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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS
FOR
CARLTON SQUARE TRACT 39164
LOS ANGELES COUNTY

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IN PHASE I

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS,
AND RESERVATION OF EASEMENTS
FOR
CARLTON SQUARE, TRACT 39164
LOS ANGELES COUNTY

THIS DECLARATION is made by JOHN D. LUSK & SON, a California corporation ("Declarant").

P R E A M B L E:

A. Declarant is the owner of certain real property ("the Property") located in Los Angeles County, California, described as follows:

Lots 1, 2, 18, 24, 28, 32, 33, 34, and 38 of Tract 39164, as shown on a Subdivision Map filed on April 30, 1985, in Book 1049, at Pages 23 to 33, inclusive, of Maps, in the Office of the Los Angeles County Recorder.

B. It is the desire and intention of Declarant to subdivide the Property 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. Declarant hereby declares that all of the Property is to be held, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the following limitations, restrictions, reservations, rights, easements, conditions and covenants, all of which are declared and agreed to be in furtherance of a plan for the 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, reservations, rights, easements, conditions and covenants herein shall run with and burden the Property and shall be binding on and for the benefit of all of the Property and all persons having or acquiring any right, title or interest in the Property, or any part thereof, and their successive owners and assigns.

D. Declarant, its successors, assigns and grantees, covenant and agree that the undivided interest in the Common Areas, the

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membership in the Association, any easements conveyed therewith and the fee title to each respective Unit conveyed therewith shall not be separated or separately conveyed, and each such undivided interest, membership and easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit; provided, however, that this restriction upon the severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Property is suspended in accordance with Section 1354(b) of the California Civil Code and the provisions of Article X hereof. Any conveyance by an Owner of a Condominium, or any portion thereof, shall be presumed to convey the entire Condominium together with a membership in the Association.

E. Declarant intends to improve the Property by constructing thereon 25 Condominiums which shall have wood and stucco exteriors and concrete tile roofs, and shall range in approximate size from 856 to 1275 square feet. The Project is anticipated to consist of a total of 470 Condominiums constructed in 12 phases, of which the Property is Phase 1. The Project shall have recreational facilities which are anticipated to consist of two pools, two jacuzzis, two tennis courts, one tot lot, and a one-half basketball court. There is no guaranty that all phases or the recreational facilities will be completed or that the number of Condominiums will be developed as described.

ARTICLE I

DEFINITIONS

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

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

Section 1.02 - Architectural Committee or Committee: "Architectural Committee" or "Committee" shall mean the Architectural Review Committee created pursuant to Article IV 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 "A", as such Articles may be amended from time to time.

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

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

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

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

Section 1.08 - Association: "Association" shall mean CARLTON SQUARE HOMEOWNERS ASSOCIATION, a California nonprofit mutual benefit corporation (formed pursuant to the Nonprofit Mutual Benefit Corporation Law of the State of California), its successors and assigns.

Section 1.09 - Association Property: "Association Property" shall mean all of the real and personal property and Improvements

(other than the Common Areas) to which the Association shall hold fee title or over which the Association shall hold an easement for the common use and enjoyment of the Members as provided herein. The Association Property located in Phase 1 is described in Exhibit "G" hereto.

Section 1.10 - Beneficiary: "Beneficiary" shall mean a Mortgagee under a Mortgage or a Beneficiary under a Deed of Trust, as the case may be, and the assignees of such Mortgagee or Beneficiary.

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

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

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

Section 1.14 - Close of Escrow: "Close of Escrow" shall mean the date on which a deed is recorded conveying a Condominium pursuant to a transaction requiring the issuance of a final subdivision public report by the DRB.

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

Section 1.16 - Common Areas, Restricted: "Restricted Common Areas" shall mean those portions of the Common Area over which exclusive easements may be reserved for the benefit of Owners of certain Condominiums for yard, patio, balcony and carport and/or uncovered parking purposes.

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Section 1.17 - Common Expenses: "Common Expenses" shall mean those expenses for which the Association is responsible under this Declaration, including, but not limited to, the actual and estimated costs of: Maintenance, management, operation, repair and replacement of the Common Property (to the extent the Association is responsible for such maintenance, repair and replacement under this Declaration); unpaid Special Assessments, Reconstruction Assessments and Capital Improvement Assessments; the costs of maintenance of the recreational facilities on the Common Property; 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 bin rental and trash collection and removal; the cost of maintenance of clustered mailboxes and address identification signs within the Property; the costs of management and administration of the Association including, but not limited to, compensation paid by the Association to managers, accountants, attorneys and other employees; the costs of all gardening, security and other services benefiting the Common Property; the costs of fire, casualty and liability insurance, workers' compensation insurance, and other insurance covering the Property and the directors, officers and agent of the Association; the costs of bonding of the members of the Board; taxes paid by the Association, including any blanket tax assessed against the Property; amounts paid by the Association for discharge of any lien or encumbrance levied against the Property, or portions thereof; and the costs of any other item or items incurred by the Association, for any reason whatsoever in connection with the Property, for the common benefit of the Owners.

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

Section 1.19 - Condominium: "Condominium" shall mean an undivided fee simple ownership interest in the Common Areas in a Phase of Development, together with a separate ownership interest in fee in a Unit and all easements appurtenant thereto. Subject to the provisions of Section 11.04 hereof, the fractional undivided fee simple interest appurtenant to each Unit in Phase 1 shall be an undivided one/twenty-fifth (1/25th) interest in the Common Areas located in Lots 1 and 2 to be held by the Owners of Condominiums in Lots 1 and 2 as tenants in common.

Section 1.20 - Condominium Building: "Condominium Building" shall mean any building in the Project which contains at least one (1) Unit or Residential Element of a Unit.

Section 1.21 - Condominium Plan: "Condominium Plan" shall mean the Recorded engineering drawings and related materials for all or a portion of a Phase of Development, as amended from time to time, showing the diagrammatic floor plans of the Units, the boundaries of the Units, the Common Areas, and, where applicable, di-

mensions, specific alternative uses as authorized by this Declaration, and such other information reasonably necessary to identify a Condominium in such Phase.

Section 1.22 - Declarant: "Declarant" shall mean John D. Lusk & Son, 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 1.23 - 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 1.24 - Deed of Trust: "Deed of Trust" shall mean a Mortgage or a Deed of Trust, as the case may be.

Section 1.25 - DRE: "DRE" shall mean the California Department of Real Estate and any successors thereto.

Section 1.26 - Eligible Mortgage Holder: "Eligible Mortgage Holder" shall mean any Beneficiary of a first mortgage in the Project, which has requested notice of certain matters pursuant to Section 9.04, Section 1.04, Article XII(d) or (f).

Section 1.27 - Family: "Family" shall mean one or more natural persons each related to the other by blood, marriage or adoption, or one or more natural persons not all so related, but who maintain a common household in a Residence.

Section 1.28 - FHA. "FHA" shall mean the Federal Housing Administration of the United States Department of Housing and Urban Development and any department or agency of the United States government which succeeds to the FHA's function of insuring notes secured by Mortgages on residential real estate.

Section 1.29 - FHLMC: "FHLMC" shall mean the Federal Home Loan Mortgage Corporation (also known as The Mortgage Corporation) created by Title II of the Emergency Home Finance Act of 1970, and any successors to such corporation.

Section 1.30 - FNMA: "FNMA" shall mean the Federal National Mortgage Association, a government-sponsored private corporation established pursuant to Title VIII of the Housing and Urban Development Act of 1968, and any successors to such corporation.

Section 1.31 - Fiscal Year: "Fiscal Year" shall mean the fiscal accounting and reporting period of the Association selected by the Board from time to time.

Section 1.32 - GNMA: "GNMA" shall mean the Governmental National Mortgage Association administered by the United States Department of Housing and Urban Development, and any successor to such association.

Section 1.33 - Improvements: "Improvements" shall mean all structures and appurtenances thereto of every type and kind, including but not limited to, buildings, walkways, sprinkler pipes, carports, swimming pools, roads, driveways, parking areas, fences, screening walls, block walls, retaining walls, awnings, stairs, decks, landscaping, hedges, windbreaks, the exterior surfaces of any visible structure and the paint on such surfaces, planted trees and shrubs, poles, signs, and water softener fixtures or equipment.

Section 1.34 - Maintenance Funds: "Maintenance Funds" shall mean the accounts created for receipts and disbursements of the Association pursuant to Section 5.02 hereof.

Section 1.35 - Manager: "Manager" shall mean the person, employed by the Association, pursuant to and limited by Article II, Section 2.10 thereof, and delegated the duties, power or functions of the Association as limited by said Section.

Section 1.36 - Member, Membership: "Member" shall mean every person holding a membership in the Association, pursuant to Article II hereof. "Membership" shall mean the property voting and other rights and privileges of Members as provided herein, together with the correlative duties and obligations contained in the Restrictions.

Section 1.37 - Mortgage: "Mortgage" shall mean any recorded mortgage or deed of trust or other conveyance of a Condominium or other portion of the Property to secure the performance of an obligation, which conveyance will be reconveyed upon the completion of such performance. The term "Deed of Trust" or "Trust Deed" when used shall be synonymous with the term "Mortgage."

Section 1.38 - 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 1.39 - 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 1.40 - Notice of Addition: "Notice of Addition" shall mean an instrument recorded pursuant to Article XVI hereof to annex all or any portion of the Annexable Territory to the Property.

Section 1.41 - Owner: "Owner" shall mean the record owner, whether one or more persons, of a fee simple interest in a Condominium, including Declarant with respect to each Condominium owned by Declarant. The term "Owner" shall include a seller under an executory contract of sale but shall exclude Mortgagees.

Section 1.42 - Person: "Person" shall mean a natural individual, a corporation or any other entity with the legal right to hold title to real property.

Section 1.43 - Phase 1: "Phase 1" shall mean all of the real property described in Paragraph A of the Preamble of this Declaration.

Section 1.44 - Phase of Development: "Phase of Development" or "Phase" shall mean (a) Phase 1, or (b) all the real property covered by a Notice of Addition recorded pursuant to Article XVI hereof for which a final subdivision public report has been issued by the DRE, unless otherwise defined in such Notice of Addition.

Section 1.45 - Project: "Project" shall mean the entire parcel of real property divided, or to be divided into Condominiums, in accordance with Section 1350 of the California Civil Code, including the Common Areas and the Units therein. The term "Project," as used in this Declaration, may constitute more than one project, as such term is defined in Section 1350 of the California Civil Code.

Section 1.46 - Property: "Property" shall mean (a) Phase 1, and (b) each Phase of Development, upon the Close of Escrow for the sale of a Condominium in such Phase.

Section 1.47 - Record, File, Recordation: "Record," "File" or "Recordation" shall mean, with respect to any document, the recordation or filing of such document in the Office of the County Recorder of the county in which the Property is located.

Section 1.48 - 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 1.49 - Restrictions: "Restrictions": shall mean this Declaration, the Articles, Bylaws and the Rules and Regulations of the Association from time to time in effect.

Section 1.50 - Rules and Regulations: "Rules and Regulations" shall mean the Rules and Regulations adopted by the Board pursuant to this Declaration or the Bylaws, as such Rules and Regulations may be amended from time to time.

Section 1.51 - Unit: "Unit" shall mean the elements of a Condominium not owned in common with the Owners of other Condominiums in the Project. Each of the Units shall be a separate freehold estate, as separately shown, numbered and designated in the Condominium Plan. Each such Unit consists of a living area space or spaces ("Residential Element") bounded by and 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, including the outlets of all utility installations therein, and the interior surfaces of the firebox of each fireplace, if any, which adjoins any Residential Element, as shown and defined in the Condominium Plan. Certain Units may also contain a garage area space ("Garage Element") bounded by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows and doors of such Garage Element. 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 Condominium 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 Condominium Building as constructed or reconstructed.

Section 1.52 - VA: "VA" shall mean the Veterans Administration of the United States of America and any department or agency of the United States government which succeeds to VA's function of issuing guarantees of notes secured by Mortgages on residential real estate.

ARTICLE II

CARLTON SQUARE HOMEOWNERS ASSOCIATION

Section 2.01 - Organization of Association: The Association shall be incorporated under the name of CARLTON SQUARE 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 benefit of its Members, subject only to the limitations upon the exercise of such powers in this Declaration. The Association shall further have the right to install or construct capital improvements on the Common Property. The Association may at any time, and from time to time reconstruct, replace or refinish any improvement or portion thereof upon the Common Property in accordance with the original design, finish or standard of construction of such improvement; replace destroyed trees or other vegetation and plant trees, shrubs and ground cover upon any portion of the Common Property. The Association may employ personnel necessary for the effective operation and maintenance of the Common Property, including the employment of legal, management and accounting services. The Association shall make available for inspection by any prospective purchaser of a Condominium, any Owner of a Condominium, and the Beneficiaries, insurers and guarantors of the first Mortgage on any Condominium, current copies of the Declaration, the Articles, the Bylaws, the Rules and Regulations and all other books, records, and financial statements of the Association.

Section 2.03 - Membership: Every Owner, upon becoming the Owner of a Condominium, shall automatically become a Member of the Association, and shall remain a Member thereof until such time as his ownership ceases for any reason, at which time his Membership in the Association shall automatically cease. Ownership of a Condominium shall be the sole qualification for Membership in the Association. All Memberships shall be appurtenant to the Condominium conveyed, and with the exception of Declarant, a Person shall be deemed an Owner of a Condominium only upon Recordation of a deed conveying the Condominium to such Person. Except as may otherwise be provided herein, the rights, duties, privileges and obligations of all Members of the Association shall be provided in the Restrictions.

Section 2.04 - Transfer: The Membership held by any Owner shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of such Owner's Condominium. 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 his 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 Declarant for so long as there exists a Class B Membership. Class A Members shall be entitled to one (1) vote for each Condominium owned by such Class A Members and subject to assessment. Declarant shall become a Class A Member with regard to Condominiums owned by Declarant in any Phase of Development upon conversion of Declarant's Class B Membership in such Phase of Development as provided below. When more than one (1) Person owns any Condominium, all of those Persons shall be Members. The vote of such Condominium shall be exercised as they among themselves determine in accordance with Section 2.06, but in no event shall more than one (1) Class A vote be cast for any Condominium.

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

(1) When, in such Phase of Development, the total votes outstanding in the Class A Membership equals the total votes outstanding in the Class B Membership; or

(2) The second anniversary of the original issuance of the most recently issued final subdivision public report for a Phase of Development; or

(3) The fourth anniversary of the original issuance of the final subdivision public report for Phase 1; or

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

Section 2.06 - Voting Rights:

(a) All voting rights shall be subject to these Restrictions. Except as provided in Section 14.02 of this Declaration and Section 4.08 of the Bylaws, as long as there exists a Class B Member-

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

(b) At any meeting of the Association, each Owner, except as otherwise provided in Article II, Section 2.05 with respect to the voting power of Declarant, shall be entitled to cast no more than one (1) vote for each Condominium owned as shown on the Condominium Plan. Where there is more than one (1) record Owner of a Condominium ("co-owners"), all of those co-owners shall be Members and may attend any meeting of the Association, but only one (1) of those co-owners shall be entitled to exercise the single vote to which the Condominium is entitled. Co-owners owning the majority interests in a Condominium shall from time to time designate in writing one (1) of their number to vote. Fractional votes shall not be allowed, and the vote for each Condominium shall be exercised, if at all, as a Unit. Where no voting co-owner is designated or if the designation has been revoked, the vote for the Condominium shall be exercised as the co-owners owning the majority interest in the Condominium mutually agree. Unless the Board receives a written objection in advance from a co-owner, it shall be conclusively presumed that the corresponding voting co-owner is acting with the consent of his co-owners. No vote shall be cast for any Condominium if the co-owners present in person or by proxy owning the majority interests in such Condominium cannot agree to said vote or other action. The nonvoting co-owner or co-owners shall be jointly and severally responsible for all of the obligations imposed upon the jointly-owned Condominium and shall be entitled to all other benefits of ownership. All agreements and determinations lawfully made by the Association in accordance with the voting percentages established herein, or in the Bylaws of the Association, shall be deemed to be binding on all Owners, their successors and assigns.

