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DECLARATION OF COVENANTS, CONDITIONS AND  
RESTRICTIONS AND RESERVATION OF EASEMENTS  
FOR  
WEST BLUFF HILLS

FULOP, BOLSTON,  
BURNS & MCKITTRICK  
A LAW CORPORATION

05688/RDM/5789/13398  
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No. 318153

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AND RESERVATION OF EASEMENTS  
FOR  
NEST BLUFF HILLS

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS  
AND RESERVATION OF EASEMENTS  
FOR  
NEST BLUFF HILLS

THIS DECLARATION is made on October 1, 1981,  
by MOLA DEVELOPMENT CORPORATION, a California corporation  
("Grantor").

P R E A M B L E:

A. Grantor is the owner of certain real property located  
in the City of Carlsbad, County of San Diego, State of  
California, described as follows:

Lot 1 of Carlsbad Tract No. 81-3 as shown on a  
Map thereof No. 10230, filed in the  
Office of the San Diego County Recorder on  
October 1, 1981.

B. It is the desire and intention of Grantor to subdivide  
the Property (as hereinafter 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.

C. Grantor hereby declares that all 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 the land and shall be binding  
on and for the benefit of all of the Property and all parties  
having or acquiring any right, title or interest in the Prop-  
erty, or any part thereof, and their successive owners and  
assigns.

D. Grantor, its successors, assigns and grantees, cove-  
nant 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 inter-  
ests 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.

DULOP, BOLTON,  
DUNN & MERTTNER  
A LAW CORPORATION

No. 318153  
97  
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## 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. Architectural Committee. "Architectural Committee" shall mean the Architectural Review Committee created pursuant to Article IV hereof.

Section 1.02. Architectural Committee Rules. "Architectural Committee Rules" shall mean the rules adopted by the Board and Architectural Committee pursuant to Section 4.03 hereof.

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 "B", 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 costs of maintaining, improving, repairing and managing the Property and all other Common Expenses, including operation costs for the Common Property, which are to be levied among all of the Condominiums in the Project as provided herein.

Section 1.05. Assessment, Capital Improvement. "Capital Improvement Assessment" shall mean a charge against each Owner and his Condominium, representing a portion of the cost to the Association for installation or construction of any capital improvements on any of the Common Property which the Association may from time to time authorize. Such charge shall be levied among all the Condominiums in the Project in the same proportions as are Annual Assessments.

Section 1.06. Assessment, Reconstruction. "Reconstruction Assessment" shall mean a charge 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 which the Association may from time to time authorize. 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), 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 floor 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 and his Condominium, 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 Association, plus interest and other charges thereon as provided for in this Declaration.

**Section 1.08. Association.** "Association" shall mean WEST BLUFF HILLS HOMEOWNERS ASSOCIATION, a California non-profit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns.

**Section 1.09. 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 1.10. Board or Board of Directors.** "Board of Directors" or "Board" shall mean the Board of Directors of the Association.

**Section 1.11. Bylaws.** "Bylaws" shall mean the Bylaws of the Association as adopted by the Board initially in the form of Exhibit "C" attached hereto, as such Bylaws may be amended by the Membership of the Association from time to time.

**Section 1.12. 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 for the Property by the California Department of Real Estate.

**Section 1.13. Common Property or Common Areas.** "Common Property" or "Common Areas" shall mean all areas on the Project, except the Units, and shall further 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 structures wherever located (except the outlets thereof when located within the Units), the lot upon which the structures are located and the airspace above the structures, all bearing walls, columns, unfinished floors, the roofs, foundation slabs, party walls, utility walls, foundations, private streets or driveways, walkways, pools, jacuzzi spa, volleyball courts, and other recreation facilities or equipment, common stairways, parking areas and landscaping on those areas which are not defined as a part of the Units.

**Section 1.14. 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, balcony, and garage parking purposes. The Restricted Common Areas in the Project are shown and assigned in the Condominium Plan.

**Section 1.15. Common Expenses.** "Common Expenses" shall mean 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, and maintenance of clustered mailboxes; 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 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 designated by, or in accordance with other expenses incurred by the Association, for any reason whatsoever in connection with the Property, for the common benefit of the Owners.

**Section 1.16. Condominium.** "Condominium" shall mean an undivided fee simple ownership interest in the Common Areas, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto. The ownership interests in the Common Areas of the Project to be held by each Owner in the Project as a tenant in common shall be an undivided one-eightieth (1/80th).

**Section 1.17. Condominium Plan.** "Condominium Plan" shall mean the engineering drawings and related materials, 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. A copy of the Condominium Plan for the Project is attached hereto as Exhibit "A."

**Section 1.18. 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 1.19. Deed of Trust.** "Deed of Trust" shall mean a mortgage or a Deed of Trust, as the case may be.

**Section 1.20. Family.** "Family" shall mean one or more natural persons each related to the other by blood, marriage or adoption, or a group of not more than three (3) natural persons not all so related, inclusive of their domestic servants, who maintain a common household in a Residence.

**Section 1.21. Grantor.** "Grantor" 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. Improvements.** "Improvements" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, buildings, outbuildings, walkways, sprinkler pipes, swimming pools, jacuzzi spa, volleyball courts, roads, driveways, parking areas, fences, screening walls, retaining walls, awnings, stairs, decks, landscaping, hedges, windbreaks, the exterior surfaces of any visible structure, planted trees and shrubs, poles, signs, exterior air conditioning and water softener fixtures or equipment.

**Section 1.23. Maintenance Funds.** "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association pursuant to Article V, Section 3.02 hereof.

**Section 1.24. 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 1.25. 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 this Declaration and the Articles and Bylaws of the Association.

