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HERBERT J. STRICKSTEIN LAW CORPORATION
2049 Century Park East, Suite 1200
Los Angeles, California 90067

This is to certify that the attached is a true and correct copy of the covenants, conditions, and restrictions recorded 1-18-90 Instrument No. 90-9142 In Book Page Official Records.
By NORTH AMERICAN TITLE COMPANY
M. D. [Signature]

INDEX OF
DECLARATION ESTABLISHING A PLAN OF CONDOMINIUM OWNERSHIP FOR
TRACT 45061
TOLUCA HILLS, A CONDOMINIUM PROJECT
CITY OF LOS ANGELES, COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

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TRACT 45061
TOLUCA HILLS, A CONDOMINIUM PROJECT
CITY OF LOS ANGELES, COUNTY OF LOS ANGELES
STATE OF CALIFORNIA

THIS DECLARATION is made this 29th day of October, 1989, by the undersigned (defined below).

R E C I T A L S

A. The undersigned are:

1. Toluca Hills Apartment Corporation, a California nonprofit mutual benefit corporation, the fee owner of the real property located in the City of Los Angeles, County of Los Angeles, more particularly described in Exhibit "A" attached hereto (the "covered property"); and

2. No less than seventy-five percent (75%) of the cooperative owners of leasehold cooperative interests subject to the cooperative Bylaws for the Toluca Hills Apartment Corporation hereinafter described in paragraph B. of these recitals.

B. The undersigned desire to amend in their entirety and supersede as of the effective date as hereinafter defined, those certain previously adopted cooperative Bylaws for Barham Court Apartment Corporation (now known as Toluca Hills Apartment Corporation), and any amendments thereto that may have been subsequently enacted.

C. This Declaration will constitute a Plan of Condominium Ownership for the management of the covered property and for its use, occupancy and enjoyment, and for enhancing and protecting its value, desirability and attractiveness.

D. It is desirable for the efficient management of the covered property to keep in Toluca Hills Apartment Corporation the powers, duties and all other functions to be delegated and assigned in this Declaration and subsequently adopted Bylaws and the powers of: managing the covered property; maintaining and administering the Common Area; administering and enforcing the covenants, conditions and restrictions, and easements in this Declaration; collecting and disbursing funds pursuant to the assessments and charges and performing such other acts as shall benefit the covered property.

E. In order to achieve the efficient management of the covered property of Toluca Hills, no less than a majority of

the Board of Directors of Toluca Hills Apartment Corporation and no less than seventy-five percent (75%) of the cooperative members of Toluca Hills Apartment Corporation, shall adopt the covenants, conditions and restrictions and easements in this Declaration. Toluca Hills Apartment Corporation will thereafter continue to accept the assignment of the powers of: managing the covered property; maintaining and administering the Common Area; administering and enforcing the covenants, conditions and restrictions, and easements in this Declaration; collecting and disbursing funds pursuant to the assessments and charges; and performing such other acts as shall benefit the covered property.

F. All present cooperative members, being owners of leasehold cooperative interests in the covered property are and shall continue to be, and future owners will automatically become, members of the Toluca Hills Apartment Corporation and shall be subject to its powers and jurisdiction.

G. Upon the effective date (defined below) of this Declaration, the present cooperative members and leasehold cooperative owners of the real property described in Exhibit "A" will hereafter hold title to their respective condominiums within the covered property subject to those certain protective covenants, conditions, restrictions and easements contained herein.

NOW, THEREFORE, the Association declares that the real property is, and shall be, held, conveyed, hypothecated, encumbered, leased, rented, used, and occupied subject to the following limitations, restrictions, easements, covenants, conditions, equitable servitudes, liens, and charges, all of which are declared and agreed to be in furtherance of a plan of condominium ownership as described in California Civil Code Sections 1350-1372 for the subdivision, improvement, protection, maintenance, and sale of condominiums within the real property, and all of which are declared and agreed to be for the purpose of enhancing, maintaining, and protecting the value and attractiveness of the real property. All of the limitations, restrictions, easements, reservations, covenants, conditions, equitable servitudes, liens, and charges shall run with the land, shall be binding on and inure to the benefit of all parties having or acquiring any right, title or interest in the real property, are for the benefit of the real property, and shall be binding on and inure to the benefit of the successors in interest of such parties. The Association further declares that it is the express intent that this Declaration satisfy the requirements of California Civil Code Sections 1353 and 1354.

Any conveyance, transfer, sale, lease or sublease made by the Association (as hereinafter defined) of a unit in the project, shall and hereby is deemed to incorporate by reference the provisions of this Declaration, including, without limitation, covenants, conditions, restrictions, limitations,

easements, rights, rights of way, liens, charges and equitable servitudes.

The provisions of this Declaration shall be enforceable by any owner or his or its successor in interest to any unit and by the Toluca Hills Apartment Corporation, its Board of Directors or any person, firm or corporation duly authorized by said Association or its Board to enforce all or any one or more of the provisions hereof.

On the effective date of this Declaration, the previously adopted Bylaws are amended in their entirety and superceded by the hereafter Declaration Establishing a Plan of Condominium Ownership for Toluca Hills (the "Declaration" herein).

ARTICLE I

DEFINITION OF TERMS

Whenever used in this Declaration, the following terms shall mean:

Section 1.01. "Articles," shall mean the Articles of Incorporation of Toluca Hills Apartment Corporation, a California nonprofit mutual benefit corporation, as said Articles may be amended from time to time.

Section 1.02. "Assessment," shall mean an assessment, whether regular or special, against an owner and his condominium, made in accordance with the provisions of this Declaration and which shall become a debt of such owner and be deemed to have been "made" within the meaning of Sections 1366 and 1367 of the California Civil Code when such assessment is entered on the assessment roll described in Article VI (Assessments) hereof, and notice thereof has been mailed or delivered to the owner of the condominium so assessed.

Section 1.03. "Association," shall mean the Toluca Hills Apartment Corporation, a California nonprofit mutual benefit corporation consisting of all owners of condominiums in the project, which entity shall have the duty of maintaining, operating and managing the Common Area of the project in the manner and to the extent provided for herein. Each owner of a condominium shall automatically become a member of the Association contemporaneously with the acquisition of his condominium without further documentation of any kind.

Section 1.04. "Board and/or Board of Directors," shall mean the Board of Directors of the Association as the same may from time to time be constituted.

Section 1.05. "Bylaws," shall mean the subsequently adopted Bylaws of the Association (as distinguished from the superceded previously adopted Cooperative Bylaws), as the same may be amended from time to time.

Section 1.06. "Common Area," shall mean the entire project, excepting all units therein granted or reserved, subject to all easements and rights of use described herein and in the documents of conveyance through which each owner acquires his condominium. Each owner's undivided fractional interest as a tenant-in-common in the Common Area, shall be as set forth in Exhibit "B" hereto.

Section 1.07. "Common Expenses," shall mean and refer to the costs, expenses and charges in connection with maintaining, managing, insuring, operating, repairing and replacing the Common Area as the same may be estimated from time to time by the Board of Directors of the Association, including, but not limited to, any amounts reasonably necessary for reserves for anticipated long-term maintenance, repair and replacement of capital improvements upon the Common Area (the cost of which would not ordinarily be incurred on an annual basis), contingencies and the service obligations of the Association. Common expenses, however, shall not include the cost of any new construction, or unanticipated repair or replacement of a capital improvement upon the Common Area, including the necessary fixtures and personal property related thereto.

Section 1.08. "Common Funds," shall mean all funds collected or received by and/or due and payable to the Association, its Board, officers, the manager, if any, or any duly authorized representative of the Association for use in the administration, operation, maintenance, repair, addition, alteration or reconstruction of all or any portion of the Common Area.

Section 1.09. "Condominium," shall mean and refer to a condominium as defined in Sections 783 and 1351(f) of the California Civil Code, located within the project and shall be an estate in real property consisting of (i) a separate fee estate in the air space and interior surfaces within a unit, as more particularly described in the Condominium Plan; (ii) an undivided fractional interest in the Common Area; and (iii) an Exclusive Use Common Area for parking purposes only, one (1) parking space as shown on the Condominium Plan attached hereto and as hereafter provided in Section 2.04. The undivided fractional interests in the Common Area is set forth in Exhibit "B" attached hereto. Additionally, each owner of a condominium shall automatically receive a membership in the Association.

Section 1.10. "Condominium Plan," shall mean that certain plan recorded pursuant to California Civil Code Section 1351(e), in the Office of the Los Angeles County Recorder and depicting the units, Common Area and other specific areas created in

connection with the project. A copy of which Condominium Plan substantially conforming with the Condominium Plan to be or which has been recorded, is attached to this Declaration as Exhibit "C" and made a part hereof.

Section 1.11. "County," shall mean the County of Los Angeles, California, the County in which the project is located.

Section 1.12. "Declaration," shall mean and refer to this Declaration as the same may hereafter be amended, changed, modified or supplemented from time to time.

Section 1.13. "Effective Date" or "Effective Date of this Declaration," shall mean the date this Declaration is recorded in Los Angeles County.

Section 1.14. "Exclusive Use Common Area," shall mean a portion of the Common Areas hereinafter designated for the exclusive use of the owner of a unit and which is or will be appurtenant to the unit. Each such Exclusive Use Common Area shall be appurtenant to the owner's unit and may not be conveyed or transferred apart from the unit.

Any shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, patios, exterior doors, door frames, and hardware incident thereto, screens and windows and air conditioning units or other fixtures designed to serve a single unit, but located outside the boundaries of the unit, are Exclusive Use Common Areas allocated exclusively to that unit. Parking spaces and storage spaces shown on the Condominium Plan hereafter referred to shall also be defined as Exclusive Use Common Area.

The Association acting on behalf of all owners may reserve to owners in the name of all owners as their attorney-in-fact (or in the name of the Association for any property to which the Association holds title) Exclusive Use Common Area for any purpose not inconsistent with the rights of other owners under this Declaration.

Section 1.15. "Institutional Holder of First Mortgage," shall mean a bank or savings and loan association or established mortgage company or other entity chartered or licensed under federal or state laws whose principal business is lending money on the security of real property, or any insurance company or any federal or state agency. A "first mortgage" or "first mortgagee," is one having priority as to all other mortgages or holders of mortgages encumbering the same condominium or other portions of the project.

Section 1.16. "Member," shall mean every person or entity who by reason of his record ownership of a condominium holds membership in the Association.

Section 1.17. "Mortgage," shall mean and refer to a deed of trust as well as a mortgage.

Section 1.18. "Mortgagee," shall mean and refer to a beneficiary under or a holder of a mortgage or a deed of trust.

Section 1.19. "Organizational Meeting," shall mean the first meeting of owners which shall occur within forty-five (45) days after the conveyance of fifty-one percent (51%) of the units in the project, but no later than six (6) months after the conveyance of the first unit in the project, at which meeting, a new Board of Directors shall be elected by secret written ballot of the owners and all positions on the Board shall be filled.

Section 1.20. "Owner," shall mean and refer to any person, firm, contract buyer, corporation or other association in which title to a condominium is vested, as shown by the Official Records of the Office of the County Recorder, but excluding those having such an interest in a condominium merely as security for the performance of an obligation. The Association shall be deemed the owner of all retained condominiums until The Association shall have executed and caused to be recorded in the Office of the County Recorder, an instrument of conveyance conveying the respective condominium to another individual(s).

Section 1.21. "Project," shall mean the real property to be divided into condominiums, including all structures and improvements thereof.

Section 1.22. "Unit," shall mean the elements of a condominium that are not owned in common with the other owners of condominiums in the project, such units and their respective boundaries being shown and particularly described in the attached Condominium Plan, deeds conveying condominiums, and this Declaration. "Unit" does not include other interests in real property that are less than estates in real property, such as Exclusive Use Common Areas. In interpreting deeds and plans the existing physical boundaries of a unit or of a unit reconstructed in substantial accordance with the original plan shall be conclusively presumed to be its boundaries, rather than the description expressed in the deed or Condominium Plan, regardless of minor variance between boundaries shown on the Condominium Plan or in the deed and those of the building and regardless of settling or lateral movement of the building. Whenever reference to a unit is made in this Declaration, in the Condominium Plan, in any deed, or elsewhere, it shall be assumed that such reference is made to the unit as a whole, including each of its component elements.

ARTICLE II

DESCRIPTION OF PROPERTY AND IMPROVEMENTS; RIGHTS OF ENJOYMENT AND EASEMENTS

Section 2.01. Condominium Plan Best Authority.

In the event of any conflict between the information set forth in Section 2.02. below and the Condominium Plan, the Condominium Plan shall be deemed to conclusively control.

Section 2.02. Property Description.

The property consists of the real property and improvements located thereon as described on Exhibit "A" hereto, located at 3480 Barham Boulevard, in the City of Los Angeles, County of Los Angeles, State of California. The hereinbefore described real property consists of a basically rectangular-shaped plot of land, approximately 1.5 acres in size. Construction has been completed (in 1980) on said land and improvements, presently consisting of four (4) three-story buildings containing seventy-eight (78) units plus onehundred fifty-nine (159) parking spaces, together with common laundry rooms, office, lobbies and landscaping.

Section 2.03. Description of Individual Condominium.

Each condominium within the project shall consist of a fee simple interest in and to a particular unit, together with an undivided fractional interest as a tenant-in-common in the Common Area, which interest is set forth on Exhibit "B" hereto, the dimensions and boundaries of the unit more particularly shown, delineated, defined and described on the Condominium Plan, Exhibit "C" hereto.

Section 2.04. Parking Spaces.

Certain elements of the Common Area are hereby set aside and reserved for the exclusive use of certain units and such units shall have appurtenant thereto the exclusive right to use such parts of the Common Area for the purposes hereinafter provided. The elements of the Common Area so set aside and reserved are as follows: Two (2) parking spaces to be assigned by Association for each unit shall be appurtenant to and for the exclusive use for such unit. The particular parking spaces to be assigned are as designated on Exhibit "D" hereto and as more particularly shown on the Condominium Plan attached hereto as Exhibit "C". All of such assignments and designations shall be binding upon the Association. Parking spaces shall be used solely for the parking of personal vehicles and may not be leased, subleased, sold or given to another who is not an owner or resident of a unit within the project. Parking spaces 418, 419 and 420 shall

be part of the Common Area and shall be for guest parking or rented to unit owners upon such terms, conditions and rental amounts as the Board, from time to time, deems appropriate.

Section 2.05. Delegation of Use.

Subject to the provisions of this Declaration, the Bylaws and Rules and Regulations of the Association, any owner may delegate his rights of use and enjoyment in the project, including the Common Area and any facilities located thereon, to members of his family, his guests and invitees and to such other persons as may be permitted by this Declaration. However, if an owner has sold his unit to a contract purchaser or has leased his unit, then the owner or members of his family, guests and invitees shall not be entitled to the use and enjoyment of the Common Area and facilities but may delegate the rights of use and enjoyment in the same manner as if such contract purchaser or lessee were an owner during the period of their occupancy.

Section 2.06. Owners' Nonexclusive Rights; Association Rights.