Section 2.07 - Repair and Maintenance by the Association:
Subject to Article X pertaining to destruction of Improvements and Article XI pertaining to eminent domain, the Association shall

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paint, maintain, repair and replace the Common Property and Improvements thereon or shall contract for such maintenance, repair and replacement to assure maintenance of the Common Property and Improvements thereon in a clean, sanitary and attractive condition. Association maintenance, repairs and Improvements shall include, without limitation, the repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Common Property; payment of all Common Expenses and charges for water and utilities serving recreational amenities; the repair and maintenance of all walks, private driveways and streets and other means of ingress and egress within the Property (except when located within the Restricted Common Areas), the maintenance of those portions of the Common Property consisting of public property; the repair and maintenance of fences (except when installed by an Owner within Restricted Common Areas); the repair and maintenance of the sewer and storm drain system located within the Project. The Association shall also be responsible for the periodic structural repair, resurfacing, sealing, calking, replacement and painting of Restricted Common Areas of Units located in Condominium Building which contain more than one Unit. All such costs of maintenance, repairs and replacements for the Property shall be paid for as Common Expenses out of the Association Maintenance Funds as provided in this Declaration. Notwithstanding the foregoing, the Association shall not be responsible for or obligated to perform those items of maintenance, repair or Improvement of the Units or Common Areas, the maintenance of which is the responsibility of the Owners as provided in Article II, Section 2.09. All work performed by the Association for and on behalf of an Owner which work is not the responsibility of the Association shall be charged to the Owner as a Special Assessment. It shall further be the affirmative duty of the Board of Directors to require strict compliance with all provisions of this Declaration and to cause the Property to be inspected by the Architectural Committee for any violation thereof. The cost of any maintenance, repairs or replacements by the Association arising out of, or caused by the act of an Owner or such Owner's Family, tenants, guests; invitees, or agents shall, after Notice and Hearing, be levied by the Board as a Special Assessment against such Owner.

Section 2.08 - Unsegregated Real Property Taxes: To the extent not assessed to or paid by the Owners, the Association shall pay all real and personal property taxes and assessments levied upon any portion of the Property. In addition, if all of the Units in a Phase of Development are taxed under a blanket tax bill covering all of such Phase, each Owner shall pay his proportionate share of any installment due under the blanket tax bill to the Association at least ten (10) days prior to the delinquency date; and the Association shall transmit the taxes to the appropriate tax collection agency on or before the delinquency date. Blanket taxes shall be allocated equally among the Owners and their Condominiums

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in such Phase, based upon the total number of Units in such Phase. The Association shall, at least forty-five (45) days prior to the delinquency date of any blanket tax installment, deliver to each Owner in such Phase a copy of the tax bill, along with a written notice setting forth the Owner's obligation to pay his proportionate share of the tax installment and the potential additional charges to the Owner for failure to comply. The Association shall pay the taxes on behalf of any Owner who does not pay his proportionate share. The amount of any such sum advanced by the Association on behalf of a delinquent Owner, plus interest at the rate of ten percent (10%) per annum, as well as the amount necessary to reimburse the Association for any penalty or late charge actually assessed in connection with the blanket tax bill for a Phase of Development, which late charge results from the failure of the delinquent Owner to make timely payment of his proportionate share of the taxes, shall be added to and constitute a part of the Annual Assessment levied against such Owner. Until the Close of Escrow for the sale of ninety percent (90%) of the Condominiums in the Project, the foregoing provisions relating to the collection of taxes in connection with a blanket tax bill on all or any portion of the Project may not be amended without the express written consent of Declarant.

Section 2.09 - Repair and Maintenance by Owners: Each Owner shall maintain, repair, replace, paint, paper, plaster, tile, finish and restore or cause to be so maintained, repaired, replaced and restored, at his sole expense, all portions of his Unit; garage door opening systems and air conditioning systems serving such Owner's Unit; as well as the light fixtures actuated from switches controlled from, or separately metered to, such Owner's Unit; and the interior surfaces of the walls, ceilings, floors, doors and permanent fixtures, in a clean, sanitary and attractive condition, in accordance with the Condominium Plans and the original construction design of the Improvements in the Project. However, in a Condominium Building containing the Residential Elements of more than one (1) Unit, 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 maintain 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, including, without limitation, the landscaping and irrigation in such areas, and to maintain, repair and replace the doors, windows and screens which enclose such Owner's Unit. However, no Owner of a Unit whose Residential Element is located in a Condominium Building which contains a Residential Element of another Unit or Units shall be

responsible for the periodic structural repair, resurfacing, sealing, caulking, replacement or painting of his assigned Restricted Common Areas, so long as such work is not required as a result of the willful or negligent acts of the Owner or his Family, guests or tenants. It shall further be the duty of each Owner to pay when due all charges for any utility service which is separately metered to his Unit. Subject to any required approval of the Architectural Committee, each Owner shall be responsible for maintaining those portions of any heating and cooling equipment and other utilities which are located within the Common Area, but which exclusively serve his Unit. In particular, each Owner shall be responsible for maintaining and repairing the air conditioning pad which supports or will support the air conditioning compressor serving such Owner's Unit.

Notwithstanding the foregoing, no Owner shall be responsible for the painting of any portion of the Condominium Building which contains the Residential Element or Garage Element of his Unit. In addition, no Owner shall be responsible for the repair and replacement of any portion of his Condominium Building if such work is the result of a casualty, the insurance of which is, or should be, according to Article IX of this Declaration, covered by the fire and casualty insurance which the Association is required to maintain.

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

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

ARTICLE III

RIGHTS IN COMMON PROPERTY

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

Section 3.02 - Partition: Except as provided in this Declaration, there shall be no judicial partition of the Common Areas, or any part thereof, for the term of the Project, nor shall Declarant, any Owner or any other Person acquiring any interest in any Condominium in the Project seek any such judicial partition.

Section 3.03 - Members' Easements of Use and Enjoyment of Common Property: Subject to the provisions of this Declaration, every Member of the Association shall have, for himself, his Family, his tenants and guests, a nonexclusive easement of access, ingress, egress, use and enjoyment of, in and to the Common Property, and such easements shall be appurtenant to and shall pass with title to every Condominium in the Project.

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

(a) The right of the Board to suspend the rights and easements of any Members, 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 to consent to or otherwise cause the alteration or removal of any existing Improvements on the Common Property for the benefit of the Members of the Association;

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

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

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

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

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

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

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

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

Section 3.07 - Damage by Member: To the extent permitted by California law, each Member shall be liable to the Association for any damage to the Common Property not fully reimbursed to the Association by insurance if the damage is sustained because of the negligence, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Member, his guests,

tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Common Property from the Member, or his or their respective Family and guests, both minor and adult. However, the Association, acting through the Board, reserves the right to determine whether any claim shall be made upon the insurance maintained by the Association, and the Association further reserves the right to levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Member or the Person for whom the Member may be liable as described above. In the case of joint ownership of a Condominium, the liability of the Owners shall be joint and several, except to the extent that the Association shall have previously contracted in writing with the joint Owners to the contrary. After Notice and Hearing as provided in the Bylaws, the cost of correcting the damage to the extent not reimbursed to the Association by insurance shall be a Special Assessment against such Member's Condominium, and may be enforced as provided herein.

ARTICLE IV

ARCHITECTURAL REVIEW COMMITTEE

Section 4.01 - Members of the 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 Declarant. Subject to the following provisions, Declarant 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 (subject to item (ii) below, Declarant's rights of appointment may be reinstated upon annexation of additional Condominiums pursuant to Article XVI hereof), or (ii) five (5) years following the date of original issuance of the final subdivision public report for Phase 1, whichever occurs earlier. Commencing one (1) year from the issuance of the final subdivision public report for Phase 1, 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 Declarant 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 Declarant need not be Members of the Association. Board members may also serve as Committee members.

Section 4.02 - General Provisions:

(a) No Improvement shall be constructed, installed, erected, expanded, maintained, made, commenced, or planted on the Property except in compliance with plans and specifications therefor which have been submitted to and approved by the Architectural Committee.

(b) The Architectural Committee may establish reasonable procedural rules and may assess a reasonable fee as appropriate for the type or nature of the proposed Improvement for each submission of plans and specifications in connection with review of plans and specifications for proposed Improvements including, without limitation, the number of sets of plans and specifications to be submitted. The Architectural Committee may require such detail in plans and specifications submitted for its review as it deems proper including, without limitation, floor plans, site plans, photographs, drainage plans, elevation drawings and description or samples of exterior material and colors. Unless any such rules are complied with, such plans and specifications shall be deemed not submitted.

(c) The address of the Architectural Committee shall be the address established for giving notice to the Association. Such address shall be the place for the submittal of plans and specifications and the place where the current Architectural Standards shall be kept.

(d) The establishment of the Architectural Committee and the systems herein for architectural approval shall not be construed as changing any rights or restrictions upon Owners to use, maintain, repair, alter, modify or otherwise have control over the Residences as may otherwise be specified in this Declaration, in the Bylaws or in any Association Rules.

(e) The Architectural Committee shall meet from time to time as necessary to perform its duties hereunder. The vote of a majority of the members of the Architectural Committee or the written consent of a majority of the members of the Architectural Committee taken without a meeting shall constitute an act of the Architectural Committee.

(f) The Architectural Committee may delegate its responsibilities and duties to one or more of its members. Upon such delegation, the performance of any obligations or duties so delegated by such person or persons shall be equivalent to approval or disapproval by the entire Architectural Committee.

Section 4.03 - Architectural Standards. The Board may, from time to time, adopt and promulgate Architectural Standards to be administered through the Architectural Committee. The Architec-

tural Standards may include among other things those restrictions and limitations upon the Owners set forth below:

(a) Time limitations for the completion of the Improvements made pursuant to the Architectural Standards;

(b) Limitations and restrictions concerning the regulation of the construction, reconstruction, addition, or maintenance of any Improvement, including, without limitation, the nature, kind, shape, height, materials, exterior color, surface and location of any Improvements; and

(c) Such other limitations and restrictions as the Board in its reasonable discretion may adopt.

Section 4.04 - Approval and Conformity of Plans and Specifications:

(a) The Architectural Committee shall review and approve or disapprove all plans and specifications submitted to it for any proposed Improvement solely on the basis of compliance with the Architectural Standards, aesthetic considerations and the overall benefit or detriment which would result to the immediate vicinity and the Development generally. The Architectural 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.

(b) The Architectural Committee shall approve plans and specifications submitted for its approval only if it deems that the proposed Improvement will not be detrimental to the appearance of the Project as a whole; that the Improvement complies with the Architectural Standards; that the appearance of any Improvement will be in harmony with the surrounding structures; that the construction of any Improvement will not detract from the beauty, wholesomeness, and attractiveness of the Project or the enjoyment thereof by the Members; that the upkeep and maintenance of any Improvement will not become a burden on the Association; and that no violation of the use restrictions set forth in Article VIII herein exist.

(c) The Architectural Committee may condition its approval of plans and specification for any Improvement on such changes therein as it deems appropriate or may condition its approval upon approval of any such Improvement by the appropriate governmental entity, and may require submission of additional plans and specifications or other information or materials prior to approving or disapproving plans and specifications submitted. Any Architectural Committee approval conditioned upon the approval by a governmental entity shall not imply the Association is enforcing any government codes

or regulations, nor shall the failure to make such conditional approval imply that any such governmental agency approval is not required.

(d) Decisions of the Architectural Committee and the reasons therefor shall be transmitted by the Architectural Committee to the person submitting the plans and specifications at the address set forth in the application for approval within forty-five (45) days after receipt by the Architectural Committee of all materials required by the Architectural Committee. Any plans and specifications submitted pursuant to this Section 4.04 shall be deemed approved unless written disapproval or a request for additional information or materials by the Architectural Committee shall have been transmitted to the applicant within forty-five (45) days after the date of receipt by the Architectural Committee of all required materials.

Section 4.05 - Nonliability for Approval of Plans: Plans and specifications shall be approved by the Architectural Committee as to style, exterior design, appearance and location, and are not approved for engineering design or for compliance with zoning and building ordinances. By approving such plans and specifications neither the Architectural Committee, the Association, the Members, the Board, nor Declarant assumes liability or responsibility therefor, or for any defect in any Improvement constructed from such plans and specifications. Neither the Declarant, the Architectural Committee, the Board, nor their duly authorized representative or representatives shall be liable to the Association or to any Owner for any loss, damage, or injury arising out of or in any way connected with the performance of the Architectural Committee's duties hereunder.

Section 4.06 - No Waiver of Future Approvals: The approval of the Architectural Committee of any proposed plans and specifications shall not be deemed to constitute a waiver of any right to withhold approval or consent as to any similar plans and specifications subsequently or additionally submitted for approval or consent.

Section 4.07 - Inspection for Compliance:

(a) Within thirty (30) days following the completion of any Improvement, the Owner shall notify the Architectural Committee of such completion.

(b) Any member of the Architectural Committee or any officer, director, employee or agent of the Association may at any reasonable time, after notice to the Owner, enter, without being deemed guilty of trespass, upon any Residence, in order to inspect Improvements constructed or being constructed on such Residence to

ascertain that such Improvements have been or are being built in compliance with plans and specifications approved by the Architectural Committee; provided, however, that said right of inspection shall terminate sixty (60) days after the Architectural Committee is notified of the completion of the Improvement by the Owner.

(c) An Owner may request an inspection of his Residence upon completion of an Improvement to his Residence. Upon receipt of a request, the Architectural Committee shall cause an inspection to be undertaken within thirty (30) days of such request. If such inspection reveals that Improvements located on such Residence have been completed in compliance with this Article, the President and the Secretary of the Association shall provide such Owner a notice of such approval in recordable form which, when recorded, shall be conclusive evidence of compliance with the provisions of this Article as to the Improvements described in such recorded notice.

(d) If, as a result of an inspection, the Architectural Committee finds that an Improvement was done without obtaining prior approval of the plans and specifications therefor or was not done in substantial compliance with the plans and specifications approved by the Architectural Committee, it shall notify the Owner in writing of his failure to comply with this Article IV within thirty (30) days from the inspection, specifying the particulars of noncompliance. If upon the expiration of sixty (60) days from the date of such notification the Owner has failed to remedy such noncompliance, the Architectural Committee shall notify the Board in writing of such failure. 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 and shall notify the Owner of such ruling. If a noncompliance exists, the Owner shall remedy or remove the same within a period not more than sixty (60) 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 such period, the Board, at its option, may record a notice of noncompliance in the Office of the County Recorder for the County (each Owner is hereby deemed to have consented to and authorized the recordation against his Residence of such a notice of noncompliance) and may peacefully remove the noncomplying Improvement or otherwise peacefully remedy the noncompliance, and the Owner shall reimburse the Association, upon demand, for all expenses incurred in connection therewith. If such expenses are not promptly repaid by the Owner to the Association, the Board may levy a Special Assessment against such 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.

