vegetation on the Common Areas maintained by the Association is cut frequently, so that the view of any Unit Owner is not unreasonably obstructed.

Section 3.08. Business or Commercial Activity. No business or commercial activity shall be maintained or conducted in any Residence, except that Grantor or a person designated by the Board of Directors as the agent of the Association for purposes of managing the Project may maintain management or sales offices and facilities in a Residence or in a temporary structure constructed on the Project. Furthermore, no part of the Project shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purpose, subject to Grantor's rights reserved by the Restrictions, without first obtaining written approval from the Association. Notwithstanding the foregoing, professional and administrative occupations may be carried on within the Units but only incidental to the use of the Unit as a residence and so long as there exists no external evidence thereof; and provided further that all of the applicable requirements of the County of Los Angeles are satisfied. No Unit Owner shall use his Condominium in such a manner as to interfere unreasonably with the business of Grantor in selling Condominiums in the Project, as set forth in Article VII of this Declaration.

Section 8.09. Rubbish Removal. Trash, garbage, or other waste shall be disposed of only by depositing same into a designated trash container. No portion of the Project shall be used for the storage of building materials, refuse or any other materials, other than in connection with approved construction. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor. The cost of trash collection and removal and trash bin rentals shall be borne by the Association and shall constitute a portion of the Common Expenses.

Section 8.10. Further Subdivision and Rental of Units. Unless at least seventy-five percent (75%) of the first Mortgagees (based upon one vote for each mortgage owned), or Units Owners (other than Grantor) have given their prior written approval, and all applicable laws and regulations have been complied with, no Unit Owner shall further subdivide his Unit (physically or legally); provided, however, that this provision shall not be construed to limit the right of a Unit Owner to rent or lease all of his Unit by means of a written lease or rental agreement subject to the Restrictions. No Unit Owner shall be permitted to lease or rent his Unit for transient or hotel purposes. The terms of any such lease or rental agreement shall be subject in all respects to the provisions of this Declaration and the By-Laws of the Association and shall (a) expressly refer to this Declaration and contain a covenant by the lessee or tenant that he accepts the leasehold estate subject to this Declaration, and (b) contain either a covenant that the lessee or tenant agrees to perform and comply with the restrictions herein or adequate provisions to permit entry and other actions by the lessor for the purpose of performing and complying with these Restrictions. Any failure by the lessee of such Unit to comply with the terms of this Declaration or the By-Laws

of the Association shall constitute a default under the lease or rental agreement. Notwithstanding the foregoing, no Unit in the Project may be partitioned or subdivided without the prior written approval of the holder of any first Mortgage lien on such Unit; and this Section may not be amended without the prior written approval of the holders of at least seventy-five percent (75%) of the first Mortgages of Condominiums in the Project.

Section 8.11. Oil Drilling. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted on or in the Project, and no oil wells, tanks, tunnels or mineral excavations or shafts shall be permitted on the surface of the Project or within five hundred (500) feet below the surface of the Project. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted on the Project.

Section 8.12. Fences, etc. No fences, awning, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the Project except those that are installed in accordance with the original construction of the Project, and their replacements, or as are authorized and approved by the Board.

Section 8.13. Outside Drying and Laundering. No exterior clothesline shall be erected or maintained and there shall be no exterior drying or laundering of clothes on balconies, patios, porches or other areas.

Section 8.14. Compliance With Laws, etc. Nothing shall be done or kept in any Unit or in the Common Areas that might increase the rate of, or cause the cancellation of, insurance on the Project, or any portion of the Project without the prior written consent of the

Board. No Owner shall permit anything to be done or kept in his/or Unit that violates any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No Owner shall allow furniture, furnishings or other personal property belonging to such Owner to remain within any portion of the Common Areas except portions subject to exclusive easements over Common Areas appurtenant to such Owner's Unit and except as may otherwise be authorized by the Restrictions or the Board.

Section 8.15. Violation of Restrictions. There shall be no violation of the Restrictions, including without limitation the Rules and Regulations, once adopted by the Board. If any Member, his family, guest, or any licensee, lessee or invitee violates the Restrictions, including the Rules and Regulations, after due Notice and hearing the Board may impose a reasonable Special Assessment upon such Owner for each violation and may suspend or condition such Member's right to use any recreational facilities on the Common Areas. Before invoking any such measure, the Board shall give such Member Notice and an opportunity for a formal Hearing, as further provided in the By-Laws. Any such suspension or conditional suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including non-payment of any assessment after the same becomes delinquent), may be imposed for so long as the violation continues.

ARTICLE IX

INSURANCE

Section 9.01. Duty to Obtain Insurance; Types. The Board shall obtain and maintain or cause to be obtained and continued in effect adequate blanket public liability insurance (including medical payments), with such limits as may be considered acceptable to the

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Federal National Mortgage Association (not less than \$1 million covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Association and its Members, with respect to the Common Areas and any other property under its jurisdiction, including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The Board shall also obtain and maintain or cause to be obtained and continued in effect a blanket policy of fire and casualty insurance with extended coverage, without deduction for depreciation, in an amount as near as possible to the full replacement value of the Common Areas, and those portions of the Units consisting of all built-in or set-in appliances, cabinets and initial basic floor coverings, all as provided in the plans and specifications for the Project. Such insurance shall be maintained for the benefit of the Association, the Unit Owners, and the Mortgagees, as their interests may appear as named insured, subject, however, to loss payment requirements as set forth herein. The Board of Directors shall purchase such other insurance, as necessary, including but not limited to, errors and omissions; directors, officers and agents liability insurance, plate glass insurance, medical payments, malicious mischief, liquor liability and vandalism insurance, fidelity bonds and worker's compensation, and such other risks as shall customarily be covered with respect to condominium projects similar in construction, location and use. Fidelity bond coverage must be obtained by the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees and employees of the Association and employees of the professional managing agent of the Association. Notwithstanding any other provisions

contained herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for condominium projects established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Mortgage Corporation ("FHLMC"), so long as any of which is a Mortgagee or Owner of a Condominium within the Project, except to the extent such coverage is not available or has been waived in writing the FNMA, GNMA and FHLMC, as applicable.

Section 9.02. Waiver of Claims Against Association. As to all policies of insurance maintained by or for the benefit of the Association and the Unit Owners, which policies will not be voided or impaired thereby, the Association and the Unit Owners hereby waive and release all claims against one another the Board of Directors and Grantor, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said Persons.

Section 9.03. Rights and Duty of Unit Owner to Insure. It shall be the responsibility of each Unit Owner to provide insurance on his/her personal property and upon all other property and improvements within his/her Units. Nothing herein shall preclude any Unit Owner from carrying any public liability insurance as he/she may deem desirable to cover his/her individual liability for damage to person or property occurring inside his/her individual Unit or elsewhere upon the Project. All policies as may be carried by Unit Owners shall contain waivers of subrogation of claims against Grantor, the Association, the Board, the officers of the Association, and all other Unit Owners. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the

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Association, and duplicate copies of such other policies shall be deposited with the Board. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Unit Owner, such Unit Owner shall assign the proceeds of such insurance carried by him/her to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 9.04. Notice of Expiration Requirements. If available, all of the policies of insurance maintained by the Association shall contain a provision that said policy or policies shall not be cancelled or terminated, or expired by their terms, without ten (10) days prior written notice to the Board, Grantor, Unit Owners and their respective first Mortgagees and every other Person in interest who shall have requested such notice of the insurer.

Section 9.05. Insurance Premiums. Insurance premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association, collected from the Unit Owners; and the portion of such payments necessary for the required insurance premiums shall be separately accounted for by the Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

Section 9.06. Trustee for Policies. The Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Section 9.01

of this Article shall be paid to the Board of Directors as Trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as proved in Article X of this Declaration. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation, to the extent they desire, of first Mortgagees who have filed written requests within ten (10) days of receipt of Notice of any damage or destruction as provided in Article X, Section 10.05 of this Declaration. Any two Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds

Section 9.07. Actions as Trustees. Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all Unit Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance, in a manner satisfactory to seventy-five percent (75%) of the first Mortgagees of the Condominiums who have filed requests under Section 9.04 of this Article to the extent such first Mortgagees desire to participate. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Mortgagees who have requested the same in writing.

Section 9.08. Annual Insurance Review. The Board shall review the insurance carried by or on behalf of the Association at least annu-

ally, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 9.01 above. If economically feasible, the Board shall obtain a current appraisal of the full replacement value of the improvements in the Property except for foundations and footings, without deduction for depreciation, from a qualified independent insurance appraiser, prior to each such annual review.

Section 9.09. Required Waiver. All policies of physical damage insurance shall provide, if reasonably possible, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

(a) subrogation of claims against the Unit Owners and the tenants of the Unit Owners;

(b) any defense based upon co-insurance;

(c) any right of set-off, counterclaim, apportionment, pro-rata or contribution by reason of other insurance not carried by the Association;

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Unit Owner or any tenant of any Unit Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured;

(e) any right of the insurer to repair, rebuild or replace, and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the improvements insured

(f) notice of the assignment of any Unit Owner of its Interest in the insurance by virtue of a conveyance of any Condominium; and

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

ARTICLE X

DESTRUCTION OF IMPROVEMENTS

Section 10.01. Restoration of the Project. Except as otherwise provided in this Declaration, in the event of partial or total destruction of the Project, or any portion thereof, which is the responsibility of the Association to repair or replace, it shall be the duty of the Association to restore, repair and rebuild the same in conformity with the building codes as they exist at the time of reconstruction, as promptly as practical, and in accordance with building plans first approved by the City of Long Beach ("City"). The proceeds of any insurance maintained pursuant to Article IX hereof for reconstruction or repair of the Property shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents including, but not limited to, the preparation and application for approval of a new subdivision tract map, to be approved by the appropriate state and local governmental agencies to effect such reconstruction as promptly as practical. The Project shall be reconstructed or rebuilt substantially in accordance with the Condominium Plan and the original construction plans if they are available, unless changes recommended by the Architectural Committee shall have been approved in writing by seventy-five percent (75%) of the Unit Owners and seventy-five percent (75%) of the holders of record of first Mortgages upon all Condominiums in the Project. in the event that the amount available

from the proceeds of such insurance policies for such restoration and repair shall be at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Reconstruction Assessment of the Unit Owners shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be less than eighty-five percent (85%) of the estimated cost of restoration and repair, the Unit Owners by the vote of not less than seventy-five percent (75%) of the Unit Owners present and entitled to vote, in person or by proxy, at a duly constituted meeting of the Members of the Association, together with the approval of at least seventy-five percent (75%) of the first Mortgagees of record of the Condominiums in the Project, shall determine whether the Association shall be authorized to levy a Reconstruction Assessment and proceed with such restoration and repair. In the event of a determination by the Unit Owners and their Mortgagees as provided above that the cost of such restoration and repair would be substantial and that it would not be in their best interests to proceed with the same, the Unit Owners may, at their discretion, proceed as provided in Section 10.02 below.

Section 10.02. Sale of Project. In the event that the amount available from the proceeds of the insurance policies maintained by the Association shall be less than eighty-five percent (85%) of the cost of reconstruction, a certificate of the resolution authorizing such reconstruction shall be filed with the Los Angeles County Recorder within six (6) months from the date of such destruction and, in the event of a failure to record such certificate within said period, it shall be conclusively presumed that the Unit Owners have

determined not to rebuild said Improvements. In the event of a determination not to rebuild after partial or total destruction, the Association, acting through a majority of the Board as provided in Section 1355(b) of the California Civil Code, shall be authorized to have prepared, executed and recorded, as promptly as practical, the Certificate and such other documents and instruments as may be necessary for effecting a reversion to acreage, and for the Association to consummate the sale of the Property at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among Unit Owners, such proportions to be determined in accordance with the relative appraised fair market valuation of the Condominiums as of the date of destruction (or condemnation), expressed as percentages, and computed by dividing such appraised fair market valuation of each Condominium by the total of such appraised valuations of all Condominiums in the Project. Notwithstanding anything to the contrary herein contained, the balance then due on any debt secured by a valid encumbrance of record shall first be paid, in order of priority, before any proceeds are distributed to a Unit Owner whose Condominium is so encumbered. The Board is hereby authorized to employ one or more appraisers for such purpose and the cost of such appraisal(s) shall be a Common Expense of the Association.

Section 10.03. Right to Partition. No Unit Owner shall have the right to partition his interest in the Condominium and there shall be no judicial partition of the Project, or any part thereof; except that in the event that a certificate of a resolution to rebuild or restore the Project has not been recorded as provided above, within

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six (6) months from the date of any partial or total destruction, or if restoration has not actually commenced within said period, then conditions for partition as set forth in Subdivision (4) of Section 1354(b) of the California Civil Code shall be deemed to have been satisfied. Nothing herein shall be deemed to prevent partition of a co-tenancy in any Condominium. Except as provided above, each Unit Owner and the successors of each Unit Owner, whether by deed, gift, devise, or by operation of law, for their own benefit and for the Units and for the benefit of all other Unit Owners, specifically waive and abandon all rights, interests and causes of action for a judicial partition of the tenancy in common ownership of the Project and do further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment. Notwithstanding anything to the contrary hereinabove, a Unit Owner shall have the right to partition upon showing that the conditions of Section 1354 of the California Civil Code have been satisfied.