Every owner has a nonexclusive right of use, enjoyment, ingress, egress, and support in, to, and throughout the Common Area and any improvements or facilities on these areas. However, such nonexclusive rights shall be subordinate to, and shall not interfere with, Exclusive Use Common Areas, if any. Each such nonexclusive right shall be appurtenant to the respective condominium and shall pass with the title to the condominium. Nonexclusive rights shall be subject to the following rights and restrictions:

(i) The right of the Association to limit the number of guests, and to adopt and to enforce the reasonable Rules and Regulations;

(ii) The right of the Association to borrow money to improve, repair, or maintain the Common Area;

(iii) The right of the Association to assign, rent, license or otherwise designate and control use of any unassigned parking and storage spaces, if any, and any recreational facility situated upon the Common Area and to charge reasonable fees for admission and use;

(iv) The right of the Association, through its Board, to impose monetary penalties, temporary suspension of an owner's rights as a member of the Association, including the right to use recreational facilities located on the Common Area or other appropriate discipline for the failure to comply with the provisions of this Declaration, the Bylaws or the duly enacted Rules and Regulations for the operation and use of the units, and Common Area and facilities located thereon, subject

to the notice and hearing provisions set forth in Article IV, Section 4.08. hereinafter;

(v) The right of the Association to adopt and enforce reasonable Rules and Regulations concerning the control and use of any private streets and roadways, if any, and paving areas located upon or across the Common Area, including the right to regulate the kind of vehicles and their speed and the parking of vehicles upon such private streets and roadways. The Association is authorized to delegate to a municipality or other governmental entity or to contract with any private security patrol company to exercise its authorized rights in connection with such private streets, roadways, and parking areas.

Section 2.07. Encroachment Easements.

The owners of each unit are hereby granted an easement over all adjoining units and the Common Area for the purpose of accommodating any minor encroachments due to engineering errors, errors in original construction, settlement or shifting of any building, or any other cause. There shall be easements for the maintenance of said encroachments so long as they shall exist and the rights and obligations of owners shall not be altered in any way because of the encroachment, settlement or shifting; provided that in no event shall an easement for encroachment be created in favor of any owner if the encroachment occurred due to his willful misconduct. In the event any portion of any building is partially or totally destroyed and then rebuilt, each owner agrees that easements for minor encroachments (and for the maintenance of same) over all adjoining units and the Common Area shall exist so long as the encroachment exists.

Section 2.08. Easements Granted by Association.

The Association shall have the right and power to grant and convey to any third party easements and rights of way in, on, over or under the units and the Common Area for the purpose of construction, erection, maintenance, repair, replacement, removal and inspection of present and future pipelines, meters and related facilities, lines, cables, wires or other conduits or devices for water, electricity, power, telephone and other purposes and any other similar public or quasi-public improvements or facilities, and each purchaser, by acceptance of a deed to his unit, expressly consents to such easements. However, no such easement shall be granted if it would interfere with the use, occupancy or enjoyment by any owner of his unit.

Section 2.09. Right to Combine Units.

Any owner shall have the right to combine one or more adjoining units subject to the following provisions:

(a) Prior Consent of Board. Prior to the owner's combination of adjoining units, the Board must give its approval thereto, which approval shall not be unreasonably withheld. In evaluating its consent to a combination of units, the Board shall first receive and separately approve the following:

(1) Architectural plans of the proposed combination of the units.

(2) A certificate stating that any portion of the Common Area to be affected by the proposed combination is not required for the structural support of any other unit or any part of the condominium project. Said certificate shall be given by a structural engineer licensed in the State of California and approved by the Association.

(3) A certified bid stating the cost of the proposed combination and the time for its completion. Said bid shall be made by a contractor licensed in the State of California and approved by the Association.

(4) A bond or bonds assuring the prompt completion of the proposed combination in a workmanlike manner free of mechanic's liens which names the Association as an obligee thereunder. The Association may also require such other security as is necessary to guarantee the foregoing.

(5) All building and other governmental permits required for the construction of the proposed combination.

(6) A certificate stating, in detail, the effect of the proposed combination on any Common Area plumbing and wiring. Said certificate shall be made by electrical and plumbing contractors licensed in the State of California and approved by the Association.

(b) Prohibition Against Combination. Any proposed combination of the units which in any way would result in the removal of any structural support for any unit or units not involved in the combination and/or any other portion of the condominium project not involved in the proposed combination is strictly prohibited.

(c) Effect of Combination. The effect of a completed combination shall have the following consequences upon its owner:

(1) Undivided Interest in Common Area. The undivided interest in the Common Area allotted to the combined units shall be equal to the sum of the undivided interests in the Common Area of each of the combined units.

(2) Assessments. With respect to the assessments required of each unit's owner, more particularly set forth in Exhibit "B" hereto, the assessments due and owing on the combined units shall be equal to the sum of the assessments levied against each of the respective units so combined.

(3) Voting Rights. The owner of the combined unit shall have the number of votes equal to the number of votes of the units that were combined. For example, if two (2) prior units were combined into one (1), the owner of the new unit would retain two (2) votes as a member of the Association.

(4) Prior Easements. Any easements existing in, over, across, or through the Common Area, which, subsequent to the combination of the units, is located within the new perimeter area of the combined units shall cease to exist, and shall be deemed conveyed to the owner of the combined units.

ARTICLE III

USE RESTRICTIONS

Section 3.01. Single Family Residential Use.

No owner shall occupy or use his unit or permit the same or any portion thereof, to be occupied or used for any purpose other than as a single family residential condominium. No industry, business, trade, occupation or profession of any kind, whether commercial or otherwise designed for profit, shall be conducted, maintained or permitted in any unit, except professional and administrative occupations without external evidence thereof, so long as such occupations are in conformance with local governmental ordinances and are merely incidental to the use of the unit as a single family residential condominium. The lease by an owner of his unit for residential purposes shall not be deemed to constitute a nonresidential use by such owner. The use and occupancy of a unit shall be by no more persons than can be reasonably and comfortably accommodated therein.

Section 3.02. Leasing or Renting of Condominium.

Nothing in this Declaration shall prevent an owner from leasing or renting his condominium but not on a "time-share" or transient (which shall mean not less than a thirty (30) day period) basis. Any lease or rental agreement shall be in writing and shall provide that the tenant shall abide by and be subject to all provisions of this Declaration, the Bylaws and Association Rules and Regulations. Any lease or rental agreement must specify that failure to abide by such provisions shall be a default under the lease or rental agreement. Any owner leasing or renting his condominium shall additionally:

(i) be liable to the Association for all obligations contained in this Declaration, including the obligations to pay assessments in respect to his condominium;

(ii) be liable to and responsible to the Association for any violation of this Declaration, the Bylaws or Association Rules and Regulations, committed by his renter or lessee (or any persons entering his condominium with the permission of or at the request of his renter or lessee);

(iii) be deemed to have agreed, in connection with such renting or leasing, that upon being requested so to do by the Association he will forthwith and immediately take such action or actions including the institution of proceedings in unlawful detainer in respect to his renter or lessee as may be necessary or required to cause such renter or lessee to fully comply with each and all of the terms and provisions of this Declaration, the Bylaws, Association Rules and Regulations, and resolutions of the Board (and, upon failing to take such action or actions, the Board upon behalf of the Association may then take such action or actions, including the institution of proceedings in unlawful detainer, if required, against such renter or lessee, and the costs of all such action or actions taken by the Association, including reasonable attorney's fees and costs of suit shall be charged to such owner and the Association may obtain reimbursement therefor by any remedy set forth in this Declaration or at law); and

(iv) be deemed to have agreed to save, hold harmless, indemnify and defend the Association of and from any and all claims, demands, actions, causes of action, liabilities, damages and expenses arising out of, or incurred as a result of, the leasing or renting by such owner of his condominium, together with all costs and expenses including reasonable attorneys' fees resulting therefrom.

Prior to renting or leasing his condominium, an owner shall obtain and deliver to the Board from his proposed renter or proposed lessee a written statement to the effect that such renter or lessee agrees to be bound by, and abide by, each and all of the terms and provisions of this Declaration, the Bylaws, Association Rules and Regulations, and resolutions of the Board, which written statement may, if such owner desires, be contained in the written rental agreement or lease.

Section 3.03. Maintenance of Units.

Each owner shall maintain, in good repair and in a clean, sanitary, workable and attractive condition, the interior of his unit and shall have the responsibility for the maintenance and repair of glass, doors leading to the Common Area, locks and screens and shall have the exclusive right, at his sole cost, to paint, paper, drape, carpet and tile (as hereinafter conditioned) and otherwise refinish and decorate the

inner surfaces of the walls, ceilings, windows, floors and doors bounding his unit, subject to the following provisions:

(a) Window Treatments.

Curtains, draperies or other materials subject to view from the exterior of the building shall be of a color harmonious with the building color, so as to preserve the aesthetic integrity and attractiveness of the project as a whole. Aluminum foil, sheets, or newspaper shall not be allowed as appropriate window treatment. Bars shall not be allowed on exterior windows or sliding glass doors.

(b) Floor Coverings.

Except as hereafter provided, unless a unit is composed of both a first and second story, carpet and padding shall be required in all areas of the units above the first-floor level of the building, with the exception of the entryway, kitchen and bathroom areas, so as to achieve as much acoustical privacy as possible. Installation of hardwood flooring, marble, ceramic tile or other hard floor coverings by owners of units on the first-floor level shall be permitted. The exception herein allowed shall be those other than first floor level units that, at the date of recordation of this Declaration have already installed hardwood flooring, marble, ceramic tile or other hard floor coverings.

(c) Sound Systems.

Sound system loudspeakers shall not be rigidly attached to the ceilings, walls, shelves or cabinets so as to introduce vibrational energy into the unit. Suitable mounting and/or vibrational isolation shall be incorporated to preclude such occurrence.

(d) Patio and/or Balcony Restrictions.

Wherever a patio and/or balcony is attached to a unit, the owner shall not have the right, without the prior written approval of the Board or its designee, to paint, alter, remodel or enclose, any such patio and/or balcony, and then only in a manner which does not impair the uniform appearance of such patio and/or balcony in comparison with other patios and/or balconies within the project. Each owner of a unit which has a patio and/or balcony attached to it shall have the right to furnish such patio or balcony with outdoor furniture in keeping with the architecture of the project and reasonable family use, and shall keep such patio or balcony in a clean and sanitary condition. In no event shall unsightly objects be placed or stored on a patio or balcony where they may be seen by other owners from their units, their patios or balconies, or when using the Common Areas, or by the public in general.

Section 3.04.

Distinguishing Maintenance Responsibilities.

With respect to the maintenance, repair and/or replacement of all furnishings, fixtures, equipment and machinery not owned by or under the control of the Association nor owned solely by any owner, including but not limited to carpeting, other floor coverings, drapes, blinds, shutters, shades, curtain rods or devices, plumbing fixtures, electrical fixtures, electric outlets and/or switches, gas or electric heaters, hot water heaters, furnaces, gas or electric air conditioners or coolers, thermostats or other controls, humidifiers, fans, gas or electric ovens or ranges, gas or electric refrigerators, gas or electric washers or dryers, wires, pipes, conduits, vents, flues, dampers, locks, windows (glass or otherwise), security or warning devices, railings, cabinets, countertops, tile, plaster or plaster board, door, window, cabinet and other hardware, the following rules shall apply:

(a) To the extent that the same is situated within the boundaries of any unit and is intended by size, design, capacity and location primarily for the use of the occupants thereof and to service a particular unit, the owner of the unit shall conduct such maintenance, repair and replacement and shall bear the cost and expense of the same without reimbursement by the Association or any other owner, provided that such owner shall be entitled to the benefit of the proceeds of any insurance policy insuring damage or destruction thereof under Article IX (Damage or Destruction of Improvements), or otherwise.

(b) To the extent that the same is situated in the Common Area(s), outside the boundaries of a unit, and is intended by size, design, capacity and location to service more than one unit or is so intended for the use and convenience of all of the owners, the Association shall conduct such maintenance, repair and/or replacement of its cost and expense without reimbursement from any owner.

(c) In the event of any dispute as to the meaning or intent of or as to whether an owner or the Association shall be liable for the maintenance, repair or replacement of any of the furnishings, fixtures, equipment or machinery contemplated under this Section 3.04., the determination of the Board shall be conclusive as to all owners.

Section 3.05.

No Offensive Activity; Compliance with Laws.

No noxious, offensive or illegal activity shall be carried on, nor shall anything be done or placed in or on any unit or in or on any portion of the Common Area which is or may become a nuisance, or cause unreasonable noise, embarrassment, disturbance or annoyance to other owners in the use and enjoyment of their units or of the Common Area or in the

use and enjoyment of their property. Without limiting the foregoing, skateboarding, roller skating and bicycle riding within the project shall be absolutely prohibited and further, no horns, whistles, bells or other sound devices, except security devices approved for use by the Board which are used exclusively to protect persons or property located in or on the project, shall be placed in or used in or upon any portion of the project. This Section shall not preclude the use and operation of stereos, radios, televisions, or musical instruments where the volume is maintained at a reasonable level.

Each owner shall promptly and fully comply with any and all applicable laws, rules, ordinances, statutes, regulations and requirements of any governmental agency or authority with respect to the occupancy and use of his condominium.

Section 3.06. Signs.

The owner of a unit, or his agent, may display a sign advertising his unit for sale or lease, only in the manner pursuant to the provisions of this Section 3.06. A common sign post shall be provided for display of signs on the exterior grounds of the project. Signs "FOR SALE" and "FOR LEASE" may only be displayed from the common sign post. Any sign must be six (6) inches in height by thirty-two (32) inches in width with white lettering on a dark brown background. Individual signs must be procured at the expense of the owner. Signs should indicate, at a minimum, the name and telephone number of the person or real estate agency to be contacted for information on the unit for sale or lease. The only exception may be a single "OPEN HOUSE" sign which may be displayed from the exterior grounds of the project only during hours which an open house is in process. The Board of Directors shall have the authority to remove signs not complying with the above specification. No sign, notice, name plate, card or advertisement of any kind shall be displayed to the public view on or from any unit (including, without limitation, on any window).

Section 3.07. Exterior Alteration.

Except as may be provided for in Sections 3.03. and 3.04., the Board or its duly authorized agent shall have the exclusive right to paint, repair, maintain, alter or modify the exterior door surfaces, exterior of balconies, railings, roofs and all installations and improvements relating to the Common Area and no owner, without prior written Board approval, shall be permitted to do or have done any such work.

Section 3.08. Structural Alterations.

Nothing shall be done in, on, or to any unit or any portion of the Common Area which might impair the structural integrity of any building or any portion thereof.

Section 3.09.

Liability of Owners.

Each owner shall be liable to the Association for any damage to the Common Area which may be sustained by the negligence or willful misconduct of said owner or members of his family, or his tenants, social guests, employees, servants, agents, or invitees, and shall be assessed by the Board for the repair or replacement thereof. In the event of any damage or destruction to any portion of the Common Area caused by any negligent or malicious act or omission of any owner, or by any member of his family or his guests, tenants, servants, employees, agents or invitees, the Board shall immediately cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not covered or reduced by insurance proceeds paid to or received by the Association) shall be assessed and charged solely to and against said owner. Said assessment shall be made by written notification from the Board to the owner and shall be payable in full to the Association within thirty (30) days following such notice, unless the Board, after conducting a hearing, if any, determines that said assessment is not warranted. In the event that any owner fails to pay for damages assessed to him as a result of damage to the Common Area sustained by the negligence or willful misconduct of said owner or members of his family, or his tenants, lessees, social guests, employees, servants, agents, or invitees, then the Board shall have the right to pursue its available legal rights and remedies in order to satisfy said obligation. In the event that the Board resorts to legal proceedings in order to satisfy said owner's obligations provided for in this Section, then said owner shall be liable for all costs and attorneys' fees in connection therewith.

Section 3.10.

Personal Injury.