(e) If for any reason the Architectural Committee fails to cause an inspection within sixty (60) days of being notified by the Owner of the completion of an Improvement or fails to notify the Owner of any noncompliance within thirty (30) days after an inspection, the Improvement to the Property shall be deemed to be in accordance with this Article IV.

Section 4.08 - Appeal: In the event plans and specifications submitted to the Architectural Committee are disapproved thereby, the person submitting such plans and specifications may appeal in writing to the Board. The written request shall be received by the Board not more than fifteen (15) days following the final decision of the Architectural Committee. The Board may submit such request to the Architectural Committee for review, whose written recommendations are to be submitted to the Board. Within sixty (60) days following receipt of the request for appeal, the Board shall render its written decision. The failure of the Board to render a decision within said sixty (60) day period shall be deemed a decision in favor of the person submitting such plans and specifications.

Section 4.09 - Variances: In the event the Board finds in favor of the Architectural Committee upon appeal of a disapproval of plans and specifications pursuant to Section 4.08 of this Article IV or in the event the Board finds a noncompliance with the provisions of this Article IV upon review of a decision by the Architectural Committee after an inspection pursuant to Section 4.07(e) of this Article IV, the Board may authorize a variance from compliance with the architectural controls set forth in this Article IV when circumstances such as topography, natural obstructions, hardship, aesthetic, or environmental consideration may require; provided, however, that no variance from the use restrictions contained in Article VIII herein may be granted. Such variances must be evidenced in writing, must be signed by a majority of the members of the Architectural Committee, and shall become effective upon recordation in the Office of the County Recorder of the County. If such variances are granted, no violation of the covenants, conditions and restrictions contained in this Declaration shall be deemed to have occurred with respect to the matter for which the variance was granted. The granting of such a variance shall not operate to waive any of the terms and provisions of this Declaration for any purpose except as to the particular Residence and particular provision of this Article IV covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all government laws and regulations affecting his use of his Residence including, but not limited to, zoning ordinances and lot setback lines or requirements imposed by any governmental or municipal authority.

Section 4.10 - Compensation of Members. The members of the Committee shall receive no compensation for services rendered,

other than reimbursements for expenses incurred by them in the performance of their duties hereunder except that any architect or similar professional employed by the Committee shall be entitled to a fee.

ARTICLE V

ASSOCIATION MAINTENANCE FUNDS AND ASSESSMENTS

Section 5.01 - Personal Obligation of Assessments: Declarant, for each Condominium owned by it, hereby covenants and agrees to pay, and each Owner, by acceptance of a deed of a Condominium whether or not it shall be so expressed in any such deed, is deemed to covenant and agree to pay to the Association all Annual Assessments for Common Expenses and all applicable Special Assessments, Reconstruction Assessments and Capital Improvement Assessments. Except as provided in this Section 5.01, all such assessments, together with interest, costs, and reasonable attorneys' fees, shall be a separate, distinct and personal obligation of the Person who was the Owner of the Condominium at the time when the assessment fell due. This personal obligation cannot be avoided by abandonment of the Condominium or by an offer to waive use of the Common Property or the Restricted Common Areas. The personal obligation for delinquent assessments shall not pass to any new Owner unless expressly assumed by the new Owner.

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

Section 5.03 - Purpose of Assessments: The assessments levied by the Board of Directors on behalf of the Association shall be used exclusively for the operation, replacement, improvement and maintenance of the Property, and to discharge any other obligations of the Association under this Declaration. All amounts deposited into the Maintenance Funds must be used solely for the common benefit of all of the Owners for purposes authorized by this Declaration. Disbursements from the Operating Fund shall be made by the Board of Directors for such purposes as may be necessary for the discharge of its responsibilities herein for the common benefit of all of the Owners, other than those purposes for which disbursements from the Reserve Fund are to be used. Disbursements from the Reserve Fund shall be made by the Board of Directors only for the respective purposes specified in this Article V. Nothing in this Declaration shall be construed in such a way as to permit the Association's use of any assessments to abate any annoyance or nuisance emanating from outside the boundaries of the Property. Annual Assessments shall be used to satisfy Common Expenses of the Association, as provided herein and in the Bylaws.

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

(a) Maximum Authorized Annual Assessment for Initial Year of Operations: Until the first day of the Fiscal Year immediate following the Fiscal Year in which Annual Assessments commence, the Maximum Authorized Annual Assessment per Condominium shall be as stated in Exhibit "C" hereto.

(b) Maximum Authorized Annual Assessment for Subsequent Fiscal Years: Starting with the first Fiscal Year immediately following the Fiscal Year in which Annual Assessments commence, the Maximum Authorized Annual Assessment in any Fiscal Year may be increased to no more than one hundred fifteen percent (115%) of twelve (12) times the monthly installment of Annual Assessments levied during the last month of the immediately preceding Fiscal Year.

Section 5.05 - Commencement and Collection of Annual Assessments: The Board of Directors shall authorize and levy the amount of the Annual Assessment upon each Condominium, as provided herein, by majority vote of the Board. The initial Annual Assessment shall begin on all Condominiums in a Phase of Development (including unsold Condominiums therein owned by Declarant) on the first day of the first calendar month following the first Close of Escrow

for the sale of a Condominium in such Phase or on the first day of the first calendar month following the conveyance to the Association of the Association Property, if any, in such Phase, whichever shall first occur. All Annual Assessments shall be assessed equally against the Members and their Condominiums based upon the number of Condominiums owned by each Member, except for these portions of the Annual Assessments attributable to those items of Common Expenses listed on the attached Exhibits "D" and "E". The items of Common Expenses listed on said Exhibits are separately treated in the manner discussed below depending on the type of Condominium involved. The types of Condominiums are differentiated in the initial budget for the Project, approved by the DRE, as Patio Homes and Multi-Family Flat Condominiums. For purposes of this Declaration and said budget, Patio Homes are located in a Condominium Building containing only one Unit, as shown on the Condominium Plan or Plans for the Project, Stacked Flat Condominiums are Condominiums located in a Condominium Building containing more than one Unit, as shown on the Condominium Plan or Plans for the Project. Those items of Common Expenses listed on Exhibit "D" shall be assessed against all Owners and their Condominiums, but the amount of the assessment shall vary depending upon whether their Condominium is a Patio Home or a Multi-Family Stacked Flat. Those items of Common Expenses listed on Exhibit "E" shall be assessed only against some Owners and their Condominiums, depending on whether their Condominium is a Patio Home or a Multi-Family Stacked Flat. Annual Assessments for fractions of any month involved shall be prorated. Declarant shall pay its full pro rata share of the Annual Assessments on all unsold Condominiums for which Annual Assessments have commenced. The Board shall fix the amount of the Annual Assessment against each Condominium at least thirty (30) days in advance of each Annual Assessment period. From time to time the Board may determine that all excess funds in the Operating Fund be retained by the Association and used to reduce the following year's Annual Assessments. Upon dissolution of the Association incident to the abandonment or termination of the Property, any amounts remaining in any of the Maintenance Funds shall be distributed to or for the benefit of the Members in the same proportions as such monies were collected from the Members.

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

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

Section 5.07 - Delinquency and Acceleration: Any installment of an assessment provided for in this Declaration shall become delinquent if not paid within thirty (30) days of the due date as established by the Board of Directors of the Association. The Board shall be authorized to adopt a system pursuant to which any installment of Annual Assessments, Capital Improvement Assessments, Special Assessments, or Reconstruction Assessments not paid within thirty (30) days after the due date shall bear interest from the due date until paid at the rate of up to ten percent (10%) per annum, but in no event more than the maximum rate permitted by law. In addition, the Board of Directors may require the delinquent Owner to pay a late charge in accordance with California Civil Code Section 1725 to compensate the Association for increased book-keeping, billing and other administrative costs. No such late charge shall exceed the maximum amount allowable by law. If any installment of any assessment is not paid within thirty (30) days after its due date, the Board may mail a notice to the Owner and to each Beneficiary of a first Mortgage of a Condominium which has requested a copy of the notice. Such notice shall specify (1) the fact that the installment is delinquent; (2) the action required to cure the default; (3) a date, not less than thirty (30) days from the date the notice is mailed to the Owner, by which such default must be cured; and (4) that failure to cure the default on or before the date specified in the notice may result in acceleration of the balance of the installments of such 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. If the delinquent installments of an 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 such assessment for the then current Fiscal Year, attributable to that Owner and his Condominium, to be immediately due and payable without further demand and may enforce the collection of the full assessment for such Fiscal Year and all charges thereon in any manner authorized by law and this Declaration.

Section 5.08 - Creation and Release of Lien: All sums other than Special Assessments assessed in accordance with the provisions of this Declaration shall constitute a lien on the respective Condominium prior and superior to all other liens, except (1) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (2) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage or Deed of Trust with first priority or seniority over other Mortgages or Deeds of

Trusts) made in good faith and for value and Recorded prior to the date on which the lien became effective. Notwithstanding the foregoing, any assessment lien provided for hereunder shall be prior and superior to any declaration of homestead Recorded after the Recordation of this Declaration. The lien shall become effective upon Recordation by the Board or its authorized agent of a Notice of Assessment ("Notice of Lien") securing the payment of any Annual, Capital Improvement or Reconstruction Assessment or installment thereof, levied by the Association against any Condominium Owner as provided in Section 1388 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 attorneys' fees, (iii) a sufficient description of the Condominium against which the same has been assessed, (iv) the name and address of the Association, and (v) the name of the Owner thereof. The Notice of Lien shall be signed by the President or Vice-President and Secretary or Assistant Secretary of the Association or the Association's attorney. 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. Any purchaser or encumbrancer who has acted in good faith and extended value may rely upon the Notice of Release as conclusive evidence of the full satisfaction of the sums stated in the Notice of Lien.

Section 5.09 - Enforcement of Liens: It shall be the duty of the Board of Directors to enforce the collection of any amounts due under this Declaration by one (1) or more of the alternative means of relief afforded by this Declaration. The lien on a Condominium may be enforced by sale of the Condominium by the Association, the Association's attorneys, any title insurance company authorized to do business in California, or other persons authorized to conduct the sale as a trustee, after failure of the Owner to pay any Annual, Capital Improvement or Reconstruction Assessment, or installment thereof, as provided herein. The sale shall be conducted in accordance with the provisions of the California Civil Code, applicable to the exercise of power of sale in Mortgages and Deeds of Trust, or in a 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 5.07,

if the Board accelerates the due date of any assessment installments. The Association, through its agents, shall have the power to bid on the Condominium at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Upon completion of the foreclosure sale, an action may be brought by the Association for the purchase at the sale in order to secure occupancy of the defaulting Owner's Unit, and the defaulting Owner shall be required to pay the reasonable rental value for such Unit during any period of continued occupancy by the defaulting Owner or any persons claiming under the defaulting Owner. Suit to recover a money judgment for unpaid assessments shall be maintainable without foreclosing or waiving any lien securing the same, but this provision or any institution of suit to recover a money judgment shall not constitute an affirmation of the adequacy of money damages. Any recovery resulting from a suit at law or in equity initiated pursuant to this Section may include reasonable attorneys' fees as fixed by the court.

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

Section 5.11 - Capital Contributions to the Association: Upon acquisition of record title to a Condominium from Declarant, each Owner of a Condominium in Phase 1 shall contribute to the capital of the Association an amount equal to one-sixth (1/6) of the amount of the then Annual Assessment for that Condominium as determined by the Board. This amount shall be deposited by the buyer into the purchase and sales escrow and disbursed therefrom to the Association.

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ARTICLE VI

PROJECT EASEMENTS AND RIGHTS OF ENTRY

Section 6.01 - Easements:

(a) Access: Declarant expressly reserves for the benefit of the Owners reciprocal, nonexclusive easements for access, ingress and egress over all of the Common Property, including any private streets or driveways currently existing in the Property or subsequently added to it, which easements may be conveyed by Declarant to Owners and to the Association for so long as Declarant owns any interest in the Property. Subject to the provisions of this Declaration governing use and enjoyment thereof, the easements may be used by all Owners and their guests, tenants and invitees residing on or temporarily visiting the Property, for walkways, vehicular access and such other purposes reasonably necessary for use and enjoyment of a Condominium in the Project.

(b) Maintenance and Repair: Declarant expressly reserves for the benefit of the Board of Directors and all agents, officers and employees of the Association, nonexclusive easements over the Common Areas (including the Restricted Common Areas) as necessary to maintain and repair the Common Areas, and to perform all other tasks in accordance with the provisions of this Declaration. Such easements over the Common Areas shall be appurtenant to, binding upon, and shall pass with the title to every Condominium conveyed.

(c) Restricted Common Areas: Subject to Section 6.01(b) above, Declarant expressly reserves for the benefit of certain Owners exclusive easements over the Project for use of the Restricted Common Areas, for yard, patio or balcony purposes as shown and assigned on the Condominium Plan or Plans for the Project, and for parking purposes as may be shown and assigned in a Recorded Notice of Addition. Owners shall be entitled to exchange Restricted Common Area parking spaces assigned to their respective Units in their individual grant deeds, provided that (1) a reciprocal deed of conveyance identifying the exchanged Restricted Common Area parking spaces, and the exchanging Owners and their respective Condominium, is executed by the exchanging Owners and the first Mortgagees of such exchanging Owners, and Recorded; and (2) no exchange of Restricted Common Area parking spaces shall be effective if such exchange would result in a reduction of the number of parking spaces to which such Owners were originally entitled. A copy of the Recorded reciprocal deed of conveyance shall be delivered to the Board as soon as possible after Recordation.

(d) Utility Easements: Declarant expressly reserves for the benefit of the Association the right of Declarant to grant addi-

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tional easements and rights-of-way over the Property to utility companies and public agencies, as necessary, for the proper development and disposal of the Property. Such right of Declarant shall expire (i) with respect to any Phase of Development, upon Close of Escrow for the sale of all Condominiums in such Phase by Declarant, or (ii) with respect to all Phases, upon expiration of seven (7) years from the date of original issuance by the DRE of the final subdivision public report for Phase 1.

Easements and reciprocal negative easements for utility services and repairs, replacement and maintenance of the same over all of the Common Property are specifically reserved for the benefit of the Owners. Declarant expressly reserves for the benefit of the Common Areas and Association Property, and for the benefit of the Owners and the Association, reciprocal nonexclusive easements for drainage of water over, across and upon the Common Property.

(e) Encroachments: Declarant, the Association and Owners of contiguous Residences shall have 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 any Improvement, and (2) maintaining the same and accommodating authorized construction, reconstruction, repair, shifting, movement or natural settling of the Improvement or any other portion of the Project housing their respective Units.

(f) Reserved Parking Easements in Each Phase for Owners in Other Phases. In addition to those exclusive easements granted to Owners in each Phase, some purchasers of Condominiums in other Phases of Development may be granted an exclusive easement for parking purposes in and to Common Area in the current Phase. In each phase where parking may be assigned, the Notice of Addition shall recite a reservation of easement reserving unto certain Lots in other Phases an exclusive easement for parking purposes. In the event that the lots in future Phases for which such exclusive easements may be reserved are not annexed into the Association pursuant to Article XVI hereof, the reservation of exclusive easements in favor of such future Phases shall terminate and the Common Area that was subject to the exclusive easements shall then become subject to the control of the Association.

