If this document contains any restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code by submitting a “Restrictive Covenant Modification” form, together with a copy of the attached document with the unlawful provision redacted to the county recorder’s office. The “Restrictive Covenant Modification” form can be obtained from the county recorder’s office and may be available on its internet website. The form may also be available from the party that provided you with this document. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

RESTRICTIVE COVENANT MODIFICATION:

The following reference document contains a restriction based on age, race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, familial status, marital status, disability, veteran or military status, genetic information, national origin, source of income as defined in Section 12955 of the Government Code, or ancestry, that violates state and federal fair housing laws and is void. Pursuant to Section 12956.2 of the Government Code, this document is being recorded solely for the purpose of redacting and eliminating that restrictive covenant as shown on page(s) ___ of the document recorded on _____(date) in book _____ and page _____ or instrument number _____ of the official records of the County of _____, State of California.

Attached hereto is a true, correct and complete copy of the document referenced above, with the unlawful restrictive covenant redacted.

This modification document shall be indexed in the same manner as the original document being modified, pursuant to subdivision (d) of Section 12956 of the Government Code.

The effective date of the terms and conditions of the modification document shall be the same as the effective date of the original document.

_____
(Signature of submitting party)

_____ County Counsel, or their designee, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, hereby states that it has determined that the original document referenced above contains an unlawful restriction and this modification may be recorded.

Or

_____County Counsel, or their designee, pursuant to paragraph (1) of subdivision (b) of Section 12956.2 of the Government Code, finds that the original document does not contain an unlawful restriction, or the modification document contains modifications not authorized, and this modification may not be recorded.

County Counsel

By:

Date:

84-148761

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WHEN RECORDED, MAIL TO:

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& PECKENPAUGH (SJD)
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR SEABRIDGE VILLAGE

1757S/SJD/0238S/15300
kjm/03-12-84

84-148761

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AND RESERVATION OF EASEMENTS

FOR

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DECLARATION OF COVENANTS, CONDITIONS AND

RESTRICTIONS AND RESERVATION OF EASEMENTS

FOR

SEABRIDGE VILLAGE

1757S/SJD/0238S/15300
kjm/03-12-84

84-148761

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

SEABRIDGE VILLAGE

THIS DECLARATION is made by MOLA DEVELOPMENT COMPANY, a California corporation ("Declarant").

P R E A M B L E:

A. Declarant is the owner of certain real property ("Phase 1") located in Orange County, California, described as follows:

> Lots 2 and 3 of Tract No. 11870, as shown on a Subdivision Map Filed on December 21, 1982, in Book 506, at Pages 33 to 35, inclusive, of Maps in the Office of the Orange County Recorder.

B. Phase 1 is part of a larger land area owned by Declarant which Declarant intends to subdivide and improve as a master residential condominium development to be known as Seabridge in accordance with the Master Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Seabridge, recorded on April 10th, 1984, as Instrument No. 84-148183 in Official Records of Orange County, California ("Master Declaration"). It is the desire and intention of Declarant to subdivide the Property (as herinafter defined) into condominium estates and to impose mutually beneficial restrictions under a general plan of improvement for the benefit of all the condominium estates created. Phase 1 consists of fifty-six (56) Condominium Residences. Additional Phases of Development may be constructed on the real property described in Exhibit "D" attached hereto. If developed as planned, the Project will eventually consist of two hundred (200) Condominium Residences. Approximately thirty-six (36) of the Condominium Residences are planned as one-bedroom Units and approximately one hundred sixty-four (164) of the Condominium Residences are planned as two-bedroom Units. All the Units are intended to be housed within wood frame, multi-family structures with hardboard siding exteriors. The recreational facilities and amenities in Phase 1 will consist of a swimming pool, jacuzzi spa, and a recreation building.

C. Declarant hereby declares that all of the Property is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, easements, conditions and covenants, all of which are declared and agreed to be in furtherance of a plan for the protection, subdivision, maintenance, improvement and sale of the Property for the purpose of enhancing the value, desirability and attractiveness of the Property. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Property. All of the limitations, restrictions, easements, conditions and covenants herein shall run with and burden the

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Property and shall be binding on and for the benefit of all of the Property and all Persons having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns. The development plan of the Property shall be consistent with the overall development plan submitted to the Veterans Administration or the Federal Housing Administration.

D. Declarant, 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 title to each respective Unit conveyed therewith shall not be separated or separately conveyed, 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 Property is suspended in accordance with Section 1354(b) of the California Civil Code and the provisions of Article X hereof. Any conveyance by an Owner of a Condominium, or any 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 shall have the following specified meanings.

Section 1.01. Annexable Territory. "Annexable Territory" shall mean the real property described in Exhibit "D" attached hereto and incorporated herein by this reference, all or any portion of which may from time to time be made subject to this Declaration pursuant to Article XVI hereof.

Section 1.02. Architectural Committee or Committee. "Architectural Committee" or "Committee" shall mean the Architectural Review Committee created pursuant to the Master Declaration.

Section 1.03. Articles. "Articles" shall mean the Articles of Incorporation of the Association, filed or to be filed in the Office of the Secretary of State of the State of California, a true copy of which is attached hereto, marked Exhibit "A", as such Articles may be amended from time to time.

Section 1.04. Assessment, Annual. "Annual Assessment" shall mean a charge against a particular Owner and his Condominium, representing a portion of the Common Expenses which are to be paid by each Owner to the Association in the manner and proportions provided herein.

Section 1.05. Assessment, Capital Improvement. "Capital Improvement Assessment" shall mean a charge which the Board may from time to time levy against each Owner and his Condominium,

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representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Property. Such charge shall be levied among all of the Condominiums in the Project in the same proportions as are Annual Assessments.

Section 1.06. Assessment, Reconstruction. "Reconstruction Assessment" shall mean a charge which the Board may from time to time levy against a particular Owner and his Condominium, representing a portion of the cost to the Association for reconstruction of any capital improvements on any of the Common Property. Reconstruction Assessments shall be levied among all of the Condominiums in the Project in the same proportions as the relative interior square foot floor areas of the Residential Elements of the Units (as such areas are shown on the Condominium Plan or Plans for the Project), expressed as percentages, and computed by dividing the interior square foot floor area of the Residential Element of each Unit by the total interior square foot areas of the Residential Elements of all Units in the Project.

Section 1.07. Assessment, Special. "Special Assessment" shall mean a charge against a particular Owner directly attributable to, or reimbursable by, the Owner, equal to the cost incurred by the Association for corrective action performed pursuant to the provisions of this Declaration, or a reasonable fine or penalty assessed by the Board, plus interest and other charges on such Special Assessments as provided for in this Declaration. Special Assessments shall not include any late payment penalties, interest charges or costs (including attorneys' fees) incurred by the Association in the collection of Annual, Capital Improvement and Reconstruction Assessments.

Section 1.08. Association. "Association" shall mean SEABRIDGE VILLAGE HOMEOWNERS ASSOCIATION, a California nonprofit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns.

Section 1.09. Association Property. "Association Property" shall mean all of the real and personal property and Improvements (other than the Common Areas) to which the Association shall hold fee title or over which the Association shall hold an easement for the common use and enjoyment of the Members as provided herein. The Association Property located in Phase 1 shall include Lots 3 of said Tract No. 11870. Fee title to, or an easement over, the Association Property in each Phase shall be conveyed to the Association prior to the first Close of Escrow for the sale of a Condominium in such Phase, free and clear of any and all encumbrances and liens other than reservations, easements, covenants, conditions and restrictions then of record, including those set forth in this Declaration.

Section 1.10. 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.

Section 1.11. Board or Board of Directors. "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

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Section 1.12. Budget. "Budget" shall mean a written, itemized estimate of the income and Common Expenses of the Association in performing its functions under this Declaration, which Budget shall be prepared pursuant to the Bylaws.

Section 1.13. Bylaws. "Bylaws" shall mean the Bylaws of the Association as adopted by the Board initially in the form of Exhibit "B" attached hereto, as such Bylaws may be amended from time to time.

Section 1.14. Close of Escrow. "Close of Escrow" shall mean the date on which a deed is Recorded conveying a Condominium pursuant to a transaction requiring the issuance of a Final Subdivision Public Report by the California Department of Real Estate.

Section 1.15. Common Areas. "Common Areas" shall mean all areas on the Project, except the Units. Common Areas shall include, without limitation, for maintenance purposes of the Association, but not necessarily by way of fee title, all gas, water and waste pipes, all sewers, all ducts, chutes, conduits, wires and other utility installations of the Project Improvements wherever located (except the outlets thereof when located within the Units), the land upon which the Project Improvements are located and the airspace above the Project Improvements, all bearing walls, columns, unfinished floors, the roofs, foundation slabs, party walls, utility walls, foundations, private streets or driveways, walkways, common stairways, parking areas and landscaping on those areas of the Project which are not defined as a part of the Units.

Section 1.16. Common Areas, Restricted. "Restricted Common Areas" shall mean those portions of the Common Areas over which exclusive easements are reserved for the benefit of certain Owners, for patio and balcony purposes. The Restricted Common Areas in each Phase for patio and balcony purposes are shown and assigned in the Condominium Plan for such Phase. The Restricted Common Areas in each subsequent Phase shall be shown and described in the Notice of Addition and Condominium Plan for such Phase.

Section 1.17. Common Expenses. "Common Expenses" shall mean those expenses for which the Association is responsible under this Declaration, including the actual and estimated costs of: maintenance, management, operation, repair and replacement of the Common Property (including unpaid 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 Property; the costs of trash collection and removal; the cost of maintenance of clustered mailboxes; the 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 Property; the cost of maintenance of the recreational facilities on the Common Property; the costs of fire, casualty and liability insurance, workers' compensation insurance, errors and omissions and director, officer and agent liability insurance, and other insurance covering the Property

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 Property; amounts paid by the Association for discharge of any lien or encumbrance levied against the Property, or portions thereof; and the costs of any other item or items incurred by the Association, for any reason whatsoever in connection with the Property, for the common benefit of the Owners.

Section 1.18. Common Property. "Common Property" shall mean the Common Areas and the Association Property.

Section 1.19. Condominium. "Condominium" shall mean an undivided fee simple ownership interest in the Common Areas in a Phase of Development, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto. Subject to the provisions of Section 11.04 hereof, the fractional undivided fee simple interest appurtenant to each Unit in Phase 1 shall be an undivided _____ (____) interest in the Common Areas located in Phase 1 to be held by the Owners of Condominiums in Phase 1 as tenants in common.

Section 1.20. Condominium Plan. "Condominium Plan" shall mean the Recorded engineering drawings and related materials for a Phase of Development, as amended from time to time, showing the diagrammatic floor plans of the Units, the boundaries of the Units, the Common Areas, and, where applicable, dimensions, specific alternative uses as authorized by this Declaration, and such other information reasonably necessary to identify a Condominium in such Phase.

Section 1.21. Declarant. "Declarant" shall mean MOLA DEVELOPMENT CORPORATION, a California corporation, its successors, and any Person to which it shall have assigned any of its rights hereunder by an express written assignment.