In the event of personal injury or property damage sustained by any person while physically within the unit of any owner and in the further event any other owner shall be sued or a claim made against him for injury or damage, the owner of the unit in which the injury or damage occurs shall indemnify and hold harmless all such other owners against which a claim may be made and shall further defend all such other owners at his own expense (to the extent such expense is not covered by his insurance) in the event of litigation of the claim; provided that such protection shall not extend to any other owner whose own negligence or willful misconduct may have caused or contributed to the cause of the injury or damage.

Section 3.11.

No Drilling/Mining Operations.

The use of any portion of the property for drilling operations, mining or quarrying of any kind, including without limitation, oil well drilling, boring for water or mining operations of any kind, is prohibited.

Section 3.12. Antennae and External Fixtures.

Except as may be approved by the Board in writing, no television antennae, radio poles, dish antennae, flag poles, clotheslines, or other external fixtures other than those presently installed or any replacements shall be constructed, erected or maintained on or within any unit or the Common Area. Except as may be approved by the Board in writing, no wiring, insulation, air-conditioning, or other machinery or equipment other than that installed by the present construction or any replacements shall be constructed, erected or maintained on or within the Common Area, including any structures on it. Each owner shall have the right to maintain television or radio antennae within the completely enclosed portions of his unit so long as it is not visible from the exterior of the unit. The location of common antennae or connection facilities for cable television serving more than one unit shall be as designated by the Board and each unit and its owner shall be subject to the right of other owners or the Board to install, use and maintain such common antennae or facilities.

Section 3.13. Vehicle Restrictions.

No automobile, truck, trailer, camper, boat, aircraft or any other similar vehicle shall be permitted to be stored or remain on any portion of the Common Area other than completely within an owner's parking space(s), except that, guest parking, limited to automobiles may be permitted to exist in those areas, if any, designated as "guest parking" by the Board, for a period of time not in excess of twenty-four (24) hours. No owner, nor any member of his family, nor his tenants, guests, invitees, agents, licensees, servants or employees shall park or cause to be parked any vehicle in such a manner as to impede or prevent ready access to any entrance or exit of any building, or any of the parking spaces as designated in the Condominium Plan by another vehicle. No owner shall permit any member of his family, or his guests, tenants, agents, licensees, servants or employees to use any of the parking spaces, the exclusive use of which has been assigned to another owner. No owner shall construct, repair, service or maintain any motor vehicle within any portion of the project, except for emergency repairs thereto to the extent necessary for the movement thereof to a proper repair facility.

Section 3.14. Pets.

No animals, livestock, reptiles or poultry shall be kept in any unit, except that not more than two (2) dogs or not more than three (3) cats, or fish and birds (in inside bird cages) may be kept as household pets. Subject to the provisions of Article IV, Section 4.08., the Association shall have the right to prohibit the maintenance of any pet which the Board constitutes a nuisance to any other owner. Pets belonging to owners, occupants or their guests, tenants or

invitees within the project, must be kept within the confines of the unit or carried or on a leash when on any portion of the Common Area. If any pet belonging to an owner is found unattended outside of the unit, the pet may be removed by the local animal shelter. However, if the owner of the pet can be readily identified, a reasonable attempt must be made to notify the owner prior to the pet being removed from the project premises. Every owner shall be liable to each and all remaining owners and their family members, guests and invitees for any unreasonable noise, injury to person or damage to property caused by any pet brought or kept within the project, by any owner, member of his family or guests. It shall be the responsibility and duty of each owner to clean up after his pet which has soiled any portion of the Common Area or from along the street adjacent to the project.

Section 3.15. Trash Disposal.

Trash, garbage or other waste shall be kept only in sanitary containers. No owner shall permit or cause any trash or refuse to be kept on any portion of the project other than in the receptacles customarily used for it, which shall be located only in places specifically designated for such purpose except on the scheduled day for trash pickup.

Section 3.16. Owner's Obligation for Individual Taxes.

To the extent allowed by law, all condominiums, including their pro rata undivided interest in the Common Area and the membership of an owner in the Association, shall be separately assessed and taxed so that all taxes, assessments and charges which may become liens prior to first mortgages under local law shall relate only to the individual condominiums and not to the project as a whole. Each owner shall be obligated to pay any taxes or assessments assessed by the County Assessor against his condominium and against his personal property.

Section 3.17. Nonsegregated Tax Assessment.

In the event that individual tax assessments for each unit within the project has not been made by the County Assessor's office but rather there exists one (1) tax assessment against the entire project as a whole, then the total tax assessment shall be prorated among, assessed and charged to and against the individual owners and their respective condominium (including the Association with respect to any retained condominiums) in accordance with the interest in the Common Area appearing after the respective unit in Exhibit "B" attached hereto. The Board is authorized to make the above described prorations and assessments, and any assessment made pursuant to this Section shall be and constitute a special assessment against such owner and such owner's condominium in accordance

with the provisions and procedures for special assessments contained hereinafter.

Section 3.18. Enforcement.

The failure of any owner to comply with any provision of this Declaration, the Articles or Bylaws of the Association or the Rules and Regulations of the Association shall give rise to a cause of action in the Association and any aggrieved owner for the recovery of damages or for injunctive relief, or both.

ARTICLE IV

ASSOCIATION, ADMINISTRATION, MEMBERSHIP, VOTING RIGHTS AND
ASSOCIATION RULES AND REGULATIONS

Section 4.01. Association to Manage Common Area.

The management of the Common Area shall be vested in the Association. The owners of all the condominiums covenant and agree that the administration of the project shall be in accordance with the provisions of this Declaration and of the Articles and Bylaws of the Association.

Section 4.02. Membership.

Every person or entity who is an owner of a condominium which is subject to this Declaration shall automatically be a member of the Association. Membership and the right to vote shall be appurtenant to and may not be separated from the ownership of any condominium which is subject to this Declaration. Ownership of a condominium within the project shall be the sole qualification for membership in the Association.

Section 4.03. Transfer of Membership.

The Association membership appurtenant to each condominium shall not be assigned, transferred, pledged, conveyed or alienated in any way, except on the transfer of title (including transfer on death of an owner) to the condominium and then only to the transferee of title to the condominium. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a condominium shall operate automatically to transfer the membership in the Association appurtenant thereto to the new owner thereof. The Board shall have authority to impose a reasonable transfer fee in connection with the transfer of any membership on the transfer of title to any condominium. A mortgagee does not have membership rights until it obtains title to the condominium by foreclosure or deed in lieu thereof. No member may resign his or her membership. On notice of a transfer, the Association shall record the transfer on its books.

Section 4.04. Voting Rights.

Voting rights shall commence as to all condominiums within the project upon the effective date of this Declaration. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles, Bylaws and Association Rules and Regulations.

Section 4.05. Voting Membership.

The Association shall have one class of voting membership. Members shall be entitled to one (1) vote for each condominium in which they hold the interest required for membership. When more than one person owns a portion of the interest in a condominium required for membership, each of them shall be a member and the vote for such condominium shall be exercised as they determine among themselves, but in no event shall more than one (1) vote be cast for any condominium. In the event co-owners of a unit cannot agree how to cast their vote, the vote attributable to that unit shall not be counted. The Association shall not be required to recognize the vote or written assent of any such co-owner except the vote or written assent of the co-owner designated in a writing executed by all of such co-owners and delivered to the Association. Voting rights of members may be suspended by action of the Board during any period when assessments owed by a member remain unpaid and delinquent.

Section 4.06. Majority Approval Required.

Except as otherwise provided in this Declaration, the Articles, or the Bylaws, all matters requiring the approval of membership shall be deemed approved if the members holding a majority of the total voting power of all members assent to them by written consent or if approved at any duly called regular or special meeting at which a quorum is present, either in person or by proxy, by members holding a majority of the voting power of all members present, either in person or by proxy.

Section 4.07. Association Rules and Regulations.

The Association, through its Board shall have the power to adopt, amend and repeal the Association Rules and Regulations as it deems reasonable. The Association Rules and Regulations shall, inter alia, govern the use of the Common Area by all owners and tenants, and their respective family members, guests or invitees. However, the Association Rules and Regulations shall not be inconsistent with or materially alter any provision of this Declaration, the Articles or Bylaws of the Association. A copy of the Association Rules and Regulations as adopted, amended or repealed, shall be mailed or otherwise delivered to each owner and a copy may be posted in a conspicuous place within the project. In case of any conflict

between any of the Association Rules and Regulations and any other provision of this Declaration, the Articles, or Bylaws, the conflicting Association Rules and Regulations shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such inconsistency.

Section 4.08. Notice and Hearing.

(a) Association Enforcement Rights.

In the event of an alleged violation of the provisions of this Declaration, the Bylaws or duly enacted Rules and Regulations for the operation and use of the Common Area and facilities, and after written notice of such alleged failure is delivered, personally or by certified mail to the owner ("respondent") alleged to be in default, the Association shall have the right, after affording the respondent an opportunity for an appropriate hearing (as hereinafter provided) to take any one or more of the following actions: (i) suspend an owner's voting privileges as an owner; (ii) impose a monetary penalty which shall not exceed One Hundred Dollars (\$100.00) for any one violation or One Thousand Dollars (\$1,000.00) in any one calendar year. Any such suspension pursuant to (i) above shall be for a period not exceeding thirty (30) days for any noncontinuing infraction, but in the case of a continuing infraction (including nonpayment of assessment after the same becomes delinquent) may be imposed for so long as the violation continues. The failure of the Board to enforce the provisions of this Declaration, the Bylaws or duly enacted Rules and Regulations for the operation and use of the Common Area and facilities shall not constitute a waiver of the right to enforce the same thereafter. The remedies set forth above and as otherwise provided in this Declaration, shall be cumulative and none shall be exclusive. However, the Board must exhaust all available internal remedies of the Association prescribed by this Declaration, the Bylaws or duly enacted Association Rules and Regulations, before the Board may resort to a court of law for relief with respect to any alleged violation; provided that, the foregoing limitation pertaining to exhaustion of administrative remedies shall not apply to the Board where the complaint alleges nonpayment of assessments.

(b) Written Complaint.

A hearing to determine whether a right or privilege of the respondent should be suspended or conditioned, or whether a monetary penalty should be imposed shall be initiated by the filing of a written complaint by any owner, or by any officer or member of the Board, with the President of the Association or other presiding member thereof. The complaint shall constitute a written statement of charges which shall set forth in concise language the acts or omissions with which the respondent is charged and a reference to the

specific provision(s) of this Declaration, the Bylaws or duly enacted Association Rules and Regulations for the operation and use of the Common Area and facilities which the respondent is alleged to have violated. A copy of the complaint shall be delivered to the respondent in accordance with the notice provisions set forth below.

(c) Notice of Hearing.

The Board shall serve a notice of hearing to the respondent and all complaining parties at least ten (10) days prior to the hearing date. 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 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 and 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."

(d) Hearing.

The hearing shall be held by the Board of Directors of the Association pursuant to the notice, affording the respondent a reasonable opportunity to be heard. Prior to the effectiveness of any sanction, 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 delivered or mailed the notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed.

(e) Limitation on Association Enforcement Rights.

Notwithstanding the foregoing enforcement rights, the Association is not empowered to cause a forfeiture or abridgement of an owner's right to the full use and enjoyment of his individually owned unit because of the failure of the owner to comply with the provisions of this Declaration, the Bylaws or duly enacted Association Rules and Regulations for the operation and use of the Common Area and facilities, except by judgment of a court or a decision arising out of arbitration or because of a foreclosure or sale under a power of sale for

failure of the owner to pay assessments duly levied by the Association. A monetary penalty imposed by the Association as a disciplinary measure for failure of an owner to comply with the provisions of this Declaration, the Bylaws or duly enacted Rules and Regulations for the operation and use of the Common Area and facilities, or as a means of reimbursing the Association for costs incurred in the repair of damage to the Common Area and facilities for which the owner was allegedly responsible, or in bringing the owner and his subdivision interest into compliance with this Declaration, cannot be characterized or treated as an assessment which may become a lien against the owner's unit enforceable by a sale of the unit in accordance with the provisions of Sections 2924, 2924b and 2924c of the California Civil Code. However, the immediately preceding prohibition does not apply to charges imposed against an owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent assessments.

ARTICLE V

POWERS AND DUTIES OF THE ASSOCIATION

Section 5.01. Management of the Project.

The management and control of the project shall be the responsibility of the Association, acting alone or through its Board of Directors, its officers or other duly authorized representatives or agents, in accordance with the provisions of this Declaration, the Articles, the Bylaws and such rules and regulations as may be adopted by the Board, and amendments, changes, modifications thereto as may come into effect from time to time.

Section 5.02. Statement of Board Powers.

The Association, acting through its Board, shall have all the powers of a nonprofit mutual benefit corporation organized under the General Nonprofit Mutual Benefit Corporation Law of California, subject only to such limitations on the exercise of its powers as are set forth in the Articles, the Bylaws, and this Declaration. It shall have the power to do any lawful thing that may be authorized, required, or permitted to be done by the Association under this Declaration, the Articles, and the Bylaws, and to do and perform any act that may be necessary or proper for or incidental to, the exercise of any of the express powers of the Association, including, without limiting the foregoing the following:

(a) Enacting reasonable rules and regulations to supplement this Declaration, the Articles and Bylaws as set forth in Article IV, Section 4.07. hereinabove.

(b) Enforcing the provisions of this Declaration, the Articles, Bylaws and Association Rules and Regulations relative to the management and control of the project.

(c) Paying nonsegregated taxes and assessments which are or could become a lien on the Common Area or a portion thereof.

(d) Contracting for casualty, liability and other insurance on behalf of the Association, as more particularly set forth in Article VIII (Insurance) hereinafter.

(e) Contracting for goods and/or services for the Common Area and facilities or for the Association, subject to the limitations set forth in Section 5.03. hereof.

(f) Delegating its powers to committees, officers, managers or employees of the Association, as expressly authorized herein and in the Bylaws.

(g) Preparing budgets and financial statements for the Association, as more particularly set forth in Article VI (Assessments) hereinafter and in Article IX of the Bylaws.

(h) Initiating and executing disciplinary proceedings against members of the Association for violations of provisions of this Declaration, the Articles and Bylaws, subject to the notice and hearing provisions set forth in Article IV, Section 4.08.

(i) Entering any privately owned unit as necessary in connection with construction, maintenance or emergency repair for the benefit of the Common Area or the owners in common. However, unless the situation is an emergency, such entry shall be made only after at least three (3) days notice has been given to the owner and any damage caused by such entry shall be repaired by and at the expense of the Association. The right of entry shall be immediate in the case of an emergency originating in or threatening the unit or the Common Area, whether or not the owner or occupant is present.

(j) Electing officers of the Board.

(k) Filling vacancies on the Board except for a vacancy created by the removal of a Board member.

(l) Maintaining the Common Area, all improvements thereon and all utilities thereunder (except those maintained by public utility companies) in good, clean, attractive and sanitary order and repair.

(m) Repainting the exterior surfaces of the buildings situated on the property, as such repainting is required, in order to preserve the attractiveness of the project as a whole. Painting of exterior surfaces shall be deemed to include, but not be limited to, front doors, shutters, window trim, pot shelves, masonry, exterior walls, underneath sides of roof overhangs and garage doors.

(n) Maintaining, repairing and re-roofing as necessary, the roofs of the buildings situated on the project.

(o) Bonding members of the Board who directly participate in financial affairs of the Association.

(p) Filing liens against owners due to nonpayment of assessments duly levied by the Association and foreclosing said liens, as more fully provided in Article VII (Assessment Liens; Enforcement) hereinafter.

(q) Settling or compromising any claim or cause of action (threatened or after suit is instituted) on behalf of the Association for damages, alleged or otherwise, to the Common Area.