**Section 1.26. Mortgage.** "Mortgage" shall mean any 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 1.27. 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 1.28. 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 1.29. Owner.** "Owner" shall mean the record owner, whether one or more Persons, of a fee simple interest in a Condominium, including Grantor with respect to each Condominium owned by Grantor, and including sellers under executory contracts of sale, but excluding those Persons holding title as security for the performance of an obligation.

**Section 1.30. Person.** "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

**Section 1.31. Property or Project.** "Property or Project" shall mean all of the real property described in Paragraph A of the Preamble to this Declaration.

**Section 1.32. Record, File, Recordation, Recorded.** "Record", "File", "Recordation" or "Recorded" 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 1.33. 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 1.34. Restrictions. "Restrictions" shall mean this Declaration, the Articles, Bylaws and the Rules and Regulations of the Association from time to time in effect.

Section 1.35. Rules and Regulations. "Rules and Regulations" shall mean the rules and regulations adopted by the Board pursuant to this Declaration or by the Bylaws, as such rules and regulations may be amended from time to time.

Section 1.36. 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 in the multi-family structure 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 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, 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

### WEST BLUFF HILLS HOMEOWNERS ASSOCIATION

Section 2.01. Organization of Association. The Association is or shall be incorporated under the name of WEST BLUFF HILLS 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. Transfer of control to the Association over the Common Property shall take place upon the first Close of Escrow for the sale of a Condominium in the Project. 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.

**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 Grantor, 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.

**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 Grantor for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned by such Class A Members and subject to assessment. Grantor shall become a Class A Member with regard to Condominiums owned by Grantor upon conversion of Grantor's Class B Membership as provided below. When more than one (1) Person 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 Grantor. 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 earlier:

(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 Final Subdivision Public Report for the Property.

All voting rights shall be subject to the restrictions and limitations provided in this Declaration and in the Articles and Bylaws of the Association. Except as provided in Section 14.02, 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 of the voting power of the Association before being undertaken shall require the approval of such specified percentage of the voting power of each class of membership. Except as provided in Sections 8.11, 13.02 and 14.02, when the Class B Membership has terminated, and for so long as Grantor is entitled to exercise twenty-five percent (25%) or more of the voting power of the Association, 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 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 Grantor.

**Section 2.06. Voting Rights.** At any meeting of the Association, each Owner, except as otherwise provided in Section 2.05 with respect to the voting power of Grantor, shall be entitled to cast no more than one (1) vote for each Condominium owned as shown on the Condominium Plan. 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 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 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 non-voting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Condominium and shall be entitled to all other benefits of ownership. All agreements and

determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the 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 XI pertaining to eminent domain and subject to Article X pertaining to destruction of Improvements, the Association shall paint, maintain, repair and replace the Common Property and Improvements thereon, including without limitation private streets and drainage systems, or shall contract for such maintenance, repair and replacement to assure maintenance of the Common Property and Improvements thereon, in a state of good repair and condition reasonably consistent with the level of maintenance reflected in the initial budget for the Property on file with 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 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 or on 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; 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 Maintenance Funds as provided in this Declaration. All work performed for and on behalf of an Owner which is the responsibility of the Owner shall be charged to the Owner as a Special Assessment, as provided in this Declaration. 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 the Project are taxed under a blanket tax bill covering all of the Project 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. The Association shall transmit the taxes to the appropriate tax collection agency. Blanket taxes for the Project shall be allocated equally among the Owners, based upon the total number of Units in the Project. The Association shall, at least forty-five (45) days prior to the delinquency date of any blanket tax installment, deliver to each Owner a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay his proportionate share of the

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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, and shall use any available sums in the Operating Fund or borrow any sums as may be required to make the payments on behalf of delinquent Owners. 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, 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 Grantor.

**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, including the windows 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, 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 any and all charges for all utility services which services are not centrally metered but are 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 professional management agent 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 Grantor 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.

ARTICLE III

RIGHTS IN COMMON PROPERTY

Section 3.01. Association Easement. The Association shall have an easement over the Common Areas for purposes described in this Declaration. Upon the first Close of Escrow for the sale of a Condominium in the Project, the Association shall immediately become responsible for all maintenance, operation, control and expenses associated with the Common Property.

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 Grantor, 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 Areas. Subject to the provisions of this Declaration, every Member of the Association shall have, for himself, his family and guests, a non-exclusive easement of access, ingress, egress, use and enjoyment of, in, to and over the Common Property, and such easement 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 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 of the Restricted Common Areas assigned to his respective Unit;

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

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

**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 the use or enjoyment of 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 waiver of the use and enjoyment of the Common Property or by abandonment of his Condominium.

**Section 3.07. Damage by Member.** Each Member shall be liable to the Association for any damage to the Common 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 the Condominium, and may be enforced as provided herein for the enforcement of other Assessments.

## ARTICLE IV

ARCHITECTURAL REVIEW COMMITTEE

**Section 4.01. Members of Committee.** The Architectural Review Committee, sometimes referred to in this Declaration as the "Architectural Committee" or the "Committee", shall consist of three (3) members. The initial members of the Committee shall consist of representatives of Grantor. Subject to the following provisions, Grantor shall have the right and power at all times to appoint or remove a majority of the members of the Architectural Committee or to fill any vacancy of such majority until either (i) Close of Escrow has occurred for the sale of ninety percent (90%) of the Condominiums then subject to this Declaration, or (ii) five (5) years following the date of original issuance of the Final Subdivision Public Report for the Property, whichever occurs earlier. Commencing one (1) year from the issuance of the Final Subdivision Public Report for the Property, the Board shall have the power to appoint and remove one (1) member of the Architectural Committee. The Board shall have the power to appoint and remove all of the members of the Architectural Committee; provided Grantor is not then entitled to appoint all or a portion of the members pursuant to this Section 4.01. Committee members appointed by the Board shall be from the Membership of the Association, but Committee members appointed by Grantor need not be Members of the Association.