Section 10.04. Interior Damage. With the exception of any casualty or damage insured against by the Association pursuant to Article IX, Section 9.01 of this Declaration, restoration and repair of any damage to the interior of any individual Residence, including without limitation all fixtures, cabinets and improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Unit Owner of the Residence so damaged. In the event of a determination to rebuild the Project after partial or total destruction, as provided herein, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee.

Section 10.05. Notice to Unit Owners and Listed Mortgagees. The Board, immediately upon having knowledge of any damage or destruction (1) to the Common Areas, or any portion thereof, which damage or destruction is substantial or may be restored only at a cost exceeding Ten Thousand Dollars (\$10,000), or (2) to any individual Unit which damage or destruction may only be restored at a cost exceeding One Thousand Dollars (\$1,000), shall promptly notify all Unit Owners, all institutional holders of first Mortgages on Condominiums in the Project, and all other Mortgagees who have filed a written request for such notice with the Board.

ARTICLE XI

EMINENT DOMAIN

Section 11.01. Definitions; Total Taking, Partial Taking, Special Partial Taking. The Term "taking" as used in this Article shall mean condemnation by exercise of power of eminent domain or by sale under threat of the exercise of the power of eminent domain. A "Total Taking" shall occur if there is a permanent taking by eminent domain of an interest in all or part of the Common Areas or of all or part of one or more Units, such that the ownership, operation and use of the Project in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking the Unit Owners of any Units (i) not taken, or (ii) only partially taken and capable of being restored to at least ninety-five percent (95%) of their floor area and to substantially their condition prior to the taking (collectively the "Remaining Units") do not by affirmative vote of a majority of their entire voting interest (without adjustment among such Units for relative voting rights because of such partial taking) approve the continuation of the Project and the repair, restoration and replace-

ment to the extent feasible of the Common Areas and the Remaining Units. A "Partial Taking" shall occur if there is any other permanent taking of the property. A Partial Taking shall include, without limitation, a "Special Partial Taking" which is described herein as a taking of all or part of one or more Units, as Units, subject to all of the provisions of this Declaration, without involving any taking of the Common Areas except to the extent of the proportionate interest therein of the Units taken, so that the taking authority becomes a successor in title to the Unit Owner or Unit Owners of the Condominium or Condominiums so taken with the same effect as if such Units were purchased by the Taking authority. Following any taking which, in the opinion of the Board of Directors, would constitute a Total Taking in the absence of the affirmative vote of the Remaining Unit Owners as required by the foregoing provisions, the Board of Directors shall call a special meeting of the Remaining Unit Owners to be held promptly, and in any event within sixty (60) days after the effective date of such taking, to determine if such Remaining Unit Owners will, or will not, decide to continue the Project as provided herein.

Section 11.02. Awards; Repair; Restoration and Replacement.

(a) In the event of a Total Taking, the Board of Directors shall: (i) except as provided in Section 11.03 of this Article, represent all of the Unit Owners in an action to recover any and all awards, subject to the right of all first Mortgagees of record, upon request, to join in the proceedings, (ii) proceed with the sale of that portion of the Project which was not included in the condemnation proceedings, and (iii) distribute the net proceeds of such sale and any condemnation award, after deducting any

incidental fees and expenses, in the same proportion and in the same manner as provided in Article X, Section 10.02.

(b) In the event of a Partial Taking, other than a Special Partial Taking, the provisions of Section 11.02(a) (i) of this Article shall be applicable. The net proceeds of the Partial Taking awards shall be held by the Board of Directors, after deducting related fees and expenses and the portions of the awards allotted in the taking proceedings or, failing such allotment, allotted by the Board of Directors to (i) Units totally taken or partially taken and not capable of being restored to at least ninety-five percent (95%) of their floor area and substantially their condition prior to the taking, and (ii) Units taken in the same manner as in a Special Partial Taking except that the taking is made subject to only some or to none of the By-Laws and the Rules and Regulations (collectively the "Taken Units").

The proceeds of the Partial Taking award allotted to the Taken Units shall be paid to the Unit Owners respectively entitled thereto; provided, however, that such proceeds shall first be applied to the balance then due on any Mortgages of Record in order of priority before the distribution of any such proceeds to any Unit Owner whose Condominium is subject to any such Mortgage. First Mortgagees of Record with respect to the Remaining Units affected by such Partial Taking shall be entitled to severance damages payable out of the award proceeds held by the Board of Directors to the extent that such Mortgagees can prove that their security has been impaired by such taking. The balance of the net proceeds shall then be applied to the repair, restoration and replacement of the Common Areas and the Remaining Units (but not Unit Owners' personal property nor those

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portions of the Units which the Unit Owners are obligated to restore) to as nearly their condition prior to the taking as may be feasible, in the same manner and under the same provisions applicable to the proceeds of insurance as set forth in Article X hereof, except for any provisions relating to Unit Owners' personal property. Any funds held for restoration by the Board of Directors following completion thereof shall be disposed of, in each case in the same manner as provided in Article X, Section 10.02, except that the total amount of the award payable to any Member and his mortgagee or mortgagees for a destroyed Unit or Unit shall not exceed the value of said Member's Condominium interest.

In the event that the funds held for restoration by the Board of Directors are less than the cost of restoration and repair, a Reconstruction Assessment of the Remaining Unit Owners, with each Remaining Unit Owner contributing a sum in the same proportion as Annual Assessments paid by such Unit Owner, may be levied by the Board of Directors to provide the necessary additional funds for such reconstruction. In no event shall the Board of Directors be required to undertake any repair or restoration work or make any payments with respect to any Unit in excess of that portion of the awards reasonably attributable to the loss to that Unit. Following any Partial Taking, the Association and the Project shall continue, subject to and with the benefit of all the provisions of this Declaration, so far as applicable to the Remaining Units, and the voting interests of the Unit Owners shall be the same.

(c) In the event of a Special Partial Taking or a temporary taking of any Condominium the Unit Owner of the Condominium

taken, together with his mortgagees, shall have exclusive rights to prosecute the proceedings for the respective taking awards and to retain the proceeds thereof. In the event of a temporary taking of Common Areas, the Board of Directors shall have exclusive rights to prosecute the proceedings for the respective taking awards and shall apply the proceeds thereof to reduce Common Expenses.

Section 11.03. Awards for Unit Owners' Personal Property and Relocation Allowances. Where all or part of the Project is taken by eminent domain, each Unit Owner shall have the exclusive right to claim all of the award made for such Unit Owners' personal property, and any relocation, moving expense, or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, however, or the provisions of Sections 11.01 and 11.02, the Board of Directors, except in the case of a Special Partial Taking, shall represent each Unit Owner in an action to recover all awards with respect to such portion, if any, of a Unit Owner's personal property which is at the time of any taking, as a matter of law, part of the real estate comprising any Unit, and shall allocate to such Unit Owner so much of any awards as is allotted in the taking proceedings or, failing such allotment, allotted by the Board of Directors to such Unit Owner's personal property. The amount so allocated shall be paid to the Unit Owner entitled thereto, whether or not the Unit in which such Unit Owner's personal property was located is to be restored by the Board of Directors. Notwithstanding restoration of the Unit, the Board of Directors shall have no responsibility for restoration of such Unit Owner's personal property.

Section 11.04. Notice to Unit Owners and Listed Mortgagees. The Board of Directors immediately upon having knowledge of any

taking by eminent domain of the Project, or any portion thereof, or any threat thereof, shall promptly notify all Unit Owners, all institutional holders of first Mortgages on Condominiums in the Project and those Mortgagees who have filed a written request for such notice with the Board. "

ARTICLE XII
RIGHTS OF MORTGAGEES

Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Beneficiary under any Deed of Trust upon a Condominium made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Condominium shall remain subject to this Declaration, as amended. Notwithstanding any and all provisions of this Declaration to the contrary, in order to induce The Mortgage Corporation ("FHLMC"), the Government National Mortgage Association ("GNMA") and the Federal National Mortgage Association ("FNMA") to participate in the financing of the sale of Condominiums within the Project, the following provisions are added hereto (and to the extent these added provisions, pertaining to the rights of Mortgagees, FHLMC, FNMA, GNMA, VA and FHA, conflict with any other provisions of this Declaration or any other of the Restrictions, these added restrictions shall control):

(a) Each first Mortgagee of a Mortgage encumbering any Condominium, upon filing a written request for notification with the Board, is entitled to written notification from the Association of any default by the Mortgagor of such Condominium in the performance of such Mortgagor's obligations under the Restrictions, the Articles or the By-Laws (collectively referred to as the "Project Documents"), which default is not cured within thirty

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(30) days after the Association learns of such default. For purposes of this Declaration, a "first Mortgage" shall mean a Mortgagee of a Mortgage with first priority over other Mortgages.

(b) Any "right of first refusal" contained in the Restrictions shall not impair the rights of a first Mortgagee to:

(1) foreclose or take title to a Condominium pursuant to the remedies provided in the Mortgage, or

(2) accept a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, or

(3) sell or lease a Condominium acquired by the Mortgagee.

(c) Each first Mortgagee of a Mortgage encumbering any Condominium, which obtains title to such Condominium, pursuant to judicial foreclosure or the powers provided in such Mortgage, shall take title to such Condominium free and clear of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time such holder acquires title to such Condominium.

(d) Except as provided by statute in case of condemnation or substantial loss to the Condominium Units and/or Common Areas of the Project, unless at least seventy-five percent (75%) of the first Mortgagees (based upon one vote for each Mortgage owned) or seventy-five percent (75%) of the Unit Owners (other than Grantor) of the individual Condominiums have given their prior written approval, neither the Association nor the Unit Owners shall be entitled to:

(1) by act or omission, seek to abandon or terminate the Project;

(2) change the pro rata interest or obligations of any individual Condominium for the purpose of (a) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards, or (b) determining the pro rata share of ownership of each Condominium in the Common Areas;

(3) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance of the Common Areas of the Project;

(4) partition or subdivide any Condominium Unit;

(5) use hazard insurance proceeds for losses to improvements of the Project (whether to Condominiums or the Common Areas), for other than the repair, replacement or reconstruction of such improvements, subject to the provisions of Article X of this Declaration; or

(6) by act or omission, seek to abandon, partition, subdivide, encumber, sell or transfer the Common Areas. (The granting of easements for public utilities or for other purposes consistent with the intended use of the Common Areas under this Declaration shall not be deemed a transfer within the meaning of this clause.)

(e) First Mortgagees, upon written request, shall have the right to:

(1) examine the books and records of the Association during normal business hours;

(2) obtain from the Association audited annual financial reports and other financial data, but only if said reports are prepared by the Association in the regular course of business;

(3) receive written notice of all meetings of the Unit Owners; and

(4) designate in writing a representative to attend all such meetings.

(f) All first Mortgagees, upon written request, shall be given thirty (30) days written notice prior to the effective date of any proposed, material amendment to the Restrictions or the Articles or By-Laws, and prior to the effective date of any termination of an agreement for professional management of the Project following any decision of the Unit Owners to assume self-management of the Project.

(g) The Common Area Reserve Fund described in Article V of this Declaration must be funded by regular scheduled monthly, quarterly, or semi-annual payments rather than by large Special Assessments.

(h) The Board shall secure and cause to be maintained in force at all times a fidelity bond for any Person handling funds of the Association, including, but not limited to, employees of the professional Manager.

(i) In addition to the foregoing, the Board may enter into such contracts or agreements on behalf of the Association as are required in order to satisfy the guidelines of the VA, the FHA, the FHLBC, the FNMA or the GNMA or any similar entity, so as to allow for the purchase, guaranty or insurance, as the case may be, by such entities of first Mortgages encumbering Condominiums. Each Unit Owner hereby agrees that it will benefit the Association and the membership of the Association, as a class of potential Mortgage borrowers and potential sellers of their residential Condominiums, if such agencies approve the Project as a

qualifying subdivision under their respective policies, rules and regulations, as adopted from time to time. Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage encumbering a Condominium.

(j) Each Unit Owner hereby authorizes the first Mortgagee of a first Mortgage on his Condominium to furnish information to the Board concerning the status of such first Mortgage and the loan which it secures.