Section 1.22. 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 1.23. Deed of Trust. "Deed of Trust" shall mean a Mortgage or a Deed of Trust, as the case may be.

Section 1.24. Family. "Family" shall mean one or more natural persons each related to the other by blood, marriage or adoption, or a group not all so related, who maintain a common household in a Residence, but not more than three (3) natural Persons per bedroom in such Residence.

Section 1.25. Fiscal Year. "Fiscal Year" shall mean the fiscal accounting and reporting period of the Association selected by the Board from time to time.

Section 1.26. Improvements. "Improvements" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, buildings, walkways, sprinkler pipes, carports, swimming pools, roads, driveways, parking areas, fences, screening walls, retaining walls, awnings, stairs, decks, landscaping, hedges, windbreaks, the exterior

surfaces of any visible structure and the paint on such surfaces, planted trees and shrubs, poles, signs, and water softener fixtures or equipment.

Section 1.27. Maintenance Funds. "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association pursuant to Section 5.02 hereof.

Section 1.28. Manager. "Manager" shall mean the Person, employed by the Association, pursuant to and limited by Section 2.10 hereof, and delegated the duties, power or functions of the Association as limited by said section.

Section 1.29. Master Association. "Master Association" shall mean Seabridge Village Master Community Association, a California nonprofit corporation formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California, its successors and assigns. The powers and duties of the Master Association are more particularly set out in the Master Declaration, and in the bylaws for the Master Association. Each Owner shall be a member of the Master Association.

Section 1.30. Master Declaration. "Master Declaration" shall mean the Master Declaration of Covenants, Conditions, Restrictions and Reservation of Easements for Seabridge, described in Paragraph B of the Preamble to this Declaration, as such Master Declaration may be amended from time to time.

Section 1.31. Member, Membership. "Member" shall mean every Person holding a membership in the Association, pursuant to Section 2.03 hereof. "Membership" shall mean the property voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

Section 1.32. Mortgage. "Mortgage" shall mean any Recorded mortgage or deed of trust or other conveyance of a Condominium or other portion of the Property 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 1.33. Mortgagee, Mortgagor. "Mortgagee" shall mean a Person to whom a Mortgage is made and shall include the Beneficiary of a Deed of Trust; "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 1.34. Notice and Hearing. "Notice and Hearing" shall mean written notice and a hearing before the Board, at which the Owner concerned shall have an opportunity to be heard in person, or by counsel at the Owner's expense, in the manner further provided in the Bylaws.

Section 1.35. Notice of Addition. "Notice of Addition" shall mean an instrument Recorded pursuant to Article XVI

hereof to annex all or any portion of the Annexable Territory to the Property.

Section 1.36. Owner. "Owner" shall mean the record owner, whether one or more Persons, of a fee simple interest in a Condominium, including Declarant with respect to each Condominium owned by Declarant. The term "Owner" shall include a seller under an executory contract of sale but shall exclude Mortgagees.

Section 1.37. Person. "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

Section 1.38. Phase 1. "Phase 1" shall mean all of the real property described in Paragraph A of the Preamble of this Declaration.

Section 1.39. Phase of Development. "Phase of Development" or "Phase" shall mean (a) Phase 1 or (b) all real property covered by a Notice of Addition Recorded pursuant to Article XVI hereof for which a Final Subdivision Public Report has been issued by the California Department of Real Estate.

Section 1.40. Project. "Project" shall mean that portion of the Property which is, from time to time, divided into Condominiums, in accordance with Section 1350 of the California Civil Code, including the Common Areas and the Units therein. The term "Project", as used in this Declaration, may constitute more than one project, as such term is defined in Section 1350 of the California Civil Code.

Section 1.41. Property. "Property" shall mean (a) Phase 1, and (b) each Phase of Development, upon the Close of Escrow for the sale of a Condominium in such Phase.

Section 1.42. Record, File, Recordation. "Record", "File" or "Recordation" shall mean, with respect to any document, the recordation or filing of such document in the Office of the County Recorder of the county in which the Property is located.

Section 1.43. Residence. "Residence" shall mean a Unit, intended for use by a single Family, together with any Restricted Common Areas reserved for the benefit of such Unit.

Section 1.44. Restrictions. "Restrictions" shall mean this Declaration, the Articles, Bylaws and the Rules and Regulations of the Association from time to time in effect.

Section 1.45. Rules and Regulations. "Rules and Regulations" shall mean the rules and regulations adopted by the Board pursuant to this Declaration or the Bylaws, as such Rules and Regulations may be amended from time to time.

Section 1.46. Unit. "Unit" shall mean the elements of a Condominium not owned in common with the Owners of other Condominiums in the Project. Each of the Units shall be a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan. Each such Unit consists of a living area space or spaces ("Residential Element") bounded by and

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contained within the interior unfinished (meaning exclusive of wall coverings, floor coverings, fixtures or decorations) surfaces of the perimeter walls, floors, ceilings, windows, and doors of each Residential Element, together with a separately defined area of space for a garage, all as shown and defined 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.

ARTICLE II

SEABRIDGE VILLAGE HOMEOWNERS ASSOCIATION

Section 2.01. Organization of Association. The Association is or shall be incorporated under the name of SEABRIDGE VILLAGE HOMEOWNERS 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 Bylaws, together with its general and implied powers of a nonprofit mutual benefit corporation, 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, the Bylaws and in this Declaration. The Association shall further have the right to install or construct capital Improvements on the Common Property. The Association may at any time, and from time to time reconstruct, replace or refinish any Improvement or portion thereof upon the Common Property 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 Property. The Association may employ personnel necessary for the effective operation and maintenance of the Common Property, including the employment of legal, management and accounting services. The Association shall make available for inspection by any prospective purchaser of a Condominium, any Owner, and any Beneficiary, insurer or guarantor of any first Mortgage on any Condominium, current copies of the Declaration, the Articles, the Bylaws, the Rules and Regulations and all other books, records and financial statements of the Association.

Section 2.03. Membership. Every 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 Declarant, a Person shall be deemed an Owner of a Condominium only upon Recordation of a deed conveying the Condominium to such Person. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be provided in the Restrictions.

Section 2.04. Transfer. The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Condominium, and then only to the purchaser or Beneficiary of such Condominium. 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 the contract purchaser his Membership rights in the Association. The delegation shall be in writing and shall be delivered to the Board before the 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 Section 5.01 of this Declaration. If the Owner of any Condominium fails or refuses to transfer the Membership registered in his name to the purchaser of the 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. The Association may levy a reasonable transfer fee against a new Owner and his Condominium (which fee shall be added to the Annual Assessment chargeable to such new Owner) to reimburse the Association for the administrative cost of transferring the membership to the new Owner on the records 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 originally be all Owners, except Declarant 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 and subject to assessment. Declarant shall become a Class A Member with regard to Condominiums owned by Declarant upon conversion of Declarant's Class B Membership as provided below. When more than one (1) Person owns any Condominium, all of those Persons shall be Members. The vote of such Condominium shall be exercised as they among themselves determine in accordance with Section 2.06, but in no event shall more than one (1) Class A vote be cast for any Condominium.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium owned and subject to assessment, provided that the Class B Membership shall cease and be converted to Class A Membership on the happening of any of the following events, whichever occurs earliest:

(1) When the total votes outstanding in the Class A Membership equals the total

votes outstanding in the Class B Membership; or

(2) The second anniversary of the original issuance of the most recently issued Final Subdivision Public Report for a Phase of Development; or

(3) The fourth anniversary of the original issuance of the Final Subdivision Public Report for Phase 1; or

(4) The sixth anniversary of the Recordation of this Declaration.

Section 2.06. Voting Rights.

(a) All voting rights shall be subject to the Restrictions. Except as provided in Section 14.02 of this Declaration and Section 4.08 of the Bylaws, as long as there exists a Class B Membership, any provision of this Declaration, the Articles or Bylaws which expressly requires the vote or written consent of a specified percentage (i.e., other than actions requiring merely the vote or written consent of a majority of a quorum) of the voting power of the Association before action may be undertaken shall require the approval of such specified percentage of the voting power of each class of Membership. Except as provided in Section 14.02 of this Declaration and Section 4.08 of the Bylaws, when the Class B Membership has terminated, any provision of this Declaration, the Articles or Bylaws which expressly requires the vote or written consent of Owners representing a specified percentage of the voting power of the Association before action may be undertaken shall then require the vote or written consent of Owners representing such specified percentage of both the total voting power of the Association and the voting power of the Association residing in Owners other than Declarant.

(b) At any meeting of the Association, each Owner, except as otherwise provided in Article II, Section 2.05 with respect to the voting power of Declarant, shall be entitled to cast no more than one (1) vote for each Condominium owned as shown on the Condominium Plan. Where there is more than one (1) record Owner of a Condominium ("co-owners"), all of those co-owners shall be Members and may attend any meeting of the Association, but only one (1) of those co-owners shall be entitled to exercise the single vote to which the Condominium is entitled. Co-owners owning the majority interests in a Condominium shall from time to time 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 or if the designation has been revoked, the vote for the Condominium shall be exercised as the co-owners owning the majority interests

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in the Condominium mutually agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with the consent of his co-owners. No vote shall be cast for any Condominium if the co-owners present in person or by proxy owning the majority interests in such Condominium cannot agree to said vote or other action. The nonvoting 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 Bylaws of the Association, shall be deemed to be binding on all Owners, their successors and assigns.

Section 2.07. Repair and Maintenance Rights and Duties of Association. Subject to Article X pertaining to destruction of Improvements and subject to Article XI pertaining to eminent domain, the Association shall paint, maintain, repair and replace the Common Property and Improvements thereon or shall contract for such maintenance, repair and replacement to assure maintenance of the Common Property and Improvements thereon in a clean, sanitary and attractive condition reasonably consistent with the level of maintenance reflected in the most current Budget on file with and approved by the California Department of Real Estate. However, the Association shall not be responsible for or obligated to perform those items of maintenance, repair or Improvement of the Units or Restricted Common Areas, the maintenance of which is the responsibility of the Owners as provided in Article II, Section 2.09. Association maintenance, repairs and Improvements shall include, without limitation, the right, without obligation, to perform all corrective janitorial, landscaping and repair work within any Residence, if the Owner fails to repair it; the repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Common Property; payment of all charges for all utilities which serve individual Units but which are subject to a common meter; payment of all Common Expenses and charges for water and utilities serving recreational amenities; the repair and maintenance of all walks, private driveways and other means of ingress and egress within the Property, and if determined by the Board to be economically feasible, a monthly inspection and preventative program for the prevention and eradication of infestation by wood-destroying and other pests and organisms in the Property. All such costs of maintenance, repairs and replacements for the Property shall be paid for as Common Expenses out of the Association Maintenance Funds as provided in this Declaration. All work performed by the Association for and on behalf of an Owner, which work is not the responsibility of the Association, shall be charged to the Owner as a Special Assessment. 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 Property to be inspected by the Architectural Committee for any violation thereof.