(g) Miscellaneous Provisions. The foregoing easements shall not unreasonably interfere with each Owner's use and enjoyment of adjoining Residences. No portion of the Common Property, including without limitation parking spaces and other amenities contemplated as a part of the Property, are proposed to be leased by Declarant to the Owners or to the Association.

Section 6.02 - Rights of Entry: The Board of Directors shall have a limited right of entry in and upon the Common Areas and the

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interior of all Units for the purpose of inspecting the Project, and taking whatever corrective action to the Common Area may be deemed necessary or proper by the Board of Directors, consistent with the provisions of this Declaration. However, such entry upon the interior of a Unit shall be made, except to effect emergency repairs or other emergency measures, only after three (3) days' prior written notice to the Owner of such Unit and after authorization of two-thirds (2/3) of the Board of Directors. Nothing herein shall be construed to impose any obligation upon the Association to maintain or repair any Property or Improvements required to be maintained or repaired by the Owners. Nothing in this Article VI shall in any manner limit the right of the Owner to exclusive occupancy and control over the interior of his Unit. However, an Owner shall permit a right of entry to the Board of Directors or any other person authorized by the Board of Directors, as reasonably necessary, such as in case of any emergency originating in or threatening his Unit, whether the Owner is present or not. Any damage caused to a Unit by such entry by the Board of Directors or by any person authorized by the Board of Directors shall be repaired by the Board as soon as possible as a Common Expense of the Association. In case of an emergency, such right of entry shall be immediate. Any damage caused to a Unit by such entry by an Owner or its representative shall be repaired by such Owner. Upon receipt of reasonable notice from the Association (which shall in no event be less than seven (7) days) each Owner shall vacate his Unit in order to accommodate efforts by the Association to eradicate the infestation of wood destroying or other pests and organisms from the Common Property or to perform any other maintenance or repairs pursuant to this Declaration. The cost of eradicating any such infestation or of performing any such maintenance or repairs shall be a Common Expense of the Association; however, each Owner shall bear his own costs of temporary relocation.

ARTICLE VII

DECLARANT'S RIGHTS AND RESERVATIONS

Nothing in the Restrictions shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant to subdivide or resubdivide any portion of the Property, or to complete Improvements to and on the Common Property or any portion of the Property owned solely or partially by Declarant, or to alter the foregoing or its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of the Property so long as any Condominium in the Project remains unsold. If a general plan of development of the Property has been submitted to and approved by FHA and VA, any alteration of Declarant's construction plans shall

require the prior approval of FHA and VA if such alteration is inconsistent with the general plan. The rights of Declarant hereunder shall include, but shall not be limited to, the right to install and maintain such structures, displays, signs, billboards, flags and sales offices as may be reasonably necessary for the conduct of its business of completing the work and disposing of the Condominiums by sale, resale, lease or otherwise. Each Owner by accepting a deed to a Condominium hereby acknowledges that the activities of Declarant may temporarily or permanently impair the view of such Owner and may constitute an inconvenience or nuisance to the Owners, and hereby consents to such impairment, inconvenience or nuisance. This Declaration shall not limit the right of Declarant at any time prior to acquisition of title to a Condominium in the Project by a purchaser from Declarant to establish on that Condominium additional licenses, easements, reservations and rights-of-way to itself, to utility companies, or to others as may from time to time be reasonably necessary for the proper development and disposal of the Property. Declarant may use any Condominiums owned by Declarant in the Project as model home complexes or real estate sales or leasing offices. Declarant need not seek or obtain Architectural Committee approval of any Improvement constructed, placed or altered by Declarant on any portion of the Property by Declarant. The rights of Declarant hereunder and elsewhere in these Restrictions may be assigned by Declarant to any successor-in-interest to any portion of Declarant's interest in any portion of the Property by a Recorded written assignment. Notwithstanding any other provision of this Declaration, the prior written approval of Declarant, as developer of the Property, will be required before any amendment to this Article shall be effective. Each Owner, with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America, hereby grants, upon acceptance of his deed to his Unit, an irrevocable, special power of attorney to Declarant to execute and Record all documents and maps necessary to allow Declarant to exercise its rights under this Article. Declarant shall be entitled to the nonexclusive use of the Common Property and any recreational facilities thereon, without further cost for access, ingress, egress, use of enjoyment, in order to show the Property to its prospective purchasers and dispose of the Property as provided herein. Declarant, its successors and tenants, shall also be entitled to the nonexclusive use of any portions of the Property which comprise private streets, drives and walkways for the purpose of ingress, egress and accommodating vehicular and pedestrian traffic to and from the Property. The use of the Common Property by Declarant shall not unreasonably interfere with the use thereof by the other Members. The rights and reservations of Declarant set forth in this Article VII shall terminate on the seventh (7th) anniversary of the first Close of Escrow for the sale of a Condominium in the Project.

ARTICLE VIII

RESIDENCE AND USE RESTRICTIONS

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

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

Section 8.02 - Parking and Vehicular Restrictions: No Owner shall park, store or keep anywhere on the Property or on any public street abutting or visible from the Property any large commercial-type vehicle (including, but not limited to, any dump truck, cement mixer truck, oil or gas truck or delivery truck). No Person shall park, store or keep any recreational vehicle (including, but not limited to, any camper unit, house car or motor home), bus, trailer coach, camp trailer, boat, aircraft, mobile home, inoperable vehicle or any other similar vehicle anywhere on the Property or on any public street abutting or visible from the Property except wholly within a garage and only with the garage door closed. In addition, no Person shall park, store or keep anywhere on the Property or on any public street abutting or visible from the Property any vehicle or vehicular equipment, mobile or otherwise, deemed to be a nuisance by the Board. Only passenger motor vehicles may be parked in the parking spaces which constitute Restricted Common Areas. There shall be no parking in the alleys and streets except in areas designated for guest parking. In addition, parking which obstructs free traffic flow, constitutes a nuisance, violates the Rules and Regulations, or otherwise creates a safety hazard is not permitted. 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). Restoring or repairing of vehicles shall not be permitted anywhere on the Property or on any public street abutting or visible from the Property. Notwithstanding the foregoing, such repair shall be permitted within an Owner's garage provided such activity is not undertaken as a business and provided further that such activity may be partially prohibited or limited by the Board if the Board determines that such activity constitutes a nuisance. Any additional parking spaces which may constitute a part of the Common Property shall be subject to reasonable control and use limitation by the Board of

Directors. The Board shall determine, in its discretion, whether there is noncompliance with the parking and vehicular restrictions herein. Without in any way limiting the obligations of the Owners as elsewhere herein described, the Association, or agency representing the Association, shall have the right to enforce all parking restrictions herein set forth and to remove any vehicles in violation thereof in accordance with the provisions of Section 22688 of the California Vehicle Code, or other applicable laws, codes, and statutes. If, for any reason, the Association fails to enforce the parking restrictions, the City or County, as applicable, in which the Property is located shall have the right, but not the duty, to enforce such parking restrictions in accordance with the California Vehicle Code and all other applicable laws, codes, statutes and local ordinances. Vehicles owned, operated or within the control of an Owner, or of a resident of such Owner's Unit, shall be parked in the garage or assigned parking space(s) of such Owner to the extent of the space available therein.

Section 8.03 - Nuisances: No noxious or offensive activities (including but not limited to the repair of motor vehicles) shall be carried on upon the Property or on any public street abutting or visible from the Property. No horns, whistles, bells or other sound devices, except security devices used exclusively to protect the security of a Residence and its contents, shall be placed or used in any such Residence. No loud equipment or large power tools, unlicensed off-road motor vehicles or items which may unreasonably interfere with television or radio reception of any Owner in the Project, shall be located, used or placed on any portion of the Property, or on any public street abutting or visible from the Property, or exposed to the view of other Owners without the prior written approval of the Architectural Committee. The Board of Directors of the Association shall have the right to determine if any noise, odor, or activity producing such noise or odor constitutes a nuisance. No Owner shall permit or cause anything to be done or kept upon the Property or on any public street abutting or visible from the Property which may increase the rate of insurance on Units or on the Property, or result in the cancellation of such insurance, or which will obstruct or interfere with the rights of other Owners. No Person shall commit or permit any nuisance on the Property. Each Owner shall comply with all of the requirements of the local or state health authorities and with all other governmental authorities with respect to the occupancy and use of a Residence. Each Owner shall be accountable to the Association and other Owners for the conduct and behavior of children residing in or visiting his Unit and other Family members or Persons residing in or visiting his Unit. Any damage to the Common Property, personal property of the Association, or property of another Owner, caused by such children or other Family members, shall be repaired at the sole expense of the Owner of the Unit where such children or other Family members or persons are residing or visiting.

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Section 8.04 - Signs: No sign, poster, display or other advertising of any character shall be erected or maintained anywhere on the Property or on any public street abutting or visible from the Property, or shown or displayed from any Residence, without the prior written consent of the Architectural Committee; provided, however, that the restrictions of this Section shall not apply to any sign or notice of customary and reasonable dimension which states that the Residence is for rent or sale, so long as it is consistent with the standards promulgated by the Architectural Committee in accordance with Article IV, Section 4.02 hereof. The Board of Directors may erect within the Common Property a master directory of Units which are for sale or for lease. This Section shall not apply to any signs used by Declarant or its agents in connection with the sale of Condominiums or the construction or alteration of the Units or Common Property, traffic and parking control signs installed with the consent of the Board. 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 - Antennae: No radio station or shortwave operators of any kind shall be operated 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 clothes-lines, shall be constructed, erected or maintained on any Residence, except antennae installed by Declarant as a part of the initial construction of the Property and except as may be installed by, or with the prior consent of the Architectural Committee. No balcony, patio or deck covers, wiring, or installation of air conditioning, water softeners, or other machines shall be installed on the exterior of the Condominium Buildings of the Project or be allowed to protrude through the walls or roofs of the Condominium 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. Notwithstanding the specification 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 Area which will or may tend to impair the structural integrity of any Condominium Building in the Project or which would structurally alter any such Condominium Building except as otherwise expressly pro-

vided herein. There shall be no alteration, repair or replacement of wall coverings within Units which may diminish the effectiveness of the sound control engineering within the buildings in the Project. No Owner shall cause or permit any mechanic's lien to be filed against any portion of the Project for labor or materials alleged to have been furnished or delivered to the Project or any Condominium Unit for such Owner, and any Owner who does so shall immediately cause the lien to be discharged within five (5) days after notice to the Owner from the Board. If any Owner fails to remove such mechanic's lien, the Board may discharge the lien and charge the Owner for the cost of such discharge, which cost shall be added to, and constitute a part of, the Annual Assessment levied against such Owner.

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. Animals belonging to Owners, occupants or their licensees, tenants or invitees within the Property must be either kept within an enclosure or on a leash held by a person capable of controlling the animal. Furthermore, any Owner shall be liable to each and all remaining Owners, their Families, guests and invitees, for any unreasonable noise or damage to person or property caused by any animals brought or kept upon the Project by an Owner or by members of his Family, his tenants or his guests. It shall be the duty and responsibility of each such Owner to clean up after such animals which have deposited droppings on or otherwise used any portion of the Common Property or any public street abutting or visible from the Property.

Section 8.08 - View Obstructions: No vegetation or other obstruction shall be planted or maintained upon any patio or balcony in such location or of such height as to unreasonably obstruct the view from any other Residence in the vicinity thereof. If there is a dispute between Owners concerning the obstruction of a view from a Residence, the dispute shall be submitted to the Architectural Committee, whose decision in such matters shall be binding. Any such obstruction shall, upon request of the Architectural Committee, be removed or otherwise altered to the satisfaction of the Architectural Committee, by the Owner of the Residence upon which the obstruction is located. Any item or vegetation maintained upon any patio, deck or balcony, which item or vegetation is exposed to the view of any Owner, shall be removed or otherwise altered to the satisfaction of the Architectural Committee, if such Committee determines that the maintenance of such item or vegetation in its then existing state is contrary to the purposes or provisions of this Declaration. The Architectural Committee

shall ensure that the vegetation on the Common Property maintained by the Association is cut frequently, so that the view of any Owner is not unreasonably obstructed.

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

Section 8.10 - Rubbish Removal: Trash, garbage, or other waste shall be disposed of by residents of the Project only by depositing the same into trash containers designated for such use by the Board of Directors. No portion of the Property shall be used for the storage of building materials, refuse or any other materials, except that building materials may be kept on construction which has been previously approved by the Architectural Committee. No clothing, household fabrics or other unsightly articles shall be hung, dried, or aired on any portion of the Property, including the interior of any Residence, so as to be visible from other Residences or the street. There shall be no exterior fires whatsoever except barbecue fires contained within receptacles therefor.

Section 8.11 - Further Subdivision: Subject to Article VII, unless at least seventy-five percent (75%) of the first Mortgagees (based upon one (1) vote for each mortgage owned), or Owners representing seventy-five percent (75%) of the voting power of the Association residing in Owners other than Declarant have given their prior written approval, and all applicable laws and regulations have been complied with, no Owner shall physically or legally subdivide his Unit in any manner, including without limitation any division of his Unit or his Condominium into time-share estates or time-share uses; however, the right of an Owner to rent or lease all of his Unit by means of a written lease or rental agreement subject to the Restrictions shall not be impaired. Any failure by the lessee of the Unit to comply with the terms of this Declaration or the Bylaws of the Association shall constitute a default under the lease or rental agreement. Notwithstanding the foregoing, no Unit in the Project may be partitioned or subdivided without the prior written approval of the Beneficiary of any first Mortgage on that Unit. This Section may not be amended without the prior written approval of the Beneficiaries of at least seventy-five

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percent (75%) of the first Mortgages of Condominiums in the Project.

Section 8.12 - Drainage: There shall be no interference with the established drainage pattern over the Property, unless an adequate alternative provision is made for proper drainage and is first approved in writing by the Architectural Committee. For the purpose hereof, "established" drainage in any Phase is defined as the drainage which exists at the time of the first Close of Escrow for the sale of a Condominium in such Phase, or that which is shown on any plans approved by the Architectural Committee.

Section 8.13 - Water Supply System: No individual water supply or water softener 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.

Section 8.14 - Solar Energy Systems: Each Owner may install a solar energy system on the roof of the Condominium Building containing the Residential Element of his Unit so long as (1) the design and location of the solar energy system meets the requirements of applicable zoning district ordinances and the Uniform Building Code and associated ordinances, and (2) said design and location receives the prior written approval of the Architectural Review Committee pursuant to Article IV of this Declaration. Owners shall be liable to the Association for the cost of repair or replacement of the Condominium Building necessitated by the installation or operation of a solar energy system on the roof of such Condominium Building.