ARTICLE XIII

DURATION AND AMENDMENT

Section 13.01. Duration. This Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination is recorded in the public records, Los Angeles County, California, meeting the requirements of an amendment to this Declaration as set forth in Section 13.03 of this Article XIII. There shall be no severance by sale, conveyance, encumbrance or hypothecation of an interest in any Unit from the concomitant Membership in the Association, as long as this Declaration shall continue in full force and effect. The provisions of this Article are subject to the provisions of Sections 10.02 and 11.02 of this Declaration.

Section 13.02. Amendment Before Close of First Sale. Before the close of the first sale in the Project to a purchaser other than Grantor, this Declaration and any amendments to it may be amended in any respect or revoked by the execution by Grantor of an instrument amending or revoking the Declaration, subject to the approval of the California Department of Real Estate. The amending or revoking instrument shall make appropriate reference to this Declaration

and its amendments and shall be acknowledged and recorded in the office of the Los Angeles County Recorder.

Section 13.03. Amendment After Close of First Sale. After the close of the first sale of a Condominium in the Project to a purchaser other than Grantor, notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered. A resolution adopting a proposed amendment may be proposed by a Unit Owner at a meeting of Members of the Association. The resolution shall be adopted by the vote, in person or by proxy, or written consent of seventy-five percent (75%) of the total voting power of the Association and fifty-one percent (51%) of the voting power residing in Members other than the Grantor. A copy of each amendment shall be certified by at least two (2) officers of the Association and the amendment shall be effective when the Certificate of Amendment is recorded in the public records, Los Angeles County, California. Notwithstanding the foregoing, any of the following amendments, to be effective must be approved in writing by the record holders of seventy-five percent (75%) of the first Mortgages on all of the Condominiums in the Project at the time of such amendment, based upon one vote for each Mortgage owned:

(a) Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protection granted to encumbrancers as provided in Articles V, IX, X, XI, XII and XIII hereof.

(b) Any amendment which would necessitate an encumbrancer after it has acquired a Condominium through foreclosure

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to pay more than its proportionate share of any unpaid assessment or assessments accruing after such foreclosure.

(c) Any amendment which would or could result in an encumbrance being canceled by forfeiture, or in the individual Condominium not being separately assessed for tax purposes.

(d) Any amendment which would or could result in termination or abandonment of the Project or partition or subdivision of a Condominium Unit, in any manner inconsistent with the provisions of this Declaration.

(e) Any amendment which would subject any Unit Owner to a right of first refusal or other such restriction in favor of the Association, in the event such Unit Owner exercises his right to sell, transfer or otherwise convey his Condominium.

A Certificate, signed and sworn to by two (2) officers of the Association that the record Owners of seventy-five percent (75%) of the Condominiums have either voted for or consented in writing to any amendment adopted as above provided, when recorded, shall be conclusive evidence of such fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. The Certificate reflecting any amendment which requires the written consent of any of the record holders of first Mortgages shall be signed and sworn to by such first Mortgagees. When such Certificate is recorded, it shall be noted that such amendment has been so approved.

All amendments or revocations of this Declaration shall comply with the provisions of California Business and Professions Code Section 11018.7, to the extent said section is applicable, and not otherwise determined by the provisions of the Restrictions.

"Section 13.04. Protection of Grantor. The prior written approval of Grantor, as developer of the Project, will be required before any amendment which would impair or diminish the rights of Grantor to complete the Project or sell or lease Condominiums therein in accordance with this Declaration shall become effective.

Section 13.05. Reliance On Amendments. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XIV

ENFORCEMENT OF CERTAIN BONDED OBLIGATIONS

Section 14.01. Consideration by Board of Directors. In the event that (1) the improvements to be located on the Common Areas are not completed prior to the issuance of a Final Subdivision Public Report by the California Department of Real Estate for the sale of Condominiums in the Project, and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the Department of Real Estate to secure performance of the commitment of Grantor to complete the improvements, the Board of Directors of the Association shall consider and vote on the question of action by the Association to enforce the obligations under the Bond, with respect to any such 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 improvement on the Common Areas, 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.

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Section 14.02. Consideration by the Members. A special meeting of Members, 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 thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting, signed by Members representing five percent (5%) of the total voting power residing in the Class A Membership of the Association. At said special meeting, a vote of a majority of the voting power residing in Members of the Association other than the Grantor 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.

ARTICLE XV

GENERAL PROVISIONS

Section 15.01. Legal Proceedings. The failure of any Unit Owner, his Family, guests, employees, invitees and tenants to comply with any of the Restrictions, after Notice and Hearing as set forth in the By-Laws of the Association (except for the nonpayment of any Assessments provided for herein), shall be grounds for relief which may include, without limiting same, an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision, or any other provision hereof. The Board, any Unit Owner (not at the time in default hereunder), or Grantor shall be entitled to bring an action for damages against any defaulting Unit Owner, and in addition may enjoin any violation of this Declaration. Any judgment rendered in any ac-

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tion or proceeding pursuant thereto shall include a sum for attorneys' fees in such amount as the Court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive.

~~Section 15.02~~ Section 15.02. Violation of Restrictions. Without in any way limiting the generality of the foregoing, in the event that the Board determines that there is a violation of any provision of the Restrictions, then the Board shall give written Notice to the Unit Owner of the condition of violation. The Board, after giving such Unit Owner an opportunity for Notice and Hearing, may undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Unit Owner and his Condominium. Such cost shall be deemed to be a Special Assessment to such Unit Owner, and his Condominium, and shall be subject to levy, enforcement and collection by the Board in accordance with the assessment lien procedure provided for in this Declaration.

Section 15.03. Severability. The provisions hereof shall be deemed independent and severable, and a determination of invalidity or partial invalidity or unenforceability of any one provision or portion hereof by a court of competent jurisdiction shall not affect the validity or enforceability of any other provisions hereof.

Section 15.04. Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential condominium development and for the maintenance of Common Areas, and any violation of this Declaration shall be deemed to be a nuisance.

Section 15.05. Headings; Gender. The Article and Section headings, titles and captions have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the masculine, feminine and neuter shall mean the same.

Section 15.06. Mergers or Consolidations. Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants, conditions and restrictions established by this Declaration governing the Project, together with the covenants and restrictions established upon any other property, as one plan.

Section 15.07. Use of Recreational Facilities. The Board of Directors shall have the right to limit the number of guests that a Unit Owner may permit to use any open parking and recreational facilities on the Common Areas, and the Board shall have the right to set further reasonable restrictions on the time and manner of use of said parking areas and recreational facilities, in accordance with the Rules and Regulations, and as further provided in this Declaration.

Section 15.08. No Public Right or Dedication. Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property or the Project to the public, or for any public use.

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Section 15.09. No Representations or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Grantor, or its agents or employees in connection with the Project, or any portion thereof, their physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a Condominium Project, except as specifically and expressly set forth in this Declaration and except as may be filed by Grantor from time to time with the California Department of Real Estate or with any other governmental authority. Each Unit Owner by accepting his or her deed to a Condominium in the Project, acknowledges and understands that the Condominiums are not new but are part of a conversion of an existing project that was rented as an apartment project for at least five (5) years prior to the recordation of this Declaration.

Section 15.10. Non-Liability and Indemnification. No right, power, or responsibility conferred on the Board or the Architectural Committee by this Declaration, the Articles or the By-Laws shall be construed as a duty, obligation or disability charged upon the Board, the Committee, any member of the Board or of the Committee, or any other officer, employee or agent of the Association. No such Person shall be liable to any party (other than the Association or a party claiming in the name of the Association) for injuries or damage resulting from such Person's acts or omissions within what such Person reasonably believed to be the scope of his Association duties ("Official Acts"), except to the extent that such injuries or damage result from such Person's willful or malicious misconduct. No such Person shall be liable to the Association (or to any party claiming in the name of the Association) for injuries or damage resulting from such Person's

Official Acts, except to the extent that such injuries or damage result from such Person's negligence or willful or malicious misconduct.

The Association shall pay all expenses incurred by, and satisfy any judgment or fine levied against, any Person as a result of any action or threatened action against such Person to impose liability on ~~such~~ Person for his Official Acts, provided that:

(1) The Board determines that such Person acted in good faith and in a manner such Person reasonably believed to be in the best interests of the Association;

(2) In the case of a criminal proceeding, the Board determines that such Person had no reasonable cause to believe his conduct was unlawful; and

(3) In the case of an action or threatened action by or in the right of the Association, the Board determines that such Person acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstance.

Any determination of the Board required under this Section 15.10 must be approved by a majority vote of a quorum consisting of Directors who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote of a majority of a quorum of the Members of the Association voting at a meeting of the Association called for such purpose, provided that the Person to be indemnified shall not be entitled to vote.

Payments made hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action. This Section 15.10 shall be construed to authorize payments and

indemnification to the fullest extent now or hereafter permitted by applicable law.

Notwithstanding the foregoing, no employee, officer, or director of Grantor, serving the Association as an appointee of Grantor, shall be granted indemnification hereunder.

The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs, legatees, or devisees of any Person entitled to such indemnification.

Section 15.11. Notices. Except as otherwise provided in this Declaration, in each instance in which notice is to be given to a Unit Owner, the same shall be in writing and may be delivered 1) personally, or 2) by mail to the Unit Owner. In the case of personal delivery, any such notice delivered to one or more co-owners of a Condominium or to any general partner of a partnership owning a Condominium shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process of a corporation owning a Unit shall be deemed delivery to the corporation. Notice by personal delivery shall be deemed given upon delivery to the above-stated appropriate recipient.

In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, and properly addressed to the Unit Owner at the most recent address furnished by such Unit Owner to the Association or, if no such address shall have been furnished, to the street address of such Unit. Such notice delivered by mail shall be deemed given seventy-two (72) hours after the time of deposit of such notice in the mail, except the notice of a meeting of Members or of the Board of Directors, in which case the notice provisions of the By-Laws of the Association shall control.

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Any notice to be given to the Association may be delivered personally to any Member of the Board, or sent by United States mail, postage prepaid, properly addressed to the Association at such address as shall be fixed from time to time and circulated to all Unit Owners.

Section 15.12. Priorities and Inconsistencies. If any conflicts or inconsistencies exist or arise between this Declaration and either the Articles of Incorporation or the By-Laws of the Association, the terms and provisions of this Declaration shall prevail and have priority in all instances.

ARTICLE XVI

ADDITIONAL DECLARATIONS

Section 16.01 City's Right of Inspection. Prior to the close of escrow, each Unit may be inspected by the City of Long Beach at the City's sole election. Each Unit so inspected and accepted and each Unit intentionally not inspected by the City shall be deemed in compliance with the requirements and exceptions for tentative Tract Map No. 37203.

THIS DECLARATION has been executed as of the day and date
first written above.

"GRANTOR"

PARK OCEAN PARTNERS, LTD.
A Limited Partnership

By: Signal Land and Cattle Company,
Inc., A California corporation;
general partner.

By:


David E. Gordon, President

By:

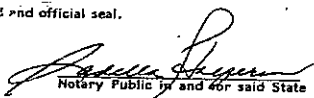

David E. Gordon, Secretary

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On this, the 6th day of July, in the year 1981, before me, the undersigned, a Notary Public in and for said County and State, personally appeared DAVID E. GORDON, known to me to be the President and Secretary of Signal Land & Cattle Company, Inc., a California corporation, the corporation that executed the within instrument and known to me to be the person who executed the within instrument on behalf of said corporation; said corporation being known to me to be the general partner of Park Ocean Partners, Ltd., the partnership that executed the within instrument, and acknowledged to me that such corporation executed the same as such partner and that such partnership executed the same.

WITNESS my hand and official seal.


Notary Public in and for said State



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SUBORDINATION AGREEMENT

The undersigned, as Beneficiary in and under that certain Deed of Trust dated April 27, 1981, and recorded on April 30, 1981, with the Official Records of the Los Angeles County Recorder, as Instrument No. 81-433491 ("Deed of Trust"), which Deed of Trust is by and between Park Ocean Partners, Ltd., a California limited partnership, as Trustor, and Cal Fed Enterprises, a California corporation, as Trustee, and which designates California Federal Savings and Loan Association, a corporation, as Beneficiary, hereby expressly subordinates said Deed of Trust and its beneficial interest thereunder to the foregoing Declaration of Covenants, Conditions, Restrictions and Reservation of Easements by Park Ocean Partners, Ltd. Establishing A Plan of Condominium Ownership ("Declaration"), and agrees that said Declaration is and shall be, in perpetuity, in all respects prior and superior to said Deed of Trust.

DATED: July 21, 1981.

BENEFICIARY:

CALIFORNIA FEDERAL SAVINGS
AND LOAN ASSOCIATION,
a corporation

By:


VICE PRESIDENT

By:

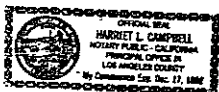

LINDA SULLIVAN

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

On this 21st day of July, in the year 1981, before me,
the undersigned, a Notary Public in and for said State and County,
personally appeared E.J. WILEY known to me to be the VICE
PRES., and LINDA SULLIVAN known to me to be the ASSISTANT
SECRETARY, of California Federal Savings and Loan Association, 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 corpora-
tion executed the within instrument pursuant to its by-laws or a
resolution of its board of directors.