Section 2.08. Unsegregated Real Property Taxes. To the extent not assessed to or paid by the Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Property. In addition, if all of the Units in a Phase of Development are taxed under a blanket tax bill covering all of such Phase, each Owner shall pay his proportionate share of any installment due under the blanket tax bill to the Association at least ten (10) days prior to the delinquency date; and the Association shall transmit the taxes to the appropriate tax collection agency on or before the delinquency date. Blanket taxes shall be allocated equally among the Owners and their Condominiums in such Phase, based upon the total number of Units in such Phase. The Association shall, at least forty-five (45) days prior to the delinquency date of any blanket tax installment, deliver to each Owner in such Phase a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay his proportionate share of the tax installment and the potential additional charges to the Owner for failure to comply. The Association shall pay the taxes on behalf of any Owner who does not pay his proportionate share. The Association shall levy a Special Assessment against any delinquent Owner in the amount of any sum advanced, plus interest at the rate of ten percent (10%) per annum and may, in addition, include as part of the Special Assessment an amount necessary to reimburse the Association for any penalty or late charge actually assessed in connection with the blanket tax bill for a Phase of Development which late charge results from the failure of the delinquent Owner(s) to make timely payment of his proportionate share of the taxes. Until the Close of Escrow for the sale of ninety percent (90%) of the Condominiums 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 Declarant.

Section 2.09. Repair and Maintenance by Owners. Each 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 expense, all portions of his Unit, as well as the windows, light fixtures actuated from switches controlled from, or separately metered to, such Owner's Unit, and the interior surfaces of the walls, ceilings, 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. However, no bearing 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 the alteration or repair by the Architectural Committee. It shall further be the duty of each Owner, at his sole 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 an exclusive easement has been reserved for the benefit of such Owner. However, no Owner shall be responsible for the periodic structural repair, resurfacing, sealing, caulking, replacement or painting of his assigned Restricted Common Areas, so long as the painting, repair or replacement is not caused by the willful or negligent acts of the Owner or his Family or guests. It shall further be the duty of each Owner to pay when

due all charges for any utility service which is separately metered to his Unit. Subject to any required approval of the Architectural Committee, each Owner shall be responsible for maintaining those portions of any heating and cooling equipment and other utilities which are located within or which exclusively serve his Unit.

Section 2.10. Use of Agent. The Board of Directors, on behalf of the Association, may contract with a Manager for the performance of maintenance and repair and for conducting other activities on behalf of the Association, as may be determined by the Board. The term of such contract, or any contract with Declarant for the furnishing of services to the Association, shall not exceed one (1) year, renewable by agreement of the parties for successive one-year periods, and such contract shall be terminable by the Association, acting through the Board, at any time (a) for cause upon thirty (30) days' written notice thereof, and (b) without cause or the payment of a termination fee upon ninety (90) days' written notice.

Section 2.11. FHA Regulatory Agreement. In order to induce the Department of Housing and Urban Development-Federal Housing Administration ("FHA") to insure Mortgages on Condominiums in the Project, the Association may enter into an agreement with FHA concerning the financial and maintenance affairs of the Association, which agreement may be executed on FHA Form No. 3278. If the Association enters into such an agreement, its provisions shall control in the event of a conflict with the provisions of this Declaration, the Bylaws, or the Articles, so long as FHA is insuring loans secured by Mortgages on Condominiums in the Project.

ARTICLE III

RIGHTS IN COMMON PROPERTY

Section 3.01. Association Easement. The Association shall have an easement over the Common Areas for performing its duties and exercising its powers described in this Declaration. The Association's obligations to maintain the Common Property in any Phase of Development shall commence on the date Annual Assessments commence on Condominiums in such Phase. Until commencement of Annual Assessments on Condominiums in any Phase, the Common Property in such Phase shall be maintained by Declarant.

Section 3.02. Partition. Except as provided in this Declaration, there shall be no judicial partition of the Common Areas, or any part thereof, for the term of the Project, nor shall Declarant, any 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 Property. Subject to the provisions of this Declaration, every Member of the Association shall have, for himself, his Family and guests, a nonexclusive easement of access, ingress, egress, use and enjoyment of, in and to the Common Property, and such easements shall be appurtenant to and shall pass with title to every Condominium in the Project.

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

(a) 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 Property, for any period during which the payment of any Annual, Special, Capital Improvement or Reconstruction Assessment against the Member and his Condominium remains delinquent, and, after Notice and Hearing as provided in the Bylaws, to suspend such rights and easements for the period set forth in the Bylaws 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 in this Declaration;

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

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

(d) Subject to the provisions of this Declaration, the right of each Owner to the exclusive use and occupancy for the purposes designated in this Declaration or in any Recorded Notice of Addition of the Restricted Common Areas assigned to his respective Unit;

(e) The rights and reservations of Declarant as set forth in this Declaration;

(f) The right of the Association, acting through the Board, to reasonably restrict access to roofs, maintenance and landscaped areas and similar areas of the Property;

(g) The right of the Association to reasonably limit the number of guests and tenants of the Owners using the Common Property; and

(h) The right of the Association, acting through the Board, to establish uniform Rules and Regulations for the use of the Common Property, as provided in this Declaration.

Section 3.05. Delegation of Use. Any Member entitled to the right and easement of use and enjoyment of the Common Property may delegate, in accordance with the Bylaws, his right to use and enjoyment of the Common Property to his tenants, contract purchasers or subtenants who reside in his Condominium, subject to reasonable regulation by the Board. An Owner who has made such a delegation of rights shall not be entitled to use or enjoy the recreational facilities or equipment of the Property for so long as such delegation remains in effect.

Section 3.06. Waiver of Use. No Member may exempt himself from personal liability for Assessments duly levied by the Association, or effect the release of his Condominium from the liens and charges thereof, by waiving use and enjoyment of the Common Property or by abandoning his Condominium.

Section 3.07. Damage by Member. To the extent permitted by California law, each Member shall be liable to the Association for any damage to the Common Property not fully reimbursed to the Association by insurance if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Member, his guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Common Property from the Member, or his or their respective Family and guests, both minor and adult. However, 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 Bylaws, to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Member or the Person for whom the Member may be liable as described above. In the case of joint ownership of a Condominium, the liability of the owners shall be joint and several, except to the extent that the Association shall have previously contracted in writing with the joint owners to the contrary. After Notice and Hearing as provided in the Bylaws, the cost of correcting the damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against such Member's Condominium, and may be enforced as provided herein.

ARTICLE IV

ARCHITECTURAL REVIEW COMMITTEE

All Owners and the Association shall comply with the provisions of the Master Declaration with respect to architectural standards and regulations for the construction, alteration, addition, modification or reconstruction of an Improvement in the Project, all of which are subject to the jurisdiction of the Architectural Committee pursuant to the Master Declaration.

ARTICLE V

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

Section 5.01. Personal Obligation of Assessments. Declarant, for each Condominium owned by it, hereby covenants and agrees to pay, and each 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 to pay to the Association all Annual Assessments for Common Expenses and all applicable Special Assessments, Reconstruction Assessments and Capital Improvement Assessments. Except as provided in this Section 5.01, all such assessments, together with interest, costs, and reasonable attorneys' fees, shall be a separate, distinct and personal obligation of the Person who was the Owner of the Condominium at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of the Condominium or by an offer to waive use of the Common Property or the Restricted 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. The Maintenance Funds may be established as trust accounts at a banking or savings institution. 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 Property (which cannot normally be expected to occur on an annual or more frequent basis), and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. To qualify for higher returns on accounts held at banking or savings institutions the Board of Directors may commingle any amounts deposited into any of the Maintenance Funds with one another, provided that the integrity of each individual Maintenance Fund shall be preserved on the books of the Association by accounting for disbursements from, and deposits to, each Maintenance Fund separately. 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, for the operation, replacement, improvement and maintenance of the Property, and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. 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 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 only for the respective purposes specified in this Article V. Nothing in this Declaration shall be construed in such a way as to permit the Association from using any assessments to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Annual Assessments shall be used to satisfy

Common Expenses of the Association, as provided herein and in the Bylaws.

Section 5.04. Limitations on Annual Assessment Increases. The Board shall not levy, for any Fiscal Year, an Annual Assessment which exceeds the "Maximum Authorized Annual Assessment" as determined pursuant to Sections 5.04(a) and 5.04(b) below, unless first approved by the vote of Members representing at least a majority of the voting power of the Association.

(a) Maximum Authorized Annual Assessment for Initial Year of Operations. Until the first day of the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Maximum Authorized Annual Assessment per Condominium shall equal One Thousand Eight Hundred Thirty and 96/100 Dollars ($ 1830.96).

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years. Beginning with the Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Maximum Authorized Annual Assessment in any Fiscal Year shall equal one hundred fifteen percent (115%) of the product arrived at by multiplying twelve (12) times the monthly installment of Annual Assessments payable for the last month of the immediately preceding Fiscal Year.

2105. ÷ 12 = 175/mo

(c) Yearly Increases in Maximum Authorized Annual Assessment. Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Maximum Authorized Annual Assessment shall be increased each Fiscal Year above the Maximum Authorized Annual Assessment for the previous Fiscal Year, by an amount equal to the percentage increase in the U.S. Bureau of Labor Statistics, Los Angeles-Long Beach-Anaheim Area, Consumer Price Index for All Urban Consumers ("CPI") as of the first day of each Fiscal Year, over the level of the CPI as of the first day of the immediately preceding Fiscal Year. Increases in the Maximum Authorized Annual Assessment pursuant to this subsection 5.04(b) shall be cumulative from year to year.

(d) Supplemental Annual Assessments. If the Board, by majority vote, determines that the important and essential functions of the Association may be properly funded by an Annual Assessment in an amount less than the Maximum Authorized Annual Assessment, it may levy such lesser Annual Assessment. If the Board determines that the estimate of total charges for the current year is or will become inadequate to meet all expenses for the Property for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the then Maximum Authorized Annual Assessment, 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.

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Section 5.05. Commencement and Collection of Annual Assessments. The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Condominium, as provided herein, by majority vote of the Board. The initial Annual Assessment shall begin on all Condominiums in a Phase of Development (including unsold Condominiums therein owned by Declarant) on the first day of the first calendar month following the first Close of Escrow for the sale of a Condominium in such Phase or on the first day of the first calendar month following the conveyance to the Association of the Association Property in such Phase, if any, whichever shall first occur. All Annual Assessments shall be assessed equally against the Members and their Condominiums based upon the number of Condominiums owned by each Member, except for that portion of the Annual Assessments attributable to those items of Common Expenses listed on the attached Exhibit "C" which shall be assessed against the Members and their Condominiums in the same proportions as the relative interior square foot floor areas of the Units (as shown on the Condominium Plan or Plans for the Project). Annual Assessments for fractions of any month involved shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums for which Annual Assessments have commenced. 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. From time to time the Board may determine that all excess funds in the Operating Fund 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 Property, any amounts remaining in any of the Maintenance Funds shall be distributed to or for the benefit of the Members in the same proportions as such monies were collected from the Members.