(r) Maintaining such policy or policies of insurance as required by Article VIII (Insurance) of this Declaration.

(s) Paying all expenses and obligations incurred by the Association in the conduct of its business, including, without limitation, all licenses, taxes or governmental charges levied or imposed against the property of the Association.

(t) Enforcing this Declaration.

Section 5.03. Limitations on Authority.

The Board, acting on behalf of the Association, is prohibited from taking any of the following actions except with the vote or written assent of a majority of the voting power of the Association:

(a) Entering into a contract with a third person, wherein the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions: (i) a management contract, the terms of which have been approved by the Federal Housing Administration and/or the Veterans Administration; (ii) a contract with a public utility company if the rates charged for the services or materials are regulated by the Public Utility Commission; provided that, the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; (iii) prepaid casualty and/or

liability insurance policies not exceeding three (3) years duration; provided that, the policies permit for short-rate cancellation by the Association; (iv) lease agreements for laundry room fixtures and equipment not exceeding five (5) years; (v) agreements for cable television services and equipment or satellite dish television services and equipment not exceeding five (5) years duration; and (vi) agreements for the sale or lease of burglar alarm and/or fire alarm equipment not exceeding five (5) years duration.

(b) Incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

(c) Paying compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's business; provided that, the Board may cause a member or officer to be reimbursed for direct expenses incurred in carrying on the business of the Association.

(d) Selling during any fiscal year, 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 5.04. Delegation of Authority.

(a) The Board, acting on behalf of the Association, may employ a manager or other person and may contract with independent contractors or managing agents to perform the duties and responsibilities of the Association, provided that such employment or contract may not exceed one (1) year in duration unless a longer term has been approved by the vote or written assent of a majority of the voting power. Any management contract exceeding one (1) year in duration shall be terminable by the Board with cause upon thirty (30) days written notice or without cause or payment of a termination fee upon ninety (90) days written notice.

(b) The Board may delegate their authority and powers to committees, officers and employees of the Association, provided the Board shall not delegate the following responsibilities:

(1) To make expenditures for capital additions or improvements chargeable against the reserve funds.

(2) To conduct hearings concerning compliance by an owner or his tenant, lessee, guest, or invitee with the Declaration, Bylaws, or Association Rules and Regulations promulgated by the Board.

(3) To make a decision to levy monetary fines, impose special assessments against individual condominiums, temporarily suspend an owner's rights as a member of the Association, or otherwise impose discipline.

(4) To make a decision to levy regular or special assessments. or

(5) To make a decision to bring suit, record a claim of lien, or institute foreclosure proceedings for default in payment of assessments.

Section 5.05. Duties of the Association.

In addition to the powers delegated to it by this Declaration and the Articles and Bylaws of the Association and without limiting their generality, the Association, acting by and through the Board, has the obligation to conduct all business affairs of common interest to all owners and to perform each of the following duties:

(a) To operate, maintain, and otherwise manage or provide for the operation, maintenance and management of the Common Area and all its facilities, improvements, and landscaping including any private driveways and private streets, if any, and any other property acquired by or subject to the control of the Association, including personal property, in a first-class condition and in a good state of repair.

(b) To enter into contracts for services or materials for the benefit of the Association or the Common Area.

(c) To pay all real and personal property taxes and assessments and all other taxes levied against the Common Area or personal property owned by the Association. Such taxes and assessments may be contested or compromised by the Association; provided, that they are paid or that a bond insuring payment is posted before the sale or the disposition of any property to satisfy the payment of such taxes.

(d) To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the Common Area and for condominiums when the condominiums are not separately billed.

(e) To obtain, from reputable insurance companies, and maintain the insurance described in Article VIII (Insurance).

(f) To perform such other acts, whether or not expressly authorized by this Declaration, that may be reasonably necessary to enforce any of the provisions of this

Declaration, the Articles and Bylaws, and the Association Rules and Regulations.

(g) To cause to be kept a complete record of all of its acts and to present a statement thereof to the members at each annual meeting or at any special meeting.

(h) To supervise all officers, agents, committees and employees of the Association and to see that their duties are properly performed.

(i) To perform such other duties as may be set forth in this Declaration or the Bylaws to effectuate the responsible and efficient management and operation of the project as a whole.

ARTICLE VI

ASSESSMENTS

Section 6.01. Creation of the Lien and Personal Obligation of Assessments.

Each owner of any condominium, covenants and agrees: (i) to pay to the Association regular assessments or charges, and special assessments for purposes permitted herein, such assessments to be established and collected as hereinafter provided; and (ii) to allow the Association to enforce any assessment lien established hereunder by nonjudicial proceedings under a power of sale or by any other means authorized by law. The regular and special assessments, together with interest, late charges, collection costs, and reasonable attorneys' fees, shall be a charge on the condominium and shall be a continuing lien upon the condominium against which each such assessment is made, the lien to become effective upon recordation of a notice of delinquent assessment. Each such assessment, together with interest, late charges, collection costs, and reasonable attorneys' fees, shall also be the personal obligation of the person who was the owner of such condominium at the time when the assessment was levied. No owner shall be exempt from liability for payment of assessments by waiver of the use or enjoyment of any of the Common Areas or by the abandonment of the owner's condominium.

As used herein, "collection costs" shall mean: (i) recording and copying all necessary documents in the Office of the County Recorder; (ii) notary services for verifying signatures of persons designated to execute documents; (iii) mileage and messenger service necessary to have documents notarized and recorded; (iv) postage for correspondence relating to the collection of delinquent assessments; (v) administrative costs for time of personnel devoted to the collection of the delinquencies; and (vi) court costs if a court judgment is necessary.

Section 6.02.

Purpose of Assessments.

The assessments levied by the Association shall be collected, accumulated and used exclusively for the purpose of providing for and promoting the economic interests, pleasure, recreation, health, safety and social welfare of the members, including the enhancement of the value, desirability and attractiveness of the project, the improvement and maintenance of the Common Area for the common good of the project and the discharge of any obligations or duties imposed on the Association by this Declaration.

Section 6.03.

Regular Assessments.

(a) Assessment Procedure.

Not more than sixty (60) days nor less than forty-five (45) days in advance of each fiscal year of the Association, the Board shall estimate the total common expenses to be incurred by the Association for the forthcoming fiscal year and shall, at the time, determine and fix the amount of regular assessments against each condominium. Written notice of such regular assessments shall be mailed or otherwise delivered to every owner subject thereto, at least thirty (30) days in advance of each assessment period. Each owner shall thereafter pay to the Association his regular assessment in monthly installments.

(b) Date of Commencement.

Regular assessments against the condominiums covered by this Declaration shall commence on the first day of the month following the conveyance of the first condominium in the project.

(c) Amount of Payment.

The total estimated common expenses shall be divided among, assessed and charged to the individual owners and their condominium (including the Association with respect to any condominiums owned by the Association) in accordance with paragraph (2) of Exhibit "B" hereto. As and when the Association's budget shall increase or decrease, such assessments shall be adjusted so that the owner of each condominium bears the same relative proportion to the total budget as that initially borne as set forth on Exhibit "B" hereto. Notwithstanding any other provision in this Declaration to the contrary, the Board may not (i) establish a regular assessment for any fiscal year more than twenty percent (20%) above the regular assessment for the Association's preceding fiscal year, or (ii) establish special assessments which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, without a majority vote of approval in person or by proxy by the owners at a duly held meeting of the members of the Association. "Duly

held meeting" as used in this subsection (c) shall mean a quorum (51%) of the owners of the Association. The foregoing restrictions do not apply to any assessment increases necessary for emergency situations. For purposes of this subsection, an emergency situation is any one of the following:

(1) An extraordinary expense required by an order of a court.

(2) An extraordinary expense necessary to repair or maintain the Common Area or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered.

(3) An extraordinary expense necessary to repair or maintain the Common Area or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the annual proforma operating budget. However, prior to the imposition or collection of an assessment under this subsection, the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of assessment.

(d) Reserve Fund.

For the purposes of creating reserves to insure payment when due of the cost of expenditures relative to the repair and replacement of the Common Area equipment, fixtures and furnishings, an appropriate amount of the regular assessments collected in each fiscal year shall constitute a reserve fund. All such reserve contributions shall be collected in equal monthly installments, shall be accounted for separately, held in trust and used to pay for specific expenditures in such manner and at such times as the Board, acting in its discretion, shall determine. Immediately upon receipt, all such reserve contributions shall be deposited in a separate interest-bearing account(s), designated "Reserve Account" in any insured bank or savings and loan association, as determined by resolution of the Board. Withdrawal of funds from the Association's reserve account shall require the signatures of either (i) two members of the Board; or (ii) one member of the Board and an officer of the Association who is not a member of the Board.

(e) Assessment Roll.

An assessment roll shall be accurately maintained and be available for inspection at all reasonable times by any owner or his authorized representative. The assessment roll shall indicate for each condominium, the name and address of the record owner thereof, all assessments levied against him and his condominium, and the amount of assessments,

paid and unpaid. At the request of any owner, the Board shall provide such owner with a statement of any delinquent assessments on the owner's condominium. It shall be the obligation of such owner to provide a statement of delinquent assessments (if any exist) and a copy of the most recent financial statement of the Association to the purchaser of his unit.

Section 6.04. Special Assessments.

(a) If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including without limitation, unanticipated delinquencies, unexpected repairs or replacements of improvements on the Common Area or facilities, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the Board it shall become a special assessment.

(b) The Association may, in the discretion of the Board, prorate such special assessment over the remaining months of the fiscal year or levy the assessment immediately against each condominium. As used herein, "special assessments" shall not include charges to or obligations of an owner or group of owners incurred as a result of action by the Association to bring the owner or group of owners or their condominiums into compliance with the provisions of this Declaration, the Bylaws or Articles of the Association or Rules and Regulations for the operation and use of the Common Area and facilities. Such term shall however include assessments levied pursuant to Article IX (Damage or Destruction of Improvements). The foregoing notwithstanding, except for special assessments levied pursuant to Article IX, any special assessment which, singly or in the aggregate with previous special assessments for the fiscal year in which such special assessment is levied, would amount in excess of five percent (5%) of the budgeted gross expenses of the Association for the fiscal year, shall require approval, by vote or written consent of members holding fifty-one percent (51%) of the voting power of the Association. The foregoing five percent (5%) of budgeted gross expense limitation does not apply to any special assessment that has been established (i) to maintain or repair the Common Area or (ii) to address emergency situations. Costs for maintenance or repair of Common Areas or other areas that the Association is obligated to maintain or repair shall include, without limitation: insurance premiums, utility bills, costs of maintaining or repairing structures or improvements, and costs to fund reserves.

(c) Special assessments shall be levied on the same basis as prescribed for the levying of regular assessments; provided that, special assessments against owners to raise funds for the rebuilding or major repair of the structural Common Area housing the units, shall be levied on the basis of

the ratio of the square footage of the floor area of each unit to be assessed in relation to the square footage of the floor area of all units to be assessed.

Section 6.05. Deposit; Bank Accounts.

Subject to the provisions of Section 6.03(d) relative to the disposition of reserve contributions, all sums received or collected by the Association from assessments, together with any interest attributable thereto, shall be promptly deposited in a checking or savings account (or both) in an insured bank or savings and loan association selected by the Board, which account(s) shall be clearly designated in the name of the Association. The Board and the manager, if any, shall have exclusive control of said account(s) and shall be responsible to the owners for the maintenance of accurate records thereof at all times.

Section 6.06. Personal Liability for Assessments.

No owner may waive or otherwise escape personal liability for the assessments provided for herein or release of the condominium owned by him from the liens and charges hereof by nonuse of the Common Area or by abandonment of his condominium.

Section 6.07. Late Charge and Interest.

Any assessment payment, including any installment payment, shall become delinquent if payment is not received by the Association within fifteen (15) days after its due date. There shall be a late charge of ten percent (10%) of the delinquent payment or Ten Dollars (\$10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent payment, but it shall not eliminate or supersede any charges imposed on prior delinquent payments.

Interest also shall accrue on any delinquent payment at the rate of twelve percent (12%) per annum. Interest shall commence thirty (30) days after the assessment becomes due.

The Association may accept late payments and partial payments for assessments, late charges, interest, service charges, or any money due the Association which are marked "Payment in Full" (or similar language) without losing any rights under this Declaration, including the right to obtain full payment of the amount owed to the Association.

Section 6.08. Estoppel Certificate.

Within ten (10) days of the mailing or delivery of a written request by any owner, the Board shall provide the owner with a written statement containing the following information: (i) whether to the knowledge of the

Association, the owner or the owner's condominium is in violation of any of the provisions of this Declaration, the Articles, Bylaws, or Rules and Regulations; (ii) the amount of regular and special assessments, including installment payments, paid by the owner during the fiscal year the request is received; and (iii) the amount of any assessments levied against the owner's condominium that are unpaid as of the date of the statement, including any late charges, interests, or costs of collection that as of the date of the statement are or may be made a lien against the owner's condominium as provided by this Declaration, the Articles, Bylaws or Rules and Regulations.

The Board may charge the owner a fee to recover its reasonable costs in preparing the statement. Any prospective purchaser or mortgagee of the owners condominium may rely on the information in this written statement, provided that reliance may not extend to any violation of the Declaration, the Articles, Bylaws or Rules and Regulations of which the Association does not have actual knowledge.

ARTICLE VII

ASSESSMENT LIENS; ENFORCEMENT

Section 7.01. Association's Powers to Sue and to Establish Assessment Lien.

The Association has the right to collect and enforce assessments. In addition to the enforcement powers heretofore described in this Declaration, and subject to the restriction on the enforcement of monetary penalties described in Article IV, Section 4.08., the Association may enforce delinquent assessments, including delinquent installments, by suing the owner directly on the debt established by the assessment, or by establishing a lien against the owner's condominium as provided in Section 7.02. hereof and foreclosing the lien through either judicial proceedings or nonjudicial proceedings under a power of sale as provided in Section 7.03. hereof. The Association may commence and maintain a lawsuit directly on the debt without waiving its right to establish a lien against the owner's condominium for the delinquent assessment. In any action instituted by the Association to collect delinquent assessments, accompanying late charges, or interest, the prevailing party shall be entitled to recover costs and reasonable attorneys' fees.

Section 7.02. Creation of Assessment Lien.

A delinquent assessment or installment, together with any accompanying late charges, interest, costs (including reasonable attorneys' fees), and penalties as may be authorized under this Declaration shall become a lien on the condominium against which the assessment was levied from and after the recordation of a notice of delinquent assessment in

the Office of the County Recorder. The notice shall describe the amount of the delinquent assessment or installment, the related charges authorized by this Declaration, a description of the condominium, the name of the owner, and, if the lien is to be enforced by power of sale under nonjudicial foreclosure proceedings, the name and address of the trustee authorized by the Association to enforce the lien by sale. The notice shall be signed by any officer of the Association, or any employee or agent of the Association authorized to do so by the Board.

Unless the Board considers the immediate recording of the notice to be in the best interests of the Association, the notice shall not be recorded until fifteen (15) calendar days after the Association has delivered a written notice of default and demand for payment. If the delinquent assessment or installment and related charges are paid or otherwise satisfied, the Association shall record a notice of satisfaction and release of lien.

Section 7.03. Foreclosure Under Assessment Lien.