WITNESS my hand and official seal.



Harriet L. Campbell
Notary Public in and for said State

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EXHIBIT "A"
DESCRIPTION OF REAL PROPERTY

THE LEGAL DESCRIPTION IS AS FOLLOWS:

LOT 1 OF TRACT NO. 37203, IN THE CITY OF LONG BEACH, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 957 PAGES 48 TO 50, INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPTING THEREFROM ALL OIL, GAS AND OTHER HYDROCARBONS AND MINERALS NOW OR ANY TIME HEREAFTER SITUATED THEREIN OR THEREUNDER OR PRODUCIBLE THEREFROM, BUT WITHOUT THE RIGHT OF SURFACE ENTRY WITHIN 500 FEET OF THE SURFACE THEREOF, AS RESERVED BY ERNEST A. BRYANT, JR., AND ERNEST A. BRYANT III, AS TRUSTEES UNDER THE WILL OF SUZANNA BIXBY BRYANT, DECEASED, ET AL., IN DEEDS RECORDED IN BOOK D 3023, PAGES 978, 981, 983, 985, AND 987, OFFICIAL RECORDS.

EXHIBIT "A"
DESCRIPTION OF REAL PROPERTY

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EXHIBIT "B"
DESCRIPTION OF IMPROVEMENTS

Grantor has purchased an existing eleven (11) year old apartment complex. Said Complex shall be renovated and placed in general good repair including the updating of all the premises to required building codes. In addition, Grantor shall: (1) landscape the premises; (2) install combustion detectors in the corridor giving access to the sleeping rooms; (3) provide complying sound attenuation construction details for all common wall assemblies which separate Units from each other or field tested data to validate a minimum S.T.C. 40 rating; (4) repair and refinish all the cracked and deteriorated exterior stucco; (5) and otherwise perform, or provide for in an approved manner, all other conditions imposed by the City of Long Beach in connection with the approval of the Final Tract Map.

EXHIBIT "B"
DESCRIPTION OF IMPROVEMENTS

PRK00TH
0407141

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EXHIBIT "C"
ARTICLES OF INCORPORATION OF THE ASSOCIATION

81- 761414



State
of
California

OFFICE OF THE SECRETARY OF STATE

I, *MARCH FONG EU*, Secretary of State of the State of California, hereby certify:

That the annexed transcript has been compared with the record on file in this office, of which it purports to be a copy, and that same is full, true and correct.

IN WITNESS WHEREOF, I execute
this certificate and affix the Great
Seal of the State of California this

MAY 19 1981



March Fong Eu

Secretary of State

1044417

ARTICLES OF INCORPORATION

OF

PARK OCEAN CONDOMINIUM ASSOCIATION

ENDORSED
FILED

In the office of the Secretary of State
of the State of California

MAY 19 1981

MARCH FONG DU, Secretary of State
Correllia M. Gray
Deputy

I
NAME

The name of this Corporation is PARK OCEAN CONDOMINIUM ASSOCIATION (hereinafter sometimes referred to as "Association").

II
NONPROFIT MUTUAL BENEFIT CORPORATION

This Corporation is a nonprofit mutual benefit corporation organized under the Nonprofit Mutual Benefit Corporation Law. The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under such law.

III
AGENT FOR SERVICE

The name and address in the State of California of this Corporation's initial agent for service of process is:

David E. Gordon
c/o Signal Land & Cattle Co.,
666 E. Ocean Boulevard
Suite 2400
Long Beach, California 90802

IV
POWERS AND PRIVILEGES

The Association shall have and exercise any and all powers, rights and privileges which a corporation organized under the Non-

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profit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Association shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the following specific purposes of the Association:

(a) To form a residential real estate management association respecting the acquisition, construction, management, maintenance, and care of real and personal property, and a residential condominium complex developed thereon (collectively referred to as "Project"), held by the Association, or commonly held by the Members of the Association, or located in the Project and owned by Members of the Association, and otherwise to act and be operated as a "Homeowners Association" as defined in, and pursuant to, Section 528 of the Internal Revenue Code of 1954, as amended, and Section 23701t of the California Revenue and Taxation Code, as amended;

(b) To bring about civic and social improvements by providing for the preservation, management, maintenance and care of the architecture and appearance of the Project located in the County of Los Angeles, State of California;

(c) To promote the common good, health, safety and general welfare of all of the Residents within the Project; and

(d) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association arising from that certain Declaration of Covenants, Conditions and Restrictions and Reservation of Easements by Park Ocean Partners, Ltd. Establishing a Plan of Condominium Ownership (hereinafter "Declara-

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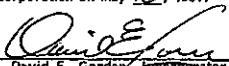
tion") recorded or to be recorded with the Los Angeles County Recorder and applicable to the Project, as such Declaration may be amended from time to time.

V

AMENDMENT

The classes of Membership and the voting and other rights and privileges of Members shall be set forth in the By-Laws of the Association. Amendment of these Articles of Incorporation shall require the vote or written consent of (1) at least a majority of the total voting power of the Association's Membership; (2) at least a majority of the voting power of the Association vested in Members other than the sub-divider ("Grantor"), of the Project; and (3) at least a majority of the Directors of the Board.

The undersigned, who is the Incorporator of the Association, has executed the Articles of Incorporation on May 18, 1981.


David E. Gordon, Incorporator

I hereby declare that I am the person who executed the foregoing Articles of Incorporation, which execution is my volitional act and deed.


David E. Gordon

EXHIBIT "D"
BY-LAWS OF THE ASSOCIATION

81- 761414

BY-LAWS
OF
PARK OCEAN CONDOMINIUM ASSOCIATION
A NONPROFIT MUTUAL BENEFIT CORPORATION

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BY-LAWS
OF
PARK OCEAN CONDOMINIUM ASSOCIATION
A NON PROFIT MUTUAL BENEFIT CORPORATION

ARTICLE I
DEFINITION OF CONDOMINIUM OWNERSHIP

Section 1.01 Name. The name of the corporation is PARK OCEAN CONDOMINIUM ASSOCIATION hereinafter referred to as "Association". This Association is a nonprofit mutual benefit corporation organized under the California Nonprofit Mutual Benefit Corporation Law. The principal office of the Association shall be located in Los Angeles County, California. The Directors may change the principal office from one location to another. Any change of this location shall be noted by the Secretary on these By-Laws opposite this section, or this section may be amended pursuant to the applicable provisions hereof, to set forth the new location.

Section 1.02 Application. The provisions of these By-Laws are applicable to the residential condominium project known as PARK OCEAN CONDOMINIUMS, located in the City of Long Beach, County of Los Angeles, State of California. All present and future

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Unit Owners, their families, guests, invitees, tenants, future tenants, employees, and any other person who might use the facilities of the Project in any manner, are subject to the regulations set forth in the By-Laws and in the Declaration of Covenants, Conditions and Restrictions, and Reservation of Easements by Park Ocean Partners, Ltd. Establishing a Plan of Condominium Ownership (the "Declaration" herein), recorded or to be recorded in the Office of the Los Angeles County Recorder and applicable to the Project. The mere acquisition or rental of any Condominium in the Project, the mere act of occupancy of any Condominium or the mere use and enjoyment of the Common Areas will signify that these By-Laws are accepted, ratified, and will be complied with by all persons referred to above.

Section 1.03 Objectives & Purposes. The Association shall have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Mutual Benefit Corporation Law may now or hereafter have or exercise, provided that the Association shall not, except to any insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the following purposes of the Association:

(a) To form a residential real estate management association respecting the acquisition, construction, management, maintenance, and care of real and personal property, and a residential

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condominium project developed thereon (collectively referred to as "Project"), held by the Association, or commonly held by the Members of the Association, or located in the Project and owned by Members of the Association, and otherwise to act and be operated as a "Home-owners Association" as defined in, and pursuant to, Section 528 of the Internal Revenue Code of 1954, as amended, and Section 23701t of the California Revenue and Taxation Code, as amended;

(b) To bring about civic and social improvements by providing for the preservation, management, maintenance and care of the architecture and appearance of the Project located in the County of Los Angeles, State of California;

(c) To promote the common good, health, safety and general welfare of all of the Residents within the Project; and

(d) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association arising from the Declaration recorded or to be recorded with the Los Angeles County Recorder and applicable to the Project, as such Declaration may be amended from time to time.

Section 1.04 Meaning of Terms. The following terms, as used in these By-Laws, shall have the same meanings as are applied to such terms in the Declaration and each such term is incorporated by reference and made a part of this instrument as if it were reprinted here verbatim: "Annual Assessment", "Architectural Com-

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"mittes", "Articles", "Association", "Board", "Capital Improvement Assessment", "Close of Escrow", "Common Areas", "Common Expenses", "Condominium", "Declaration", "Family", "Rules and Regulations", "Grantor", "Improvements", "Maintenance Funds", "Manager", "Member", "Mortgagee", "Person", "Project", "Reconstruction Assessment", "Residence", "Restrictions", "Special Assessment", "Unit", and "Unit Owner".

ARTICLE II

VOTING BY ASSOCIATION MEMBERSHIP

Section 2.01 Voting Rights. The Association shall have two (2) classes of voting Membership, as further provided in the Declaration.

Class A. Class A Members shall be those Unit Owners with the exception of Grantor for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium which is subject to assessment, as further provided in the Declaration.

Class B. The Class B Member shall be Grantor. The Class B Member shall be entitled to three (3) votes for each Condominium owned by Grantor, provided that the Class B Membership shall cease and be converted to Class A Membership on the happening of either of the following events, whichever occurs earlier:

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(1) When the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(2) The second anniversary of the original issuance of the Final Subdivision Public Report for the Project, as issued by the California Department of Real Estate. Any provision in the Restrictions calling for Membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of the Grantor under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of Membership during the time that there are two outstanding classes of Membership.

Section 2.02 Majority of Quorum. Unless otherwise expressly provided in these By-Laws or the Declaration, any action which may be taken by the Association may be taken by a majority of a quorum of the Members of the Association.

Section 2.03 Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of at least thirty-three and one third percent (33-1/3%) of the total voting power of the Membership of the Association shall constitute a quorum of the Membership. The Members present at a duly called or held meeting

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at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 2.04 Proxies. Votes may be cast in person or by proxy and all proxies must be in writing and filed with the Secretary prior to each meeting. Every proxy shall be revocable and shall automatically cease after completion of the meeting for which the proxy was filed.

ARTICLE III ADMINISTRATION

Section 3.01 Association Responsibilities. In accordance with the provisions of the Declaration, the Association shall have the responsibility of administering the Project, including without limitation, the duty of approving the annual budget, establishing and collecting all assessments applicable to the Project, and arranging for overall architectural control of the Project.

Section 3.02 Place of Meetings of Members. Meetings of the Members shall be held on the Project, or such other suitable place as proximate thereto as practicable, in Los Angeles County, convenient to the Unit Owners, as may be designated by the Board of Directors from time to time.

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Section 3.03 Annual Meetings of Members. The first annual meeting of Members shall be held within forty-five (45) days after fifty-one percent (51%) of the escrows for the sale of all of the Condominiums in the Project have closed or within six (6) months after the Close of Escrow for the sale of the first Condominium in the Project, whichever occurs first. Thereafter, the annual meetings of the Members shall be held on or about the anniversary date of the first annual meeting, which such date shall not be a legal holiday. If the scheduled date falls upon a legal holiday, the meeting shall be held the next business day. At each annual meeting there shall be elected by ballot of the Members a Board of Directors of the Association, in accordance with the requirements of Section 4.05 of Article IV of these By-Laws. The Members may also transact such other business of the Association as may properly come before them. Each first Mortgagee of a Condominium in the Project may designate a representative to attend all annual meetings of the Members.

Section 3.04 Special Meetings of Members. It shall be the duty of the President to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors, or upon receipt by the Secretary of a petition signed by Members representing five percent (5%) or more of the total voting power of the Association. The notice of any special meeting shall be given within twenty (20) days after adoption of such resolution or

receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after adoption of such resolution or receipt of such petition. No business shall be transacted at a special meeting except as stated in the notice. Each first Mortgagee of a Condominium in the Project may designate a representative to attend all special meetings of the Members.