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 FNMA (not less than \$1,000,000 covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Association and its Members, with respect to the Common Property. The Board shall also cause to be obtained and maintained fire and casualty insurance with extended coverage, without deduction

for depreciation, in an amount as near as possible to the full replacement value of the Common Property and those portions of the Units consisting of all fixtures, installations or additions comprising a part of the Condominium Buildings housing the Units and all built-in or set-in appliances, cabinets and initial basic floor coverings, as the original plans and specifications for the Project. Such insurance shall be maintained for the benefit of the Association, the 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, medical payments, malicious mischief, liquor liability and vandalism insurance, fidelity bonds and worker's compensation, and such other risks as shall customarily be covered with respect to condominium projects similar in construction, location and use. Fidelity bond coverage which names the Association as an obligee must be obtained by or on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the Manager of the Association, whether or not such Persons are compensated for their services, in an amount not less than the estimated maximum of funds, including Reserve Funds, in the custody of the Association or the Manager, as the case may be, at any given time during the term of each bond. However, in no event may the aggregate amount of such bonds be less than the sum equal to one hundred fifty percent (150%) of the Association's Annual Assessments plus reserves. Notwithstanding any other provisions herein, the Association shall continuously maintain in effect such casualty, flood, earthquake and liability insurance and fidelity bond coverage meeting the insurance and fidelity bond requirements for condominium projects established by the County of Los Angeles, City of Inglewood, FNMA, GNMA and FHLMC, so long as any of which is a Mortgagee or Owner of a Condominium within the Project, except to the extent such coverage is not available or has been waived in writing by the County of Los Angeles, City of Inglewood, FNMA, GNMA and FHLMC, as applicable.

Section 9.02 - Waiver of Claim Against Association: As to all policies of insurance maintained by or for the benefit of the Association and the Owner, the Association and the Owners hereby waive and release all claims against one another, the Board of Directors and Declarant, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said Persons.

Section 9.03 - Right and Duty of Owner to Insure: It is the responsibility of each Owner to provide insurance on his personal property and upon all other property and Improvements within his

Unit for which the Association has not purchased insurance in accordance with Section 9.02 hereof. 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. Such policies shall not adversely affect or diminish any liability under any insurance obtained by or on behalf of the Association, and duplicate copies of such other policies shall be deposited with the Board upon request. If any loss intended to be covered by insurance carried by or on behalf of the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 9.04 - Notice of Expiration Requirements: If available, each of the policies of insurance maintained by the Association shall contain a provision that said policy shall not be cancelled, terminated, materially modified or allowed to expire by its terms, without ten (10) days' prior written notice to the Board and Declarant, and to each Owner and Beneficiary, insurer and guarantor of a first Mortgage who has filed a written request with the carrier for such notice and every other Person in interest who requests such notice of the insurer. In addition, fidelity bonds shall provide that they may not be cancelled or substantially modified without ten (10) days' prior written notice to any insurance trustee named pursuant to Section 9.06 and to each FNMA servicer who has filed a written request with the carrier for such notice.

Section 9.05 - Insurance Premiums: Insurance premiums for any blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association and collected from the Owners.

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 extent they desire, of first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction as provided in Article X, Section 10.04 of this Declaration. Any two (2) officers of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds, with the exception of the Administrator of Veterans Affairs, an Officer of the United States of America. Notwithstanding the foregoing, there may be named as an insured, a representative chosen by the Board, including a trustee with whom the Association may enter into an insurance trust agreement or any successor to such trustee who shall have exclusive authority to negotiate losses under any policy providing property or liability insurance and to perform such other functions necessary to accomplish this purpose.

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

Section 9.08 - Annual Insurance Review: The Board shall review the insurance carried by or on behalf of the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 9.01 above. If economically feasible, the Board shall obtain a 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;

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(c) any right of set-off, counterclaim, apportionment, proration of 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 XI hereof for reconstruction or repair of the Property shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Property shall be reconstructed or rebuilt substantially in accordance with the Condominium Plan and the original construction plans if they are available, unless changes recommended by the Architectural Committee have been approved in writing by seventy-five percent (75%) of the Owners and by the Beneficiaries of seventy-five percent (75%) of first Mortgages held by Eligible Mortgage Holders. If the amount available from the proceeds of such insurance policies for such restoration and repair is at least eighty-five percent (85%) of the estimated cost of restoration and repair, a Reconstruction Assessment shall be levied by the Board of Directors to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose. If the amount available from

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the proceeds of such insurance policies for such restoration and repair is less than eighty-five percent (85%) of the estimated cost of restoration and repair, the Owners, by the vote or written consent of not less than seventy-five percent (75%) of the Owners, together with the approval of the Beneficiaries of at least seventy-five percent (75%) of the first Mortgages held by Eligible Mortgage Holders shall determine whether the Board shall levy a Reconstruction Assessment and proceed with such restoration and repair. If the Owners and their Mortgagees, as provided above, determine that the cost of such restoration, and repair would be substantial and that it would not be in their best interests to proceed with the same, the Owners may, at their discretion, proceed as provided in Section 10.02 below.

Section 10.02 - Sale of Property and Right to Partition: If the amount available from the proceeds of the insurance policies maintained by the Association is less than eighty-five percent (85%) of the cost of reconstruction, a certificate of the resolution authorizing such reconstruction may be Recorded within six (6) months from the date of such destruction and, if such certificate is not Recorded within said period, it shall be conclusively presumed that the Owner has determined not to rebuild said Improvements. No Owner shall have the right to partition of his interest in the Condominium and there shall be no judicial partition of the Project, or any part thereof; except that if a certificate of a resolution to rebuild or restore the Project has not been Recorded as provided above, within six (6) months from the date of any partial or total destruction, or if restoration has not actually commenced within said period, and the vote or written consent to such a partition is obtained from the Owners of two-thirds (2/3) of the Condominiums in the Project, then conditions for partition as set forth in Subdivision (4) of Section 1384(b) of the California Civil Code shall be deemed to have been satisfied. In such event, the Association, acting through a majority of the Board as provided in Section 1385(b) of the California Civil Code, shall prepare, execute and Record, as promptly as practical, the certificate stating that a majority of the Board may properly exercise an irrevocable power of attorney to sell the Project for the benefit of the Owners with the exception of the Administrator of Veterans Affairs, an officer of the United States of America, and such other documents and instruments as may be necessary for the Association to consummate the sale of the Property at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. Such certificate shall be conclusive evidence of such authority for any Person relying thereon in good faith. The net proceeds of such sale and the proceeds of any insurance carried by the Association shall be divided proportionately among the Owners, such proportions to be determined in accordance with the relative appraised fair market valuation of the Condominiums as of a date immediately prior to such destruction

(or condemnation), expressed as percentages, and computed by dividing such appraised valuation of each Condominium by the total of such appraised valuations of all Condominiums in the Project. The Board is hereby authorized to hire one (1) or more appraisers for such purpose and the cost of such appraisals shall be a Common Expense of the Association. Notwithstanding the 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. Nothing herein shall be deemed to prevent partition of a co-tenancy 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 for a judicial partition of the tenancy in common ownership of the Project and do further covenant that no action for such judicial partition shall be instituted, prosecuted or reduced to judgment.

Section 10.03 - Interior Damage: With the exception of any casualty or damage insured against by the Association pursuant to Article IX, Section 9.01 of this Declaration, restoration and repair of any damage to the interior of any individual Residence, including without limitation all fixtures, cabinets and Improvements therein, together with restoration and repair of all interior paint, wall coverings and floor coverings, shall be made by and at the individual expense of the Owner of the Residence so damaged. In the event of a determination to rebuild the Property after partial or total destruction, as provided in this Article X, such interior repair and restoration shall be completed as promptly as practical and in a lawful and workmanlike manner, in accordance with plans approved by the Architectural Committee as provided herein.

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

ARTICLE XI

EMINENT DOMAIN

Section 11.01 - Definitions: Total Taking. Partial Taking. Special Partial Taking: The term "taking" as used in this Article shall mean condemnation by exercise of power of eminent domain or by sale under threat of the exercise of the power of eminent domain. A "Total Taking" shall occur if there is a permanent taking by eminent domain of an interest in all or part of the Common Areas or of all or part of one (1) or more Units, such that the ownership, operation and use of the Project in accordance with the provisions of this Declaration is substantially and adversely affected, and within one hundred twenty (120) days after the effective date of the taking and 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 substantiate 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 Project. A Partial Taking shall include, without limitation, a "Special Partial Taking" which is described herein as a taking of all or part of one (1) or more Units, as Units, subject to all of the provisions of this Declaration, without involving any taking of the Common Areas except to the extent of the proportionate interest therein of the Units taken, so that the taking authority becomes a successor in title to the Owner or Owners of the Condominium or Condominiums so taken with the same effect as if such Units were purchased by the taking authority. Following any taking which in the opinion of the Board of Directors would constitute a Total Taking in the absence of the affirmative vote of the Owners of the Remaining Units as required by the foregoing provisions, the Board of Directors shall call a special meeting of Owners of the Remaining Units to be held promptly, and in any event within sixty (60) days after the effective date of such taking, to determine if such Owners of the Remaining Units, will or will not, decide to continue the Project as provided herein.

Section 11.02 - Awards: Repair: Restoration and Replacement:

(a) In the event of a Total Taking, the Board of Directors shall: (i) except as provided in Section 11.03, represent all of the Owners, with the exception of the Administrator of Veterans Affairs, an officer of the United States of America, in an action to recover any and all awards, subject to the right of all first

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Mortgagees of record, upon request, to join in the proceedings (ii) proceed with the sale of that portion of the Project which was not included in the condemnation proceedings and distribution of the net proceeds of such sale after deducting any incidental fees and expenses, in the same proportion and in the same manner as provided in Article X, Section 10.02, and (iii) distribute the condemnation award in accordance with the court judgment or the agreement between the condemning authority and the Association, if any, or if there is no such judgment or agreement, in accordance with Article X, Section 10.02 of this Declaration.

(b) In the event of a Partial Taking, other than a Special Partial Taking, the provisions of Section 11.02(a)(1) 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 Mortgagees of record with respect to the Remaining Units affected by such Partial Taking shall be entitled to severance damages payable out of the award proceeds held by the Board of Directors to the extent that such Mortgagees can prove that their security has been impaired by such taking. The balance of the net proceeds shall then be applied to the repair, restoration and replacement of the Common Property and the Remaining Units (but not Owners' personal property nor those portions of the Units which the Owners are obligated to restore) to as nearly their condition prior to the taking as may be feasible, in the same manner and under the same provisions applicable to the proceeds of insurance as set forth in Article X, Section 10.01 hereof, except for any provisions relating to Owners' personal property. Any funds held for restoration thereof shall be disposed of, in each case in the same manner as provided in Article X, Section 10.02, except that the total amount of the award payable to any Member and his mortgagee or mortgagees for a destroyed Unit or Units shall not exceed the value of said Member's Condominium interest.

If the funds held for restoration by the Board of Directors are less than the cost of restoration and repair, a Reconstruction Assessment of the Owners of the Remaining Units (determined with reference to the relative square foot floor areas of the Remaining Units, as restored) may be levied by the Board of Directors to provide the necessary additional funds for such reconstruction. In no event shall the Board of Directors be required to undertake any repair or restoration work or make any payments with respect to any Unit in excess of that portion of the awards reasonably attributable to the loss to that Unit. Following any Partial Taking, the Association and the Project shall continue, subject to and with the benefit of all the provisions of this Declaration, so far as applicable to the Remaining Units, and the voting interests of the Owners shall be the same.

(c) In the event of a Special Partial Taking or a temporary taking of any Condominium, the Owner of the Condominium taken, together with his mortgagees, shall have exclusive rights to prosecute the proceedings for the respective taking awards and to retain the proceeds thereof. In the event of a temporary taking of Common Areas, the Board of Directors shall 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 Owner's personal property, and any relocation, moving expense, or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, however, or the provisions of Sections 11.01 and 11.02, the Board of Directors, except in the case of a Special Partial Taking, shall represent each Owner in an action to recover all awards with respect to such portion, if any, of an Owner's personal property which is at the time of any taking, as a matter of law, part of the real estate comprising any Unit, and shall allocate to such Owner so much of any awards as is allotted in the taking proceedings or, failing such allotment, allotted by the Board of Directors to such Owner's personal property. The amount so allocated shall be paid to the Owner entitled thereto, whether or not the Unit in which such Owner's personal property was located is to be restored by the Board of Directors; provided, however, that such proceeds shall first be applied to the balance then due on any Mortgages of record encumbering such Owner's Condominium, in order of priority. Notwithstanding restoration of the Unit, the Board of Directors shall have no responsibility for restoration of such Owner's personal property.

Section 11.04 - Relinquishment of Interest in Common Areas: Each Owner of a Taken Unit in any Phase of Development, by his

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

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

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

ARTICLE XII

RIGHTS OF MORTGAGEES

Notwithstanding any other provision of this Declaration, no amendment or violation of this Declaration shall operate to defeat or render invalid the rights of the Beneficiary under any Deed of Trust upon a Condominium made in good faith and for value, provided that after the foreclosure of any such Deed of Trust such Condominium shall remain subject to this Declaration, and amend-

ments thereof. Notwithstanding any and all provisions of this Declaration to the contrary, in order to induce FHLMC, GNMA and FNMA to participate in the financing of the sale of Condominiums within the Project, the following provisions are added hereto (and to the extent these added provisions, pertaining to the rights of Mortgagees, FHLMC, FNMA, GNMA, VA and FHA, conflict with any other provisions of this Declaration or any other of the Restrictions, these added Restrictions shall control):

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

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

(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 first Mortgage, shall take title to such Condominium free and clear of any claims for unpaid assessments or charges against such Condominium which accrued prior to the time such Mortgagee acquires title to such Condominium.

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

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

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

(3) partition or subdivide any Condominium Unit; or

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

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

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

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

(e) All Beneficiaries, insurers and guarantors of first mortgages, upon written request, shall have the right to (1) examine the books and records of the Association during normal business hours, (2) require from the Association the submission of an annual audited financial statement without expense to the entity requesting such statement and other financial data, (3) receive written notice of all meetings of the Owners, and (4) designate in writing a representative to attend all such meetings.

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

(g) The Common Property Reserve Fund described in Article V of this Declaration must be funded by regularly 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

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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, FHLBC, FNMA or 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.

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

(l) All intended Improvements in any Phase of Development other than Phase 1 shall be substantially completed or the completion of such Improvements shall be secured by a bond or other arrangement acceptable to the DRE prior to the first Close of Escrow for the sale of a Condominium in such Phase. All such Improvements shall be consistent with the Improvements in Phase 1 in terms of quality of construction.

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

ARTICLE XIII

DURATION AND AMENDMENT

Section 13.01 - Duration: This Declaration shall continue in full force for a term of fifty (50) years from the date of Recordation hereof, after which time the same shall be automatically extended for successive periods of ten (10) years, unless prior to the expiration of such term or any extension thereof 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 Article X, Section 10.02, and Article XI, Section 11.02 of this Declaration.

Section 13.02 - Amendment: Notice of the subject matter of a proposed amendment to this Declaration in reasonably detailed form shall be included in the notice of any meeting of the Association at which a proposed amendment is to be considered. A resolution adopting a proposed amendment may be proposed by an Owner at a meeting of Members of the Association. The resolution shall be adopted by the vote, in person or by proxy, or written consent of Members representing not less than (i) sixty-seven percent (67%) of the voting power of the Association, and (ii) sixty-seven percent (67%) of the voting power of the Association residing in Members other than Declarant, provided that the specified percentage of the voting power of the Association necessary to amend a specified Section or provision of this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. So long as there exists a Class B membership, the prior approval of VA and FHA shall be required for any material amendment of the Declaration. A copy of each amendment shall be certified by at least two (2) officers of the Association and the amendment shall be effective when the Certificate of Amendment is Recorded. Notwithstanding the foregoing, any of the following amendments, to be effective, must be approved in writing by the Beneficiaries of seventy-five percent (75%) of the first Mortgages held by Eligible Mortgage Holders at the time of such amendment.