The Board may enforce any assessment lien established under Section 7.02. hereof by filing an action for judicial foreclosure, or, if the notice of delinquent assessment contained the name and address of the trustee authorized by the Association to enforce the lien by nonjudicial foreclosure, by recording a notice of default in the form described in California Civil Code Section 2924c(b)(1) to commence a nonjudicial foreclosure. Any nonjudicial foreclosure shall be conducted in accordance with the requirements of California Civil Code Section 1367, 2924, 2924b, 2924c, 2924f, 2924g, and 2924h that apply to nonjudicial foreclosures of mortgages or deeds of trust. The sale shall be conducted by the trustee named in the notice of delinquent assessment or by a trustee substituted in accordance with the provisions of California Civil Code Section 2934a. The Association may bid on the condominium at the sale, and may hold, lease, mortgage, and convey the acquired condominium. If the default is cured before the sale, or before completing a judicial foreclosure, including payment of all costs and expenses incurred by the Association, the Association shall record a notice of satisfaction and release of lien, and on receipt of a written request by the owner, a notice of rescission of the declaration of default and demand for sale.

Section 7.04. Cumulative Remedies.

The assessment lien and the right to foreclosure and sale thereunder shall be in addition to and not in substitution of all other rights and remedies which the Association may have hereunder and by law.

Section 7.05. Priority of Assessment Lien.

Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of the beneficiary of any first deed of trust or first mortgage on any unit therein made in good faith and for value, and such lien shall in no way defeat, invalidate or impair the obligation or priority of such first deed of trust or first mortgage unless the beneficiary thereof shall expressly subordinate his interest in writing to such lien. Each holder of a first mortgage lien on a unit who comes into possession of the unit by virtue of foreclosure, or any purchaser at a foreclosure sale of a first deed of trust or first mortgage, shall take the unit free of any claim for unpaid assessments and charges against the unit which accrued prior to the time the holder comes into possession of the unit. No transfer of the unit as a result of a foreclosure or exercise of a power of sale shall relieve the new owner, whether it be the former beneficiary of the first deed of trust or first mortgage, or another person, from liability for any assessments thereafter becoming due nor from the lien thereof.

Section 7.06. Rights of Board; Waiver by Owners.

Each owner hereby vests in and delegates to the Board or its duly authorized representative the right and power to bring all actions at law or lien foreclosures, whether judicially or by power of sale, or otherwise, against any owner or owners for the collection of delinquent assessments or penalties in accordance herewith, and hereby expressly waives any objection to the enforcement in accordance with this Declaration of the obligation to pay assessments as set forth in this Declaration.

Section 7.07. Waiver of Homestead Exemption.

Each owner does hereby waive to the fullest extent permitted by law, with respect only to liens created pursuant to this Declaration, the benefit of any homestead or exemption or redemption laws of the State of California in effect at the time any payment of any assessment become delinquent as herein provided, and such owner shall be deemed to be estopped to raise said homestead or other exemption or redemption in any action or proceeding to enforce or foreclose such liens.

ARTICLE VIII

INSURANCE

Section 8.01. Types of Insurance.

The Association shall obtain and maintain the following insurance:

(a) A comprehensive public liability insurance insuring the Association, any manager, and the owners and occupants of condominiums, and their respective family members, guests, invitees, and the agents and employees of each, against any liability incident to the ownership or use of the Common Area or any other Association-owned or maintained real or personal property and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than One Million Dollars (\$1,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for nonowned and hired automobiles, liability for property of others, and any other liability or risk customarily covered with respect to projects similar in construction, location, and use.

(b) A master or blanket policy of fire insurance coverage for the full insurable value of all of the improvements within the project, including those unit interior property fixtures that were part of the original construction, including but not limited to, air conditioners, cooking ranges, dishwashers and cabinets contained within the unit and owned by the unit owner. The form, content and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional first mortgagees. If more than one institutional first mortgagee has a loan of record against a condominium in the project, the policy and endorsements shall meet the maximum standards of the various institutional first mortgagees represented in the project. To the extent available, the policy shall contain an agreed amount endorsement or its equivalent; an increased cost of construction endorsement or a contingent liability from operation of building laws endorsement or their equivalent; an extended coverage endorsement; vandalism, malicious mischief coverage; a special form endorsement; and a determinable cash adjustment clause or a similar clause to permit cash settlement covering full value of the improvements in case of partial destruction and a decision not to rebuild. The policy shall provide amounts of coverage as shall be determined by the Board. The policy shall name as insured the Association and the owners, and all mortgagees as their respective interests may appear, and may contain a loss payable endorsement in favor of the trustee hereafter described.

(c) Workmans' compensation insurance to the extent required by law.

(d) To the extent such insurance is available at not an unreasonable premium, fidelity coverage against dishonest acts on the part of directors, officers, employees or volunteers who handle or who are responsible for handling funds of the Association and such fidelity bond or insurance shall name the Association as obligee or insured and shall be written in an amount equal to one hundred percent (100%) of the estimated annual operating expenses (including reserves) and shall contain waivers of any defense based on the exclusion of

persons who serve without compensation or from any definition of "employee" or similar expression.

(e) Flood insurance if the project is located in an area designated by an appropriate governmental agency as a special flood hazard area.

(f) To the extent such insurance is available at not an unreasonable premium, officers and directors liability insurance.

(g) Such other insurance as the Board, in its discretion, considers necessary or advisable, and the Board shall annually determine whether the amounts and types of insurance it has obtained provides adequate coverage as required by this Declaration.

Section 8.02. Premiums and Proceeds.

Insurance premiums for any such insurance coverage obtained by the Association pursuant to Section 8.01. and such other insurance deemed necessary by the Board, shall be a common expense to be included in the regular assessments levied by the Association. 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 IX (Damage or Destruction of Improvements). The Board is hereby granted the authority to negotiate loss settlements with appropriate insurance carriers. A majority of the Board 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 the Association and the members.

Section 8.03. Provision Appointing Trustee.

All fire and casualty insurance proceeds payable under Section 8.01. for losses to real property and improvements, subject to the rights of mortgagees under Article XIV (Protection of Mortgagees), may be paid to a trustee, to be held and expended for the benefit of the owners, mortgagees, and others, as their respective interests shall appear. The trustee shall be a commercial bank or other financial institution with trust powers in the County in which the project is located that agrees in writing to accept such trust. If repair or reconstruction is authorized, the Association shall have the duty to contract for such work as provided for in this Declaration.

Section 8.04. Individual Fire Insurance Limited.

Except as provided in this Section, no owner shall separately insure his condominium against loss by fire or other casualty covered by any insurance carried under Section 8.01. If any owner violates this provision, any diminution in insurance proceeds otherwise payable under policies described in

Section 8.01. that results from the existence of such other insurance will be chargeable to the owner who acquired other insurance, and such owner will be liable to the Association to the extent of any such diminution. Any owner can insure his personal property against loss. In addition, any improvements made by an owner within his condominium may be separately insured by the owner, but the insurance is to be limited to the type and nature of the coverage commonly known as "tenants improvements." All such insurance that is individually carried must contain a waiver of subrogation rights by the insurer as to other owners, the Association and institutional first mortgagees of such condominiums.

Section 8.05. Authority to Adjust Losses.

The Board is authorized to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 8.01. The Board is granted full right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

Section 8.06. Owner's Liability Insurance.

Any owner may carry whatever personal liability and property damage liability insurance with respect to his or her condominium that he or she desires. However, any such policy shall include a waiver of subrogation clause acceptable to the Board and to any institutional first mortgagee.

Section 8.07. Distribution to Mortgagees.

Subject to the provisions of Article XIV (Protection of Mortgagees), any mortgagee has the option to apply insurance proceeds payable on account of a condominium in reduction of the obligation secured by the mortgage of such mortgagee.

Section 8.08. FNMA/FHLMC Requirements.

Notwithstanding the foregoing provisions of this Article VIII, the amount, term and coverage of any policy required hereunder (including the type of endorsements, the amount of the deductible, the named insureds, the loss payees, standard mortgage clauses, and notices of changes or cancellations) shall satisfy the minimum requirements imposed for this type of project by the Federal National Mortgage Association ("FNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC") or any successor thereto. If the FNMA or FHLMC requirements conflict, the more stringent requirement shall be met. If FNMA and FHLMC do not impose requirements on any policy required hereinabove, the term, amount, and coverage of such policy shall be no less than that which is customary for similar policies on similar projects in the area.

ARTICLE IX

DAMAGE OR DESTRUCTION OF IMPROVEMENTS

Section 9.01. Destruction; Proceeds Exceed 85% of Reconstruction Costs.

If there is a total or partial destruction of any of the improvements in the Common Area, and if the available proceeds of the insurance carried pursuant to Article VIII (Insurance) are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the improvements shall be promptly rebuilt unless, within ninety (90) days from the date of destruction, members then holding at least seventy-five percent (75%) of the total voting power of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Association shall be required to execute, acknowledge and record in the Office of the County Recorder not later than one hundred twenty (120) days from the date of destruction, a certificate declaring the intention of the members to rebuild.

Section 9.02. Destruction; Proceeds Less than 85% of Reconstruction Costs.

If the proceeds of insurance carried pursuant to Article VIII (Insurance) are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction shall take place unless, within ninety (90) days from the date of destruction, members then holding at least sixty-seven percent (67%) of the total voting power of members present and entitled to vote, in person or by proxy, at a duly constituted meeting, determine that repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Association shall execute, acknowledge and record in the office of the County Recorder not later than one hundred twenty (120) days from the date of destruction a certificate declaring the intention of the members to rebuild.

Section 9.03. Apportionment of Assessments for Reconstruction.

If the members determine to rebuild, pursuant to Sections 9.01. or 9.02., each owner shall be obligated to contribute his proportionate share of the cost of repair or reconstruction over and above the available insurance proceeds. The proportionate share of each owner shall be based upon the ratio the square footage of the floor area of his unit bears to the total square footage of the floor area of all units. If any owner fails or refuses to pay his proportionate share, the Association may levy a special assessment against the

condominium of such owner which may be enforced under the lien provisions contained in this Declaration.

Section 9.04. Rebuilding Contract.

If the members determine to rebuild, the Association or its authorized representative shall obtain bids from at least two reputable contractors and shall award the repair and reconstruction work to the lowest bidder that otherwise meets the requirements set forth by the Association in soliciting bids. The Association shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and any insurance proceeds held by the trustee shall be disbursed to the contractor according to the terms of the contract. It shall be the obligation of the Association to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

Section 9.05. Rebuilding Not Authorized.

If the members determine not to rebuild, then any insurance proceeds then available for rebuilding shall be used or distributed as follows:

(a) Purchase by Association. If, prior to the expiration of one hundred twenty (120) days from the date of destruction, seventy-five percent (75%) of all owners and institutional first mortgagees with mortgages encumbering condominiums in the project consent by vote or in writing, the Board acting on behalf of the Association shall have the right to purchase the condominiums of which the units were rendered uninhabitable by such damage or destruction at the fair market value thereof immediately prior to the damage or destruction (as determined pursuant to Section 9.07.), using the available proceeds of insurance for such purpose. The Board's decision as to whether or not a unit is uninhabitable shall be final and binding on all parties. Any payment of the purchase price shall be made jointly to the selling owner and all mortgagees of his condominium and each owner by accepting a deed to a condominium agrees to be bound by these provisions and to sell his condominium by grant deed to the Association as provided herein. Concurrently with such purchase, the Association, acting as attorney-in-fact of all owners shall amend the Condominium Plan, the Subdivision Map (if necessary) and this Declaration to eliminate from the project the condominiums so purchased and to adjust the undivided Common Area ownership interest of the remaining owners to reflect the reduced number of condominiums in the project and the Association shall convey to each remaining owner a proportionate share of the undivided interests in the Common Area represented by the condominiums purchased, which proportion shall be in the ratio that each remaining owners' undivided interest in the Common Area bears to all remaining owners' undivided interest in the Common Area.

(b) Notwithstanding the determination not to rebuild pursuant to Sections 9.01. or 9.02., any units which are not rendered uninhabitable shall be repaired and reconstructed to a condition as near as possible to their condition immediately before such damage or destruction.

(c) Procedure if Purchase Not Authorized.
If the required seventy-five percent (75%) of all owners and institutional first mortgagees do not consent to purchase of the condominiums of which the units were rendered uninhabitable, the proceeds of insurance shall be apportioned among all owners, and their respective mortgagees, in proportion to the relative fair market values of their condominiums determined pursuant to Section 9.07. The Association shall have the duty, within one hundred twenty (120) days from the date of destruction, to execute, acknowledge and record in the office of the County Recorder, a certificate declaring the intention of the members not to rebuild. On recordation of the certificate, the right of any owner to partition through legal action as described in Article XI (Partition) shall revive immediately.

Section 9.06. Minor Repair and Reconstruction.

The Association shall have the duty to repair and reconstruct improvements, without the consent of members and irrespective of the amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed Five Thousand Dollars (\$5,000.00) in the case of improvements to a unit and Twenty-Five Thousand Dollars (\$25,000.00) in the case of Common Area improvements. The Association is expressly empowered to levy a special assessment for the cost of repairing and reconstructing improvements to the extent insurance proceeds are unavailable, such assessment to be levied as described in Section 9.03. (but without the consent or approval of members, despite any contrary provisions in this Declaration).

Section 9.07. Fair Market Value.

Wherever in this Article IX reference is made to a determination of the relative fair market value of one or more condominiums, it shall mean the relative fair market value of each such condominium as of a date immediately prior to any damage or destruction as determined by an appraisal by an independent appraiser selected by the Association, who shall be a member of the Society of Real Estate Appraisers or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the relative fair market value of each such condominium. The cost of such appraisal shall be paid from the insurance proceeds.

ARTICLE X

CONDEMNATION

Section 10.01. Sale by Unanimous Consent or Taking.

If an action for condemnation of all or a portion of the project is proposed or threatened by any governmental agency having the right of eminent domain, then, on unanimous written consent of all of the owners and all institutional first mortgagees, the project, or a portion of it, may be sold and conveyed to the condemning authority by the Association or its designees acting as the attorney-in-fact of all owners under an irrevocable power of attorney, which each owner by accepting a deed to a condominium in the project grants to the Association and which shall be coupled with the interest of all other owners, for a price deemed fair and equitable by the Board. If the requisite number of owners or institutional first mortgagees do not consent to a sale of all or a portion of the project, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

Section 10.02. Distribution of Sale Proceeds or Condemnation Award.

(a) Total Sale or Taking. If there is a total sale or taking of the project, meaning a sale or taking (i) that renders more than fifty percent (50%) of the units uninhabitable (such determination to be made by the Board in the case of a sale and by the court in the case of a taking); or (ii) that renders the project as a whole uneconomical as determined by the vote or written consent of sixty-seven percent (67%) of those owners and their respective institutional first mortgagees whose units will remain habitable after the taking, the right of any owner to partition through legal action as described in Article XI (Partition) shall revive immediately. However, any determination that a sale or taking is total must be made before the proceeds from any sale or award are distributed. The proceeds of any such total sale or taking of the project, together with the proceeds of any sale pursuant to a partition action, after payment of all expenses relating to the sale, taking, or partition action, shall be paid to all owners and to their respective mortgagees in the proportion to the fair market value of all condominiums in the project. The fair market value of condominiums shall be determined in the condemnation action, if such be instituted, or by an appraiser pursuant to Section 10.03.