Section 3.05 Notice of Meetings to Members. It shall be the duty of the Secretary to send a notice of each annual or special meeting by first-class mail, at least ten (10) but not more than thirty (30) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record, and to each first Mortgagee of a Condominium, which Mortgagee has filed a written request for notice with the Secretary. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to the Members. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Notices to Members may also be personally delivered and shall be

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deemed received upon delivery to any occupant of the Member's residence. Such notice shall be posted in a conspicuous place on the Common Areas of the Project, and such notice shall be deemed served upon a Member upon posting if no address has been then furnished the Secretary. The Board of Directors may fix a date in the future as a record date for the determination of the Members entitled to notice of and to vote at any meeting of Members. The record date so fixed shall be not less than ten (10) days nor more than fifteen (15) days prior to the date of the meeting. Only Members who on the record for notice of the meeting are entitled to vote thereat, shall be entitled to notice of and to vote at the meeting, notwithstanding any transfer of or issuance of Membership certificates on the books of the Association after the record date.

Section 3.06 Adjourned Meetings. If any meeting of Members cannot be organized because a quorum is not present, a majority of the Members who are present, either in person or proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, but may not transact any other business. The quorum requirement for a meeting called and convened subsequent to a prior adjourned meeting shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. If a time and place for the adjourned meet-

ing is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for meetings of the Association Membership pursuant to Section 3.05 hereof.

Section 3.07 Order of Business. The order of business at all meetings of the Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of Minutes of preceding meeting; (d) reports of the Board and officers; (e) reports of committees, (f) election of inspector of elections (at annual meetings or special meetings held for such purpose); (g) election of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of Members shall be conducted by the Officers of the Association, in order of their priority.

Section 3.08 Action Without Meeting. Any action, which may be taken at a meeting of the Members (except for the election of Directors) may be taken without a meeting by written ballot of the Members. Ballots shall be solicited in the same manner as provided in Section 3.05 for the giving of notice of meetings of Members. Such solicitations shall specify (a) the number of responses needed to meet

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the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received in order to be counted. The form of written ballot shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that where the Member specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting and a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast shall constitute approval by written ballot.

Section 3.09 Consent of Absentees. The transactions of any meeting of Members, either annual or special, however called and noticed, shall be as valid as though had at a meeting duly held after regular call and notice, if a quorum be present either in person or by proxy, and if, either before or after the meeting, each of the Members not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the Minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the Minutes of the Meeting.

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Section 3.10 Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of Members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the Minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE IV BOARD OF DIRECTORS

Section 4.01 Number and Qualification. The affairs of the Association shall be governed and managed by a Board of Directors composed of three (3) Persons, each of whom, except for those appointed and serving as first Directors, must either be a resident Unit Owner or an agent of Grantor for so long as Grantor owns a Condominium in the Project. The authorized number of Directors may be changed by a duly adopted amendment to the By-Laws made pursuant to the applicable provisions herein contained. Directors shall not receive any salary or compensation for their services as Directors unless such compensation is approved by the vote or written consent of Members representing at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor; provided, however, that (1) nothing herein contained shall be construed to preclude any

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Director from serving the Association in some other capacity and receiving compensation therefor, and (2) any Director may be reimbursed for his actual reasonable out-of-pocket expenses incurred in the performance of his duties.

Section 4.02 Powers and Duties. The Board of Directors has the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the Members. The Board of Directors shall not enter into any contract for a term in excess of one (1) year, without the vote or written consent of the Members representing at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor, except for (1) any contract of a minimum term with a public utility company regulated by the Public Utilities Commission (such as Southern California Edison Company) which requires a term in excess of one (1) year, (2) a management contract the terms of which have been approved by the Veterans Administration or the Federal Housing Administration, and (3) prepaid casualty or liability insurance policies not to exceed three years' duration, provided that the policies permit short term cancellation by the Association.

Section 4.03 Special Powers and Duties. Without prejudice to such foregoing general powers and duties, and such powers and duties as are set forth in the Declaration, the Board of Directors is vested with, and responsible for, the following powers and duties.

(a) The power and duty to select, appoint, and remove all officers, agents and employees of the Association, to prescribe such powers and duties for them as may be consistent with law, with the Articles of Incorporation, the Declaration and these By-Laws, to fix their compensation and to require from them security for faithful service when deemed advisable by the Board; ---

(b) The power and duty to conduct, manage and control the affairs and business of the Association, and to make and enforce such rules and regulations therefor consistent with law, with the Articles of Incorporation, the Declaration and these By-Laws, as the Board may deem necessary or advisable;

(c) The power but not the duty to change the principal office for the transaction of the business of the Association from one location to another within the County of Los Angeles, as provided in Article I hereof; to designate any place within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 3.02 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board,

in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law;

(d) With the approval of Members representing at least (1) two-thirds (2/3rds) of the voting power of the Association residing in each class of the Members, and (2) two-thirds (2/3rds) of the voting power of the Association vested in Members other than Grantor, the power but not the duty to borrow money and to incur indebtedness for the purposes of the Association, and to cause to be executed and delivered therefor, in the Association's name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor;

(e) The power and duty to fix and levy from time to time Annual Assessments, Special Assessments, and Reconstruction Assessments upon Members, as provided in the Declaration; to fix and levy from time to time in any fiscal year Capital Improvement Assessments applicable to that year only for capital improvements; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Association, or for the payment of expenses

for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable for replacement reserves, for maintenance costs which cannot normally be expected occur on an annual basis and for capital improvements, shall at all times be held in trust for the Members and shall not be commingled with other assessments collected from the Members. Disbursements from such trust reserve fund shall be made only in accordance with the provisions of the Declaration. Such Annual Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors in its discretion is authorized to enforce the

payment of such delinquent assessments as provided in the Declaration;

(f) The power and duty to enforce the provisions of the Declaration, the Rules and Regulations adopted by the Board, these By-Laws or other agreements of the Association;

(g) The power and duty to contract for and pay for, as reasonably necessary, fire, casualty, blanket liability, malicious mischief, vandalism, errors and omissions, liquor liability and other insurance, insuring the Members, the Association, the Board of Directors and other interested parties, in accordance with the provisions of the Declaration, covering and protecting against such damages or injuries as the Board deems advisable (which may include without limitation, medical expenses of persons injured on the Common Areas);

(h) The power and duty to contract for and pay maintenance, legal, accounting, gardening, common utilities, materials and supplies, services and other Common Expenses relating to the Common Areas, and relating to the Units only to the extent not separately metered or charged, and to employ personnel necessary for the operation of the Project, including legal and accounting services, and to contract for and pay for improvements on the Common Areas;

(i) The power but not the duty to delegate its powers according to and subject to the approval of the Members, to adopt these By-Laws;

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(J) The power but not the duty to grant easements where necessary for utility and other purposes over the Common Areas for the benefit of the Members of the Association;

(K) The power and duty to adopt such Rules and Regulations as the Board may deem necessary for the management of the Project, which Rules and Regulations shall become effective and binding after (1) they are adopted by a majority of the Board at a meeting called for that purpose, and (2) they are posted in a conspicuous place in the Common Areas. Such Rules and Regulations may concern, without limitation, use of the Common Areas, signs, collection and disposal of refuse, minimum standards of property maintenance consistent with the Declaration and the procedures of the Architectural Committee, and any other matter with which the Declaration is concerned, provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these By-Laws, and the Rules and Regulations may not be used to amend any of said documents;

(L) The power and duty to keep, or cause to be kept, a complete record of all acts and corporate affairs of the Association and to present a statement thereof to the Members at the annual meeting of the Members and at any other time that such statement is requested by at least ten percent (10%) of the Members who are entitled to vote;

(m) The power but not the duty to appoint a Membership Committee composed of at least one (1) Director and at least one (1) Association Member at large. The Membership Committee shall be responsible for contacting all purchasers of Condominiums in the Project as soon as any transfer of title to a Condominium is discovered. The Membership Committee shall further attempt to establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association;

(n) The power but not the duty to sell property of the Association, provided, however, that the prior vote or written approval of the Members representing at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor, must be obtained to sell during any fiscal year any property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

Section 4.04 Management Agent. The Board of Directors may engage for the Association a professional management agent at a compensation established by the Board to perform such duties and services as the Board shall authorize. Such agreement, and any other contract providing for services by Grantor, may not exceed a

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term of three (3) years, and must provide for termination by either party 1) if for cause, upon no more than thirty (30) days' prior written notice, and 2) if without cause, upon no more than ninety (90) days' prior written notice without payment of a termination fee.

Section 4.05 Election and Term of Office - Cumulative Voting

(a) At the first annual meeting of the Members, new Directors shall be elected by secret written ballot by the Members as provided in these By-Laws, and all positions on the Board of Directors shall be filled at that election. In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetence. The term of office of each Director elected at the first annual meeting and the term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be one (1) year. The term of office of each Director elected to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any person serving as a Director may be re-elected, and there shall be no limitation on the number of terms during which he may serve;

b) Voting for the Board of Directors shall be by secret written ballot. As further provided in the applicable provisions of the Declaration respecting cumulative voting, every Member entitled to vote may cumulate his vote for one or more candidates for Director of the Board. Every Member shall have a number of votes equal to one (1) vote for each Condominium owned multiplied by the number of Directors to be elected, and may cast that number of votes for any one (1) candidate or may distribute the votes among as many candidates as each Member desires. Cumulative voting in the election of the Board of Directors shall be prescribed for all elections in which more than two (2) Directors are to be elected. No Member shall be entitled to cumulate votes for a candidate or candidates unless such candidates' names have been placed in nomination prior to voting and the Member has given notice at the meeting, prior to the voting, of the Member's intention to cumulate votes. If any one (1) Member has given such notice, all Members may cumulate their votes for candidates in nomination. The candidates receiving the highest number of votes up to the number of Directors to be elected, shall be deemed elected to the Board.

(c) Notwithstanding the foregoing nor anything to the contrary contained in the Declaration respecting cumulative voting, whenever (1) notice is given for an election of Directors of the Board and (2) upon such date the Members other than Grantor

do not have a sufficient percentage of the voting power of the Association to elect at least one (1) Director through the foregoing cumulative voting procedure, such notice shall also provide for the following special election procedure. Election of one (1) Director shall be apportioned entirely to the Members other than Grantor. Any person shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Members other than Grantor determine otherwise. The person receiving a majority of the votes cast by the Members other than Grantor shall be elected a Member of the Board in a co-equal capacity with all other Directors. The remaining Directors of the Board shall be elected through the customary cumulative voting procedure outlined above.

Section 4.06 Books, Audit. The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principals. Financial statements for the Association shall be regularly prepared and distributed to all Members, regardless of the number of Members or the amount of assets of the Association, as follows:

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do not have a sufficient percentage of the voting power of the Association to elect at least one (1) Director through the foregoing cumulative voting procedure, such notice shall also provide for the following special election procedure. Election of one (1) Director shall be apportioned entirely to the Members other than Grantor. Any person shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Members other than Grantor determine otherwise. The person receiving a majority of the votes cast by the Members other than Grantor shall be elected a Member of the Board in a co-equal capacity with all other Directors. The remaining Directors of the Board shall be elected through the customary cumulative voting procedure outlined above.

Section 4.05 Books, Audit. The Board of Directors shall cause to be maintained a full set of books and records showing the financial condition of the affairs of the Association in a manner consistent with generally accepted accounting principals. Financial statements for the Association shall be regularly prepared and distributed to all Members, regardless of the number of Members or the amount of assets of the Association, as follows:

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(a) A pro forma operating statement (budget) for each fiscal year shall be distributed to the Members not less than sixty (60) days before the beginning of the fiscal year.

(b) An initial balance sheet (as of an accounting date which shall be the last day of the month closest in time to six (6) months following the date of closing of the first sale of a Condominium) and an initial operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within sixty (60) days after the accounting date.

(c) Thereafter, an annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

- (i) A balance sheet as of the end of the fiscal year;
- (ii) An operating (income) statement for the fiscal year;
- (iii) A statement of changes in financial position for the fiscal year;
- (iv) Any information required to be reported under Section 8322 of the California Corporations Code.

The operating statement for the first six (6) months' accounting period referred to in (b) above shall include a schedule of assessments received or receivable itemized by Unit number and by the name of the person or entity assessed. The annual

report referred to in (c) above shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars (\$75,000). If said annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association. All books, records and papers of the Association shall be made available for inspection and copying by any Member or his duly appointed representative at the principal office of the Association or at such other place within the Project as the Board may prescribe. The Board shall establish reasonable rules with respect to (1) notice to be given to the custodian of the records by the Member desiring to make the inspection, (2) hours and days of the week when such an inspection may be made and (3) payment of the cost of reproducing copies of documents requested by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association, and the physical properties owned or controlled by the Association. The right of the inspection by a Director shall include the right to make extracts and copies of documents, at the Association's cost.

Section 4.07 Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until a successor is elected at the next annual meeting of the Members of the Association, or at a special meeting of the Members called for that purpose. A vacancy or vacancies shall be deemed to exist in case of death, resignation, removal or judicial adjudication of mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Members at a special meeting of the Members called for such purpose.