**Section 4.02. Review of Plans and Specifications.** The Committee shall consider and act upon any and all plans and specifications submitted for its approval under this Declaration and perform such other duties as from time to time shall be assigned to it by the Board, including the inspection of construction in progress to assure its conformance with plans approved by the Committee. No construction, alteration, addition, modification, decoration, redecoration or reconstruction of an Improvement in the Property shall be commenced or maintained, until the plans and specifications therefor showing the nature, kind, shape, height, width, color, materials and location of the same shall have been submitted to the Committee and approved in writing by the Committee. The Owner submitting the plans ("Applicant") shall obtain a written, dated receipt for the plans and specifications from an authorized agent of the Committee. Until changed by the Board, the address for the submission of such plans and specifications shall be c/o Grantor, 6994 El Camino Real, Suite 211, Carlsbad, California 92008. The Committee shall approve proposals or plans and specifications submitted for its approval only if it deems that the construction, alterations, or additions contemplated thereby in the locations indicated will not be detrimental to the appearance of the surrounding area of the Property as a whole, that the appearance of any structure affected thereby will be in harmony with the surrounding structures, that the construction thereof will not detract from the beauty, wholesomeness and attractiveness of the Common Property or the enjoyment thereof by the Members, and that the upkeep and maintenance thereof will not become a burden on the Association. The Committee may condition its approval of proposals or plans and specifications for any Improvement (1) upon the Applicant's furnishing the Association with security acceptable to the Association against any mechanic's lien or other encumbrance which may be Recorded against the Property as

of such work, (2) on such changes therein as it deems appropriate, (3) upon the agreement by the Applicant to grant appropriate easements to the Association for the maintenance of the Improvements, or (4) upon the agreement of the Applicant to reimburse the Association for the cost of maintenance, or all of the above, and may require submission of additional plans and specifications or other information prior to approving or disapproving material submitted. The Committee may also issue rules or guidelines setting forth procedures for the submission of plans for approval, requiring a fee to accompany each application for approval, or additional factors which it will take into consideration in reviewing submissions. The Committee may provide that the amount of the fee shall be uniform, or that it be determined in any other reasonable manner, such as by the reasonable cost of the construction, alterations or additions contemplated. The Committee may require such detail in plans and specifications submitted for its review as it deems proper, including without limitation, floor plans, site plans, drainage plans, elevation drawings and description or samples of exterior material and colors. Until receipt by the Committee of any required plans and specifications, the Committee may postpone review of any plan submitted for approval. Decisions of the Committee and the reasons for the decisions shall be transmitted by the Committee to the Applicant at the address set forth in the application for approval, within forty-five (45) days after receipt by the Committee of all materials required by the Committee. Any application submitted pursuant to this Section 4.02 shall be deemed approved, unless written disapproval or a request for additional information or materials by the Committee shall have been transmitted to the Applicant within forty-five (45) days after the date of receipt by the Committee of all required materials.

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

**Section 4.04. No Waiver of Future Approvals.** The approval of the Committee of any proposals or plans and specifications or drawings for any work done or proposed or in connection with any other matter requiring the approval and consent of the Committee, shall not be deemed to constitute a waiver of any right to withhold approval or consent to any similar proposals, plans and specifications, drawings or matter subsequently or additionally submitted for approval or consent.

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

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

(a) The Committee or its duly authorized representative may at any time inspect any improvement for which approval of plans is required under this Article IV. However, the Committee's right of inspection of improvements for which plans have been submitted and approved shall terminate sixty (60) days after the work of improvement has been completed and the respective Owner has given written notice to the Committee of its completion. The Committee's rights of inspection shall not terminate pursuant to this paragraph if plans for the work of improvement have not previously been submitted to and approved by the Committee. If, as a result of such inspection, the Committee finds that the improvement was done without obtaining approval of the plans therefor or was not done in substantial compliance with the plans approved by the Committee, it shall notify the Owner in writing of failure to comply with this Article IV within sixty (60) days from the inspection, specifying the particulars of noncompliance. The Committee shall have the authority to require the Owner to take such action as may be necessary to remedy the noncompliance.

(b) If upon the expiration of sixty (60) days from the date of such notification, the Owner has failed to remedy the noncompliance, the Committee shall notify the Board in writing of such failure. Upon Notice and Hearing, as provided in the Bylaws, the Board shall determine whether there is a noncompliance and, if so, the nature thereof and the estimated cost of correcting or removing the same. If a noncompliance exists, the Owner shall remedy or remove the same within a period of not more than forty-five (45) days from the date that notice of the Board ruling is given to the Owner. If the Owner does not comply with the Board ruling within that period, the Board, at its option, may Record a Notice of Noncompliance and may peacefully remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses (including reasonable attorneys' fees) incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board shall levy a Special Assessment against the Owner for reimbursement as provided in this Declaration. The right of the Association to remove a noncomplying improvement or otherwise remedy the noncompliance shall be in addition to all other rights and remedies which the Association may have at law, in equity or in this Declaration.

(c) If for any reason the Committee fails to notify the Owner of any noncompliance with previously submitted and approved plans within sixty (60) days after receipt of written notice of completion from the Owner, the improvement shall be deemed to be in accordance with the approved plans.

**Section 4.07. Scope of Review.** The Architectural Committee shall review and approve or disapprove all plans submitted to it for any proposed improvement, alteration or addition, on the basis of aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Property generally. The Committee shall take into consideration the aesthetic aspects of the architectural designs, placement of buildings, landscaping, color schemes, exterior

finishes and materials and similar features. The Committee's approval or disapproval shall be based solely on the considerations set forth in this Article IV, and the Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plan or design from the standpoint of structural safety or conformance with building or other codes.