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

(b) Any amendment which would necessitate an encumbrance after it has acquired a Condominium through foreclosure to pay more

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

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

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

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

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

(g) Any amendment concerning:

- (1) voting rights;
- (2) rights to use the Common Property;
- (3) reserves and responsibility for maintenance, repair and replacement of the Common Property;
- (4) boundaries of any Unit;
- (5) Owners' interests in the Common Areas;
- (6) convertibility of Common Areas into Units or Units into Common Areas;
- (7) leasing of Units;
- (8) establishment of self-management by the Association where professional management has been required by any Beneficiary, insurer or guarantor of a first Mortgage;
- (9) annexation or de-annexation of real property to or from the Property; or
- (10) assessments, assessment liens, or the subordination of such liens.

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

A certificate, signed and sworn to by two (2) officers of the Association that the requisite number of Owners and Mortgagees have either voted for or consented in writing to any amendment adopted as provided above, when Recorded, shall be conclusive evidence of that fact. The Association shall maintain in its files the record of all such votes or written consents for a period of at least four (4) years. Such a certificate reflecting any amendment which requires the written consent of any of the Beneficiaries of first Mortgages shall include a certification that the requisite approval of such first Mortgagees has been obtained.

Section 13.03 - Protection of Declarant: Until the seventh (7th) anniversary of the first Close of Escrow for the sale of a Condominium in the Project, the prior written approval of Declarant, as developer of the Property, will be required before any amendment which would impair or diminish the rights of Declarant to complete the Property or sell or lease Condominiums therein in accordance with this Declaration shall become effective. Notwithstanding any other provisions of the Restrictions, until such time as (i) Declarant is no longer entitled to add Annexable Territory to the Property without the consent of the Association pursuant to Section 16.01, or (ii) Declarant no longer owns any Condominiums in the Property, whichever occurs last, the following actions, before being undertaken by the Association, shall first be approved in writing by Declarant:

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

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

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

(d) Subject to Section 8.04 regarding limitations on Annual Assessment increases, any significant reduction of Association maintenance or other services.

ARTICLE XIV

ENFORCEMENT OF CERTAIN BONDED OBLIGATIONS

Section 14.01 - Consideration by the 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 DRE for the sale of Condominiums in the Project, and (2) the Association is obligee under a bond or other arrangement ("Bond") required by the DRE to secure performance of the commitment of Declarant to complete such Improvements, the Board of Directors of the Association shall consider and vote on the question of action by the Association to enforce the obligations under the Bond, with respect to any such Improvement in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any Improvement on the Common Property, the Board shall be directed to consider and vote on the aforesaid question (if a Notice of Completion has not been filed), within thirty (30) days after the expiration of the extension.

Section 14.02 - Consideration by the Members: A special meeting of Members, for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, shall be held no fewer than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Members representing five percent (5%) of the total voting power of the Association residing in Members other than Declarant. A vote at such meeting to take action to enforce the obligations under the Bond by Members representing a majority of the total voting power of the Association residing in Members other than Declarant shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XV

GENERAL PROVISIONS

Section 15.01 - Legal Proceedings: Failure to comply with any of the terms of the Restrictions by an Owner, his Family, guests, employees, invitees or tenants, shall be grounds for relief which may include, without limitation, an action to recover sums due for damages, injunctive relief, foreclosure of any lien, or any combination thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision, or any other provision hereof. The Board, any Owner or Declarant (so long

as Declarant is an Owner) shall be entitled to bring an action for damages against any defaulting Owner, and in addition may enjoin any violation of this Declaration. Any judgment rendered in any action or proceeding pursuant to this Declaration shall include a sum for attorneys' fees in such amount as the Court may deem reasonable, in favor of the prevailing party, as well as the amount of any delinquent payment, interest thereon, costs of collection and court costs. Each remedy provided for in this Declaration shall be cumulative and not exclusive or exhaustive. Each Owner shall have a right of action against the Association for the failure by the Association to comply with the Restrictions.

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

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

Section 15.04 - Interpretation: The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the creation and operation of a residential condominium development and for the maintenance of

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Common Property, and any violation of this Declaration shall be deemed to be a nuisance. The Article and Section headings, titles and captions have been inserted for convenience only, and shall not be considered or referred to in resolving questions of interpretation or construction. As used herein, the singular shall include the plural and the masculine, feminine and neuter shall each include the other, unless the context dictates otherwise.

Section 15.05 - Mergers or Consolidations: Upon a merger or consolidation of the Association with another association, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association and a surviving corporation pursuant to a merger. The surviving or consolidated association may administer and enforce the covenants, conditions and restrictions established by this Declaration governing the Property, together with the covenants and restrictions established upon any other property, as one (1) plan. Any such merger or consolidation shall require the prior written approval of the VA.

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

Section 15.07 - No Public Right or Dedication: Nothing contained in this Declaration shall be deemed to be a gift or dedication of all or any part of the Property to the public, or for any public use.

Section 15.08 - No Representations or Warranties: No representations or warranties of any kind, express or implied, other than the standard warranty required by VA and FHA, have been given or made by Declarant, or its agent 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, costs of maintenance, taxes or regulation thereof as a Condominium Project, except as specifically and expressly set forth in this Declaration and except as may be filed by Declarant from time to time with the DRE.

Section 18.09 - Nonliability and Indemnification: Except as specifically provided in the Restrictions or as required by law, 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 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:

(a) 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;

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

(c) 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 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 18.09 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.

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Payments made hereunder shall include amounts paid and expenses incurred in settling any such action or threatened action. This Section 18.09 shall be construed to authorize payments and indemnification to the fullest extent now or hereafter permitted by applicable law.

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 18.10 - Notices: Except as otherwise provided in this Declaration, in each instance in which notice is to be given to an Owner, the same shall be in writing and may be delivered personally to the Owner, in which case personal delivery of such notice to one (1) or more co-owners of a Condominium or to any general partner of a partnership owning a Condominium shall be deemed delivery to all co-owners or to the partnership, as the case may be. Personal delivery of such notice to any officer or agent for the service of process on a corporation shall be deemed delivery to the corporation. In lieu of the foregoing, such notice may be delivered by regular United States mail, postage prepaid, addressed to the Owner at the most recent address furnished by such Owner to the Association or, if no such address shall have been furnished, to the street address of such Owner's Unit. Such notice shall be deemed delivered three (3) business days 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 18.11 - 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.

Section 18.12 - FHA and VA Approval: Whenever any provision of this Declaration or of the Bylaws requires the approval of FHA, VA or their respective representatives, FHA approval shall only be required if FHA is an Owner or if FHA is insuring, or has agreed to insure loans secured by Condominiums in the Project, and VA approval shall only be required if VA is an owner or if VA is guaranteeing, or has agreed to guarantee loans secured by Condominiums in the Project.

ARTICLE XVI

ANNEXATION OF ADDITIONAL PROPERTY

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

Section 16.01 - Additions by Declarant: Declarant or its successors or assigns shall have the right from time to time to add the Annexable Territory, or any portion or portions thereof (including any recreation facilities located thereon), to the Property and to bring such added territory within the general plan and scheme of this Declaration without the approval of the Association, its Board of Directors, or Members; provided that such a right of Declarant and its successors and assigns shall terminate on the third anniversary of the original issuance of the most recently issued final subdivision public report for the most recent Phase of Development. As each Phase of Development is developed, Declarant may, with respect thereto, record a supplemental declaration ("Supplemental Declaration") which may supplement this Declaration with such additional covenants, conditions, restrictions, reservations and easements as Declarant may deem appropriate for that Phase of Development. If Declarant has submitted a general plan of development to the VA, then prior to any annexation under this Section 16.01, detailed plans for the development of the additional property must be submitted to the VA and the VA must determine that such plans are in accordance with the general plan and so advise Declarant. If Declarant has conducted a rental program of residential units in an annexed Phase of Development for a period of at least one (1) year as of the date of closing of the first escrow of a residential unit within such annexed phase, Declarant shall pay to the Association concurrently with the closing of escrow for the first sale of a residential unit in such annexed phase, appropriate amount for reserves for replacement or deferred maintenance of Common Area Improvements in the annexed phase necessitated by the rental program.

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

Section 16.03 - Rights and Obligations of Members of Added Territory: Subject to the provisions of Section 16.04, upon the

Recording of a Notice of Addition of Territory containing the provisions as set forth in this Section, all provisions contained in this Declaration shall apply to the real property described in such Notice of Addition of Territory (the "added territory") in the same manner as if it were originally covered by this Declaration. Thereafter, the rights, powers and responsibilities of the parties to this Declaration with respect to the added territory shall be the same as with respect to the property originally covered hereby, and the rights, powers and responsibilities of the Owners, lessees and occupants of Units within the added territory, as well as within the property originally subject to this Declaration, shall be the same as if the added territory were originally covered by this Declaration. Voting rights attributable to the Condominiums in the added territory shall not vest until Annual Assessments have commenced as to such Condominiums.

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

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

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(a) Declarant hereby reserves for the benefit of and appurtenant to the Condominiums hereafter located in each Phase of Development annexed to Phase 1 and their respective Owners, non-exclusive easements to use the Common Property (other than any buildings or Restricted Common Areas) in Phase 1, including, without limitation, the private streets, pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in each Phase of Development annexed to Phase 1 owned an undivided interest in the Common Areas in Phase 1.

(b) Declarant hereby grants, for the benefit of and appurtenant to each Condominium in Phase 1 and their Owners, a non-exclusive easement to use the Common Property (other than any buildings or Restricted Common Areas) in each Phase of Development annexed to Phase 1, including, without limitation, the private streets, pursuant to and in the manner set forth in this Declaration, to the same extent and with the same effect as if each of the Owners of a Condominium in Phase 1 owned an undivided interest in the Common Areas in each such Phase of Development.

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

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

This Declaration is dated for identification purposes
August 15th, 1988.

JOHN D. LUSK & SON,
a California corporation

By: [Signature]
VICE PRESIDENT

By: [Signature]
Secretary

STATE OF CALIFORNIA)
COUNTY OF Orange) SS.

On Sept. 26, 1985, before me, the undersigned, a Notary Public in and for said State, personally appeared Donald Stephensen and Richard Deihl, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as Vice President and Secretary, respectively, or on behalf of JOHN D. LUSK & SON, the corporation therein named and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.

WITNESS my hand and official seal.

Linda McDonald
Notary Public



SUBORINDATION

The undersigned, as Beneficiary of the beneficial interest in and under that certain Deed of Trust dated March 5, 1981, and recorded on March 5, 1981, as Instrument No. 81-230843, in Official Records of the Los Angeles County Recorder (the "Deed of Trust"), which Deed of Trust is by and between JOHN D. LUSK & SON, a California corporation, as Trustor; TITLE INSURANCE AND TRUST COMPANY, as Trustee; and KERMIT N. JOHNSON, WILLIAM K. STOUFER, MILTON E. ROSS, HOLMES HOBART, and MALCOM G. SMITH, as Trustees of the Endowment Care Fund of Inglewood Park Cemetery, as Beneficiary, hereby expressly subordinates said Deed of Trust and its beneficial interest thereunder to the foregoing Declaration of Covenants, Conditions, Restrictions and Reservations of Easements for Carlton Square (Tract 39164, Los Angeles County), to all maintenance and other easements to be conveyed to the Association in accordance with the Declaration.

Dated: Oct. 2, 1985.

Milton E. Ross
MILTON E. ROSS, Trustee

Holmes E. Hobart
HOLMES HOBART, Trustee

Malcom G. Smith
MALCOM G. SMITH, Trustee

STATE OF CALIFORNIA)
 LOS) SS.
COUNTY OF Angeles)

On Oct 2, 1985, before me, JAMIE S. MYNHIER a Notary Public in and for said State, personally appeared MALCOM G. SMITH, HOLMES HOBART, MILTON E. ROSS personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who executed the within instrument as Trustee of the Endowment Care Fund of Inglewood Park Cemetery, and acknowledged to me that he executed same.

WITNESS my hand and official seal..

Jamie S. Mynhier
Notary Public



STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, before me, _____ a
Notary Public in and for said State, personally appeared

_____ ,
personally known to me or proved to me on the basis of satisfac-
tory evidence to be the person(s) who executed the within instru-
ment as Trustee of the Endowment Care Fund of Inglewood Park Ceme-
tery, and acknowledged to me that he executed same.

WITNESS my hand and official seal.

Notary Public

STATE OF CALIFORNIA)
) SS.
COUNTY OF _____)

On _____, before me, _____ a
Notary Public in and for said State, personally appeared

_____ ,
personally known to me or proved to me on the basis of satisfac-
tory evidence to be the person(s) who executed the within instru-
ment as Trustee of the Endowment Care Fund of Inglewood Park Ceme-
tery, and acknowledged to me that he executed same.

WITNESS my hand and official seal.

Notary Public

SUBORDINATION

The undersigned, as Beneficiary of the beneficial interest in and under those certain Deeds of Trust listed below, all between John D. Lusk & Son, a California corporation, as Trustor; Security Pacific National Bank, a National Banking Association, as Trustee; and Service Mortgage Company, a corporation, as Beneficiary, hereby expressly subordinates said Deeds of Trust and its beneficial interests thereunder to the foregoing Declaration of Covenants, Conditions, Restrictions and Reservations of Easements for Carlton Square (Tract 39164, Los Angeles County) and to all maintenance and other easements to be conveyed to the Association in accordance with the Declaration.

- 1. Deed of Trust dated January 7, 1985, recorded January 29, 1985, as Instrument No. 85-102731, of Official Records, Los Angeles County, California.
- 2. Deed of Trust dated February 27, 1985, recorded March 18, 1985, as Instrument No. 85-293017 of Official Records, Los Angeles County, California.
- 3. Deed of Trust dated July 2, 1985, recorded July 11, 1985, as Instrument No. 85-796272 of Official Records, Los Angeles County, California.
- 4. Deed of Trust dated July 2, 1985, recorded July 11, 1985, as Instrument No. 85-796271, of Official Records, Los Angeles County, California.

Dated: 8-15-85

SERVICE MORTGAGE COMPANY
a California corporation

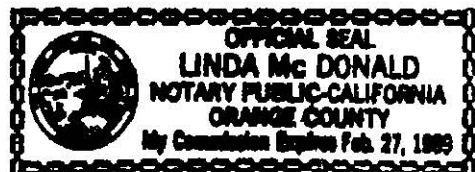
By: [Signature]
 By: [Signature] VICE PRESIDENT
 Secretary

STATE OF CALIFORNIA)
) SS.
 COUNTY OF ORANGE)

On Orange, before me the undersigned, a Notary Public in and for said State, personally appeared Donald Steffensen and Richard Seihl, personally known to me or proved to me on the basis of satisfactory evidence to be the persons who executed the within instrument as the VICE President and [Signature] Secretary of the Corporation that executed the within instrument 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.

Linda McDonald
 Signature



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State
of
California
OFFICE OF THE SECRETARY OF STATE

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

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

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

JUL 19 1865



March Fong Eu

85 1186406

RESTATED ARTICLES OF INCORPORATION OF
CARLTON SQUARE HOMEOWNERS ASSOCIATION

ENDORSED
FILED

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

JUL 13

MARCH FONG EU, Secretary of State

By BILL HOLDEN
Deputy

RICHARD T. DEIHL certifies that:

- 1. He is the sole incorporator of CARLTON SQUARE HOMEOWNERS ASSOCIATION, a California corporation.**
- 2. The Articles of Incorporation of this corporation are amended and restated to read as follows:**

ARTICLE I

The name of this corporation ("Association" herein) is CARLTON SQUARE HOMEOWNERS ASSOCIATION.