Section 4.08 Removal of Directors. At any regular or special meeting of the Members duly called, any one or more of the Directors may be removed with or without cause by a majority vote of the Members of the Association, and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If more than one Director is to be removed at any one time, each Member may cumulate his votes and vote for or against such removal of one or more of the Directors,

exercising a number of votes equal to his share of the voting power as set forth in the Declaration, multiplied by the number of Directors sought to be removed. Where the entire Board of Directors is not removed at one time, no Director shall be removed if the number of votes cast against his removal or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast (or, if such action is taken by written ballot, all votes entitled to be voted were cast) and the entire number of Directors authorized at the time of the Director's most recent election were then being elected. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting. Notwithstanding anything to the contrary herein contained, any Director who has been elected to office solely by the votes of Members other than Grantor pursuant to Section 4.05 of this Article IV and the applicable provisions of the Declaration, may be removed with or without cause from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Grantor.

Section 4.09 Organization Meeting of Board. The first regular meeting of a newly elected Board of Directors ("organization meeting") shall be held within ten (10) days of election of the Board, at such place as shall be fixed and announced by the Directors at the

meeting at which such Directors were elected, for the purpose of organization, election of officers and the transaction of other business. No notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, provided that (1) a majority of the whole Board shall be present when the time and place are announced at the Membership meeting and (2) the meeting is held on the same day and at the same place as the meeting of the Members at which the newly constituted Board was elected; otherwise, notice must be given to all Board members pursuant to these By-Laws.

Section 4.10 Regular Meetings of Board. Regular meetings of the Board of Directors shall be open to all Members, provided that Members who are not Directors may not participate in any deliberation or discussion at such regular meetings unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Regular meetings may be held at such time and place within the Project as shall be determined, from time to time, by a resolution adopted by a majority of a quorum of the Directors, provided, however, that such meetings shall be held no less frequently than quarterly. Notice of the time and place of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, and shall be posted at a prominent place or places within the Common Areas, at least four (4) days prior to the date named for such meeting provided, however, that notice of

a meeting need not be given to a Director who has signed a waiver of notice or a written consent to the holding of the meeting.

Section 4.11 Special Meetings of Board. Special meetings of the Board of Directors shall be open to all Members, provided that Members who are not Directors may not participate in any deliberation or discussion at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special meetings may be called by written notice signed by the President or by any two (2) Directors other than the President. Notice of the time, place and purpose of special meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph and shall be posted at a prominent place or places within the Common Areas, at least seventy-two (72) hours prior to the date named for such special meeting provided, however, that notice of a meeting need not be given to a Director who has signed a waiver of notice or a written consent to the holding of the meeting. If served by mail, each such notice shall be sent, postage prepaid, to the address of each Director reflected on the records of the Association, and shall be deemed given, if not actually received earlier, at 5:00 o'clock p.m. on the second day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director has been absent from any special meeting of the Board, an entry in the Minutes to the effect that notice has been duly given

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shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

Section 4.12 Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to such Director. Attendance by a Director at any meeting of the Board shall be a waiver by him of personal notice of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if (1) a quorum be present, (2) notice to the Members of such meeting was posted as provided in Section 4.10 of this Article IV, and (3) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the Minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the Minutes of the meeting.

Section 4.13 Action Without Meeting. Until the Close of Escrow for the sale of the first Condominium in the Project to a Purchaser pursuant to a Final Subdivision Public Report issued by the California Department of Real Estate the Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written consent of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors, and such consents shall be filed with the records of the Association. Following the Close of Escrow for the sale of the first Condominium, the Board of Directors may take actions without a meeting if all of the Directors consent in writing to the action to be taken. If the Board of Directors resolves by unanimous written consent to take action, an explanation of the action taken shall be posted at a prominent place or places within the common area within three (3) days after the written consent of all Directors have been attained

Section 4.14 Quorum and Adjournment. Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there is less than a quorum present, the majority of those

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present may adjourn the meeting from time to time. At any such adjourned meeting, a date for reconvening the Board meeting must be scheduled not later than two (2) weeks from the date of adjournment, and notice thereof must be given to all Directors pursuant to the notice requirements herein. At any such reconvened meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice if a quorum is present.

The Board of Directors may, with the approval of a majority of a quorum of the Directors, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

Section 4.15 Fidelity Bonds. The Board of Directors may require that all Officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Association.

Section 4.16 Committees. The Board of Directors, by resolution, may from time to time designate such committees as it shall

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desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board.

ARTICLE V OFFICERS

Section 5.01 Designation. The principal Officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an Assistant Treasurer, and an Assistant Secretary, and such other Officers as in their judgment may be necessary. Officers other than the President need not be Directors. One Person may hold more than one office.

Section 5.02 Election of Officers. The Officers of the Association shall be elected annually by the Board of Directors at the organization Meeting of each new Board of Directors, and each Officer shall hold his office at the pleasure of the Board of Directors, until he shall resign or be removed or otherwise disqualified to serve or his successor shall be elected and qualified to serve.

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Section 5.03 Removal of Officers. Upon an affirmative vote of a majority of the entire Board of Directors, any Officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for such purpose. Any Officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect at the date of receipt of such notice or at any later time specified therein; and unless otherwise specified in said notice, acceptance of such resignation by the Board shall not be necessary to make it effective.

Section 5.04 Compensation. Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized or ratified by the Board, provided, however, that no Officer shall receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least a majority of the voting power of the Association's Membership, which shall include a majority of the voting power of Members excluding the Grantor, and provided further, that (1) nothing herein contained shall be construed to preclude any Officer from serving the Association in some other capacity and receiving compensation therefor, and (2) any Officer may be reimbursed for his

actual expenses incurred in the performance of his duties. Appointment of any Officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such Officer, agent, or employee. Notwithstanding the foregoing, no Officer, employee or Director of Grantor or any affiliate of Grantor may receive any compensation.

Section 5.05. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually and customarily vested in the office of the President of an Association, including, but not limited to, the power, subject to the provisions of Article IV, Section 4.16, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business of the Association. The President shall be ex officio a member of all standing committees, and he shall have such other powers and duties as may be prescribed by the Board of Directors or these By-Laws of the Association.

Section 5.06 Vice President. The Vice President shall take the place of the President and perform his duties whenever the

President shall be absent, disabled, refuses or is unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or these By-Laws of the Association.

Section 5.07 Secretary. The Secretary shall keep the Minutes of all meetings of the Board of Directors and the Minutes of all meetings of the Association at the principal office of the Association or at such other place as the Board of Directors may order. The Secretary shall keep the seal of the Association in safe custody and shall have charge of such books and papers as the Board of Directors may direct; and the Secretary shall, in general, perform all of the duties incident to the office of Secretary. The Secretary shall give, or cause to be given, notices of meetings of the Members of the Association and of the Board of Directors required by these By-Laws or by law to be given. The Secretary shall maintain a record book of Unit Owners, listing the names and addresses of Unit Owners, as furnished to the Association, and such books shall be changed only at such time as satisfactory evidence of a change in ownership of a Condominium is presented to the Secretary. The Secretary shall perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

Section 5.08 Treasurer. The Treasurer shall be the chief financial officer of the Association and shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Declaration, shall render to the President and Directors, upon request, an account of all of his transactions as Treasurer and of the financial condition of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these By-Laws.

ARTICLE VI
OBLIGATIONS OF THE MEMBERS

Section 6.01 Assessments.

(a) All Members are obligated to pay, in accordance with the provisions of the Declaration, all assessments imposed by the Association.

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(b) All delinquent assessments shall be enforced, collected or foreclosed in the manner provided in the Declaration.

Section 6.02 Maintenance and Repair.

(a) Every Member must perform promptly; at his sole cost and expense, such maintenance and repair work within his own Residence, as required under the provisions of the Declaration. As further provided in the Declaration, all plans for alterations and repair of structural or utility bearing portions of the buildings housing the Units must receive the prior written consent of the Architectural Committee. The Architectural Committee shall establish reasonable procedures for the granting of such approval, in accordance with the Declaration.

(b) As further provided in the Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Areas or other properties owned or controlled by the Association, which are damaged through the fault of such Member or his family, guests or tenants. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these By-Laws or the Declaration.

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ARTICLE VII
AMENDMENTS TO BY-LAWS

These By-Laws may be amended by the Association by the vote or written consent of Members, representing at least (1) a majority of a quorum of the voting power of each class of the Members, and (2) a majority of the voting power of the Association vested in Members other than Grantor, provided that the specified percentage of each class of the Members necessary to amend a specific Section or provision of these By-Laws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision.

ARTICLE VIII
MORTGAGEES

Section 8.01 Notice to Association. Every Member who mortgages his Condominium shall notify the Association through the Manager, or through the Secretary in the event there is no Manager, of the name and address of his Mortgagee; and the Association shall maintain such information in a book entitled "Mortgagees of Condominiums". Any such Member shall likewise notify the Association as to the release or discharge of any such Mortgage.

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Section 8.02 Notice of Unpaid Assessments. The Board of Directors of the Association shall at the request of a Mortgagee of a Condominium, report any unpaid assessments due from the Unit Owner of such Condominium, in accordance with the provisions of the Declaration.

ARTICLE IX CONFLICTING PROVISIONS

In case any of these By-Laws conflict with any provisions of the laws of the State of California, such conflicting By-Laws shall be null and void upon final court determination to such effect, but all other By-Laws shall remain in full force and effect. In case of any conflict between the Articles of Incorporation and these By-Laws, the Articles of Incorporation shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

ARTICLE X INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Board may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine levied against, any present or former Director, Officer, employee, or agent of the Asso-

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ciation to the extent and under the circumstances provided in the Declaration.

ARTICLE XI
MISCELLANEOUS

Section 11.01 Checks, Drafts and Documents. All checks, drafts or other orders for payment of money, notes or other evidences of indebtedness, issued in the name of or payable to the Association, shall be signed or endorsed by such person or persons, and in such manner as, from time to time, shall be determined by resolution of the Board of Directors.

Section 11.02 Execution of Documents. The Board of Directors may authorize any Officer or Officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf of the Association, and such authority may be general or confined to specific instances, and unless so authorized by the Board of Directors, no Officer, agent, or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or in any amount.

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Section 11.03 Inspection of By-Laws. The Association shall keep in its office for the transaction of business the original or a copy of these By-Laws as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members and all first Mortgagees in accordance with Article IV, Section 4.06 hereof.

Section 11.04 Fiscal Year. The fiscal year of the Association shall be determined by the Board of Directors, and having been so determined, is subject to change from time to time as the Board of Directors shall determine.

Section 11.05 Membership Book. The Association shall keep and maintain in its office for the transaction of business a book containing the name and address of each Member. Termination or transfer of membership shall be recorded in the book, together with the date on which membership ceased or was transferred, in accordance with the provisions of the Declaration.

ARTICLE XII

NOTICE AND HEARING PROCEDURE

Section 12.01 Suspension of Privileges. In the event of an alleged violation of the Declaration, these By-Laws or the Rules

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and Regulations of the Association, and after written notice of such alleged failure is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to be in default in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board of Directors shall have the right, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, to take any one or more of the following actions: (1) levy a Special Assessment as provided in the Declaration; (2) suspend said Member's voting privileges as a Member, as further provided in the Declaration; or (3) record a notice of noncompliance encumbering the Lot of the respondent. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board to enforce the Rules and Regulations of the Association, these By-Laws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these By-Laws shall be cumulative and none shall be exclusive. However, any individual Member must exhaust all available internal remedies of the Association prescribed by these By-Laws, or by the Rules and Regulations of the Association, before that Member may resort to a court

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of law for relief with respect to any alleged violation of the Declaration, these By-Laws or the Rules and Regulations of the Association, by another Member, provided that the foregoing limitation pertaining to exhausting administrative remedies shall not apply to the Board or to any Member where the complaint alleges nonpayment of Annual Assessments, Special Assessments, Capital Improvement Assessments or Reconstruction Assessments.

Section 12.02 Written Complaint. A hearing to determine whether a right or privilege of the respondent under the Declaration or these By-Laws should be suspended or conditioned, or whether a Special Assessment should be levied, shall be initiated by the filing of a written Complaint by any Member or by any Officer or member of the Board of Directors with the President of the Association or other presiding member of the Board. The Complaint shall constitute a written statement of charge which shall set forth in ordinary and concise language the acts or omissions with which the respondent is charged, and a reference to the specific provisions of the Declaration, these By-Laws or the Rules and Regulations of the Association which the respondent is alleged to have violated. A copy of the Complaint shall be delivered to the respondent in accordance with the notice procedures set forth in the Declaration, together with a statement which shall be substantially in the following form:

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"Unless a written request for a hearing signed by or on behalf of the person named as respondent in the accompanying Complaint is delivered or mailed to the Board of Directors within fifteen (15) days after the Complaint is served upon you, the Board of Directors may proceed upon the Complaint without a hearing, and you will have thus waived your right to a hearing. The request for a hearing may be made by delivering or mailing the enclosed form entitled 'Notice of Defense' to the Board of Directors at the following address:

You may, but need not, be represented by counsel at any or all stages of these proceedings. If you desire the names and addresses of witnesses or an opportunity to inspect any relevant writings or items on file in connection with this matter in the possession, custody or control of the Board of Directors, you may contact

The respondent shall be entitled to a hearing on the merits of the matter if the Notice of Defense is timely filed with the Board of Directors. The respondent may file a separate statement by way of mitigation, even if he does not file a Notice of Defense.