(b) Partial Sale or Taking. In case of a partial sale or taking of the project, meaning a sale or taking that is not a total taking as described in (a) hereinabove, the proceeds from the sale or taking shall be paid or applied in the following order of priority, and any judgment of condemnation shall include the following provisions as part of its terms:

(i) To the payment of expenses of the Association in effecting the sale or to any prevailing party in any condemnation action to whom such expenses are awarded by the Court to be paid from the amount awarded; then

(ii) To owners and their respective mortgagees, as their interests may appear, of condominiums in the project whose units have been sold or taken, an amount up to the fair market value of such condominiums as determined by the Court in the condemnation proceedings or by an appraiser selected by the Board, who meets the qualifications described in Section 10.03., less such owner's share of expenses paid pursuant to the preceding subsection (i) (which share shall be in proportion to each owner's undivided interest in the Common Area). After such payment, the recipient shall no longer be deemed an owner, and the Board or individuals authorized by the Board, acting as attorney-in-fact of all owners shall amend the Condominium Plan, the Subdivision Map (if necessary), and this Declaration to eliminate from the project the condominiums so sold or taken and to adjust the undivided ownership interest of the remaining owners in the Common Area based upon the ratio that each remaining owner's undivided interest bears to all the remaining owner's undivided interest in the Common Area; then

(iii) To any remaining owner and to his or her mortgagees, as their interest may appear, whose condominium has been diminished in fair market value as a result of the sale or taking disproportionately to any diminution in value of all condominiums, as determined pursuant to Section 10.03., but as of a date immediately after any announcement of condemnation, an amount up to the total diminution in value; then

(iv) To all remaining owners and to their respective mortgagees, as their interest may appear, the balance of the sale proceeds or award in proportion to the ratio that the fair market value of each remaining owner's condominium bears to the fair market value of all remaining owners' condominiums as determined by the Court in the condemnation proceeding or by an appraiser pursuant to Section 10.03.

Section 10.03. Fair Market Value as Appraisal Standard.

Where in Section 10.02. reference is made to a determination of the value or fair market value of one or more condominiums, it shall mean the relative fair market value of each such condominium as of a date immediately prior to the announcement of condemnation, as determined by an appraisal by an independent appraiser selected by the Association, who shall be member of the Society of Real Estate Appraisers or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the value or fair market value of each condominium. The costs of such appraisals shall be paid from the sale proceeds.

ARTICLE XI

PARTITION

Section 11.01. Suspension of the Right to Partition.

Except as expressly provided in this Article XI, an owner shall have no right to partition or divide his or her ownership of the Common Area. Partition of the Common Area can be had on a showing that the conditions to such partition as stated in Article IX (relating to damage or destruction) or in Article X (relating to condemnation) or in California Civil Code 1359(b) have been met. Nothing in this Declaration shall prevent partition of a cotenancy in a condominium.

Section 11.02. Distribution of Proceeds.

Proceeds or property resulting from a partition shall be distributed to and among the respective owners and their mortgagees as their interests appear in proportion to the ratio that the fair market value of each owners' condominium bears to the fair market value of all owners' condominiums determined as provided in Section 10.03., but as of a date immediately prior to the event giving rise to the right of owners to partition the Common Area.

Section 11.03. Power of Attorney.

Each of the owners irrevocably appoints the Association as attorney-in-fact and irrevocably grants to the Association full power in the name and stead of such owner to sell the entire project, and to execute deeds and conveyances to it, in one or more transactions, for the benefit of all owners when partition of the project may be had under California Civil Code Section 1359 and under the circumstances authorizing partition under this Declaration. The power of attorney shall (i) be binding on all owners, whether they assume the obligations under this Declaration or not; (ii) be exercisable by a majority of the Board acting on behalf of the Association, subject to obtaining the prior approval by vote or written consent of seventy-five percent (75%) of the owners and seventy-five percent (75%) of all institutional first mortgagees; and (iii) be exercisable only after recordation with the County Recorder of a certificate executed by those who have power to exercise the power of attorney that the power of attorney is properly exercisable under the authority of this Declaration. This certificate shall be conclusive evidence of proper exercise in favor of any person relying on it in good faith.

ARTICLE XII

NONSEVERABILITY OF CONDOMINIUM COMPONENT INTEREST

Section 12.01. Provision Against Severance.

An owner shall not be entitled to sever his unit in any condominium from his membership in the Association, and shall not be entitled to sever his unit and his membership from his undivided interest in the Common Area for any purpose. None of the component interests in a condominium can be severally sold, conveyed, encumbered, hypothecated, or otherwise dealt with; and any violation or attempted violation of this provision shall be void. The suspension of such right of severability will not extend beyond the period set forth in Article XI (Partition) respecting the suspension of partition. It is intended by this provision to restrict severability under California Civil Code Section 1358(d).

Section 12.02. Provision to Limit Interests Conveyed.

After the initial conveyance of the condominiums, unless otherwise expressly stated, any conveyance of a unit or any portion of it by an owner shall be presumed to convey the entire condominium. However, nothing contained in this Section shall preclude the owner of any condominium from limiting the duration of the enjoyment of his or her condominium estate, such as by creating an estate for life or an estate for years, or from creating a cotenancy or joint tenancy in the ownership of the condominium with any other person or persons.

ARTICLE XIII

UTILITIES

Section 13.01. Owners Rights and Duties.

The rights and duties of the owners of condominiums within the project with respect to sanitary sewer, water, drainage, electricity, gas, television receiving, telephone equipment, cables and lines, exhaust flues, and heating and air conditioning facilities (hereinafter referred to, collectively, as "utility facilities") shall be as follows:

(a) Whenever utility facilities are installed within the property, which utility facilities or any portion thereof lie in or on condominiums owned by other than the owner of a condominium served by said utility facilities, the owners of any condominium served by said utility facilities shall have the right of reasonable access for themselves or for utility companies to repair, replace, and generally maintain said utility facilities as and when necessary, due to failure or inability of the Board to take timely action to make such repairs or perform such maintenance.

(b) Whenever utility facilities are installed within the property, which utility facilities serve more than one (1) condominium, the owner of each condominium served by said utility facilities shall be entitled to the full use and enjoyment of such portions of said utility facilities as service his condominium.

(c) In the event of a dispute between owners with respect to the repair or rebuilding of said utility facilities, or with respect to the sharing of cost thereof, then, upon written request of one (1) of such owners addressed to the Association, the matter shall be submitted to arbitration pursuant to the rules of the American Arbitration Association, and the decision of the arbitrator(s) shall be final and conclusive on the parties.

Section 13.02. Easements for Utilities and Maintenance.

Easements over and under the property for the installation, repair, and maintenance of electric, telephone, water, gas, and sanitary sewer lines and facilities, heating and air conditioning facilities, cable or master television antenna lines, drainage facilities, walkways, and landscaping as shown on the recorded Subdivision Map of the property, and as may be hereafter required or needed to service the property, are hereby reserved by the Association, together with the right to grant and transfer the same. Said easements shall be for the benefit of the project and to all Common Areas.

Section 13.03. Association's Duties.

The Association shall maintain all utility facilities located in the Common Area except for those facilities maintained by utility companies, public, private, or municipal, and those maintained by the owners as described in this Declaration. The Association shall pay all charges for utilities supplied to the project except those metered or charged separately to the condominiums.

ARTICLE XIV

PROTECTION OF MORTGAGEES

Section 14.01. Mortgage Permitted.

Any owner may encumber his condominium with a mortgage.

Section 14.02. Subordination.

Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any first mortgage that encumbers all or a portion of the project, or any condominium, made in

good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the mortgagee expressly subordinates his interest, in writing, to such lien. If any condominium is encumbered by a first mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments, shall not operate to affect or impair the lien of the mortgage. On foreclosure of the mortgage, the lien for assessments, or installments, that has accrued up to the time of foreclosure shall be subordinate to the lien of the mortgage, with the foreclosure-purchaser taking title to the condominium free of the lien for assessments, or installments, that has accrued up to the time of the foreclosure sale. On taking title to the condominium the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure-purchaser acquired title to the condominium. The subsequently levied assessments provided all owners, including the foreclosure-purchaser, and his successors and assigns are required to pay their proportionate share as provided in this Section.

Section 14.03. Control of Amendment or Revocation of Project Documents.

In addition to the requirements of Article XV (Amendment or Revocation of Declaration) and unless a greater percentage is expressly required by this Declaration, the Articles, the Bylaws or by law, the prior written consent (or deemed consent as provided hereinafter) of first mortgagees of condominiums which have at least fifty-one percent (51%) of the votes of all condominiums encumbered by first mortgages shall be required to add or amend any material provisions of this Declaration, the Articles, the Bylaws, the Condominium Plan or the Subdivision Map, which establish, provide for, govern or regulate any of the following:

- (a) Voting.
- (b) Reserves for maintenance, repair and replacement of Common Area or improvements thereon.
- (c) Casualty and liability insurance or fidelity bonds.
- (d) Rights to use the Common Area.
- (e) Responsibility for maintenance and repair of condominiums and Common Area and the improvements thereon.
- (f) Expansion or contraction of the project or the addition, annexation or withdrawal of real property to or from the project.

- (g) Boundaries of any condominium.
- (h) The interest or rights of the Association or owners in and to the Common Area.
- (i) The convertibility of condominiums into Common Area or of Common Area into condominiums.
- (j) The leasing of condominiums.
- (k) Imposition of any right of first refusal or similar restriction on the right of an owner to sell, transfer or otherwise convey his or her condominium, or
- (l) Any provisions which are for the express benefit of first mortgagees or insurers or governmental guarantors of first mortgages.

For purposes of this Section, an addition or amendment shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. Any first mortgagee who receives a written request to consent to additions or amendments requiring consent under this Section who does not deliver or post to the requesting party a negative response within thirty (30) days after such receipt shall be deemed to have consented to such request.

Section 14.04. Restrictions on Certain Changes.

Unless at least sixty-seven percent (67%) of first mortgagees of condominiums have given their prior written approval, neither the Association nor the owners shall be entitled:

(a) By act or omission to seek to abandon or terminate the condominium project, except for abandonment provided by statute in case of substantial loss to the units and Common Area.

(b) To change the method of determining the obligations, assessments, dues or other charges which may be levied against an owner, or to change the pro rata interest or obligations of any condominium for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the pro rata share of ownership of each owner in the Common Area.

(c) To partition or subdivide any unit.

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

(e) To use hazard insurance proceeds for losses to units or Common Area in the development or to any other Association owned real property, for other than the repair, replacement or reconstruction of such improvements or property.

(f) By act or omission to change, waive or abandon the provisions of this Declaration, or the enforcement thereof, pertaining to architectural design or control of the exterior appearance of structures in the development, the maintenance of the Common Area, walks or fences and driveways, or the upkeep of lawns and plantings in the development.

(g) To fail to maintain fire and extended coverage insurance on insurable Association property, including any Common Area, on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost).

Section 14.05. Mortgagee's Right to Examine Books and Records.

Institutional first mortgagees can examine the books and records of the Association or the project and can require the submission of financial data concerning the Association or the project, including annual financial reports, budgets and operating statements as furnished to the owners.

Section 14.06. Priority in Distribution of Insurance and Condemnation Proceeds.

No owner, or any other party, shall have priority over any right of institutional first mortgagees of condominiums pursuant to their mortgages in case of a distribution to owners of insurance proceeds or condemnation awards for losses to or a taking of units or Common Area. Any provision to the contrary in this Declaration or in the Bylaws or other documents relating to the project is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected institutional first mortgagees naming the mortgagees, as their interest may appear.

Section 14.07. Status of Amenities.

All amenities (such as parking, recreation and service areas) and Common Area shall be available for use by owners and all such amenities with respect to which regular or special assessments for maintenance or other uses may be levied shall constitute Common Area. All such amenities shall be owned in fee by the owners in undivided interests and may be subject to easements granted for public utilities or for other public purposes consistent with the intended use of such property by the owners or by the Association.

Section 14.08. Notices to Mortgagees of Record.

If any owner is in default under any provision of this Declaration or under any provision of the Bylaws or the Association Rules and Regulations, which default is not cured within thirty (30) days after written notice to that owner, the Association shall give to the mortgagee of record of such owner written notice of such default and of the fact that said thirty (30) day period has expired.

Section 14.09. Payments by Mortgagees.

Mortgagees of condominiums may, jointly or singularly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, covering any Common Area improvements or other insured property of the Association and, upon making any such payments, such mortgagees shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all mortgagees and upon request of any mortgagee the Association shall execute and deliver to such mortgagee a separate written agreement embodying the provisions of this Section 14.09.

Section 14.10. Effect of Breach on Mortgage; Lien Not Invalidated.

No breach of any provision of this Declaration shall invalidate the lien of any mortgage in good faith and for value, but all of the covenants, conditions and restrictions shall be binding on any owner whose title is derived through foreclosure sale, trustee's sale, or otherwise.

Section 14.11. Noncurable Breach.

Any mortgagee who acquires title to a condominium by foreclosure or by deed in lieu of foreclosure or assignment-in-lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is noncurable or of a type that is not practical or feasible to cure.

Section 14.12. Status of Loan to Facilitate Resale.

Any first mortgage given to secure a loan to facilitate the resale of a condominium after acquisition by foreclosure or by a deed-in-lieu of foreclosure or by an assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article XIV.

Section 14.13. Right to Appear at Meetings.

Because of its financial interest in the project, any mortgagee may appear (but cannot vote) at meetings of the members and the Board to draw attention to violations of this Declaration that have not been corrected or made the subject of remedial proceedings or assessments.

Section 14.14. Right to Furnish Information.

Any mortgagee can furnish information to the Board concerning the status of any mortgage.

Section 14.15. Right of First Refusal Inapplicable to Mortgagee.

No right of first refusal or similar restriction on the right of an owner to sell, transfer, or otherwise convey the owner's condominium shall be granted to the Association without the written consent of any mortgagee of the condominium. Any right of first refusal or option to purchase a condominium that may be granted to the Association (or other person, firm, or entity) shall not impair the rights of a first mortgagee (i) to foreclose or take title to a condominium pursuant to the remedies provided in the mortgage; or (ii) to accept a deed (or assignment) in lieu of foreclosure in the event of default under the mortgage; or (iii) to sell or lease a condominium acquired by the mortgagee.

Section 14.16. Limitation on Term of Management Contracts.

Any agreement for professional management by a manager shall provide for termination by either party without cause or payment of a termination fee on thirty (30) days written notice and shall have a maximum contract term of one (1) year; provided that the Board can renew any such contract on a year-to-year basis. If the project is professionally maintained or managed, the Board shall not terminate professional management and assume self-management without the consent of sixty-seven percent (67%) of the voting rights of members and of fifty-one percent (51%) of first mortgagees.

Section 14.17. Cal-Vet Contracts.

As to Cal-Vet contracts, the Board is expressly authorized to adopt such resolutions as may be required in connection with Cal-Vet financing in order to reflect the fact that such Cal-Vet contracts are superior in right to the assessment liens created in the within instrument in the same manner and to the same extent as mortgages and deeds of trust are superior thereto.

Section 14.18. Amendment to Article.

No amendment to this Article XIV shall affect the rights of any mortgagee holding a first deed of trust or mortgage against the project prior to the recordation of such amendment, who does not join in the execution thereof.

Section 14.19. Conflicts.

In the event of any conflict between any of the provisions of this Article XIV and any other provisions of this Declaration, the Articles or the Bylaws, the provisions of this Article XIV shall control.

ARTICLE XV

AMENDMENT OR REVOCATION OF DECLARATION

Section 15.01. Amendment.

This Declaration may be amended or revoked in any respect by the vote or written consent of the holders of not less than sixty-seven percent (67%) of the voting rights of the members. However, if any provision of this Declaration requires a greater or lesser percentage of the voting rights of owners in order to take affirmative or negative action under such provision, the same percentage of owners shall be required to amend or revoke such provision. Also, if the consent or approval of any governmental authority, mortgagee or other person, firm, agency, or entity is required under this Declaration with respect to any amendment or revocation of any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation shall be evidenced by an instrument certified by the Secretary or other duly authorized officer of the Association and shall make appropriate reference to this Declaration and its amendments, shall be acknowledged and shall become effective immediately upon being recorded in the office of the County Recorder.