Declarant and any other Owner of a Unit which has not been constructed shall be exempt from payment of that portion of the Annual Assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of the Unit. This exemption shall include, without limitation, expenses and reserves relating to roof replacement, exterior maintenance, refuse disposal, and domestic water supplied to the Unit. Any such exemption from the payment of Annual Assessments shall be in effect only until a notice of completion of the building containing such Unit has been recorded, or until one hundred twenty (120) days after issuance of the building permit for such building, whichever occurs earlier.

Each Member shall pay to the Association his Annual Assessment in installments 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. If 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 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.

Provided that at least the reserve portion of the Budget is assessed against all completed Condominiums subject to this Declaration, Declarant may enter into a written maintenance agreement with the Association under which Declarant shall pay all or any portion of the operating Common Expenses and perform all or any portion of the Association's maintenance responsibilities. Such maintenance agreement may require the Owners to reimburse Declarant through the Association for a portion of the costs expended in satisfaction of Common Expenses.

Section 5.06. Capital Improvement Assessments. Any Capital Improvement Assessment must be approved by a majority of the voting power of the Association.

Section 5.07. Delinquency and Acceleration. Any installment of an assessment provided for in this Declaration shall become delinquent if not paid within thirty (30) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days of the due date shall bear interest from the due date until paid at the rate of up to twenty percent (20%) per annum, or, at any time at which VA or FHA is insuring or guaranteeing, or has agreed to insure or guarantee, loans secured by first Mortgages of Condominiums in the Project ten percent (10%) per annum (or such greater amount as may then be permitted by VA and FHA), but in no event more than the maximum rate permitted by law. If such a system is adopted, the Board of Directors may require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1725 in addition to interest on such delinquent sums as described above, calculated from the date of delinquency to and including the date full payment is received by the Association, to compensate the Association for increased bookkeeping, billing and other administrative costs. No such late charge shall exceed the maximum amount allowable by law. If any installment of any assessment is not paid within thirty (30) days after its due date, the Board may mail a notice to the 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 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 such assessment for the then current Fiscal Year and sale of the Condominium. The notice shall further inform the Owner of his right to cure after acceleration. If the delinquent installments 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 such assessment for the then current Fiscal Year, attributable to that Owner and his Condominium, to be immediately due and payable without further demand and may enforce the collection of the full assessment for such Fiscal Year and all charges thereon in any manner authorized by law and this Declaration.

Section 5.08. Creation and Release of Lien. All sums other than Special Assessments assessed in accordance with the provisions of this Declaration shall constitute a lien on the respective Condominium prior and superior to all other liens, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage or Deed of Trust with first priority 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. Notwithstanding the foregoing, any assessment lien provided for hereunder shall be prior and superior to any declaration of homestead Recorded after the Recordation of this Declaration. The lien shall become effective upon Recordation by the Board or its authorized agent of a Notice of Assessment ("Notice of Lien") securing the payment of any Annual, Capital Improvement or Reconstruction Assessment or installment thereof, levied by the Association against any Condominium Owner as provided in Section 1356 of the California Civil Code. The Notice of Lien shall state (i) the amount of the assessment or installment, as the case may be, and other authorized charges and interest, including the cost of preparing and Recording the Notice of Lien, (ii) the expenses of collection in connection with any delinquent installments, including without limitation reasonable attorneys' fees, (iii) a sufficient description of the Condominium against which the same has been assessed, (iv) the name and address of the Association, and (v) the name of the Owner thereof. The Notice of Lien shall be signed by the President or Vice President and Secretary or Assistant Secretary of the Association. The lien shall relate only to the individual Condominium against which the assessment was levied and not to the Property as a whole. Upon payment to the Association of the full amount claimed in the Notice of Lien, or other satisfaction thereof, the Board of Directors shall cause to be Recorded a Notice of Satisfaction and Release of Lien ("Notice of Release") stating the satisfaction and release of the amount claimed. The Board of Directors may demand and receive from the applicable Owner a reasonable charge for the preparation and Recordation of the Notice of Release before Recording it. Any purchaser or encumbrancer who has acted in good faith and extended value may rely upon the Notice of Release as conclusive evidence of the full satisfaction of the sums stated in the Notice of Lien.

Section 5.09. Enforcement of Liens. It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one (1) or more of the alternative means of relief afforded by this Declaration. The lien on a Condominium may be enforced by sale of the Condominium by the Association, the Association's attorneys, any title insurance company authorized to do business in California, or any other persons authorized to conduct the sale as a trustee, after failure of the Owner to pay any Annual, Capital Improvement or Reconstruction Assessment, or installment thereof, as provided herein. The 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 Owner if the Board fails or refuses to act, after the expiration

of at least thirty (30) days from the date on 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 Owner affected thereby, and subject to the provisions of Section 5.08 if the Board accelerates the due date of any assessment installments. 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. Upon completion of the foreclosure sale, an action may be brought by the Association or the purchaser at the sale in order to secure occupancy of the defaulting Owner's Unit, and the defaulting Owner shall be required to pay the reasonable rental value for such Unit during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving any 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 at law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

Section 5.10. Priority of Assessment Lien. The lien of the assessments, including interest and costs of collection (including attorneys' fees), provided for herein shall be subordinate to the lien of any first Mortgage upon any Condominium. Sale or transfer of any Condominium shall not affect the assessment lien. However, the sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Condominium from liens for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of record or other purchaser of a Condominium obtains title, such acquirer of title, his successors and assigns, shall not be liable for the share of the Common Expenses or assessments by the Association chargeable to such Condominium which became due prior to the acquisition of title to such Condominium by such acquirer. Such unpaid share of Common Expenses or assessments shall be deemed to be Common Expenses collectible from all of the Owners of the Condominiums in the Property including such acquirer, his successors and assigns.

Section 5.11. Capital Contributions to the Association. Upon acquisition of record title to a Condominium from Declarant, each Owner of a Condominium in Phase 1 shall contribute to the capital of the Association an amount equal to one-sixth (1/6th) of the amount of the then Annual Assessment for that Condominium as determined by the Board. This amount shall be deposited by the buyer into the purchase and sale escrow and disbursed therefrom to the Association. Within sixty (60) days after the first Close of Escrow for the sale of a Condominium in Phase 1 by Declarant, as seller, Declarant shall deposit into an escrow an amount equal to one-sixth (1/6th) of the then Annual Assessment for any and all Condominiums not yet sold in Phase 1. Escrow shall remit these funds to the Association. Upon the Close of Escrow of any Condominium for which the capital contribution was prepaid by Declarant, escrow shall remit to Declarant the capital contribution collected from the Owner.

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ARTICLE VI

PROJECT EASEMENTS AND RIGHTS OF ENTRY

Section 6.01. Easements.

(a) Access. Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Property, including any private streets or driveways currently existing in the Property or subsequently added to it, which easements may be conveyed by Declarant to Owners and to the Association for so long as Declarant owns any interest in the Property. Subject to the provisions of this Declaration governing use and enjoyment thereof, until the sixth (6th) anniversary of the original issuance by the California Department of Real Estate of the Final Subdivision Public Report for Phase 1, the easements may be used by Declarant, its successors, purchasers and all Owners, their guests, tenants and invitees, residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Condominium in the Project.

(b) Maintenance and Repair. Declarant 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 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. Declarant expressly reserves for the benefit of certain Owners exclusive easements over the Project for use of the Restricted Common Areas, for patio and balcony purposes as shown and assigned on the Condominium Plan or Plans for the Project.

(d) Utility Easements. Declarant expressly reserves for the benefit of the Association the right of Declarant to grant additional easements and rights-of-way over the Property to utility companies and public agencies, as necessary, for the proper development and disposal of the Property. Such right of Declarant shall expire (i) with respect to any Phase of Development, upon Close of Escrow for the sale of all Condominiums in such Phase by Declarant, or (ii) with respect to all Phases, upon expiration of seven (7) years from the date of original issuance by the DRE of the Final Subdivision Public Report for Phase 1.

(e) Encroachments. Declarant, the Association and Owners of contiguous Residences shall have a reciprocal easement appurtenant to each of the Residences over the Residences and the Common Property for

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the purpose of (1) accommodating any existing encroachment of any wall of any Improvement, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the Improvements or any other portion of the Project housing their respective Units. Easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Common Property are specifically reserved for the benefit of the Owners. Declarant expressly reserves for the benefit of the Common Property, the Owners and the Association reciprocal, nonexclusive easements for drainage of water over, across, and upon the Common Property. The foregoing easements shall not unreasonably interfere with each Owner's use and enjoyment of adjoining Residences. No portion of the Common Property, including without limitation parking spaces and other amenities contemplated as a part of the Property, are proposed to be leased by Declarant to the 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 interior 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, such entry upon the interior of a Unit shall be made, except to effect emergency repairs or other emergency measures, only after three (3) days prior written notice to the Owner of such Unit and after authorization of two-thirds (2/3) of the Board of Directors. Nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any property or Improvements required to be maintained or repaired by the Owners. Nothing in this Article VI shall in any manner limit the right of the Owner to exclusive occupancy and control over the interior of his Unit. However, an Owner shall permit a 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 Owner is present or not. Any damage caused to a Unit by such entry by the Board of Directors or by any Person authorized by the Board of Directors shall be repaired by the Board of Directors as a Common Expense of the Association. Furthermore, an Owner shall permit other Owners, or their representatives, to enter his Residence for the purpose of performing required installations, alterations or repairs to the mechanical or electrical services to a Residence, provided that such requests for entry are made in advance and entry is made at a time reasonably convenient to the Owner whose Unit is to be entered; and 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. Any damage caused to a Unit by such entry by an Owner or its representatives shall be repaired by such Owner. Upon receipt of reasonable notice from the Association (which shall in no event be less than seven (7) days) each Owner shall vacate his Unit in order to accommodate efforts by the Association to eradicate the infestation of wood destroying or other pests and organisms from the Common Property or to perform any

other maintenance or repairs pursuant to the Declaration. The Board shall have the right of entry to the Units and the right to remove Owners from their Units, as necessary, to accomplish its duties as provided herein. 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 Owner shall bear his own costs of temporary relocation.