Section 4.08. Variances. The Committee may authorize variances from compliance with any of the architectural provisions of this Declaration, including restrictions upon height, size, floor area or placement of structures, or similar restrictions, when circumstances such as topography, natural obstructions, hardship, aesthetic or environmental consideration may require. Such variances must be evidenced in writing, must be signed by at least a majority of the members of the Committee, and shall become effective upon Recordation. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular property and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all governmental laws and regulations affecting his use of the Residence.

#### ARTICLE V

##### MAINTENANCE FUNDS AND ASSESSMENTS

Section 5.01. Personal Obligation of Assessments. Grantor, 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, and shall bind his heirs, devisees, personal representatives and assigns. 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.

Upon any voluntary or involuntary conveyance of a Condominium, the new Owner ("Purchaser") shall be jointly and severally liable with the previous Owner ("Seller") for all unpaid assessments levied by the Board of Directors against the Seller for his share of the Common Expenses up to the time the grant or conveyance was Recorded, without prejudice to the right of the Purchaser to collect from the Seller therefor. However, any such Purchaser shall be entitled to a statement from the Board of Directors or the Manager, as the case may be, setting forth the amount of the unpaid assessments against the Seller due the Association. The Purchaser shall not be liable for, nor shall the Condominium conveyed be liable for any

unpaid assessments levied by the Board of Directors against the Seller in excess of the amount set forth in such statement, provided, however, that the Purchaser shall be liable for any such assessment becoming due after the date of any such statement. Notwithstanding the foregoing, any first Mortgagee or other purchaser for value who obtains title to a Condominium pursuant to the remedies provided in the first Mortgage or foreclosure of the first Mortgage, shall not be liable for unpaid assessments or charges against the mortgaged Condominium which accrue prior to the time such Mortgagee or purchaser acquires title to that Condominium.

**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 shall be established as separate trust savings or trust checking 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 basis), and (3) any other funds which the Board of Directors may establish to the extent necessary under the provisions of this Declaration. The Board of Directors shall not commingle any amounts deposited into any of the Maintenance Funds with one another. Nothing contained herein shall limit, preclude or impair the establishment of additional Maintenance Funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such Fund are earmarked for specified purposes authorized by this Declaration.

**Section 5.03. Purpose of Assessments.** The assessments levied by the Board of Directors on behalf of the Association shall be used exclusively to promote the recreation, health, safety and welfare of the residents of the Condominiums and for the operation, replacement, improvement and maintenance of the Property. 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 for the respective purposes specified in this Article V. Nothing in this Declaration shall be construed in such a way as to prohibit the Association from using any assessments to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Annual Assessments shall include, and the Association shall acquire and pay for out of the applicable funds derived from such Annual Assessments, the following:

- (a) Water, electrical, lighting and other necessary utility services for the Common Property.
- (b) Maintenance and repair of private driveways, walkways, and parking areas lying within the Common Property.

(c) Landscape planting and maintenance by the Association of all slopes, landscaping and planted areas within the Common Property, including irrigation and lighting.

(d) Fire and casualty insurance with extended coverage as provided herein, covering the full insurable replacement cost of the Common Property Improvements.

(e) Liability insurance, as provided herein, insuring the Association against any liability to the public or to any Owner, their invitees or tenants incident to their occupation and use of the Common Property, with limits of liability to be set by the Board of Directors of the Association, such limits and coverage to be reviewed at least annually by the Association and increased or decreased in its discretion.

(f) Such errors and omissions and Directors and officers liability insurance as the Board deems appropriate pursuant to Article IX.

(g) Workers' compensation insurance to the extent necessary to comply with any applicable laws, medical payments insurance, and any other insurance deemed necessary by the Board of Directors of the Association.

(h) Standard fidelity bonds covering all Members of the Board of Directors of the Association and other employees or agents of the Association as, and in an amount determined by the Board of Directors.

(i) Painting, maintenance, repair and replacement of all buildings, equipment and landscaping in, on and of the Common Property, as the Board of Directors of the Association shall determine is necessary and proper.

(j) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes or assessments which the Association is required to secure or pay for pursuant to the terms of this Declaration or by law or which in the opinion of the Association's Board of Directors shall be necessary or proper for the operation of the Common Property or for the enforcement of this Declaration.

Section 5.04. Basis of Maximum Annual Assessment. Except as provided below, until the first day of the Association fiscal year next following the first Close of Escrow for the sale of a Condominium, the maximum Annual Assessment under this Article V shall be determined in accordance with the budget of the Association currently on file with the California Department of Real Estate, a copy of which is attached hereto as Exhibit "D." The first Annual Assessment shall be adjusted according to the number of months remaining in the initial fiscal year.

If the Board of Directors determines that the initial Annual Assessment is insufficient to meet the Common Expenses of the Association during the remainder of the Association's initial fiscal year, the Board of Directors may, by majority vote, increase that Annual Assessment by not more than ten percent (10%) above the maximum Annual Assessment for such year

reflected in the approved budget for the Association. Prior to the end of the Association's initial fiscal year, any proposed Annual Assessment in excess of ten percent (10%) above the maximum Annual Assessment shall be subject to approval by a majority vote of the voting power of the Association.