Section 12.03 Notice of Hearing. The Board shall serve a notice of hearing, as provided herein, on all parties at least ten (10) days prior to the hearing, if such hearing is requested by the respondent. The hearing shall be held no sooner than thirty (30) days after the Complaint is mailed or delivered to the respondent as provided in Section 12.02 of this Article XII. The notice to the respondent shall be substantially in the following form but may include other information:

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"You are hereby notified that a hearing will be held before the Board of Directors of the Park Ocean Condominium Association at _____

on the _____ day of _____, 19____,
at the hour of _____ upon the charges
made in the Complaint served upon you. You
may be present at the hearing, may, but need
not, be represented by counsel, may present any
relevant evidence, and will be given full opportunity to cross-examine all witnesses testifying against you. You are entitled to request the attendance of witnesses and the production of books, documents or other items by applying to the Board of Directors of the Association."

Section 12.04 Hearing. The hearing shall be held before the Board in executive session pursuant to this notice affording the Member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction hereunder, proof of notice, and the invitation to be heard shall be placed in the Minutes of the meeting. Such proof shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery is entered by the Officer or Director who mailed or delivered such notice. The notice requirement shall be deemed satisfied if a violator appears at the meeting. The Minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. No action against the Member arising from the alleged violation shall take effect prior to the expiration of (a) fifteen (15) days after the Member's receipt of the notice of hearing, and (b) five (5) days after the hearing required herein.

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CERTIFICATE OF SECRETARY

I, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of PARK OCEAN CONDOMINIUM ASSOCIATION, a California non-profit mutual benefit corporation ("Association"); and

2. The foregoing By-Laws comprising 46 pages, including this page, constitute the By-Laws of the Association duly adopted at the meeting of the Board of Directors of the Association held on July 28th, 1981.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this, the 28th day of July, in the year 1981


Jeffrey J. Rousso, Secretary

[SEAL]

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EXHIBIT "F"

**COPY OF INITIAL BUDGET OF COMMON EXPENSES
AS FILED WITH THE CALIFORNIA DEPARTMENT OF REAL ESTATE**

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PROJECT INVENTORY AND
BUDGET WORKSHEETS

RE Form 623 (Rev. 3/31/81)

DRE File Number (If Known)

Deputy Assigned File (If Known)

SUBDIVISION IDENTIFICATION AND LOCATION:

a) Name and/or Tract Number
PARK OCEAN CONDOMINIUM

b) Name to be used in advertising
(if different than (a))

TRACT NO. 37203

c) Street address (if any)

5585 East Pacific Coast Highway

d) City

Long Beach

e) County

Los Angeles

f) Main access road(s)

7th Street

g) Nearest
town/city

h) Miles/Direction from
town/city

TYPE OF SUBDIVISION:

☐ Condominium

☐ Limited Equity

☐ Community Apart-

☒ Condominium
Conversion

☐ Planned Develop-
ment

☐ Out-of-State

☐ Stock
Cooperative

☐ Planned Develop-
ment Land

☐ Undivided
Interest

☐ Stock Coopera-
tive Conversion

☐ Planned Develop-
ment Mobile
Home

☐ Undivided
Interest Land
Project

of lots/units

219 Units

Phase/Increment #

One

of acres

3.23 acres

BUDGET PREPARER:

Name

THE WYNHAM COMPANY, INC.

ATTENTION:

Richard
Wynham-Smith

Telephone Number

(714) 770-1055

Address

25293 Cabot Road

City

Laguna Hills, CA

Zip Code

92653

CERTIFICATION:

I declare under penalty of perjury that the representations and
answers to questions in this document and all documents submitted as
a part of the home-owners budget are true and complete to the best of
my knowledge and belief.

Richard Wynham-Smith

Budget Preparer's Signature

RE Form 623 (Rev. 3/31/81)

July 8, 1981

Date

The Wynham Company
Laguna Hills, CA 92653

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IMPROVEMENTS

1. Number of buildings containing residential units? One
2. Estimated completion date for the residential units included in this filing? Completed 1971/Conversion
3. Estimated completion date for the common areas and facilities included in this filing? Same as Above
4. Type of residential building for this project (i.e., highrise, cluster, garden). Three Story Building
5. Type of construction for these buildings (i.e., steel, concrete, wood frame, etc.). Wood Frame & Stucco
6. Type of roof (i.e., shake, etc.). Asbestos Shingle & Urethane
7. Type of paving used in the project. Concrete & Asphalt Parking
No Streets
8. Type of exterior wall. Stucco
9. Number of residential units per building. 219 Units
10. Number of floors per building. Three Floors
11. Number of bedrooms per unit. Studio - One & Two Bedrooms
12. Square footage per unit. (give ranges if floor plans vary)
417.62 SF - 912.98 Air Space

PROFORMA HOMEOWNERS ASSOCIATION BUDGET

PARK OCEAN CONDOMINIUM ASSOCIATION
5585 East Pacific Coast Highway
Long Beach, California
219 Units - Condominium Conversion

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The Highland Company
LOS ANGELES, CALIFORNIA
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The Wyndham Company

INCORPORATED
CONDOMINIUM RESEARCH & BUDGETS

July 8, 1981

TELEPHONE
(714) 770-1054

22283 CABOT ROAD
LAGUNA HILLS, CALIFORNIA 92653

Mr. Dave Gordon
Signal Land & Cattle
666 East Ocean Boulevard
Seal Beach, California 90740

Re: PARK OCEAN CONDOMINIUM ASSOCIATION
219 Units - Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

Dear Mr. Gordon:

Enclosed herewith is the Proforma Budget for the 219 Unit Park Ocean Condominium Association located in Long Beach, California.

Data used in preparing this Proforma Budget is based information supplied by the developer and his consultants and reliance on construction drawings dated June 19, 1970; landscape plans dated June 19, 1970 and site inspection on August 15, 1980.

Budget assumptions and costs will require adjustment in subsequent operating years.

Dollar amounts meet, or exceed, the Operating Cost Manual for Homeowners Associations published by the Department of Real Estate, Revised March, 1981.

Sincerely,

THE WYNDHAM COMPANY, INC.

Richard Wyndham Smith

Richard Wyndham Smith, ASA

RW/s

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SITE ANALYSIS

PARK OCEAN CONDOMINIUM ASSOCIATION
5585 East Pacific Coast Highway
Long Beach, California
219 Units - Condominium Conversion

SITE:

138,875 S.F.

Apartment Buildings:

1st Floor	55,650 S.F.
2nd Floor	54,421 S.F.
3rd Floor	56,390 S.F.
Penthouses -	<u>374 S.F.</u>
	166,785 S.F.

West Parking (117' x 185'):

Lower Level	21,552.5
Upper Level	<u>21,552</u>
	43,105 S.F.

East Parking (70' x 234'):

Lower Level	16,380 S.F.
Upper Level	<u>16,380 S.F.</u>
	32,760 S.F.

Perimeter Walls:

6,060 S.F.

Roof Area:

59,209 S.F.

Landscape & Hardscape:

39,205 S.F.

Parking Area (Open-Paved):

6,072 S.F.

The Hurdman Company
SANTA ANA, CA 92705

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PARK OCEAN CONDOMINIUM ASSOCIATION
 219 Unit Condominium Conversion
 5585 East Pacific Coast Highway
 Long Beach, California

<u>100 TAXES AND INSURANCE</u>	<u>PER UNIT PER MO.</u>	<u>TOTAL MONTHLY</u>	<u>TOTAL ANNUALLY</u>
101 Property Tax	\$.00	\$.00	\$ 00
102 Franchise Tax	.08	16.67	200
103 Insurance *	5.62	1,229.72	14,757
104 CAl Does	.03	6.25	75
SUB-TOTAL	\$ 5.72	\$1,252.63	\$15,034
<u>200 ASSOCIATION OPERATING COSTS</u>			
201 Electricity			
Lighting Costs			
Elevator			
Air Conditioning			
Swimming Pool			
Miscellaneous			
Auto Spkr Tars.			
202 Gas			
Hot Water *	10.00	2,190.00	26,280
Central Heating			
Swimming Pools	1.75	384.33	4,612
203 Water			
Irrigation	.25	55.42	665
Domestic *	3.97	870.33	10,444
Water Meter	.23	50.00	600
205 Television Cable Service			
207 Custodial	.46	100.00	1,200
208 Landscape Care & Supplies	2.28	500.00	6,000
209 Refuse Disposal	1.28	280.00	3,360
210 Elevator	.43	94.58	1,135
211 Streets & Drives	.82	180.00	2,160
212 Heating & Air Cond.	.24	52.50	630
213 Swimming Pool Care	.91	200.00	2,400
214 Tennis Courts	.23	50.00	600
215 Security Guard			
216 Miscellaneous Repairs	4.00	876.00	10,512
Pest Control	.33	73.33	880
Snow Removal			
Fire Exting. Svc.	.09	18.75	225
SUB-TOTAL	\$ 43.27	\$ 9,475.25	\$113,703

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The Hyndman Company
 10000 WILSON, CA 90805

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PARK OCEAN CONDOMINIUM ASSOCIATION
 219 Unit Condominium Conversion
 5585 East Pacific Coast Highway
 Long Beach, California

	<u>PER UNIT PER MO.</u>	<u>TOTAL MONTHLY</u>	<u>TOTAL ANNUALLY</u>
<u>300 RESERVES FOR REPLACEMENT</u>			
301 Painting Area*	\$ 4.56	\$ 999.25	\$11,991
302 Roofing Area *	3.35	733.33	8,800
303 Water Heaters *	.82	178.50	2,142
304 Lights	.62	135.33	1,624
305 Carpets & Flooring	1.65	361.25	4,335
306 Elevator	.46	100.00	1,200
307 Streets & Walkways	.12	25.25	303
308 Central Heating & Air Cond.	2.92	638.92	7,667
309 Swimming Pool	.95	208.33	2,500
310 Tennis Courts	.23	50.00	600
311 Furn. & Fixtures	.57	125.00	1,500
312 On Site Utilities Maintenance			
313 Sprinkler System			
314 Solar Equipment Accessories			
315 Stream Pumps	.30	66.67	800
<u>SUB-TOTAL</u>	<u>\$16.54</u>	<u>\$3,621.63</u>	<u>\$43,462</u>
<u>400 MANAGEMENT</u>			
401 Professional Management	\$11.42	\$2,500.00	\$30,000
402 Legal	.84	183.33	2,200
403 Annual Audit	.68	150.00	1,800
<u>SUB-TOTAL</u>	<u>\$12.94</u>	<u>\$2,833.33</u>	<u>\$34,000</u>
<u>500 CONTINGENCIES</u>			
501 Contingency - 3%			
502 Contingency - Conv. 5%	\$3.92	\$859.16	\$10,310
<u>SUB-TOTAL</u>	<u>\$ 3.92</u>	<u>\$859.16</u>	<u>\$10,310</u>
<u>TOTAL PROFORMA BUDGET</u>	<u>\$ 82.39</u>	<u>\$18,042.42</u>	<u>\$216,509</u>

*NOTE: See Proration Schedule, Page 20

The Wyndham Company
 LONG BEACH, CA 90803

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

100 TAXES & INSURANCE

ANNUALLY

101 Property Tax

102 Franchise Tax

California Non-Profit Corporation Tax.
Note: An exemption and refund may be
obtained by application to the California
Franchise Tax Board

\$ 200

103 Insurance

Fire and extended coverage based on
80% of Sales Price - Insurable value
\$10,560,000

\$13,439

Directors & Officers Insurance

\$ 1,320

\$14,759

104 Community Association Institute Dues

Annual membership in Community
Association Institute

\$ 75

The Wyndham Company
LOS ANGELES, CA 90022

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

200 ASSOCIATION OPERATING COSTS

ANNUALLY

201 Electricity - Projected @ \$.10/KWH

Exterior Lighting

- A - Bridge Flood Lights, 100 Watts/ea.
- 12 - Alley Flood Lights, 150 Watts/ea.
- 7 - Front Bldg. Flood Lights, 100 Watts/ea.
- 12 - Overhead Lights, 60 Watts/ea.
- 2 - Mercury Arc Vapor, 1,000 Watts/ea.
- 22 - Landscape Yellow Bug Lights, 60 Watts/ea.
- 3 - Restroom Fixtures, 60 Watts/ea.