ARTICLE VII

DECLARANT'S RIGHTS AND RESERVATIONS

Nothing in the Restrictions shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Common Property or any portion of the Property owned solely or partially by Declarant, or to alter the foregoing or its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Property so long as any Condominium in the Project remains unsold. Any alteration of Declarant's construction plans shall require the prior approval of FHA and of the Veteran's Administration ("VA") if such alteration is inconsistent with the general plan of development of the Property submitted to and approved by FHA or VA. The rights of Declarant hereunder shall include, but shall not be limited to, the right to install and maintain 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 Condominiums by sale, resale, lease or otherwise. Each Owner by accepting a deed to a Condominium hereby acknowledges that the activities of Declarant may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Declarant 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 Property. Declarant may use any Condominiums owned by Declarant in the Project as model home complexes or real estate sales or leasing offices. Declarant need not seek or obtain Architectural Committee approval of any Improvement constructed or placed by Declarant on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in these Restrictions may be assigned by Declarant to any successor in interest to any portion of Declarant's interest in any portion of the Property by a Recorded written assignment. Notwithstanding any other provision of this Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment to this Article shall be effective. Each Owner hereby grants, upon acceptance of his deed to his Unit, an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article. Declarant shall be entitled to the nonexclusive use of the Common Property and any recreational facilities thereon, without

further cost for access, ingress, egress, use or enjoyment, in order to show the Property to its prospective purchasers and dispose of the Property as provided herein. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property. The use of the Common Property by Declarant shall not unreasonably interfere with the use thereof by the other Members. The rights and reservations of Declarant set forth in this Article VII shall terminate on the seventh (7th) anniversary of the first Close of Escrow for the sale of a Condominium in the Project.

ARTICLE VIII

RESIDENCE AND USE RESTRICTIONS

All of the Property shall be held, used and enjoyed subject to the following limitations and restrictions, subject to the exemptions of Declarant set forth in this Declaration.

Section 8.01. Single Family Residences. Residential elements of the Units shall be used exclusively for single Family residential purposes, subject to the exemption granted Declarant under Article VII of this Declaration. An Owner may rent his Unit to a single Family provided that the Unit is rented for a term greater than thirty (30) days, subject to all of the provisions of the Declaration.

Section 8.02. Parking and Vehicular Restrictions. No Person shall park, store or keep anywhere on the Property or on any public street abutting or visible from the Property any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck). No Person shall park, store or keep 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 anywhere on the Property, unless an area is specifically designed and constructed for such storage which complies with the provisions of Article 936 of the Municipal Code of the City of Huntington Beach. In addition, no Person shall park, store or keep anywhere on the Property or on any public street abutting or visible from the Property any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. There shall be no parking in the driveways, if to do so obstructs free traffic flow, constitutes a nuisance, violates the Rules and Regulations, or otherwise creates a safety hazard. The Association, through the Board and its agents, is hereby empowered to establish "parking", "guest parking" and "no parking" areas within the Property. Restoring or repairing of vehicles shall not be permitted anywhere on the Property or on any public street abutting or visible from the Property. Notwithstanding the foregoing, such repair and restoration shall be permitted within an Owner's garage when the garage door is closed, provided that such activity is not undertaken as a business and provided further that such activity may be prohibited in whole or in part by the Board if the Board determines that such activity constitutes a nuisance. Any additional

parking spaces which may constitute a part of the Common Property shall be subject to reasonable control and use limitation by the Board of Directors. The Board shall determine, in its discretion, whether there is noncompliance with the parking and vehicular restrictions herein. Without in any way limiting the obligations of the Owners as elsewhere herein described, the Association, or agency representing the 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 Association fails to enforce the parking restrictions, the City or County, as applicable, in which the Property is located shall have the right, but not the duty, to enforce such parking restrictions in accordance with the California Vehicle Code and all other applicable laws, codes, statutes and local ordinances. Vehicles owned, operated or within the control of an owner or of a resident of, or visitor to, such Owner's Unit shall be parked in the garage of such Owner to the extent of the space available therein, provided that each Owner shall maintain his garage in a manner which insures that it is capable of accommodating at least one (1) such vehicle.

Section 8.03. Nuisances. No noxious or offensive activities (including but not limited to the repair of motor vehicles) shall be carried on upon the Property or on any public street abutting or visible from the Property. 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 smoky 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 Property or on any public street abutting or visible from the Property, or exposed to the view of other Owners without the prior written approval of the Architectural Committee. The Board of Directors of the Association shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept upon the Property or on any public street abutting or visible from the Property which may increase the rate of insurance on the Units or on the Property, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners. No Person shall commit or permit any nuisance thereon. Each 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 Owner shall be accountable to the Association and other Owners for the conduct and behavior of children residing in or visiting his Unit and other family members or persons residing in or visiting his Unit. Any damage to the Common Property, personal property of the Association, or property of another Owner, caused by such children or other family members, shall be repaired at the sole expense of the Owner of the Unit where such 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 Property or on any public street abutting or visible from the Property, or shown or displayed from any Residence, 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 consistent with Architectural Committee standards which states that the Residence is for rent or sale. Such sign or notice may be placed within a Unit but not upon any portion of the Common Property. The Board of Directors may erect within the Common Property a master directory of Units which are for sale or for lease. Address identification signs and mail boxes shall be maintained by the Association. This Section shall not apply to any signs used by Declarant or its agents in connection with the sale of Condominiums or the construction or alteration of the Units or Common Areas, traffic and visitor parking signs installed by Declarant, and traffic and parking control signs installed with the consent of the Board as set forth in Article VII. Notwithstanding the foregoing, nothing contained in this Section shall be construed in such manner as to permit the maintenance of any sign which is not in conformance with any applicable ordinance of the City or County in which the Property is located.

Section 8.05. Antennae. No radio station or shortwave operators of any kind shall operate from any Unit or any other portion of the Property unless approved by the Architectural Committee. With the exception of any master antenna maintained by the Association, no exterior radio antenna, "C.B." antenna, television antenna, or other antenna of any type shall be erected or maintained anywhere in the Property.

Section 8.06. Inside and Outside Installations. No outside installation of any type, including but not limited to clotheslines, shall be constructed, erected or maintained on any Residence, excepting antennae installed by Declarant as a part of the initial construction of the Property and except as may be installed by, or with the prior consent of the Architectural Committee. No balcony, deck or patio covers, wiring, or installation of air conditioning, water softeners, or other machines shall be installed on the exterior of the buildings of the Project or be allowed to protrude through the walls or roofs of the buildings (with the exception of those items installed during the original construction of the Project), unless the prior written approval of the Architectural Committee is secured. 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, 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 buildings in the Project. No 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 Owner, and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may, after Notice and Hearing, discharge the lien and charge the Owner a Special Assessment for such cost of discharge.

Section 8.07. Animal Regulations. No animals, livestock, reptiles, insects, poultry or other animals of any kind shall be kept in any Residence except that usual and ordinary domestic dogs, cats, fish, and birds inside bird cages may be kept as household pets within any Residence 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 more than two (2) pets per residence; provided, however, that 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 opinion of the Board of Directors, a nuisance to any other Owner. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure, an enclosed balcony, patio or deck or on a leash held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining 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 Project by an Owner or by members of his family, his tenants or his guests. It shall be the duty and responsibility of each such Owner to clean up after such animals which have deposited droppings or otherwise used any portion of the Common Property or public street abutting or visible from the Property.

Section 8.08. View Obstructions. No vegetation or other obstruction shall be planted or maintained upon any patio, deck or balcony in such location or of such height as to unreasonably obstruct the view from any other Residence in the vicinity thereof. If there is a dispute between Owners concerning the obstruction of a view from a Residence, the 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 Architectural Committee, by the owner of the Residence upon which the obstruction is located. Any item or vegetation maintained upon any patio, deck or balcony, which item or vegetation is exposed to the view of any 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 purposes or provisions of this Declaration. The Architectural Committee shall ensure that the vegetation on the Common Property maintained by the Association is cut frequently, so that the view of any Owner is not unreasonably obstructed.

Section 8.09. Business or Commercial Activity. No business or commercial activity shall be maintained or conducted on the Property, except that Declarant may maintain sales and leasing offices as provided in Article VII. Notwithstanding the foregoing, professional and administrative occupations may be carried on within the Units, so long as there exists no external evidence of them, and provided further that all of the applicable requirements of the City and County in which the Property is located are satisfied. No Owner shall use his Condominium in such a manner as to interfere unreasonably with the business of Declarant in selling Condominiums in the Project, as set forth in Article VII of this Declaration.

Section 8.10. Rubbish Removal. Trash, garbage, or other waste shall be disposed of by residents of the Project only by depositing the same into trash containers designated for such use by the Board of Directors. No portion of the Property shall be used for the storage of building materials, refuse or any other materials, except that building materials may be kept, stored or allowed to accumulate on any balcony, deck, patio or parking space temporarily during construction which has been previously approved by the Architectural Committee. No clothing, household fabrics or other unsightly articles shall be hung, dried or aired on any portion of the Property, including the interior of any Residence, so as to be visible from other Residences or the street. 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 8.11. Further Subdivision. Subject to Article VII, unless at least seventy-five percent (75%) of the first Mortgagees (based upon one (1) vote for each mortgage owned), or Owners representing seventy-five percent (75%) of the voting power of the Association residing in Owners other than Declarant have given their prior written approval, and all applicable laws and regulations have been complied with, no Owner shall physically or legally subdivide his Unit in any manner, including without limitation the division of his Unit or his Condominium into time-share estates or time-share uses; however, the right of an Owner to rent or lease all of his Unit by means of a written lease or rental agreement subject to the Restrictions shall not be impaired by this provision. Any failure by the lessee of the Unit to comply with the terms of this Declaration or the Bylaws 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 Beneficiary of any first Mortgage lien on that Unit. This Section may not be amended without the prior written approval of the Beneficiaries of at least seventy-five percent (75%) of the first Mortgages of Condominiums in the Project.

Section 8.12. Drainage. There shall be no interference with the established drainage pattern over the Property, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Architectural Committee. For the purpose hereof, "established" drainage in any Phase is defined as the drainage which exists at the time of the first

Close of Escrow for the sale of a Condominium in such Phase, or that which is shown on any plans approved by the Architectural Committee.

Section 8.13. Water Supply System. No individual water supply or water softener system shall be permitted in any Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, the City and County in which the Property is located, and all other applicable governmental authorities. Any sewage disposal system shall be installed only after approval by the Architectural Committee and any governmental health authority having jurisdiction.

ARTICLE IX

INSURANCE

Section 9.01. Duty to Obtain Insurance; Types. The Board shall cause to be obtained and maintained adequate blanket public liability insurance (including medical payments), with such limits as may be considered acceptable to the 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 Property. The Board shall also cause to be obtained and maintained 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 Property and, if economically available, those portions of the Units consisting of all fixtures, installations or additions comprising a part of the buildings housing the Units and all built-in or set-in appliances, cabinets and initial basic floor coverings, as initially installed or replacements thereof in accordance with the original plans and specifications for the Project, or as installed by or at the expense of the Owners. Such insurance shall be maintained for the benefit of the Association, the 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 which names the Association as an obligee must be obtained by or on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the Manager of the Association, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond. However, in no event may the

aggregate amount of such bonds be less than the sum equal to one hundred fifty percent (150%) of the Association's Annual Assessments, plus reserve funds. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and fidelity bond coverage 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 ("TMC"), 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 by the FNMA, the GNMA and TMC, as applicable.