(a) Commencing on the first day of the fiscal year next following the first Close of Escrow for the sale of a Condominium, the maximum Annual Assessment for any fiscal year may be increased by the Board above the maximum Annual Assessment for the previous fiscal year, without a vote of the Membership and effective no sooner than the first day of each fiscal year, in an amount no more than the greater of (i) ten percent (10%), or (ii) the percentage (but not more than 20%) by which the U.S. Bureau of Labor Statistics, Los Angeles - Long Beach - Anaheim Area, Consumer Price Index For All Urban Consumers (the "Index"), has increased as of the date of the Annual Assessment increase over the level of the Index as of the close of the immediately preceding fiscal year of the Association. Any increase in the maximum Annual Assessment which exceeds the maximum increase authorized in this subsection (a) shall require the vote or written consent of Members representing a majority of the voting power of the Association.

(b) Except as provided in this Section 5.04 and Section 5.05, the Board of Directors may not fix an Annual Assessment for any fiscal year at an amount which exceeds the maximum authorized for such fiscal year.

Section 5.05. Supplemental Annual Assessments. If the Board determines that the estimate of total charges for the current year is, or will become, inadequate to meet all expenses of the Property for any reason, it shall immediately determine the approximate amount of the inadequacy. Subject to the provisions of Section 5.04, 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. To the extent that the sum of all increases in Annual Assessments levied by the Board in any fiscal year (including all supplemental Annual Assessments levied pursuant to this Section 5.05 and increases authorized pursuant to Section 5.04) exceeds the maximum Annual Assessment for the previous fiscal year by more than the amount authorized in Section 5.04(a), such excess shall require the approval of Members representing a majority of the voting power of the Association. Written notice of any change in the amount of Annual Assessments levied by the Association through the Board shall be given to all Members not less than thirty (30) days prior to the effective date of such change.

Section 5.06. 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 the Project (including unsold Condominiums therein owned by Grantor) on the first day of the calendar month following the first Close of Escrow for the sale of a Condominium in the Project. Unless otherwise indicated in the Association budget, all Annual Assessments shall be assessed equally against the Members and their Condominiums based upon the number of Condominiums owned by each Member. Annual Assessments for fractions



of any month involved shall be prorated. Grantor shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums 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. At the end of any fiscal year of the Association, the Board may determine that all excess funds in the Operating Fund be returned to the Members in the same proportions that Annual Assessments are levied, be retained by the Association and used to reduce the following year's Annual Assessment, or be deposited into the Reserve Fund. 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 proportionately to or for the benefit of the Members.

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.

Section 5.07. Association Budgets. The Board of Directors shall cause to be prepared an annual report containing (i) a balance sheet and income statement reflecting income and expenditures of the Association for each fiscal year, including deposits in and withdrawals from the Reserve Fund and the Operating Fund; (ii) a statement of the place where the names and addresses of the current Members of the Association may be found; (iii) a statement of changes of financial position of the Association; and (iv) any information required to be reported under Section 8322 of the California Corporations Code. Within ninety (90) days after the close of the Association's fiscal year, the Board shall cause to be distributed a copy of each such annual report to each Member, and to each first Mortgagee who has filed a written request therefor with the Board of Directors. The annual report shall be prepared by an independent accountant for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars (\$75,000). If the annual report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association, stating that the annual report was prepared without audit from the books and records of the Association. At least sixty (60) days prior to the beginning of each fiscal year, the Board of Directors shall prepare and distribute to the Membership of the Association, a written, itemized estimate (budget) of the income and expenses of the Association during such year in performing its functions under this Declaration (including a reasonable provision for contingencies and deposits into the Reserve Fund, less any expected income and accounting for any surplus from the prior year's respective Maintenance Fund). Each Annual Assessment shall constitute an aggregate of separate assessments for each of the Maintenance Funds, reflecting an itemization of the amounts assessed and attributable to prospective deposits into the Reserve Fund and the Operating Fund.

**Section 5.08. Capital Improvement Assessments.** Should the Board of Directors determine the need for a Capital Improvement or other such addition to the Property, the cost of which in the aggregate exceeds five percent (5%) of the budgeted gross expenses of the Association for the then current fiscal year, then the vote or written consent of Members representing at least a majority of the voting power of the Association, shall be required to approve and render effective a Capital Improvement Assessment levied by the Board of Directors to cover the cost of such expenditure. Capital Improvement Assessments may be levied by the Board without the consent of the Members, if the aggregate of such expenditures in each fiscal year does not exceed five percent (5%) of the budgeted gross expenses of the Association for such fiscal year.

**Section 5.09. Delinquency and Acceleration.** Any installment of an assessment provided for in this Declaration shall become delinquent if not paid on the due date as established by the Board of Directors of the Association. With respect to each installment of an assessment not paid within ten (10) days after its due date, the Board of Directors may, at its election, require the delinquent owner to pay a late charge of not to exceed Five Dollars (\$5.00) or five percent (5%) of the amount of the delinquent installment, whichever is greater, together with interest at the maximum rate permitted by law on such delinquent sums, calculated from the date of delinquency to and including the date full payment is received by the Association. If any installment of an Annual Assessment is not paid within thirty (30) days after its due date, the Board may mail a notice to the 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 the Annual 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 and to bring a court action to assert the nonexistence of a default or any defense of the Owner to acceleration and sale. If the delinquent installments of the Annual Assessment and any charges thereon are not paid in full on or before the date specified in the notice, the Board at its option may declare all of the unpaid balance of the Annual Assessment for the then current fiscal year, attributable to that Owner and his Condominium, to be immediately due and payable without further demand and may enforce the collection of the full Annual Assessment and all charges thereon in any manner authorized by law and this Declaration.

**Section 5.10. Creation and Release of Lien.** All sums 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) subject to the provisions of Section 5.01 and Article XII of the Declaration, 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 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 an authorized representative 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 5.11. 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 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, its attorney or other persons authorized to make the sale, after failure of the Owner to pay an 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 5.09 if the Board accelerates the due date of any Annual 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 the lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit in law or equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

## ARTICLE VI

PROJECT EASEMENTS AND RIGHTS OF ENTRYSection 6.01. Easements.