Interior Lighting

- 24 - 48" Fluorescent, 48 Watts/ea.
- 83 - Rec. Room Fixtures, 67 Watts/ea.
- 39 - Hanging Fixtures, 40 Watts/ea.
- 11 - 4 Lamp Fluorescent Fixtures,
48" Mens Gym, 192 Watts/ea.
- 6 - As above, Women's Gym, 192 Watts/ea.
- 4 - As above, W/M Restrooms, 192 Watts/ea.
- 2 - Sauna Fixtures, 100 Watts/ea.
- 48 - Fluorescent Tubes, 48", 48 Watts/ea.
Laundries
- 8 - As above, 96", 96 Watts/ea.
- 63 - Fluorescent Fixtures, 2-24" tubes,
48 Watts/ea.
- 168 - Fixtures, 2-48" tubes, 96 Watts/ea.
- 55 - Garage Fixtures, 96" Tubes, 96 Watts/ea
- 511 Fixtures - Average 1,215 Watts

Elevator

Three (3) 2 HP Delta Motors

The Hyslop Company
LAWSONVILLE, GA 30053

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

200 ASSOCIATION OPERATING COSTS (CONTINUED):

ANNUALLY

201 Electricity (Continued) - Projected @ \$.10/KWH 1981-82

Air Conditioning

Four (4) 5 Ton Climatrol

One (1) 3 Ton Climatrol

41,400 KWH/Yr. (180 Days)

Swimming Pool

One (1) 1/4 HP Motor - Gould

Soa

Two (2) 1/4 HP Motors

Streams

One (1) 6 HP Pump Motor

Tennis Courts

Four (4) 800 Watt Quartz Fixtures

Garages

Five (5) 1/3 HP Motors for five (5) sliding
security gate garages.

ONE COMMON METER FOR ALL COMMON
ELECTRICAL USES.

AVERAGE ANNUAL CONSUMPTION

425,000 KWH/YR.

(Last 6 Months = \$3,000 +/-Mo.)

Adopt

\$42,000

(See Historical Operating Statements)

The Wyndham Company
SANTA ANA, CALIF. 92705

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION

219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

200 ASSOCIATION OPERATING COSTS (TWT-)

ANNUALLY

202 Gas @ \$.50/Therm

Hot Water

Two (2) Model MN 1193 THMS Raypac Heaters
1,198,000 BTU each unit, 220 gallon
fast recovery hot water boilers

Two (2) 120 Gallon Reservoir Tanks

219 Units @ 20 Therms/Mo. or
4,380 Therms @ \$.50 = \$2,190/Month

\$26,280

Central Heat

N/A

Not Used

Swimming Pool

One (1) 400,000 BTU Heater
25' x 40' Pool, 10° Rise,
6 Month Heating Cycle,
31.25 Therms/Day
3,625 Therms/Yr. (6 Months Operation)

\$2,812

Spa

10' x 10'
Assume 300 Therms/Mo.

\$1,800

\$ 4,612

The Houston Company
COSTA MESA, CA 92626

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

200 ASSOCIATION OPERATING COSTS (CONT.):

ANNUALLY

203 Water

One 4" Meter serves entire complex,
\$50/Mo. Meter Charge \$ 600

Irrigation

45,272 SF Interior Court landscape
water scape and concrete walks, plus
perimeter plantings - Assume 3 Ac. Ft.
per year = 135,831 Cubic Ft./Yr. @
\$.49 per 100 Cubic Ft. \$ 665

Domestic

219 Units @ 200 Gallons/Day
2,131,600 C.F./Yr. @ \$.49 per
100 Cubic Ft. \$10,444

5% Sur Charge Monthly on
Water Only = \$555/Yr. \$55

\$12,264

N/A

Water Softner

205 T. V. Cable

Individual Cable
Master Antenna Not Operative

207 Custodial

Window Washing - Stairwells
and community rooms @ \$100/Mo.
(Restrooms, see On-Site
Management #401)

\$ 1,200

208 Landscape Care

45,272 SF Class A Landscape
Water Scape, Walks & Decks
@ \$.13/SF/Yr. (Current
Contract \$400/Month)

\$ 6,000

The Hyndman Company
LOS ANGELES, CA 90005

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

<u>200 ASSOCIATION OPERATING COSTS (CONT.)</u>	<u>ANNUALLY</u>
<u>209 Refuse Disposal</u>	
Eight (8) 3 Yard Bins, three times/week pickup Current Contract: Sam's Beach Ecology @ \$240/Mo., Adopt \$280/Month	\$ 3,360
<u>210 Elevator</u>	
Three (3) Delta Elevators, Hydraulic, three (3) stop openings Current maintenance contract by L. A. Elevator @ \$82.08/Month 3-1-80 to 2-29-81, Trouble Calls \$49.00/Hr., Adopt	\$ 1,135
<u>211 Streets & Drives</u>	
44,500 SF of Garage Floor 6,072 SF Parking Area Sweep two (2) times per month/Current Contract \$180/Month (Beach Ecology Co.)	\$ 2,160
<u>212 Heating & Air Conditioning</u>	
Four (4) Climatrol five ton units One (1) Climatrol three ton unit Annual Maintenance Service Six Times Per Year	\$ 630
<u>213 Swimming Pool Maintenance</u>	
25' x 40' Pool 10' x 10' Spa Monthly Maintenance & chemicals/Current Contract Averages for 12 Mo. Period, adopt \$200	\$ 2,400

The H. J. Matthews Company
LAWYERS 1000-1000

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

200 ASSOCIATION OPERATING COSTS (CONT.):

ANNUALLY

214 Tennis Courts

On Second Deck of Parking
Structure, lighted - See
Electricity 201 - Tennis Courts

Monthly cleaning service
@ \$50/Month

\$ 600

215 Security Guard

N/A

216 Miscellaneous Repairs

DRE Minimum - \$4/Unit/Month
219 Units - \$876/Mo.

\$10,512

Pest Control

Preventive maintenance on
exterior and common interior
spaces - Service Contract - \$220 Quarterly

\$ 880

Fire Extinguisher Recharge & Maintenance

Annual Service - Thirty-Six
(36) 2-1/2 Gallon Water Pressurized
Units @ \$4/Yr.

Five (5) 2-1/2 Gallon CO2 Units
One (1) ABC All Purpose Extinguisher

Alarm System - \$45

\$ 225

The Wyndham Company
GENERAL BUILDING CORP.

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

<u>300. RESERVE + REPLACEMENT</u>	<u>ANNUALLY</u>	
<u>301 Painting Area</u>		
<u>Interior</u>		
84,836 SF interior walls, recreation rooms and ceilings to be repainted on a 7 year cycle - Replacement Cost \$41,569	\$5,938	
<u>Exterior</u>		
74,118 SF exterior walls and balconies, paint and trim and brush coat stucco, average life 7 years. Adopt \$.07/SF/Yr. - Repainted 1981	\$5,188	
<u>Landscape-Architecture</u>		
Gazebos, hand rails, etc.	\$ 500	
<u>Exterior Face of Garages</u>		
12,140 SF Masonry Surfaces		
@ \$.03/SF	\$ 365	\$11,991
<u>302 Roofing</u>		
59,209 SF Urethane Roof System Roofing - Estimated remaining life 10 Years - Replacement Cost \$88,000		\$ 8,800
10,000 SF Heavy Duty Asphalt #350 Shingles, 25 Yr. Life, Mansard Roof - Considered lifetime	-0-	

The Hoffman Company
General Contractors, Inc. 55442

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

<u>300 RESERVES FOR REPLACEMENT (CONTINUED)</u>	<u>ANNUALLY</u>	
<u>303 Water Heaters</u>		
Two (2) Ray Pac Hot Water Boilers & two (2) reservoir tanks		
Total Replacement Cost \$15,000		
Estimated Overall Life - 7 Years		\$ 2,142
<u>304 Lights Fixtures</u>		
<u>Exterior Light Fixtures</u>		
62 @ \$.50/Month = \$31/Mo.	\$ 372	
<u>Interior Light Fixtures</u>		
522 @ \$.20/Month = \$104/Mo.	\$1,252	\$ 1,624
<u>305 Carpets & Flooring</u>		
2,046 Sq. Yds. Hallway carpet and recreation room miscellaneous covering - Annual reserve DRE Minimum \$2.00/Sq.Yd./Yr.	\$4,092	
1,620 SF Vinyl Floor in Laundries - DRE Minimum \$.15/SF	\$ 243	\$ 4,335
<u>306 Elevator</u>		
Three (3) Hydraulic Elevators Annual Reserve \$400/Each		\$ 1,200

The Henderson Company
LOS ANGELES, CA 90002

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

<u>300 RESERVES FOR REPLACEMENT (CONT:)</u>	<u>ANNUALLY</u>
<u>307 Streets & Walkways</u>	
6,072 SF Asphalt Paving in rear @ \$.05/SF	\$ 303
<u>308 Central Heating</u>	
Four (4) Climatrol five ton units Replacement Cost \$20,000 Estimated average remaining life 3 Years	\$5,667
One (1) Climatrol three ton unit, Replacement Cost \$3,000 - 3 Yr. Life	<u>1,000</u> \$ 7,667
<u>309 Swimming Pool & Spa</u>	
Swimming Pool & Spa Estimated Replacement Cost \$30,000 Mechanical = \$7,500 Estimated Remaining Life 3 Years	\$ 2,500
<u>310 Tennis Courts</u>	
One (1) Concrete Court (Roof of Garage) Annual Reserve	\$ 600
<u>311 Furniture & Fixtures</u>	
New recreational, pool furniture, and gym equipment - Overall Replacement Cost \$7,500 - 5 Yr. Life	\$ 1,500

The Wyndham Company
GENERAL BUILDERS, INC. 19802

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

<u>300 RESERVES FOR REPLACEMENT (CONT:)</u>		<u>ANNUALLY</u>
312 <u>On Site Utilities</u>		N/A
313 <u>Sprinkler System</u>		N/A
314 <u>Solar Equipment Accessories</u>		N/A
315 <u>Miscellaneous</u>		
<u>Stream Pumps & Motors</u>		
One (1) 6 HP Pump-Motor		
Replacement Cost \$1,500	\$ 300	
Security Gates		
Five Miscellaneous	\$ 500	\$ 800

The Wyndham Company
LOS ANGELES, CA 90003

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

400 MANAGEMENT

ANNUALLY

401 Professional Management

This project will require an on-site manager for general maintenance, supervision of sub-contractors and service personnel and off-site management for maintenance of records, payment of accounts, collection and accounting in addition to corporate activities of the homeowners association

219 Units @ \$12/Month or \$2,628/Mo.
= \$31,536, Adopt

\$30,000

402 Legal

Annual retainer for corporate legal counsel (HOA)
219 units @ \$10/Yr. or \$2,190/Yr.,
Adopt \$2,200

\$ 2,200

403 Annual Audit

Annual independent audit of
HOA accounting records

DPE Minimum \$8/unit/Yr. =
\$1,752, Adopt

\$ 1,800

The Henderson Company
LOS ANGELES, CA 90012

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BASIS & ASSUMPTIONS

PARK OCEAN CONDOMINIUM ASSOCIATION
219 Unit Condominium Conversion
5585 East Pacific Coast Highway
Long Beach, California

500 CONTINGENCY

502 Contingency

Miscellaneous contingency to cover
unbudgeted expenditures

DRE Minimum - 5%

\$10,310

The Kynard Company
LOS ANGELES, CA 90023

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T ASSESSMENT PRORATIONS

PARK OCEAN CONDOMINIUM ASSOCIATION 219 Unit Condominium Conversion 5585 East Pacific Coast Highway Long Beach, California

<u>Unit Type</u>	<u>Percentage of Ownership</u>	<u>Equal Monthly Assess.</u>	<u>Variable Assessment</u>	<u>Total Monthly Assess.</u>	<u>No. of Units</u>	<u>Total Annual Assessment</u>
Unit A 417.62 SF	.003248	\$54.07	\$20.14	\$74.21	74	\$ 65,898.48
Unit B 597.23 SF	.004645	\$54.07	\$28.81	\$82.88	107	\$106,417.92
Unit C 912.98 SF	.007101	\$54.07	\$44.04	\$98.11	30	\$ 35,319.60
Unit D 832.50 SF	.006475	\$54.07	\$40.16	\$94.23	6	\$ 6,784.56
Unit E 686.70	.005341	\$54.07	\$33.12	\$87.19	2	\$ 2,092.56
						\$216,513.12

Annual Assessment Equally Assessed \$142,093

Annual Assessment Prorated by Class

Insurance	\$14,759
Common Hot Water	\$26,280
Common Domestic Water	\$10,444

RESERVES

Painting	\$11,991	
Roofing	\$ 8,800	
Hot Water Heaters	\$ 2,142	\$74,416
		\$216,509

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The Wyndham Company
LABOUR 1002, CA 92023

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