Section 9.02. Waiver of Claim Against Association. As to all policies of insurance maintained by or for the benefit of the Association and the Owners, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors and Declarant, 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. Right and Duty of Owners to Insure. It is the responsibility of each Owner to provide insurance on his personal property and upon all other property and Improvements within his Unit for which the Association has not purchased insurance in accordance with Section 9.01 hereof. Nothing he[illegible] shall preclude any Owner from carrying any public liabil[illegible] surance as he deems desirable to cover his individual li[illegible] for damage to person or property occurring inside his in[illegible] Unit or elsewhere upon the Property. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon request. 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 Owner, such Owner shall assign the proceeds of such insurance carried by him 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, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant, and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity bonds shall provide that they may not be cancelled or substantially modified without ten (10) days prior written notice to any insurance trustee named pursuant to Section 9.06 and to each FNMA servicer who has filed a written request with the carrier for such notice.

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 and collected from the Owners. That portion of the Annual Assessments 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 provided 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 (2) officers 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. Notwithstanding the foregoing, there may be named as an insured, a representative chosen by the Board, including a trustee with whom the Association may enter into an insurance trust agreement or any successor to such trustee who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions necessary to accomplish this purpose.

Section 9.07. Actions as Trustee. Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all 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 Beneficiaries of seventy-five percent (75%) of the first Mortgages held by first Mortgagees who have filed requests under Section 9.04. 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 Owners and 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 annually, 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 curent appraisal of the full replacement value of the Improvements on 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 Owners and tenants of the Owners;

(b) any defense based upon coinsurance;

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

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any 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, if the Improvement 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 Owner of his interest in the insurance by virtue of a conveyance of any Condominium; and

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

ARTICLE X

DESTRUCTION OF IMPROVEMENTS

Section 10.01. Restoration of the Property. Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Property, the repair or replacement of which is the responsibility of the Association, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. 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 to effect such reconstruction as promptly as practical. The Property 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 have been approved in writing by seventy-five percent (75%) of the Owners and by the Beneficiaries of seventy-five percent (75%) of first Mortgages upon the Condominiums. If the amount available from the proceeds of such insurance policies for such restoration and repair is at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Reconstruction Assessment shall be levied by the Board of Directors to provide the necessary funds for such re-

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construction, over and above the amount of any insurance proceeds available for such purpose. If the amount available from the proceeds of such insurance policies for such restoration and repair is less than eighty-five percent (85%) of the estimated cost of restoration and repair, the Owners by the vote or written consent of not less than seventy-five percent (75%) of the Owners, together with the approval of the Beneficiaries of at least seventy-five percent (75%) of the first Mortgages on Condominiums in the Project, shall determine whether the Board shall levy a Reconstruction Assessment and proceed with such restoration and repair. If the Owners and their Mortgagees, as provided above, determine 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 Owners may, at their discretion, proceed as provided in Section 10.02 below.

Section 10.02. Sale of Property and Right to Partition. If the amount available from the proceeds of the insurance policies maintained by the Association is less than eighty-five percent (85%) of the cost of reconstruction, a certificate of the resolution authorizing such reconstruction may be Recorded within six (6) months from the date of such destruction and, if such certificate is not Recorded within said period, it shall be conclusively presumed that the Owners have determined not to rebuild said Improvements. No Owner shall have the right to partition of his interest in the Condominium and there shall be no judicial partition of the Project, or any part thereof; except that if a certificate of a resolution to rebuild or restore the Project has not been Recorded as provided above, within six (6) months from the date of any partial or total destruction, or if restoration has not actually commenced within said period, and the vote or written consent to such a partition is obtained from the Owners of two-thirds (2/3) of the Condominiums in the Project, 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. In such event, the Association, acting through a majority of the Board as provided in Section 1355(b) of the California Civil Code, shall prepare, execute and Record, as promptly as practical, a certificate stating that a majority of the Board may properly exercise an irrevocable power of attorney to sell the Project for the benefit of the Owners, with the exception of the Administrator of Veterans Affairs, an officer of the United States of America, and such other documents and instruments as may be necessary 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. Such certificates shall be conclusive evidence of such authority for any Person relying thereon in good faith. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among the Owners, such proportions to be determined in accordance with the relative appraised fair market valuation of the Condominiums as of a date immediately prior to such destruction (or condemnation), expressed as percentages, and computed by dividing such appraised valuation of each Condominium by the total of such appraised valuations of all Condominiums in the Project. The Board is hereby authorized to hire one (1) or more appraisers for such purpose and the cost of such appraisals shall be a Common Expense of the Association. Notwithstanding the fore-

going, the balance then due on any valid encumbrance of record shall be first paid in order of priority, before the distribution of any proceeds to an Owner whose Condominium is so encumbered. Nothing herein shall be deemed to prevent partition of a cotenancy in any Condominium. Except as provided above, each Owner and the successors of each 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 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.

Section 10.03. 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 Owner of the Residence so damaged. In the event of a determination to rebuild the Property after partial or total destruction, as provided in this Article X, 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 as provided herein.

Section 10.04. Notice to Owners and Listed Mortgagees. The Board, immediately upon having knowledge of any damage or destruction affecting a material portion of the Common Property, shall promptly notify all Owners and Beneficiaries, insurers and guarantors of first Mortgages on Condominiums in the Project, who have filed a written request for such notice with the Board. The Board, immediately upon having knowledge of any damage or destruction affecting a Unit, shall promptly notify any Beneficiary, insurer or guarantor of any Mortgage encumbering such Unit who has 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 (1) 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 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

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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 replacement 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 Project. A Partial Taking shall include, without limitation, a "Special Partial Taking" which is described herein as a taking of all or part of one (1) 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 Owner or 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 Owners of the Remaining Units as required by the foregoing provisions, the Board of Directors shall call a special meeting of Owners of the Remaining Units to be held promptly, and in any event within sixty (60) days after the effective date of such taking, to determine if such Owners of the Remaining Units, 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, represent all of the Owners, with the exception of the Administrator of Veterans Affairs, an officer of the United States of America, 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 distribution of the net proceeds of such sale after deducting any incidental fees and expenses, in the same proportion and in the same manner as provided in Article X, Section 10.02, and (iii) distribute the condemnation award in accordance with the court judgment or the agreement between the condemning authority and the Association, if any, or if there is no such judgment or agreement, in accordance with Article X, Section 10.02 of this Declaration.

(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 Restrictions (collectively the "Taken Units").

The proceeds of the Partial Taking award alloted to the Taken Units shall be paid to the Owners of the Taken Units; 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 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 Property and the Remaining Units (but not Owners' personal property nor those portions of the Units which the 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, Section 10.01 hereof, except for any provisions relating to 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 Units shall not exceed the value of said Member's Condominium interest.

If the funds held for restoration by the Board of Directors are less than the cost of restoration and repair, a Reconstruction Assessment of the Owners of the Remaining Units (determined with reference to the relative square foot floor areas of the Remaining Units, as restored) 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 Owners shall be the same.

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

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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 Owners' Personal Property and Relocation Allowances. Where all or part of the Project is taken by eminent domain, each Owner shall have the exclusive right to claim all of the award made for such 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 Owner in an action to recover all awards with respect to such portion, if any, of an 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 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 Owner's personal property. The amount so allocated shall be paid to the Owner entitled thereto, whether or not the Unit in which such Owner's personal property was located is to be restored by the Board of Directors; provided, however, that such proceeds shall first be applied to the balance then due on any Mortgages of record encumbering such Owner's Condominium, in order of priority. Notwithstanding restoration of the Unit, the Board of Directors shall have no responsibility for restoration of such Owner's personal property.

Section 11.04. Relinquishment of Interest in Common Areas. Each Owner of a Taken Unit in any Phase of Development, by his acceptance of the award allotted to him in a taking proceeding or by the Board as a result of a Partial Taking (other than a Special Partial Taking), hereby relinquishes to the other Owners in such Phase of Development, on the basis of their relative ownership of the Common Areas therein, such Owner's undivided interest in the Common Areas and that portion, if any, of such Owner's Unit which was not taken by the condemning authority. Each Owner of a Taken Unit shall not be liable for assessments under this Declaration which accrue on or after the date of acceptance by such Owner of the portion of the condemnation award allotted to him. Each Owner relinquishing his interest in the Common Areas pursuant to this Section shall, at the request of the Board and at the expense of the Association, execute and acknowledge such deeds and other instruments which the Board deems necessary or convenient to evidence such relinquishment.

Section 11.05. Notice to Owners and Listed Mortgagees. The Board of Directors, immediately upon having knowledge of any taking by eminent domain affecting a material portion of the Common Property, or any threat thereof, shall promptly notify all Owners and those Beneficiaries, insurers and guarantors of first Mortgages on Condominiums in the Project who have filed a written request for such notice with the Board. The Board, immediately upon having knowledge of any taking by eminent domain affecting a Unit, or any threat thereof, should promptly notify any Beneficiary, insurer or guarantor of a Mortgage encumbering such Unit who has filed a written request for such notice with the Board.

Section 11.06. Condemnation of Association Property. If at any time, all or any portion of the Association Property, or any interest therein, is taken for any public or quasi-public use, under any statute, by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Association. Any such award payable to the Association shall be deposited in the Operating Fund. No Member shall be entitled to participate as a party, or otherwise, in any proceedings relating to such condemnation. The Association shall have the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members.

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 ("TMC"), 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, TMC, 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 Beneficiary, insurer and guarantor of a first 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, which default is not cured within thirty (30) days after the Association learns of such default. For purposes of this Declaration, "first Mortgage" shall mean a Mortgage with first priority over other Mortgages or Deeds of Trust on a Condominium, and "first Mortgagee" shall mean the Beneficiary of a first Mortgage.

(b) Every Owner, including every first Mortgagee of a Mortgage encumbering any Condominium, who obtains title to such Condominium pursuant to the remedies provided in such Mortgage, or pursuant to foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal" created by, or purported to be created by, the Restrictions.

(c) Each first Mortgagee of a Mortgage encumbering any Condominum, 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 Mortgagee acquires title to such Condominium.

(d) Unless at least sixty-seven percent (67%) of the first Mortgagees (based upon one (1) vote for each first Mortgage owned) or sixty-seven percent (67%) of the Owners (other than Declarant) have given their prior written approval, neither the Association nor the Owners shall:

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

(2) change the method of determining the obligations, assessment dues or other charges which may be levied against any Owner, or the method of allocating distributions of hazard insurance proceeds or condemnation awards; or

(3) partition or subdivide any Condominium Unit; or

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

(5) 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 Property of the Property; or

(6) fail to maintain or cause to be maintained Fire and Extended Coverage on insurable Common Areas as provided in Article IX of this Declaration; or

(7) use hazard insurance proceeds for losses to any condominium property (i.e., Improvements to the Units or Common Property) for other than the repair, replacement or reconstruction of such condominium property, subject to the provisions of Article X of this Declaration.

(e) All Beneficiaries, insurers and guarantors of first Mortgages, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) require from the Association the submission of annual audited financial reports and other financial data, (3) receive

written notice of all meetings of the Owners, and (4) designate in writing a representative to attend all such meetings.