ARTICLE II

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

ARTICLE III

The Association's initial agent for service of process is Richard T. Deihl, whose business address is: 17550 Gillette Avenue, Irvine, California 92714.

ARTICLE IV

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

- (a) To bring about civic betterments and social improvements by providing for the preservation, management, maintenance and care of the architecture and appearance of a residential condominium project known as Carlton Square ("Project"), located in Los Angeles County, California.**

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(b) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association arising from that certain Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Carlton Square (the "Declaration") recorded or to be recorded with the Los Angeles County Recorder and applicable to the Project, as such Declaration may be amended from time to time.

ARTICLE V

The classes of Membership and the voting and other rights and privileges of Members shall be as set forth in the Bylaws. So long as there are two classes of Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Association, and (ii) Members representing seventy-five percent (75%) or more of the voting power of each class of Members. After conversion of the Class B Membership to Class A Membership, amendment of these Articles of Incorporation shall require the assent (by vote or written consent) of (i) a bare majority of the Board of Directors of the Association, (ii) seventy-five percent (75%) or more of the total voting power of the Members, and (iii) Members representing seventy-five percent (75%) or more of the voting power of the Members other than the Subdivider of the Project ("Declarant").

3. No directors were named in the original Articles of Incorporation and none have been elected.

4. The corporation has no Members.


RICHARD T. DEIHL, Incorporator

I further declare under penalty of perjury under the laws of the State of California that the matters set forth in this certificate are true and correct of my own knowledge.

Dated: July 15, 1985


RICHARD T. DEIHL

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BYLAWS OF
CARLTON SQUARE HOMEOWNERS ASSOCIATION

ARTICLE I

PLAN OF CONDOMINIUM OWNERSHIP

Section 1.01 - Name: The name of the corporation is CARLTON SQUARE HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the Association shall be located in Orange County, California.

Section 1.02 - Application: The provisions of these Bylaws are applicable to the residential condominium project known as Carlton Square, located in Los Angeles County, California. All present and future Owners and their tenants, future tenants, employees, and any other person who might use the facilities of the Project in any manner, are subject to the regulations set forth in these Bylaws and in the Declaration of Covenants, Conditions and Restrictions, and Reservations of Easements for Carlton Square (hereinafter referred to as the "Declaration"), Recorded or to be Recorded in the Official Records of Los Angeles County and applicable to the Project. The mere acquisition or rental of any Condominium in the Project or the mere act of occupancy of any Condominium will signify that these Bylaws are accepted, ratified, and will be complied with.

Section 1.03 - Meaning of Terms: Unless otherwise specifically provided herein, the capitalized terms in these Bylaws shall have the same meanings as are given to such terms in the Declaration.

ARTICLE II

VOTING BY ASSOCIATION MEMBERSHIP

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

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

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Class B: The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Condominium owned by Declarant, provided that the Class B Membership shall cease in each Phase of Development and be converted to Class A Membership on the happening of the earliest to occur of the following events:

(1) When, in such Phase of Development, the total votes outstanding in the Class A Membership equal the total votes outstanding in the Class B Membership; or

(2) The second anniversary of the original issuance of the most recently issued final subdivision public report for a Phase of Development; or

(3) The fourth anniversary of the original issuance of the final subdivision public report for Phase 1; or

(4) The seventh anniversary of the Recordation of the Declaration.

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

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

Section 2.03 - Quorum: Except as otherwise provided in these Bylaws, the presence in person or by proxy of at least a majority of the voting power of the Membership of the Association shall constitute a quorum of the Membership. The Members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

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

ARTICLE III

ADMINISTRATION

Section 3.01 - Association Responsibilities: In accordance with the provisions of the Declaration, the Association shall have the responsibility of administering the Property, approving the Budget, establishing and collecting all assessments applicable to the Property, and arranging for overall architectural control of the Property.

Section 3.02 - Place of Meetings of Members: Meetings of the Members shall be held on the Property, or such other suitable place as proximate thereto as practicable, in the County in which the Property is located, convenient to the Owners, as may be designated by the Board of Directors.

Section 3.03 - Annual Meetings of Members: The first annual meeting of Members shall be held within forty-five (45) days after Close of Escrow for the sale of fifty-one percent (51%) of the Condominiums in Phase 1 or within six (6) months after the Close of Escrow for the sale of the first Condominium in Phase 1, whichever occurs first. Thereafter, the annual meetings of the Members shall be held on or about the anniversary date of the first annual meeting. At each annual meeting there shall be elected by ballot of the Members a Board of Directors of the Association, in accordance with the requirements of Article IV, Section 4.05 of these Bylaws. The Members may also transact such other business of the Association as may properly come before them. Each Beneficiary of a first Mortgage of a Condominium in the Project may designate a representative to attend all annual meetings of the Members.

Section 3.04 - Special Meetings of Members: It shall be the duty of the Board to call a special meeting of the Members, as directed by resolution of a majority of a quorum of the Board of Directors, or upon receipt by the Secretary of a petition signed by Members representing at least five percent (5%) of the total voting power of the Association. The notice of any special meeting shall be given within twenty (20) days after adoption of such resolution or receipt of such petition and shall state the time and place of such meeting and the purpose thereof. The special meeting shall be held not less than thirty-five (35) days nor more than ninety (90) days after adoption of such resolution or a receipt of such petition. No business shall be transacted at a special meeting except as stated in the notice. Each Beneficiary of a first Mortgage of a Condominium in the Project may designate a representative to attend all special meetings of the Members.

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Section 3.05 - Notice of Meetings to Members: It shall be the duty of the Secretary to send a notice of each annual or special meeting by first-class mail, at least ten (10) but not more than thirty (30) days prior to such meeting, stating the purpose thereof as well as the day, hour and place where it is to be held, to each Member of record, and to each Beneficiary of a first Mortgage of a Condominium, which Beneficiary has filed a written request for notice with the Secretary. The notice may set forth time limits for speakers and nominating procedures for the meeting. The notice of any meeting at which Directors are to be elected shall include the names of all those who are nominees at the time the notice is given to the Members. The mailing of a notice, postage prepaid, in the manner provided in this Section, shall be considered notice served, forty-eight (48) hours after said notice has been deposited in a regular depository of the United States mail. Such notice shall be posted in a conspicuous place on the Common Property, and such notice shall be deemed served upon a Member upon posting if no address for such Member has been then furnished the Secretary. The Board of Directors may fix a date in the future as a record date for the determination of the Members entitled to notice of any meeting of Members. The record date so fixed shall not be less than ten (10) days nor more than sixty (60) days prior to the date of the meeting. Only Members who on the record date for notice of the meeting are entitled to vote thereat, shall be entitled to notice of the meeting, notwithstanding any transfer of or issuance of Membership certificates on the books of the Association after the record date.

Section 3.06 - Adjourned Meetings: If any meeting of Members cannot be organized because a quorum is not present, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which meeting the quorum requirement shall be the presence in person or by proxy of the Members holding at least twenty-five percent (25%) of the voting power of the Association. Such an adjourned meeting may be held without notice thereof as provided in this Article III, provided that notice is given by announcement at the meeting at which such adjournment is taken. If, however, such an adjourned meeting is actually attended, in person or by proxy, by Members having less than one-third (1/3) of the voting power of the Association, notwithstanding the presence of a quorum, no matter may be voted upon except such matters notice of the general nature of which was given pursuant to Section 3.05 hereof.

Section 3.07 - Order of Business: The order of business at all meetings of the Members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of Minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) election of inspector of elections (at annual meetings or special meetings held for such purpose); (g) election

of Directors (at annual meetings or special meetings held for such purpose); (h) unfinished business; and (i) new business.

Section 3.08 - Action Without Meeting: Any action, which may be taken at a meeting of the Members (except for the election of Directors) may be taken without a meeting by written ballot of the Members. Ballots shall be solicited in the same manner as provided in Section 3.05 for the giving of notice of meetings of Members. Such solicitations shall specify: (a) the number of responses needed to meeting the quorum requirements, (b) the percentage of approvals necessary to approve the action, and (c) the time by which ballots must be received in order to be counted. The form of written ballot shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that, where the Member specifies a choice, the vote shall be cast in accordance therewith. Receipt within the time period specified in the solicitation of a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting and a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast shall constitute approval by written ballot.

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

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

ARTICLE IV

BOARD OF DIRECTORS

Section 4.01 - Number and Qualification: The affairs of the Association shall be governed and managed by a Board of Directors composed of five (5) persons, each of whom, except for those appointed and serving as first Directors, must either be an Owner or an agent of Declarant for so long as Declarant owns a Condominium in the Project. The authorized number of Directors may be changed by a duly adopted amendment to the Bylaws. Directors and

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officers shall not receive any salary or compensation for their services as Directors and officers unless such compensation is approved by the vote or written consent of Members representing at least a majority of both the Class A and Class B voting power; provided, however, that (1) nothing herein contained shall be construed to preclude any Director from serving the Association in some other capacity and receiving compensation therefor, and (2) any Director or officer may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 4.02 - Powers and Duties: The Board of Directors has the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things as are not by law or by these Bylaws directed to be exercised and done by the Members. The Board of Directors shall not enter into any contract for a term in excess of one (1) year, without the vote or written consent of the Members representing at least a majority of the voting power of the Association, except (1) any contract of a minimum term with a public utility company regulated by the Public Utilities Commission which requires a term in excess of one (1) year, (2) a management contract, the terms of which have been approved by the Veterans Administration or the Federal Housing Administration, (3) prepaid casualty or liability insurance policies of not to exceed three (3) years' duration, provided that the policies permit short term cancellation by the Association, and (4) lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided the lessor under any such agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

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

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

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

(c) The power but not the duty to change the principal office for the transaction of the business of the Association from one location to another within the County in which the Property is located, as provided in Article I hereof; to designate any place

within said County for the holding of any annual or special meeting or meetings of Members consistent with the provisions of Article III, Section 3.02 hereof; and to adopt and use a corporate seal and to alter the form of such seal from time to time, as the Board, in its sole judgment, may deem best, provided that such seal shall at all times comply with the provisions of law.

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

(e) The power and duty to fix and levy from time to time Annual Assessments, Special Assessments, and Reconstruction Assessments upon Members, as provided in the Declaration; to fix and levy from time to time in any Fiscal Year Capital Improvement Assessments applicable to that year only for capital Improvements; to determine and fix the due date for the payment of such assessments, and the date upon which the same shall become delinquent; provided, however, that such assessments shall be fixed and levied only to provide for the payment of the Common Expenses of the Association and of taxes and assessments upon real or personal property owned, leased, controlled or occupied by the Association, or for the payment of expenses for labor rendered or materials or supplies used and consumed, or equipment and appliances furnished for the maintenance, improvement or development of such property or for the payment of any and all obligations in relation thereto, or in performing or causing to be performed any of the purposes of the Association for the general benefit and welfare of its Members, in accordance with the provisions of the Declaration. The Board of Directors is hereby authorized to incur any and all such expenditures for any of the foregoing purposes and to provide, or cause to be provided, adequate reserves for replacements as it shall deem to be necessary or advisable in the interest of the Association or welfare of its Members. The funds collected by the Board of Directors from the Members, attributable to replacement reserves, for maintenance costs which cannot normally be expected to occur on an annual basis and for capital Improvements, shall at all times be held in trust for the Members. Disbursements from such trust reserve fund shall be made in accordance with the provisions of the Declaration. Such Annual Assessments, Reconstruction Assessments, Special Assessments and Capital Improvement Assessments shall be fixed in accordance with the provisions of the Declaration. Should any Member fail to pay such assessments before delinquency, the Board of Directors, in its discretion, is authorized to enforce the payment of such delinquent assessments as provided in the Declaration.

(f) The power and duty to enforce the provisions of the Declaration, these Bylaws or other agreements of the Association.

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

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

(i) The power but not the duty to delegate its powers according to law, and subject to the approval of the Members, to adopt these Bylaws.

(j) The power, but not the duty, to grant easements where necessary for utility and other purposes over the Common Property for the benefit of the Members of the Association.

(k) The power and duty to adopt such Rules and Regulations as the Board may deem necessary for the management of the Project, which Rules and Regulations shall become effective and binding after (1) they are adopted by a majority of the Board at a meeting called for the purpose, or by the written consent of the Board in accordance with Section 4.13, and (2) they are posted in a conspicuous place in the Common Property. Such Rules and Regulations may concern, without limitation, use of the Common Property; signs; collection and disposal of refuse; minimum standards of property maintenance consistent with the Declaration and the procedures of the Architectural Committee; and any other matter within the jurisdiction of the Association as provided in the Declaration; provided, however, that such Rules and Regulations shall be enforceable only to the extent that they are consistent with the Declaration, the Articles of Incorporation and these Bylaws, and the Rules and Regulations may not be used to amend any of said documents.

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

(m) The power, but not the duty, to appoint a Membership Committee composed of at least one (1) Director and at least one

(1) Association Member at large. The Membership Committee shall be responsible for contracting all purchasers of Condominiums in the Project as soon as any transfer of title to a Condominium is discovered. The Membership Committee shall further attempt to establish initial contact with all Members who are delinquent in the payment of any assessments or other charges due the Association.

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

Section 4.04 - Management Agent: The Board of Directors may engage a professional Manager for the Association at a compensation established by the Board to perform such duties and services as the Board shall authorize. Such agreement, and any contract providing for services by Declarant, must provide for termination by either party for cause upon no more than thirty (30) days' written notice, and without cause nor payment of a termination fee, upon no more than ninety (90) days' prior written notice. Subject to Section 4.02 hereof, such agreement, and any contract providing for services by Declarant, may have a term of greater than one (1) year provided VA's written approval of such term is obtained.

Section 4.05 - Election and Term of Office

(a) Directors shall be elected by secret written ballot of the Members. At the first annual meeting of the Members, new Directors shall be elected by the Members as provided in these Bylaws, and all positions on the Board of Directors shall be filled at that election. In the event that an annual meeting is not held, or the Board is not elected thereat, the Board may be elected at any special meeting of the Members held for that purpose. Each Director shall hold office until his successor has been elected or until his death, resignation, removal or judicial adjudication of mental incompetency. The term of office of the two (2) Directors receiving the highest number of votes at the first annual meeting shall be two (2) years and the term of office of the Directors receiving the next highest number of votes at the first annual meeting shall be one (1) year. At each annual meeting thereafter, new Directors shall be elected to fill vacancies created by the death, resignation, removal, judicial adjudication of mental incompetence or expiration of the terms of past Directors. The term of office of each Director elected to fill a vacancy created by the expiration of the term of office of the respective past Director shall be two (2) years. The term of office of each Director elected or appointed to fill a vacancy created by the resignation, death or removal of his predecessor shall be the balance of the unserved term of his predecessor. Any Person serving as a Director may be re-elected, and there shall be no limitation on the number of terms during which he may serve. Cum-

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ulative voting shall be used in the election of Directors for any election in which more than two (2) Directors are to be selected, subject only to the procedural prerequisites to cumulative voting in the following sentence. A member may cumulate his votes for any candidate for the Board if the candidate's name has been placed in nomination prior to the voting and if such Member, or any other Member, has given notice at the meeting prior to the voting of such Member's intention to cumulate votes. If a Member cumulates his votes, such Member may cast a number of votes equal to the Member's share of the voting power as set forth in the Declaration, multiplied by the number of Directors to be elected.