(a) Access. Grantor 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 Grantor to Owners and to the Association for so long as Grantor owns any interest in the Property. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by Grantor, 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. Grantor expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements over the Common Areas (including the Restricted Common Areas) as necessary to 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 and binding upon, and shall pass with the title to, every Condominium conveyed.

(c) Restricted Common Areas. Grantor expressly reserves for the benefit of certain Owners exclusive easements for use of the Restricted Common Areas, for patio, balcony and garage parking purposes as shown and assigned on the Condominium Plan. If the Restricted Common areas assigned to an Owner for garage parking purposes are located within a garage enclosure in which are located more than one water heater, the Owner of the Unit which is served by any such water heater shall have a right of entry into and across such Restricted Common Areas for the purposes of maintenance, repair and replacement of the water heater serving such Owner's Unit. No Owner shall exercise such right of entry over the Restricted Common Areas assigned to another Owner except at reasonable times and, unless the Owner to which the Restricted Common Areas have been assigned consents, without the presence of a representative of the Association or such Owner.

(d) Utility Easements. Grantor expressly reserves for the benefit of the Association the right of Grantor 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, until Close of Escrow for the sale of the last Condominium.

(e) Encroachments. Grantor, 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 the purpose of (1) accommodating any existing encroachment of any wall of the buildings, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the buildings 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. The foregoing easements shall not unreasonably interfere with the use and enjoyment by the Owners 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 Grantor 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, 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. 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. 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

GRANTOR'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 Grantor 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 Grantor, or to alter the foregoing or its construction plans and designs, or to construct such additional improvements as Grantor deems advisable in the course of development of the Property so long as any Condominium in the Project remains unsold. Such right 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, lease or otherwise. Each Owner by accepting a deed to a Condominium hereby acknowledges that the activities of Grantor may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Grantor at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Grantor to establish on that Condominium additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary to the proper development and disposal of the Property. Grantor may use any Condominiums owned by Grantor in the Project as model home complexes or real estate sales or leasing offices. Grantor need not seek or obtain Architectural Committee approval of any improvement constructed or placed by Grantor on any portion of the Property by Grantor. The rights of Grantor hereunder and elsewhere in these Restrictions may be assigned by Grantor to any successor in interest to any portion of Grantor's interest in any portion of the Property by a Recorded written assignment. Notwithstanding any other provision of this Declaration, the prior written approval of Grantor, 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 Grantor to execute and Record all documents and maps necessary to allow Grantor to exercise its rights under this Article. Grantor shall be entitled to the nonexclusive use of the Common 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. Grantor, 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, provided that the exercise of such rights by Grantor shall not unreasonably interfere with the rights of other Owners.

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## 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 Grantor 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 Grantor 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 Owner shall park, store or keep anywhere on 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 Owner 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. In addition, no Owner shall park, store or keep anywhere on the Property any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. Only passenger motor vehicles may be parked in the garages which constitute Restricted Common Areas. There shall be no repairing or restoration of vehicles conducted on the Property other than minor repairs or restoration not deemed a nuisance by the Board and conducted in closed garages. 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 (other than Restricted Common Areas assigned to the Units). Any parking spaces which may constitute a part of the Common Property, but which are not part of the Restricted Common Areas, shall be subject to reasonable control and use limitation by the Board of Directors. The Board shall determine, in its discretion, whether there is non-compliance 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 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 22656 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.

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. No horns, whistles, bells or other sound devices, except security devices

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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 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 which will increase the rate of insurance thereon, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners, nor will he 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 with whom 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 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 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 Grantor or its agents in connection with the sale and any construction or alteration of the Condominiums 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 ordinance of the City or County in which the Property is located.

**Section 8.05. Antennas.** 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, a television or radio pole, antenna or clothesline shall be constructed, erected or maintained on any Residence, excepting



antennae installed by Grantor 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 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 Property which will or may tend to impair the structural integrity of any building in the Property 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 interior wall in any of the buildings of the Project shall be pierced or otherwise altered in any way, without the prior approval of the Architectural Committee and a structural engineering analysis. No 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 discharge the lien and charge the Owner a Special Assessment for such cost of discharge after Notice and Hearing.

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 no 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 patio or balcony or on a leash being held by a person capable of controlling the animal. Furthermore, any Owner shall be absolutely 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 Property by an Owner or by members of his family, his tenants or his guests; and it shall be the absolute 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.

**Section 8.08. View Obstructions.** No vegetation or other obstruction shall be planted or maintained upon any patio 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 Board of Directors, by the Owner of the Residence upon which the obstruction is located. Any item or vegetation maintained upon any patio 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 Grantor 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 Grantor 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, other than in connection with approved construction, and no such materials shall be kept, stored or allowed to accumulate on any balcony, patio or parking space. 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 Mortgages (based upon one vote for each mortgage owned), or Owners representing seventy-five percent (75%) of the voting power of the Association residing in Owners other than Grantor have given their prior written approval, and all applicable laws and regulations have been complied with, no Owner shall

further subdivide his Unit (physically or legally); provided, however, that this provision shall not be construed to limit 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. The terms of any such lease or rental agreement shall be subject in all respects to the provisions of the Restrictions and shall (a) expressly refer to this Declaration and contain a covenant by the lessee or tenant that he accepts the leasehold estate subject to this Declaration, and (b) contain either a covenant that the lessee or tenant agrees to perform and comply with the Restrictions or adequate provisions to permit entry and other actions by the lessor for the purpose of performing and complying with the Restrictions. 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 holder of any first Mortgage lien on that Unit. This Section may not be amended without the prior written approval of the holders of at least seventy-five percent (75%) of the first Mortgages of Condominiums in the Project.