(f) All Beneficiaries, insurers and guarantors of first Mortgagees, upon written request, shall be given thirty (30) days' written notice prior to the effective date of (1) any proposed material amendment to the Restrictions or Condominium Plans; (2) any termination of an agreement for professional management of the Property following any decision of the Owners to assume self-management of the Project; and (3) any proposed termination of the Property as a condominium project.

(g) The Common Property 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, FHA, TMC, 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 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 Property 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 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 loar which it secures.

(k) When professional management has been previously required by a Beneficiary, insurer, or guarantor of a first Mortgage, any decision to establish self-management by the Association shall require the approval of sixty-seven percent (67%) of the voting power of the Association and the Beneficiaries of fifty-one percent (51%) of the first Mortgages of Condominiums in the Project.

(l) All intended Improvements in any Phase of Development other than Phase 1 shall be substantially completed or the completion of such Improvements shall

be secured by a bond or other arrangement acceptable to the California Department of Real Estate prior to the first Close of Escrow for the sale of a Condominium in such Phase. All such Improvements shall be consistent with the Improvements in Phase 1 in terms of quality of construction.

(m) First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Common Property and may pay any overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for Common Property, and First Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association.

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 of Recordation hereof, after which time the same shall be automatically extended for successive periods of ten (10) years. If, however, a Declaration of Termination is Recorded, meeting the requirements of an amendment to this Declaration as set forth in Section 13.02, this Declaration shall cease to be of any effect upon the expiration of the original term or extension period in which such Declaration of Termination is Recorded. 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. 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 an 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 Members representing not less than (i) sixty-seven percent (67%) of the voting power of the Association, and (ii) sixty-seven percent (67%) of the voting power of the Association residing in Members other than Declarant, provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. So long as there exists a Class B membership, the prior approval of VA and FHA shall be required for any amendment of the Declaration. 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. Notwithstanding the foregoing, any of the following amendments, to be effective, must be approved in writing by the Beneficiaries of seventy-five percent (75%) of the first Mortgages on all of the Condominiums in the Project at the time of such amendment:

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(a) Any amendment which affects or purports to affect the validity or priority of encumbrances or the rights or protection granted to Beneficiaries, insurers or guarantors of first Mortgages 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 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 cancelled by forfeiture, or in a Condominium not being separately assessed for tax purposes.

(d) Any amendment relating to the insurance provisions as set out in Article IX hereof, or to the application of insurance proceeds as set out in Article X hereof, or to the disposition of any money received in any taking under condemnation proceedings.

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

(f) Any amendment which would subject any Owner to a right of first refusal or other such restriction, if such Condominium is proposed to be sold, transferred, or otherwise conveyed.

(g) Any amendment concerning:

(1) Voting rights;

(2) Rights to use the Common Property;

(3) Reserves and responsibility for maintenance, repair and replacement of the Common Property;

(4) Boundaries of any Unit;

(5) Owners' interests in the Common Areas;

(6) Convertibility of Common Areas into Units or Units into Common Areas;

(7) Leasing of Units;

(8) Establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;

(9) Annexation or deannexation of real property to or from the Property; or

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(10) Assessments, assessment liens, or the subordination of such liens.

Notwithstanding the foregoing, if a first Mortgagee who receives a written request from the Board to approve a proposed amendment or amendments to the Declaration does not deliver a negative response to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved the proposed amendment or amendments.

A certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Owners have either voted for or consented in writing to any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that 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. Such a certificate reflecting any amendment which requires the written consent of any of the Beneficiaries of first Mortgages shall include a certification that the requisite approval of such first Mortgagees has been obtained.

Section 13.03. Protection of Declarant. Until the sixth (6th) anniversary of the first Close of Escrow for the sale of a Condominium in the Project, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or lease Condominiums therein in accordance with this Declaration shall become effective. Notwithstanding any other provisions of the Restrictions, until such time as (i) Declarant is no longer entitled to add Annexable Territory to the Property without the consent of the Association pursuant to Section 16.01, or (ii) Declarant no longer owns any Condominiums in the Property, whichever occurs last, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

(a) Any amendment or action requiring the approval of first Mortgagees pursuant to this Declaration, including without limitation all amendments and action specified in Sections 13.02;

(b) The annexation to the Property of real property other than the Annexable Territory pursuant to Section 16.02;

(c) The levy of a Capital Improvement Assessment for the construction of new facilities not constructed on the Association Property by Declarant; or

(d) Subject to Section 5.04 regarding limitations on Annual Assessment increases, any significant reduction of Association maintenance or other services.

ARTICLE XIV

ENFORCEMENT OF CERTAIN BONDED OBLIGATIONS

Section 14.01. Consideration by Board of Directors. If (1) the Improvements to be located on the Common Property are not completed prior to the issuance of a Final Subdivision Public Report by the California Department of Real Estate ("DRE")

for the sale of Condominiums in the Project, and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Declarant to complete such 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 Property, the Board shall be directed to 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.

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 no fewer 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 of the Association residing in Members other than Declarant. A vote at such meeting to take action to enforce the obligations under the Bond by Members representing a majority of the total voting power of the Association residing in Members other than Declarant 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. Failure to comply with any of the terms of the Restrictions by an Owner, his family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof. The Board, any Owner (not at the time in default hereunder), or Declarant (so long as Declarant is an Owner) shall be entitled to bring an action for damages against any defaulting Owner, and in addition may enjoin any violation of this Declaration. Any judgment rendered in any action or proceeding pursuant to this Declaration 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. Each Owner shall have a right of action against the Association for the failure by the Association to comply with the Restrictions.

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Section 15.02. Violation of Restrictions. Without in any way limiting the generality of the foregoing, if the Board of Directors determines that there is a violation of any provision of this Declaration, or the Architectural Committee determines that an Improvement which is the maintenance responsibility of an Owner is in need of installation, repair, restoration or painting, then the Board shall give written notice to the responsible Owner of the condition or violation complained of. Unless the Architectural Committee has approved in writing corrective plans proposed by the Owner to remedy the condition complained of within such period of time as may be determined reasonable by the Board after it has given said written notice, and such corrective work so approved is completed thereafter within the time allotted by the Board, the Board, after Notice and Hearing, shall undertake to remedy such condition or violation complained of, and the cost thereof shall be charged to the Owner and his Condominium whose Residence is the subject matter of the corrective work. Such cost shall be deemed to be a Special Assessment to such Owner and shall be subject to enforcement and collection by the Board in accordance with the procedures provided for in this Declaration. The Board may also adopt a schedule of reasonable fines or penalties which, in its reasonable discretion, it may assess against an Owner for the failure of such Owner, or of a resident or visitor to such Owner's Unit, to comply with any provision of the Restrictions. Such fines or penalties may only be assessed by the Board after Notice and Hearing.

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 Property, and any violation of this Declaration shall be deemed to be a nuisance. 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 each include the other, unless the context dictates otherwise.

Section 15.05. 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 and enforce the covenants, conditions and restrictions established by this Declaration governing the Property, together with the covenants and restrictions established upon any other property, as one (1) plan. Any such merger or consolidation shall require the prior written approval of VA.

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Section 15.06. Use of Recreational Facilities. The Board of Directors shall have the right to limit the number of guests that an Owner or such Owner's tenant may permit to use the open parking and recreational facilities on the Common Property, 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, including, without limitation, Rules and Regulations restricting or prohibiting the use of all or designated portions of the Property recreational facilities by minors, guests of an Owner or his tenants.

Section 15.07. 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 to the public, or for any public use.

Section 15.08. No Representations or Warranties. No representations or warranties of any kind, express or implied, other than the standard warranty required by VA and FHA, as applicable, if VA is guaranteeing, and FHA is insuring, loans to purchasers in initial sales of Condominiums from Declarant have been given or made by Declarant, or its agents or employees in connection with the Property, or any portion thereof, its 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 Declarant from time to time with the California Department of Real Estate.

Section 15.09. Nonliability and Indemnification. No right, power, or responsibility conferred on the Board or the Architectural Committee by this Declaration, the Articles or the Bylaws shall be construed as a duty, obligation or disability charged upon the Board, the Architectural Committee, any member of the Board or of the Architectural 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 circumstances.

Any determination of the Board required under this Section 15.09 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 or written consent of a majority of a quorum of the Members of the Associaton, 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 15.09 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 Declarant, serving the Association as an appointee of Declarant, 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 15.10. Notices. Except as otherwise provided in this Declaration, in each instance in which notice is to be given to an Owner, the same shall be in writing and may be delivered personally to the Owner, in which case personal delivery of such notice to one (1) 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 on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Unit. Such notice shall be deemed delivered seventy-two (72) hours after the time of such mailing, except for notice of a meeting of Members or of the Board of Directors in which case the notice provisions of the

Bylaws of the Association shall control. 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, addresed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

Section 15.11. Priorities and Inconsistencies. If there are conflicts or inconsistencies between this Declaration and either the Articles of Incorporation or the Bylaws of the Association, the terms and provisions of this Declaration shall prevail.

ARTICLE XVI

ANNEXATION OF ADDITIONAL PROPERTY

Additional real property may be annexed to Phase 1 and such additional real property may become subject to this Declaration by any of the methods set forth hereinafter:

Section 16.01. Additions by Declarant. Declarant or its successors or assigns shall have the right from time to time to add the Annexable Territory, or any portion or portions thereof (including any recreation facilities located thereon), to the Property and to bring such added territory within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on the third anniversary of the original issuance of the most recently issued Final Subdivision Public Report for the most recent Phase of Development. As each Phase of Development is developed, Declarant may, with respect thereto, record a supplemental declaration ("Supplemental Declaration") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development. Prior to any annexation under this Section 16.01, detailed plans for the development of the added territory (as defined below) must be submitted to the VA and the VA must determine that such plans are in accordance with the general plan and so advise Declarant.

Section 16.02. Other Additions. In addition to the provision for annexation specified in Section 16.01 above, additional real property may be annexed to the Properties and brought within the general plan and scheme of this Declaration upon the approval by vote or written consent of Members entitled to exercise no less than two-thirds (2/3rds) of the voting power of the Association. Notwithstanding the foregoing, the additional real property may not be annexed to the Property after the seventh (7th) anniversary of the Recordation of this Declaration.

Section 16.03. Rights and Obligations of Members of Added Territory. Subject to the provisions of Section 16.04, upon the Recording of a Notice of Addition of Territory containing the provisions as set forth in this Section, all provisions contained in this Declaration shall apply to the real property described in such Notice of Addition of Territory (the "added territory") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect

to the added territory shall be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Units within the added territory, as well as within the property originally subject to this Declaration, shall be the same as if the added territory were originally covered by this Declaration. From and after the first day of the first month following the first Close of Escrow for the sale of a Condominium in the added territory, the Owners of Condominiums located in the added territory shall share in the payment of assessments to the Association to meet Common Expenses of the entire Project as provided in Article V hereof. Voting rights attributable to the Condominiums in the added territory shall not vest until Annual Assessments have commenced as to such Condominiums.