(b) Notwithstanding the foregoing, whenever (1) notice is given for an election of Directors of the Board, and (2) upon such date the Members other than Declarant do not have a sufficient percentage of the voting power of the Association to elect at least one (1) Director through the foregoing cumulative voting procedure, such notice shall also provide for the following special election procedure. Election of one (1) Director shall be apportioned entirely to the Members other than Declarant. Any Person shall be an eligible candidate for the special election upon receipt by the Secretary of a Declaration of Candidacy, signed by the candidate, at any time prior to the election. Such election shall be by secret ballot unless a majority of the Members other than Declarant determine otherwise. The Person receiving a majority of the votes cast by the Members other than Declarant shall be elected a Member of the Board in a co-equal capacity with all other Directors. The remaining Directors of the Board shall be elected through the customary cumulative voting procedure outlined above.

Section 4.06 - Books, Audit: The following financial information shall be prepared and distributed by the Board to all Members (and any Beneficiary, insurer and guarantor of a first Mortgage upon request), regardless of the number of Members or the amount of assets of the Association:

(a) A pro forma operating budget for each Fiscal Year consisting of at least the following information shall be distributed within forty-five (45) days prior to the beginning of the Fiscal Year.

(1) The estimated revenue and Common Expenses of the Association computed on an accrual basis.

(2) The amount of the total cash reserves of the Association currently available for replacement or major repair of the Common Property and for contingencies.

(3) An itemized estimate of the remaining life of, and the methods of funding to defray the costs of repair and replacement of, or additions to, major components of the Common Property and the facilities for which the Association is responsible.

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(4) A general statement setting forth the procedures used by the Board in the calculation and establishment of reserves to defray the costs of repair and replacement of, or additions to, major components of the Common Property and facilities for which the Association is responsible.

(b) A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of the first Close of Escrow for the sale of a Condominium in the Project and an operating statement for the period from the date of the first Close of Escrow to the said accounting date, shall be distributed within sixty (60) days after the accounting date. Such operating statement shall include a schedule of assessments received and receivable identified by the number of the Unit and the name of the Owner assessed.

(c) A report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the Fiscal Year.

(1) A balance sheet as of the end of the Fiscal Year.

(2) An operating (income) statement for the Fiscal Year.

(3) A statement of changes in financial position for the Fiscal Year.

(4) Any information required to be reported under Section 8322 of the California Corporations Code.

(5) For each Fiscal Year, a copy of a review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

In addition to financial statements, the Board shall annually distribute within sixty (60) days prior to the beginning of the Fiscal Year a statement of the Association's policies and practices in enforcing its remedies against Members for defaults in the payment of Annual, Capital Improvement, Reconstruction and Special Assessments, including the recording and foreclosing of liens against Members' Condominiums.

All books, records and papers of the Association shall be made available for inspection and copying by any Member, prospective purchaser of a Condominium in the Project, and any Beneficiary, insurer, and guarantor of a first Mortgage, or their duly appointed representatives at the principal office of the Association or at such other place within the Property as the Board may prescribe. The Board shall establish reasonable rules with respect to (1) notice to be given to the custodian

of the records by the Member desiring to make the inspection, (2) hours and days of the week when such an inspection may be made, and (3) payment of the cost of reproducing copies of documents requested by a Member. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association. A Director's right of inspection shall include the right to make extracts and copies of documents.

Section 4.07 - Vacancies: Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Any vacancy caused by the removal of a Director may be filled by the vote of the majority of the remaining Directors but only with the approval, by vote or written consent, of a majority of the voting power of the Association residing in Members other than Declarant. A vacancy or vacancies shall be deemed to exist in mental incompetence of any Director, or in case the Members fail to elect the full number of authorized Directors at any meeting at which such election is to take place. Any vacancy not filled by the Directors may be filled by vote of the Members at the next annual meeting of the Members or at a special meeting of the Members called for such purpose.

Section 4.08 - Removal of Directors: At any regular or special meeting of the Members duly called, any one individual Director or the entire Board may be removed prior to the expiration of their terms of office with or without cause by the vote of Members representing a majority of a quorum of Members.

Notwithstanding the foregoing, if the entire Board of Directors is not removed as a group pursuant to a single vote, no individual Director shall be removed if the number of votes cast against his removal would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the Director's most recent election were than being elected. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting. If any or all of the Directors are so removed at a meeting, new Directors may be elected at the same meeting. Notwithstanding the foregoing, any Director who has been elected to office solely by the votes of Members other than Declarant pursuant to Section 4.05 of this Article IV may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in Members other than Declarant.

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

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

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

Section 4.11 - Special Meetings of Board: Special meetings of the Board of Directors shall be open to all Members, provided that Members who are not Directors may not participate in any deliberation or discussion at such special meetings, unless expressly so authorized by a vote of a majority of a quorum of the Board of Directors. Special meetings may be called by the President or by any two (2) Directors. At least four (4) days' notice shall be given to each Director, personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) and the purpose of the meeting, and shall be posted at a prominent place or places within the Common Property in the same manner as prescribed for regular meetings. If served by mail, each such notice shall be sent, postage prepaid, to the address of each Director reflected on the records of the Association, and shall be deemed given, if not actually received earlier, at 5:00 p.m. on the second day after it is deposited in a regular depository of the United States mail as provided herein. Whenever any Director has been absent from any special meeting of the Board, an entry in the Minutes to the effect that notice has been duly given shall be conclusive and incontrovertible evidence that due notice of such meeting was given to such Director, as required by law and as provided herein.

Section 4.12 - Waiver of Notice: Before or at any meeting of the Board of Directors, any Director may, in writing, waive personal notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice to such Director. Attendance by a Director at any meeting of the Board shall be a waiver by him of personal notice of the time and place thereof. If all

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the Directors are present at any meeting of the Board, no notice to Directors shall be required and any business may be transacted at such meeting. The transactions of any meeting of the Board, however called and noticed or wherever held, shall be as valid as though had at a meeting duly held after regular call and notice, if (1) a quorum be present, (2) notice to the Members of such meeting was posted as provided in Section 4.10 and 4.11 of this Article, and (3) either before or after the meeting, each of the Directors not present signs a written waiver of notice, a consent to holding such meeting, or an approval of the Minutes thereof. All such waivers, consents and approvals shall be filed with the records of the Association or made a part of the Minutes of the meeting.

Section 4.13 - Action Without Meeting: Any action required or permitted to be taken by the Board may be taken without a meeting, if all Directors individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the Minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of such Directors. An explanation of any action taken by unanimous written consent without a meeting shall be posted by the Board in a prominent place or places in the Common Property within three (3) days after or written consents of all Directors have been obtained.

Section 4.14 - Quorum and Adjournment: Except as otherwise expressly provided herein, at all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If at any meeting of the Board of Directors, there is less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.

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

Section 4.15 - Committee: The Board of Directors, by resolution, may from time to time designate such committees as it shall desire, and may establish the purposes and powers of each such committee created. The resolution designating and establishing the committee shall provide for the appointment of its members, as well as a chairman, shall state the purposes of the committee, and shall provide for reports, termination, and other administrative matters as deemed appropriate by the Board.

ARTICLE V

OFFICERS

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

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

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

Section 5.04 - Compensation: Officers, agents, and employees shall receive such reasonable compensation for their services as may be authorized or ratified by the Board; provided, however, that no officer shall receive any compensation for services performed in the conduct of the Association's business unless such compensation is approved by the vote or written consent of Members representing at least a majority of the voting power of the Association; and provided further, that (1) nothing herein contained shall be construed to preclude any officer from serving the Association in some other capacity and receiving compensation therefor, and (2) any officer may be reimbursed for his actual expenses incurred in the performance of his duties. Appointment of any officer, agent, or employee shall not of itself create contractual rights of compensation for services performed by such officer, agent, or employee. Notwithstanding the foregoing, no officer, employee or director of Declarant or any affiliate of Declarant may receive any compensation.

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Section 5.05 - President: The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of an Association, including, but not limited to the power, subject to the provisions of Article IV, Section 4.15, to appoint committees from among the Members from time to time as he may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business of the Association. The President shall sign all leases, mortgages, deeds and other instruments, and shall, except as may otherwise be provided pursuant to Section 11.01 hereof, co-sign all checks and promissory notes. The President shall be ex officio a member of all standing committees, and he shall have such other powers and duties as may be prescribed by the Board of Directors or these Bylaws of the Association.

Section 5.06 - Vice-President: The Vice-President shall take the place of the President and perform his duties whenever the President shall be absent or disabled or whenever the President refuses or is unable to act. If neither the President nor the Vice-President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors or these Bylaws of the Association.

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

Section 5.08 - Treasurer: The Treasurer shall be the chief financial officer of the Association and shall have responsibility for Association funds and securities and shall be responsible for keeping, or causing to be kept, full and accurate accounts, tax records and business transactions of the Association, including accounts of all assets, liabilities, receipts and disbursements in books belonging to the Association. The Treasurer shall be re-

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sponsible for the deposit of all monies and other valuable effects in the name, and to the credit, of the Association in such depositories as may from time to time be designated by the Board of Directors. The Treasurer shall disburse the funds of the Association as may be ordered by the Board of Directors, in accordance with the Declaration, shall render to the President and Directors upon request, an account of all of his transactions as Treasurer and of the financial conditions of the Association, and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or these Bylaws. The Treasurer shall sign all checks and promissory notes, except as may otherwise be provided in Section 11.01 hereof.

ARTICLE VI

OBLIGATIONS OF THE MEMBERS

Section 6.01 - Assessments

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

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

Section 6.02 - Maintenance and Repair

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

(b) As further provided in the Declaration, each Member shall reimburse the Association for any expenditures incurred in repairing or replacing any portion of the Common Property, which is damaged through the fault of such Member or his family, guests, tenants or invitees. Such expenditures shall include all court costs and reasonable attorneys' fees incurred in enforcing any provision of these Bylaws or the Declaration.

ARTICLE VII

AMENDMENTS TO BYLAWS

These Bylaws may be amended by the Association by the vote or written consent of Members, representing at least (1) a

majority of the voting power of each class of the Members, and (2) a majority of the voting power of the Association residing in members other than Declarant; provided that the specified percentage of each class of the Members necessary to amend a specific Section or provision of these Bylaws shall not be less than the percentage of affirmative votes prescribed for action to be taken under that Section or provision. The prior written approval of Beneficiaries of seventy-five percent (75%) of all first Mortgages on Condominiums in the Project must be secured before any amendment of the provisions of these Bylaws affecting matters delineated in Article XII and Section 13.02 of the Declaration may take effect, and this sentence may not be amended without such prior written approval. Notwithstanding the foregoing, if a first Mortgagee who receives a written request from the Board to approve a proposed amendment or amendments to the Bylaws does not deliver a negative response to the Board within thirty (30) days of the mailing of such request by the Board, such first Mortgagee shall be deemed to have approved the proposed amendment or amendments. So long as there exists a Class B Membership, any amendment of these Bylaws shall require the approval of VA and FHA.

ARTICLE VIII

MORTGAGES

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

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

ARTICLE IX

CONFLICTING PROVISIONS

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

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ARTICLE X

INDEMNIFICATION OF DIRECTORS AND OFFICERS

The Board may authorize the Association to pay expenses incurred by, or to satisfy a judgment or fine levied against, any present or former Director, officer, employee, or agent of the Association to the extent and under the circumstances provided in the Declaration.

ARTICLE XI

MISCELLANEOUS

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

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

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

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

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

ARTICLE XII

NOTICE AND HEARING PROCEDURE

Section 12.01 - Suspension of Privileges: In the event of an alleged violation of the Declaration, these Bylaws or the Rules and Regulations of the Association, and after written notice of such alleged failure is delivered personally or mailed to the Member or any agent of the Member ("respondent") alleged to be in default in the manner herein provided, by first-class mail or by certified mail return receipt requested, or both, the Board of Directors shall have the right, after affording the respondent an opportunity for an appropriate hearing as hereinafter provided, and upon an affirmative vote of a majority of all Directors on the Board, to take any one (1) or more of the following actions: (1) levy a Special Assessment as provided in the Declaration; (2) suspend or condition the right of said Member to use any recreational facilities owned, operated or maintained by the Association; (3) suspend said Member's voting privileges as a Member, as further provided in the Declaration; (4) enter upon a Residence to make necessary repairs, or to perform maintenance which, according to the Declaration, is the responsibility of the Owner of such Residence; or (5) record a notice of noncompliance encumbering the Condominium of the respondent. Any such suspension shall be for a period of not more than thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board to enforce the Rules and Regulations of the Association, these Bylaws or the Declaration shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and otherwise provided by these Bylaws shall be cumulative and none shall be exclusive.

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

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

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

_____."

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

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

"You are hereby notified that a hearing will be held before the Board of Directors of the Carlton Square Homeowners Association at _____

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

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

IN WITNESS WHEREOF, we, being all of the Directors of Carlton Square Homeowners Association, have hereunto set our hands this _____ day of _____, 19_____.

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CERTIFICATE OF SECRETARY

I, _____, the undersigned, do hereby certify that:

1. I am the duly elected and acting Secretary of Carlton Square Homeowners Association, a California nonprofit mutual benefit corporation ("Association"); and

2. The foregoing Bylaws, comprising 23 pages, including this page, constitute the Bylaws of the Association duly adopted at a special meeting of the Board of Directors of the Association held on _____, 19_____.

IN WITNESS WHEREOF, I have hereunto subscribed my hand and affixed the seal of the Association this _____ day of _____, 19_____.

Secretary

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EXHIBIT "C"

MINIMUM AUTHORIZED ANNUAL ASSESSMENT
DURING INITIAL FISCAL YEAR

\$601.45

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EXHIBIT "D"

Items of Common Expenses which shall be assessed against all Condominiums on the basis of the type of Condominium are as follows:

1. Insurance
2. Water
3. Landscaping
4. Painting Reserves

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EXHIBIT "E"

Items of Common Expenses which shall be equally assessed only against those Condominiums located in a Condominium Building containing only one Unit (Patio Homes):

- 1) Fence reserves attributable to the fencing separating and encompassing the Restricted Common Areas designated as Yards on the Condominium Plan.
- 2) Skylight maintenance.

Items of Common Expenses which shall be equally assessed only against those Condominiums whose Residential Elements are located in a Condominium Building containing more than one Unit (Multi-Family Stacked Flat Condominiums):

- 1) Balcony reserves attributable to the Restricted Common Areas designated as balconies on the Condominium Plan.
- 2) Patio wall reserves attributable to the fence/wall separating and encompassing the Restricted Common Areas designated as patios on the Condominium Plan.

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EXHIBIT "F"

LEGAL DESCRIPTION OF ANNEXABLE TERRITORY

Lots 3 through 14, inclusive, and 16 through 23, inclusive, and 26 through 31, inclusive, of Tract No. 39164, as shown on a Subdivision Map filed on April 30, 1985, in Book 1049, at Pages 23 to 33, inclusive, of Maps, in the Office of the Los Angeles County Recorder.

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EXHIBIT "G"

LEGAL DESCRIPTION OF ASSOCIATION PROPERTY
IN PHASE I

Lots 15, 24, 25, 32, 33, 34 and 35 of Tract 39164 as shown on a Subdivision Map filed on April 30, 1985, in Book 1049, at Pages 23 to 33, inclusive, of Maps, in the Office of the Los Angeles County Recorder.