Section 15.02. Control if Amendment Provisions Conflict with Mortgagee Protection or Other Provisions.

To the extent any provisions of this Article XV conflict with the provisions of Article XIV (Protection of Mortgagees) of this Declaration, the provisions of Article XIV shall control.

Section 15.03. Reliance on Amendments.

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

Section 15.04.

Amendments to Conform with Mortgagee Requirements.

It is the intent of this Declaration and the Articles and Bylaws of the Association, that the project in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure, or subsidize any mortgage of a condominium in the project by the Federal Home Loan Mortgage Administration, the Veterans Administration, the Federal Housing Administration and the Federal National Mortgage Association. The Association and each owner shall take any action or shall adopt any resolution required any mortgagee to conform this Declaration or the project to the requirements of any of these entities or agencies.

ARTICLE XVI

TERM OF DECLARATION

Subject to the other provisions hereof, the covenants contained in this Declaration shall run with and benefit the land within the project and shall be binding upon the owners, the Association, its Board of Directors, its officers, its manager and his staff and their successors or assigns and shall continue in full force and effect for a term of fifty (50) years from the date of recordation of this Declaration, after which time the same shall be automatically extended for successive periods of ten (10) years each unless, within one (1) year prior to the expiration period, a written instrument executed and acknowledged by the owners of at least seventy-five percent (75%) of the condominiums in the project shall be recorded in the Office of the County Recorder, terminating this Declaration, in or whole or in part.

ARTICLE XVII

ENFORCEMENT OF MANAGEMENT DOCUMENTS

Section 17.01.

Remedy at Law Inadequate.

Except for the nonpayment of any assessments provided for herein, it is hereby expressly declared, stipulated and agreed that the remedy at law to recover damages for the breach, default or violation of any of the covenants contained in this Declaration is inadequate and the failure of any owner, tenant, occupant or user of any condominium or any portion of the Common Area or facilities thereof to comply with each and all of the terms and provisions of this Declaration, the Association Rules and Regulations, decisions, resolutions and Bylaws of the Association and its Board, all as lawfully amended from time to time, may be enjoined by appropriate legal proceedings instituted by an owner, the Association, its Board, its officers, or the manager, or their respective successors and assigns.

Section 17.02. Costs and Attorneys' Fees.

In any proceeding arising because of any alleged breach or default under this Declaration, the prevailing party shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees as may be determined by the court.

Section 17.03. Cumulative Remedies.

The respective rights and remedies, provided by this Declaration or by law or available in equity, shall be cumulative and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or at different times, of any other such rights or for the same or different failures of the owners or others to perform or observe any provision of this Declaration.

Section 17.04. Failure Not a Waiver.

The failure of any owner, the Board of Directors of the Association, the Association, its officers, manager or his staff to enforce any of the covenants contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter.

ARTICLE XVIII

GENERAL PROVISIONS

Section 18.01. Headings.

The headings used in this Declaration are for convenience only and are not to be used to interpret the meaning of any of the provisions of this Declaration.

Section 18.02. Severability of Provisions.

The provisions of this Declaration shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any provision or provisions shall not invalidate any other provisions.

Section 18.03. Cumulative Remedies.

Each remedy provided for in this Declaration shall be cumulative and not exclusive. Failure to exercise any remedy provided for in this Declaration shall not, under any circumstances, be construed as a waiver of the remedy.

Section 18.04. Violations as Nuisance.

Every act or omission in violation of the provisions of this Declaration shall constitute a nuisance and,

in addition to all other remedies set forth, may be abated or enjoined by any owner, any member of the Board, the manager, or the Association.

Section 18.05. No Discriminatory Restrictions.

No owner shall execute or cause to be recorded any instrument that imposes a restriction upon the sale, leasing, or occupancy of his condominium on the basis of race, sex, marital status, national ancestry, color, sexual preference or religion.

Section 18.06. Owner's Access to Books.

Any owner may, at any reasonable time and upon reasonable notice to the Board or manager at his own expense, cause an audit or inspection to be made of the books and financial records of the Association.

Section 18.07. Liberal Construction.

The provisions of this Declaration shall be liberally construed to effectuate its purpose. Failure to enforce any provision of the Declaration shall not constitute a waiver of the right to enforce the provision thereafter.

Section 18.08. Notification of Sale.

Concurrently with the consummation of the sale of any condominium under circumstances where the transferee becomes an owner of the condominium, or within five (5) business days thereafter, the transferee shall notify the Association in writing of such sale. Such notification shall set forth the name of the transferee and his mortgagee and transferor, the common address of the condominium purchased by the transferee, the transferee's and the mortgagee's mailing address, and the date of sale. Before the receipt of such notification, any and all communications required or permitted to be given by the Association, the Board, or the manager shall be deemed to be duly made and given to the transferee if duly and timely made and given to the transferee's transferor. Mailing addresses may be changed at any time upon written notification to the Association. Notices shall be deemed received forty-eight (48) hours after mailing if mailed to the transferee, or to his transferor if the Association has received no notice of transfer as above provided, by certified mail, return receipt requested, at the mailing address above specified. Notices shall also be deemed received twenty-four (24) hours after being sent by telegram or upon personal delivery to any occupant of a condominium over the age of twelve (12) years.

Section 18.09. Number; Gender.

The singular shall include the plural and the plural the singular unless the context requires the contrary; and the masculine, feminine, and neuter shall each include the masculine, feminine, or neuter, as the context requires.

Section 18.10. Incorporation of Exhibits.

All exhibits referred to are attached to this Declaration and incorporated by reference.

Section 18.11. Easements Reserved and Granted.

Any easements referred to in this Declaration shall be deemed reserved or granted, or both reserved and granted, by reference to this Declaration in a deed to any condominium.

Section 18.12. Binding Effect.

This Declaration shall inure to the benefit of and be binding on the successors and assigns of all grantees taking their deeds subject to this Declaration, whether expressly or implied as a matter of law, and their heirs, personal representatives, grantees, tenants, successors, and assigns.

Section 18.13. Nonliability.

To the fullest extent permitted by law, neither the Board, nor any member thereof, nor any officer of the Association, nor any committee of the Association or any member thereof, shall be liable to any member or owner or the Association for any damage, loss or prejudice suffered or claimed because of any decision, course of action, act, omission, error, negligence or the like, made in good faith within which the Board, officers, committees or persons reasonably believed to be within the scope of their duties.

Section 18.14. Counterparts.

This Declaration may be executed in one (1) or more counterparts.

IN WITNESS WHEREOF, the undersigned have executed this Declaration, the day and year first hereinabove written.

(1)

TOLUCA HILLS APARTMENT CORPORATION,
A CALIFORNIA NONPROFIT MUTUAL
BENEFIT CORPORATION

Date 10-29-89

By: Roger Franzen
President

By: Wanda Silverman
Secretary

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

On this 29th day of OCTOBER, 1989, before me, the undersigned, a Notary Public in and for said State, personally appeared ROGER FANNIN personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the President, and DINNA SILVERMAN personally known to me or proved to me on the basis of satisfactory evidence to be the person who executed the within instrument as the 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.

Signature 

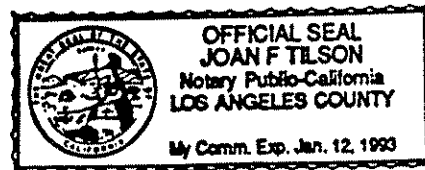


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AMENDED BYLAWS
OF
TOLUCA HILLS APARTMENT CORPORATION
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION

ARTICLE I

NAME AND LOCATION

Section 1.01. Name.

The name of this corporation is Toluca Hills Apartment Corporation, a California nonprofit mutual benefit corporation and is hereinafter referred to as the "Association."

Section 1.02. Location.

The Association shall have its principal office at the condominium project site, located at 3480 Barham Boulevard, in the City of Los Angeles, County of Los Angeles, State of California, or as close thereto as practicable as the Board may determine or as the affairs of the Association may require from time to time.

ARTICLE II

DEFINITIONS

Section 2.01. Declaration.

"Declaration," shall mean the Declaration Establishing a Plan of Condominium Ownership for Toluca Hills, recorded on the ____ day of _____, 1989, as Instrument No. _____ in the Office of the County Recorder of Los Angeles County, as the same may be amended, supplemented or modified.

Section 2.02. Other Definitions.

Each and every definition set forth under Article I of said Declaration shall have the same meaning herein as therein and each and every such definition is incorporated herein by reference thereto.

ARTICLE III

MEMBERSHIP AND VOTING RIGHTS

Section 3.01. Membership.

The qualifications for membership and the voting rights of members shall be as set forth under Article IV

of the Declaration, all of which provisions are incorporated herein by reference.

Section 3.02. Suspension of Voting Rights.

The voting rights of members may be suspended by action of the Board during any period when assessments owed by a member remain unpaid and delinquent.

ARTICLE IV

MANAGEMENT

Section 4.01. Creation of Board of Directors.

The members of the Association shall hold an organizational (first annual) meeting within forty-five (45) days after the conveyance of a majority of the units in the project. At the organizational meeting, a Board of Directors shall be elected by secret written ballot of the owners and all positions on the Board shall be filled.

Section 4.02. Term of Office and Qualification of Directors.

At the organizational meeting and at each annual meeting thereafter, the members shall elect five (5) directors, who shall serve for a term of one (1) year. If an annual meeting is not held, or if held, a new Board is not elected thereat, directors may be elected at any special meeting of members called for that purpose. All directors shall hold office until their respective successors are elected. In order for a person to be considered eligible to be elected to and remain on the Board, that person must meet one of the following qualifications:

- (1) Be a member of the Association.
- (2) Be a spouse of a member provided said spouse's principal residence is the member's unit within the project.
- (3) Be the mother, father, mother-in-law or father-in-law of a member, provided such person's principal residence is the member's unit within the project.
- (4) Be the daughter, son, daughter-in-law or son-in-law of a member, provided such person's principal residence is the member's unit within the project.

Section 4.03. Removal of the Board.

The entire Board or any individual director may be removed from office by affirmative vote of fifty-one

(51%) percent of the voting power of the Association. However, unless the entire Board is removed by such vote, no individual director shall be removed prior to the expiration of his term if the votes cast against removal would be sufficient to elect him if voted cumulatively at an election at which the same total number of votes were cast and the entire number of directors were then being elected.

Section 4.04. Vacancies.

Vacancies on the Board may be filled by the vote of a majority of the remaining directors, though less than a quorum, and each director so elected shall hold office for the unexpired term of his predecessor and until his successor is elected at an annual or special meeting of members. A vacancy shall be deemed to exist in the case of death or resignation of a director.

The Board shall not, except with the vote or written assent of a majority of the voting power of the Association, fill a vacancy on the Board created by the removal of a Board member.

Section 4.05. Specially Elected Directors.

At a duly constituted meeting, nominations for the specially elected director shall be made from the floor. When nominations have been closed, the special election shall take place. The candidate receiving the highest number of votes up to the number of specially elected directors to be elected, shall be deemed to be the specially elected director.

Section 4.06. Compensation.

No director shall receive compensation for any services he may render to the Association without the vote or written consent of a majority of the voting power of the Association. However, any director may be reimbursed for his actual expenses incurred in carrying on the business of the Association.

Section 4.07. Indemnification of Corporate Agents.

The Association shall indemnify any present or former director, officer, employee, or other agent of the Association to the fullest extent authorized under California Corporations Code Section 7237, or any successor statute, and may advance to any such person funds to pay expenses that may be incurred in defending any action or proceeding on receipt of an undertaking by or on behalf of such person to repay such amount unless it is ultimately determined that such person was entitled to indemnification under this provision.

ARTICLE V

MEETINGS OF MEMBERS

Section 5.01. Place of Meetings.

All meetings of the members, annual and special, shall be held at a place within the project as designated by the Board, provided that if there is not an available or appropriate place within the project, the Board shall designate a meeting place as close as possible to the project but in no event outside the County unless unusual conditions exist. In the absence of any designation, the meetings of members shall be held at the principal office of the Association.

Section 5.02. Annual Meetings.

The first annual meeting (organizational meeting) of members of the Association shall be held within 45 days after the conveyance of a majority of the units in the project. Thereafter, the annual meeting of the members of the Association shall be held each year on the Wednesday immediately preceding the anniversary date of the organizational meeting at 7:30 P.M. or at such other date or time as may be fixed by the Board; but in no event shall an annual meeting be held less than once each calendar year. If the scheduled date of the annual meeting falls on a legal holiday, the meeting shall be held at the same time on the next business day.

Section 5.03. Special Meetings.

A special meeting of the members of the Association shall be promptly scheduled by the Board upon: (i) the vote by the majority of the Board itself; (ii) a request by the President; or (iii) written request for a special meeting signed by members representing at least twenty-five percent (25%) of the total voting power of the Association. If a special meeting is requested by any person other than the Board, the request shall specify the time, date, place and general nature of the business to be transacted and shall be delivered personally or by mail (postage prepaid) to an officer of the Board. The officer receiving the request that a special meeting be scheduled shall notify the members in accordance with the provisions of Section 5.04. Nothing herein shall be construed as limiting or affecting the time when a special meeting of members may be scheduled by action of the Board.

Section 5.04. Notice of Meetings.

Notice of all members' meeting, annual or special, shall be given not less than ten (10) nor more than ninety (90) days before the date of the meeting to each member and to any mortgagee who has requested in writing to receive

such notice. Any mortgagee, or its designated representative, shall be entitled to attend any such meeting, but shall not be entitled to vote at the meeting. The notice shall be given personally, or by first-class, registered, or certified mail addressed to the member or mortgagee at the address of such member or mortgagee appearing on the books of the Association or given by the member or mortgagee to the Association for purpose of notice. If no address appears or is given for any member, notice may be given at the Association's principal office or by publication at least once in a newspaper of general circulation.

The notice shall state the place, date and time of the meeting. If directors are to be elected at the meeting, the notice shall include the names of all those who are nominees at the time notice is given. In the case of a special meeting, the notice shall state the general nature of the business to be transacted and no other business may be transacted. In the case of the annual meeting, the notice shall state those matters that the Board intends at the time the notice is given, to present to the members for action, but any proper matter may be presented at the meeting for action subject to the special notice requirements described in Section 5.05. of these Bylaws.

Section 5.05. Special Notice Requirements.

Approval by the members of any of the following proposals, other than by unanimous approval of those members entitled to vote, shall not be valid unless the general nature of the proposal was stated in the notice or in any written waiver of the notice:

- (i) removing a director without cause;
- (ii) filling vacancies on the Board;
- (iii) amending the Articles;
- (iv) approving a contract or transaction between the Association and one or more directors, or between the Association and any entity in which a director has a material financial interest;
- (v) electing to wind up and dissolve the Association; or
- (vi) approving a plan of distribution of assets, other than money (applicable only if the Association is in the process of winding up).

Section 5.06. Waiver of Notice or Consent.

The transactions of any meeting of members, however called or noticed, and wherever held, shall be as valid

as though taken at a meeting duly held after regular call and notice, if (i) a quorum is present either in person or by proxy, and (ii) either before or after the meeting, each member entitled to vote, not present in person or by proxy, signs a written waiver of notice, a consent to the holding of the meeting, or an approval of the minutes of the meeting. The waiver of notice, consent, or approval need not specify either the business to be transacted or the purpose of any meeting of members, except that if action is taken or proposed to be taken for approval of any of those matters specified in Section 5.05. of these Bylaws, the waiver of notice, consent, or approval shall state the general nature of the proposal. All such waivers, consents, or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Attendance of a member at a meeting shall also constitute a waiver of notice of and presence at that meeting, unless the member objects at the beginning of the meeting to the transaction of any business because the meeting is not lawfully called or convened. Also, attendance at a meeting is not a waiver of any right to object to the consideration of matters required to be included in the notice of the meeting but not so included, if that objection is expressly made at the meeting.