Section 16.04. Notice of Addition of Territory. The additions authorized under Sections 16.01 and 16.02 shall be made by Recording a Notice of Addition of Territory, or other similar instrument (which Notice or Instrument may contain the Supplemental Declaration, if any, affecting each such Phase of Development), with respect to the added territory which shall be executed by Declarant and shall extend the general plan and scheme of this Declaration to such added territory ("Notice of Addition"). The Recordation of said Notice of Addition shall constitute and effectuate the annexation of the added territory described therein, and thereupon said added territory shall become and constitute a part of the Project, become subject to this Declaration and encompassed within the general plan and scheme of covenants, conditions, restrictions, reservation of easements and equitable servitudes contained herein, and become subject to the functions, powers and jurisdiction of the Association; and the Owners of Condominiums in said added territory shall automatically become Members of the Association. Such Notice of Addition may contain a Supplemental Declaration with such additions and modifications of the covenants, conditions, restrictions, reservation of easements and equitable servitudes contained in this Declaration as may be necessary to reflect the different character, if any, of the added territory, or as Declarant may deem appropriate in the development of the added territory, and as are not inconsistent with the general plan and scheme of this Declaration. In no event, however, shall such Notice of Addition or Supplemental Declaration revoke, modify or add to the covenants, conditions, restrictions, reservation of easements, or equitable servitudes established by this Declaration as the same shall pertain to the real property originally covered by this Declaration.

Section 16.05. Reciprocal Cross-Easements Between Phases. Subject to annexation of additional property as set forth in Section 16.01:

> (i) Declarant hereby reserves for the benefit of and appurtenant to the Condominiums hereafter located in each Phase of Development annexed to Phase 1 and their respective Owners, nonexclusive easements to use the Common Areas (other than any buildings or Restricted Common Areas) and Association Property in Phase 1 pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if

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each of the Owners of a Condominium in each Phase of Development annexed to Phase 1 owned an undivided interest in the Common Areas in Phase 1.

(ii) Declarant hereby grants, for the benefit of and appurtenant to each Condominium in Phase 1 and their Owners, a nonexclusive easement to use the Common Areas (other than any buildings or Restricted Common Areas) and Association Property in each Phase of Development annexed to Phase 1, pursuant to and in a manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in Phase 1 owned an undivided interest in the Common Areas in each such Phase of Development.

These reciprocal cross-easements shall be effective as to each Phase of Development annexed to Phase 1 and as to Phase 1, only upon the first Close of Escrow for the sale of a Condominium in such Phase of the Development annexed to Phase 1. Prior to such first Close of Escrow, neither Phase 1 nor the Phases of Development annexed to Phase 1 shall be affected by these reciprocal cross-easements.

Section 16.06. Deannexation. Declarant may delete all or a portion of a Phase of Development from coverage of this Declaration and the jurisdiction of the Association, so long as Declarant is the owner of all of such Phase of Development, and provided that (1) a Notice of Deletion of Territory is Recorded in the same manner as the applicable Notice of Addition was Recorded, (2) Declarant has not exercised any Association vote with respect to any portion of such Phase of Development, (3) assessments have not yet commenced with respect to any portion of such Phase of Development, (4) Close of Escrow has not occurred for the sale of any Condominium in such Phase of Development, and (5) the Association has not made any expenditures or incurred any obligations with respect to any portion of such Phase of Development, and (6) a draft of the Notice of Deletion of Territory has been submitted to the VA and the VA has determined that the deannexation is acceptable and in accordance with the revised general plan and has so advised Declarant.

ARTICLE XVII

CHEVRON OIL OPERATIONS

Section 17.01. Chevron Lease. Chevron U.S.A. Inc. ("CUSA"), as Lessee under that certain oil and gas lease dated November 1, 1919 and recorded December 30, 1919 in Book 12 of Leases, at Page 225, Records of Orange County, California, as amended ("said lease"), operates and maintains numerous oil wells, gas wells, injection wells and other oil and gas drilling and producing facilities on, in, under and through the Property. In addition, CUSA enjoys and from time to time exercises other rights associated with the aforementioned rights under said lease. All of CUSA's operations shall continue for an unforeseeable time. Such operations, by their nature, may be noisy and may, from time to time, cause inconveniences -

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especially in connection with well drilling and redrilling activities or in utility and pipe line work in the streets of the Property. CUSA's employees, affiliates, agents and independent contractors, and their vehicles, drilling rigs and other oilfield equipment, have the absolute right to ingress and egress over the streets of the Property to and from its operation sites and all surrounding public streets for all purposes permitted in said lease.

Section 17.02. Pipeline Rights. CUSA has the rights and rights-of-way from time to time to lay, construct, reconstruct, replace, renew, repair, maintain, operate, change the size of, increase the number of and remove pipelines, and the appurtenances thereof for the transportation of oil, petroleum, gas, gasoline, water or other substances or devices for controlling electrolysis for use in connection with said pipelines and to construct, maintain, operate, repair, renew, add to and remove underground wires, conductors, cables and conduits, and appurtenances, with the right of ingress and egress to and from, over and through, under or along certain streets within the Property. Said rights and rights-of-way are defined and particularly described in the aforementioned oil and gas lease and in separate grants of rights-of-ways (as originally granted and/or amended) given to CUSA's predecessors in interest by Declarant's predecessors in interest.

Section 17.03. Encroachments. CUSA and CUSA Pipe Lines, in connection with the conduct of their aforementioned operations, have the right to temporarily encroach upon and use areas outside their enclosed operation sites for servicing, maintaining and conducting other operations within such site and the streets on the Property. Such temporary encroachments shall, as nearly as practicable, be limited to undeveloped areas and the Association Property (including, but not limited to, green belts, streets and other common areas within the Property upon which permanent structures (buildings) have not been erected.)

Section 17.04. Maintenance. CUSA has no obligation to maintain any enclosure which has been, or will be, erected around its operating site; provided, however, CUSA does have the right to remove and restore portions of such enclosure, from time to time and on a temporary basis, to accommodate its operations within such enclosure.

Section 17.05. Insurance. The Comprehensive General Liability (Bodily Injury and Property Damage) Insurance secured and maintained by and for the Association shall contain a waiver, by the insurer(s), of any rights of subrogation against Standard Oil Company of California (and any company in which said company owns, directly or indirectly, at least fifty percent (50%) of the shares entitled to vote at a general election of directors thereof, and the agents and employees of all of them) which may arise in favor of such insurer(s). The Association shall also cause its insurer(s) to notify Chevron at least thirty (30) days prior to any cancellation of such policies of insurance. Appropriate certificates of insurance, reflecting the above waiver of subrogation and notice of cancellation, shall be furnished Chevron at: Chevron U.S.A. Inc., P. O. Box 606, La Habra,

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California 90631, Attention: District Land Supervisor. Such certificates shall be furnished Chevron from time to time as necessary to provide evidence of the currency of such insurance.

Section 17.06. Unit Agreement. Except as limited by the terms of the following-described agreement, the aforementioned Covenants, Conditions and Restrictions and their recitals, relating to CUSA's and CUSA Pipe Lines' rights, duties, obligations and privileges, in, on, under and through the Property, are also applicable to the Operator (presently Declarant) and other participants of, and all operations under, that "Unit Agreement for the Brown-Thomson Lower Bolsa Zone Waterflood, Huntington Beach Oil Field, Orange County, California," dated August 27, 1963 and recorded February 18, 1964, as Document No. 13998, in Book 6928, Page 857, Official Records of Orange County, California, as amended.

Section 17.07. Binding Effect. The above-enumerated Covenants, Conditions and Restrictions in this Article XVII shall bind and extend to the original purchasers within the Property and their successors and assigns for so long as said lease, rights-of-way or said unit agreement or any extensions, modifications or replacement or succeeding rights thereto shall continue in force.

Section 17.08. Amendment. There shall be no amendment or deletion of any of the foregoing Covenants, Conditions and Restrictions in this Article XVII affecting the rights, duties, obligations and/or privileges of CUSA Inc., Chevron U.S.A. Inc. Pipelines, the Lower Bolsa Zone Unit or any of their successors or assigns without the prior written consent of CUSA Inc.

This Declaration is dated for identification purposes MARCH 29, 1984.

MOLA DEVELOPMENT CORPORATION,
a California corporation

By: _____

Its: PRESIDENT

By: _____

Its: SECRETARY

"Declarant"

1757S/SJD/0238S/15300
kjm/03-09-84

84-148761

STATE OF CALIFORNIA)
) ss.
COUNTY OF ORANGE)

On MARCH 29, 1984, before me, the undersigned, a Notary Public in and for said State, personally appeared FRANK J. MOLA and PETER E. VAN ELTEN, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as PRESIDENT and SECRETARY, respectively, of MOLA DEVELOPMENT CORPORATION, the corporation therein named and acknowledged to me that such corporation executed the within Instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

Caron Kay Dawson
Notary Public in and for said State

OFFICIAL SEAL
CARON KAY DAWSON
NOTARY PUBLIC - CALIFORNIA
ORANGE COUNTY
My Comm. Expires March 10, 1986

1757S/SJD/0238S/15300
kjm/03-09-84

84-148761

SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated January 21, 1983, and recorded on Jaunary 31, 1983, as Instrument No. 83-047485, in Official Records of the Orange County Recorder (the "Deed of Trust"), which Deed of Trust is by and between MOLA DEVELOPMENT CORPORATION, as Trustor, and SECURITY ALLIED SERVICES, a California corporation, as Trustee, and GIBRALTAR SAVINGS, a 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 for Seabridge Village, and to all maintenance and other easements to be conveyed to the Association in accordance with the Declaration.

Dated: March 30, 1984

GIBRALTAR SAVINGS, ~~a Federal Savings and Loan Association~~, a California corporation

By: Thomas G. Packer

Its: Corp. Vice President

By: Terri DeLeo

Its: Asst Vice-President

STATE OF CALIFORNIA)
) ss.
COUNTY OF Los Angeles)

On 4/3, 1984, before me, the undersigned, a Notary Public in and for said State, personally appeared Thomas G. Packer and Terri DeLeo, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as Corporate Vice President and Assistant Vice President, respectively, of GIBRALTAR SAVINGS, a ~~Federal Savings and Loan Association~~ California corporation, the corporation therein named and acknowledged to me that such corporation executed the within Instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

Paul Osborn

Notary Public in and for said State

OFFICIAL SEAL
PAUL OSBORN
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Exp. June 20, 1984

1757S/SJD/0238S/15300
kjm/03-09-84

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C4-148761

EXHIBIT "A"

ARTICLES OF INCORPORATION OF THE ASSOCIATION

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vlt/07-15-83

84-148761

EXHIBIT "B"

BYLAWS OF THE ASSOCIATION

1757S/SJD/0238S/15300
vlt/07-15-83

84-148761

EXHIBIT "C"

ITEMS OF COMMON EXPENSES WHICH SHALL NOT BE ASSESSED EQUALLY AMONG THE CONDOMINIUMS

Insurance
Water
Paint
Roof