**Section 8.12. 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 is defined as the drainage which exists at the time of the first Close of Escrow for the sale of a Condominium, 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 and any other property under its jurisdiction. 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 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 and employees of the Association and employees of the professional managing agent of the Association. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for condominium projects established by the Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and The Mortgage Corporation ("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 Claims 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 Grantor, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said persons.

**Section 9.03. 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. Nothing herein shall preclude any Owner from carrying any public liability insurance as he deems desirable to cover his individual liability for damage to person or property occurring inside his individual Unit or elsewhere upon the Property. All policies carried by Unit Owners shall contain waivers of subrogation of claims against Grantor, the Association, the Board, the officers of the Association and all other Owners. 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 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, all of the policies of insurance maintained by the Association shall contain a provision that said policy or policies shall not be cancelled, terminated or expired by their terms, without ten (10) days' prior written notice to the Board, Grantor, Owners and their respective first Mortgagees (provided that Grantor, such Owners or Mortgagees have filed written requests with the carrier for such notice), and every other person in interest who requests such notice of the insurer.

**Section 9.05. Insurance Premiums.** Insurance premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association 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 Section 10.05 of this Declaration. Any two (2) Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds.

**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 seventy-five percent (75%) of the first Mortgagees of Condominiums who have filed requests under Section 9.04 to the extent such first Mortgagees desire to participate. Duplicate originals or certificates of all policies of fire and casualty insurance maintained by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Mortgagees who have requested the same in writing.

**Section 9.08. Annual Insurance Review.** The Board shall review the insurance carried by or on behalf of the Association at least 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 current 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 co-insurance;
- (c) any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;
- (d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by 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 seventy-five percent (75%) of the holders of record 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 of the Owners shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. 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 at least seventy-five percent (75%) of the first Mortgagees of record of the Condominiums in the Project, shall determine whether the Association shall be authorized to levy a Reconstruction Assessment and proceed with such restoration and repair. 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.** 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 shall be filed 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. In the event of a determination not to rebuild, the Association, acting through a majority of the Board as provided in Section 1355(b) of the California Civil Code, shall be authorized to have prepared, executed and Recorded, as promptly as practical, the Certificate and such other documents and instruments as may be necessary for the Association to consummate the sale of the Property at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among 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 or more appraisers for such purpose and the cost of such appraisals shall be a Common Expense of the Association. Notwithstanding the foregoing, 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.

**Section 10.03. Right to Partition.** 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, then conditions for partition as set forth in Subdivision (4) of Section 1354(b) of the California Civil Code shall be deemed to have been satisfied. Nothing herein shall be deemed to prevent partition of a 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 10.04. Interior Damage. With the exception of any casualty or damage insured against by the Association pursuant to 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 10.05. Notice to Owners and Listed Mortgagees. The Board, immediately upon having knowledge of any damage or destruction to the Common Property, or any portion thereof, which damage or destruction is substantial or may be restored only at a cost exceeding Ten Thousand Dollars (\$10,000), shall promptly notify all Owners, all institutional holders of first Mortgages on Condominiums in the Project, and all other Mortgagees who have filed a written request for such notice with the Board.

#### ARTICLE XI

##### EMINENT DOMAIN

Section 11.01. Definitions; Total Taking; Partial Taking; Special Partial Taking. The Term "taking" as used in this Article shall mean condemnation by exercise of power of eminent domain or by sale under threat of the exercise of the power of eminent domain. A "Total Taking" shall occur if there is a permanent taking by eminent domain of an interest in all or part of the Common Areas or of all or part of one or more Units, such that the ownership, operation and use of the Project in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking the Owners of any Units (i) not taken, or (ii) only partially taken and capable of being restored to at least ninety-five percent (95%) of their floor area and to substantially their condition prior to the taking (collectively the "Remaining Units") do not



by affirmative vote of a majority of their entire voting interest (without adjustment among such Units for relative voting rights because of such partial taking) approve the continuation of the Project and the repair, restoration and 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 Property. A Partial Taking shall include, without limitation, a "Special Partial Taking" which is described herein as a taking of all or part of one or more Units, as Units, subject to all of the provisions of this Declaration, without involving any taking of the Common Areas except to the extent of the proportionate interest therein of the Units taken, so that the taking authority becomes a successor in title to the 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 the 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 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 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 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 allotted 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 Mortgages 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 Mortgages 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 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 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 Remaining Owners (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 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 Owners' 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. Notice to Owners and Listed Mortgagees.**

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

**ARTICLE XII**

**RIGHTS OF MORTGAGEES**

Notwithstanding any other provisions 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 first Mortgagee of a Mortgage encumbering any Condominium, upon filing a written request for notification with the Board, is entitled to written notification from the Association of any default by the Mortgagor of such Condominium in the performance of such Mortgagor's obligations under the Restrictions which default is not cured within thirty (30) days after the Association learns of such default. For purposes of this paragraph, "first Mortgagee" shall mean a Mortgagee of a Mortgage with first priority over other Mortgages or Deeds of Trust on a Condominium.

(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 a foreclosure of the Mortgage, or by deed (or assignment) in lieu of foreclosure, shall be exempt from any "right of first refusal."

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

(d) Unless at least two-thirds (2/3rds) of the first Mortgagees (based upon one vote for each Mortgage owned) or two-thirds (2/3rds) of the Owners (other than Grantor) have 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 [other than the Special Assessments or late charges imposed by the Board in accordance with the provisions of this Declaration] 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; 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 improvements to any Common Property for other than the repair, replacement or reconstruction of such improvements, subject to the provisions of Article X of this Declaration.

(e) First Mortgagees, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) 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.

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(f) All first Mortgagees, upon written request, shall be given thirty (30) days' written notice prior to the effective date of any proposed, material amendment to the Restrictions and prior to the effective date of any termination of an agreement for professional management of the Property following any decision of the Owners to assume self-management of the 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 loan which it secures.

#### ARTICLE XIII

##### DURATION AND AMENDMENT

Section 13.01. Duration. This Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination is Recorded, meeting the requirements of an amendment to this Declaration as set forth in Section 13.02. 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 percent (60%) of the voting power of the Association, and (ii) sixty percent (60%) of the voting power of the Association residing in Members other than Grantor; 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. 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 record holders of seventy-five percent (75%) of the first Mortgages on all of the Condominiums in the Project at the time of such amendment, based upon one (1) vote for each Mortgage owned:

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

(b) Any amendment which would necessitate an encumbrancer after it has acquired a Condominium through foreclosure 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 the individual 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 in favor of the Association, if such Owner exercises his right to sell, transfer or otherwise convey his Condominium.

A Certificate, signed and sworn to by two (2) officers of the Association that the record Owners of sixty percent (60%) of the Condominiums 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. The Certificate reflecting any amendment which requires the written consent of any of the record holders of first

Mortgages shall be signed and sworn to by such first Mortgagees. Notwithstanding anything contained herein to the contrary, the Planning Director of the City of Carlsbad shall have the power to veto any purported amendment or termination of this Declaration, based upon whether the Property, after such termination or amendment, will continue to enjoy adequate provision for preservation and maintenance of the Common Property. No amendment or written agreement purporting to terminate or modify the maintenance provisions of this Declaration shall be effective without the mailing of written notice thereof, return receipt requested, to the Planning Director of the City of Carlsbad. If no veto has been exercised by the Planning Director of the City of Carlsbad within fifteen (15) days of the receipt of such notice, such amendment or termination shall thereafter become effective.

**Section 13.03. Protection of Grantor.** Notwithstanding any other provision in this Declaration, the prior written approval of Grantor, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Grantor to complete the Property or sell or lease Condominiums therein in accordance with this Declaration shall become effective.

#### 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 obliged under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Grantor 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 ten percent (10%) of the total voting power of the Association residing in Members other than Grantor. A vote 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 Grantor 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, after compliance with the Notice and Hearing procedures set forth in the Bylaws of the Association (except for the nonpayment of any Assessments provided for herein), shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of lien, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof. The Board, any Owner (not at the time in default hereunder), or Grantor 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 thereto shall include a sum for attorneys' fees in such amount as the Court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive.

Section 15.02. 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 his Condominium, and shall be subject to levy, enforcement and collection by the Board in accordance with the assessment lien procedure provided for in this Declaration.

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

**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 plan.

**Section 15.06. Use of Recreational Facilities.** The Board of Directors shall have the right to limit the number of guests that an Owner 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 minor guests of an Owner or his sub-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, have been given or made by Grantor, 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 Grantor 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 Association, 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 Grantor, serving the Association as an appointee of Grantor, shall be granted indemnification hereunder.

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

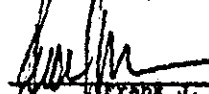
**Section 15.10. Notices.** Except as otherwise provided in this Declaration, in each instance in which notice is to be given to an Owner, the same shall be in writing and may be delivered personally to the Owner, in which case personal delivery of such notice to one or more co-owners of a Condominium 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, addressed to the Association at such address as shall be fixed from time to time and circulated to all Owners.

Section 13.11. 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.

THIS DECLARATION has been executed on the date first written above.

MOLA DEVELOPMENT CORPORATION,  
a California corporation

By:   
Frank J. Mola,  
Its: President

By:   
Peter E. von Elten,  
Its: Vice-President-Secretary  
"Grantor"

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No 318153

2364

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF ORANGE )

On October 1, 1981, before me, the undersigned, a Notary Public in and for said State, personally appeared Frank J. Mola, known to me to be the President, and Peter E. von Elten, known to me to be the Secretary, of MOLA DEVELOPMENT CORPORATION, the persons who executed the within instrument on behalf of said corporation, 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.

*Lila Sharon Keylor*  
Notary Public in and for said State  
Lila Sharon Keylor



No. 318153  
97  
81.

SUBORDINATION

The undersigned, as holder of the beneficial interest in and under that certain Deed of Trust dated August 14, 1981, and recorded on August 24, 1981, as File/Page No. 91-269333 in Official Records of the San Diego County Recorder (the "Deed of Trust"), which Deed of Trust is by and between Mola Development Corporation, as Trustor, Crocker Custody Corporation, a California Corporation, as Trustee and Crocker National Bank, a National Banking Association, 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 West Bluff Hills.

Dated: OCTOBER 2, 1981.

Crocker Custody Corporation  
a California Corporation

By: [Signature]  
Its: Vice President

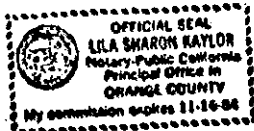
By: [Signature]  
Its: Asst. Vice President

STATE OF CALIFORNIA )  
                                  ) ss.  
COUNTY OF ORANGE )

On OCTOBER 2, 1981, before me, the undersigned, a Notary Public in and for said State, personally appeared LEWIS S. UGARD, known to me to be the Vice President, and NORMAN S. HIRSHMAN, known to me to be the Asst. Vice President Secretary, of CROCKER CUSTODY CORPORATION the corporation that executed the within Instrument on behalf of said corporation, and acknowledged to me that such banking association executed the within Instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

Lila Sharon Kaylor  
NOTARY PUBLIC IN AND FOR SAID STATE  
LILA SHARON KAYLOR



(SEAL)

No 318153 97 81

EXHIBIT "A"

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