Section 5.07. Proof of Membership.

No person shall exercise the rights of membership in the Association until satisfactory proof of membership has been furnished the Association. Such proof may consist of either a duly-executed and acknowledged grant deed or title insurance policy showing that the person has an ownership interest in a condominium that would entitle the person to membership in the Association as provided in the Declaration. Such deed or policy shall be deemed conclusive proof of the person's membership in the absence of a conflicting claim based on a later deed or policy.

Section 5.08. Quorum.

The presence either in person or by proxy, at any meeting, of members entitled to cast fifty-one percent (51%) of the total voting power of the Association (excluding the number of votes as to which voting rights are suspended at the time of the subject meeting), shall constitute a quorum for any action except as otherwise provided in the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, a majority of the members entitled to vote thereat shall have power to adjourn the meeting to a date not less than five (5) days and not more than thirty (30) days later, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

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, provided that twenty-five percent (25%) of the total voting power of the Association remains present in person and/or by proxy. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

Section 5.09.

Proxies.

A. Right of Members.

Every person entitled to vote shall have the right to do so either in person or by one or more agents authorized by a written proxy, //signed by the person and filed with the Secretary of the Association. //A proxy shall be deemed signed if the member's name is placed on the proxy (whether by manual signature, typewriting, or otherwise) by the member or the member's attorney-in-fact. An authorized agent shall mean another member of the Association or the proxy giver's attorney-in-fact. //

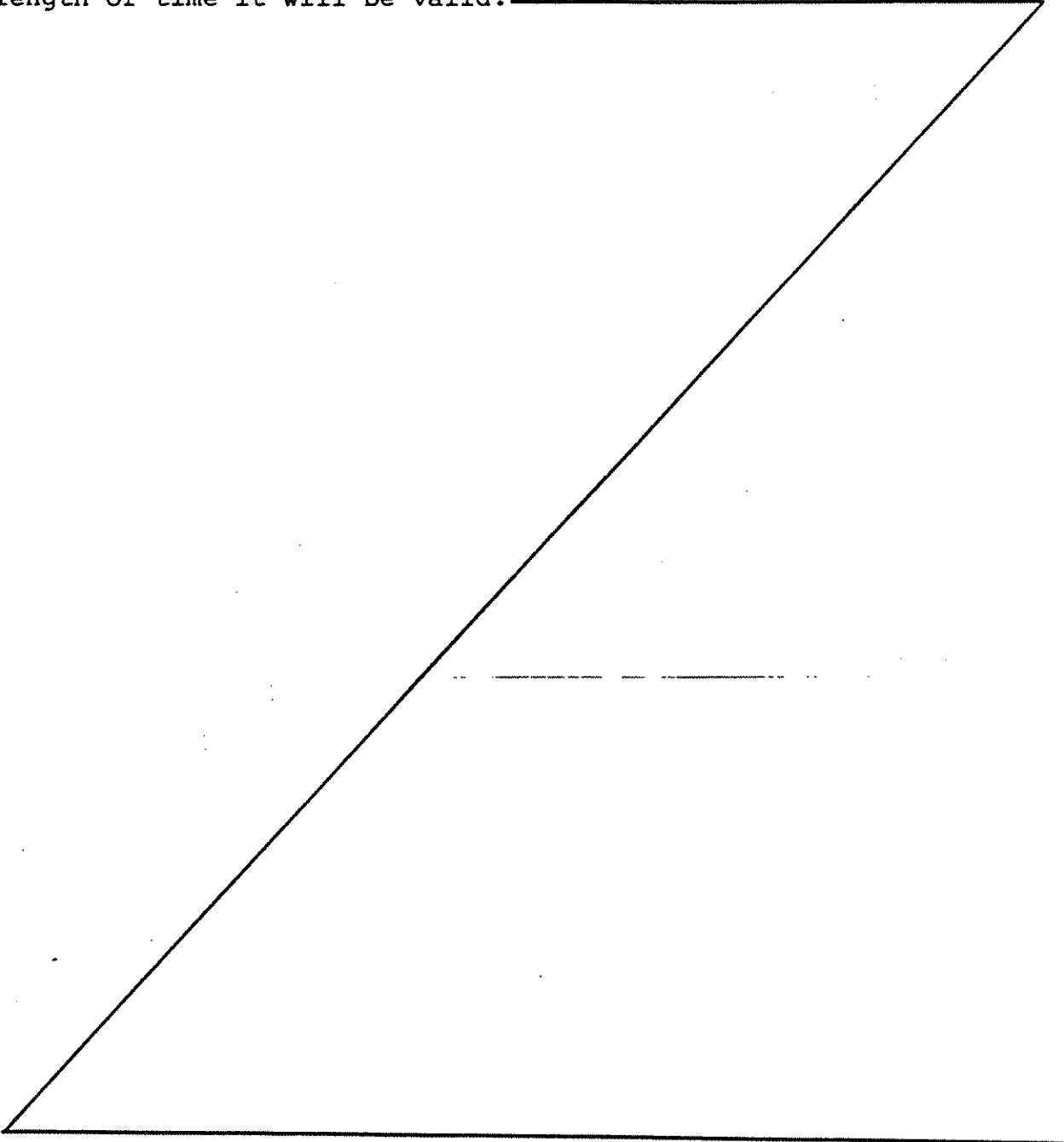
B. Revocability.

A validly executed proxy that does not state that it is irrevocable shall continue in full force and effect unless (i) revoked by the member executing it before the vote cast pursuant to that proxy, by a writing delivered to the Association stating that the proxy is revoked, //by a subsequent proxy executed by such member or by personal attendance and voting at a meeting, by such member, //or (ii) written notice of the death or incapacity of the maker of the proxy is received by the Association before the vote pursuant to that proxy is counted; provided, however that no proxy shall be valid after the expiration of eleven (11) months from the date of the proxy unless otherwise provided in the proxy. The revocability of a proxy that states on its face that it is irrevocable shall be governed by the provisions of the California Nonprofit Corporation Law.

C. Form of Solicited Proxies.

In any election of directors, any form of proxy that is marked by a member "withhold," or otherwise marked in a manner indicating that the authority to vote for the election of directors is withheld, shall not be voted either for or against the election of a director. Failure to comply with this subparagraph shall not invalidate any election of directors held, but may be the basis for challenging the proxy at a meeting.

Any form of proxy or written ballot distributed by any person to the membership of the Association shall afford the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon, except it shall not be mandatory that a candidate for election to the Board be named in the proxy or written ballot. The proxy or written ballot shall provide that, where the member specifies a choice, the vote shall be cast in accordance with that choice. The proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it will be valid.



D. Effect of Member's Death.

A proxy is not revoked by the death or incapacity of the maker unless, before the vote is counted, written notice of the death or incapacity is received by the Association.

Section 5.10. Order of Business.

The order of business of all meetings of the members shall be as follows:

- (i) roll call;
- (ii) proof of notice of meeting or waiver of notice;
- (iii) reading of minutes of preceding meeting;
- (iv) reports of Board and officers;
- (v) election of directors, if any are to be elected;
- (vi) unfinished business; and
- (vii) new business.

Section 5.11. Parliamentary Procedure.

All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

Section 5.12. Action Without Meeting.

Any action required or permitted to be taken by the members (except the election of directors) may be taken without a meeting if all the members consent in writing to the action. The written consent shall have the same force and effect as the unanimous vote of the members. The written consents shall be filed with the minutes of the proceedings of the members.

ARTICLE VI

NOMINATION AND ELECTION OF DIRECTORS

Section 6.01. Nomination.

Nomination for election to the Board of Directors may be made by a Nominating Committee. Notice to the members of the meeting shall include the names of all those who

have been nominees at the time the notice is sent. Nominations may also be made from the floor at the organizational meeting or any annual meeting thereafter. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the members, to serve until the close of such annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. All candidates shall have reasonable opportunity to communicate their qualifications to members and to solicit votes.

Section 6.02. Election.

The first election of the Board shall be conducted at the first meeting of the Association. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. All members shall be entitled to cumulate their votes for one (1) or more candidates for the Board, if the candidate's name has been placed in nomination prior to voting. Under cumulative voting, each owner, either in person or by proxy, may give a single candidate the number of votes equal to the number of directors to be elected multiplied by the number of votes the owner is entitled to exercise under the Declaration, or the owner may distribute these cumulated votes among any two or more candidates as the owner desires. The candidates receiving the highest number of votes up to the number of Board members to be elected shall be elected. Voting for directors shall be by secret written ballot.

ARTICLE VII

MEETINGS OF THE BOARD OF DIRECTORS

Section 7.01. Regular Meetings.

Regular meetings of the Board shall be held at least once every three (3) months provided the business to be conducted by the Board does not require monthly meetings, at a time and at a meeting place as fixed by the Board. The meeting place shall ordinarily be within the project itself unless, in the judgment of the Board, a larger meeting room is required than exists within the project, in which case, the meeting room selected shall be as close as possible to the project. Notice of the time and place of regular Board meetings shall be posted in a prominent place or places within the Common Area and shall be communicated to the Board members not less than four (4) days prior to the meeting; provided that, notice of a meeting need

not be given to any Board member who has signed a waiver of notice, or a written consent to the holding of the meeting.

Section 7.02. Special Meetings.

Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice President or Secretary of the Association, or by any two (2) directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each director by one (1) of the following methods: (a) by personal delivery; (b) written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; or (d) by telegram, charges prepaid. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association. Such notice shall also be posted at a prominent place within the Common Area not less than seventy-two (72) hours prior to the scheduled time of the meeting. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 7.03. Quorum.

A majority of the directors then in office (but not less than two (2)) shall constitute a quorum for the transaction of business. Every act performed or decision made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, if any action taken is approved by a majority of the required quorum for that meeting.

Section 7.04. Open Meetings.

All meetings of the Board shall be open to all members, but members other than directors may not participate in any discussion or deliberation unless expressly so authorized by a majority of a quorum of the Board.

Section 7.05. Executive Session.

The Board may, with approval of a majority of a quorum, 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 7.06. Telephone Meetings.

Any meeting, regular or special, may be held by conference telephone or similar communication equipment, so long as all directors participating in the meeting can hear one another, and all such directors shall be deemed to be present in person at such meeting. An explanation of the action taken shall be posted at a prominent place within the Common Area within three (3) days after the meeting.

Section 7.07. Waiver of Notice.

The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 7.08. Notice of Adjourned Meeting.

Notice of the time and place of holding an adjourned meeting need not be given, unless the meeting is adjourned for more than twenty-four (24) hours, in which case personal notice of the time and place shall be given before the time of the adjourned meeting to the directors who were not present at the time of the adjournment, and shall be posted at a prominent place within the Common Area.

Section 7.09. Action Without Meeting.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting, if all members of the Board, individually or collectively, consent in writing to that action. Such action by written consent shall have the same force and effect as a unanimous vote of the Board of Directors. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. An explanation of the action taken shall be posted at a prominent place or places within the Common Area within three (3) days after the written consents of all Board members have been obtained.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD

Section 8.01. Powers.

The Board shall have all powers conferred on the Association as set forth in the Declaration and these Bylaws, except those powers expressly reserved to the members and subject to the requirements to obtain approval of the members before certain actions may be taken. In addition, the Board shall appoint and remove at its pleasure all officers, agents, and employees of the Association, and shall prescribe powers and duties for them that are consistent with the Declaration, the Articles, these Bylaws, and any applicable laws.

Section 8.02. Duties.

The Board shall be responsible for the performance of the duties of the Association as set forth in the Declaration, and shall supervise all officers, agents, and employees of the Association for the proper performance of their duties. In addition, the Board shall maintain a complete written record of all of its actions.

The Board shall do the following not less frequently than quarterly:

(i) Cause a current reconciliation of the Association's operating accounts to be made and review the same.

(ii) Cause a current reconciliation of the Association's reserve accounts to be made and review the same.

(iii) Review the current year's actual reserve revenues and expenses compared to the current year's budget.

(iv) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts.

(v) Review an income and expense statement for the Association's operating and reserve accounts.

Section 8.03. Standard of Care.

Each director of the Board shall perform his or her duties as a director, including duties as a member of any committee of the Board upon which the director may serve, in good faith, in a manner such director believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like

position would use under similar circumstances. In performing the duties of a director, a director shall be entitled to rely on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by: (i) one or more officers or employees of the Association whom the director believes to be reliable and competent in the matters presented; (ii) counsel, independent accountants or other persons as to matters which the director believes to be within such person's professional or expert competence; or (iii) a committee of the Board upon which the director does not serve, as to matters within its designated authority, which committee the director believes to merit confidence, so long as, in any such case, the director acts in good faith, after reasonable inquiry when the need therefor is indicated by the circumstances and without knowledge that would cause such reliance to be unwarranted. A person who performs the duties of a director in accordance with the foregoing, shall have no liability based upon any failure or alleged failure to discharge the person's obligations as a director.

Section 8.04.

Committees of the Board.

The Board, by resolution adopted by a majority of the directors then in office, provided a quorum is present, may create one or more committees, each consisting of one or more directors and persons who are not directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the directors then in office. The Board may appoint one or more directors as alternate members of any such committee, to the extent provided in the resolution of the Board, shall have all of the authority of the Board, except that no committee, regardless of Board resolution, may:

(i) take any final action on any matter which, under the Declaration or the California Nonprofit Mutual Benefit Corporation Law, also requires approval of the members or approval of a majority of all members;

(ii) fill vacancies on the Board or on any committee which has the authority of the Board;

(iii) amend or repeal these Bylaws or adopt new bylaws;

(iv) amend or repeal any resolution of the Board which by its express terms is not so amendable or repealable;

(v) appoint any other committees of the Board or the members of those committees; or

(vi) expend corporate funds to support a nominee for director after there are nominees than can be elected.

Meetings and actions of committees of the Board shall be governed by, held, and taken in accordance with, the provisions of these Bylaws concerning meetings and other actions of the Board, except that the time for regular meetings of such committees and calling of special meetings of such committees may be determined either by resolution of the Board or, in the absence of a Board resolution, by resolution of the committee. Minutes of each meeting of any committee of the Board shall be kept and shall be filed with the Association records. The Board may adopt rules for the governing of any committee not inconsistent with the provisions of these Bylaws, or in the absence of rules adopted by the Board, the committee may adopt such rules.

It shall be the duty of each committee to receive complaints (in writing) from members on any matter involving Association functions and duties within its field of responsibility. It shall dispose of such complaints as it deems

appropriate or refer them to such other committees, directors or officer of the Association as is further concerned with the matters presented.

Section 8.05. Due Process Requirements.

Before the Board imposes any monetary penalties, or suspensions of membership rights or Common Area use privileges against any member for failure to comply with the Declaration, these Bylaws, or the Association Rules and Regulations, the Board must act in good faith and must satisfy each of the following requirements:

(i) The member is given fifteen (15) days prior notice of the discipline to be imposed and the reasons for the imposition of the discipline. The notice may be given by any method reasonably calculated to give actual notice. If the notice is given by mail, it must be sent by first class or registered mail to the last address of the member as shown on the Association's records.

(ii) The member is given an opportunity to be heard, orally or in writing, by the Board, not less than five (5) days before the effective date of the imposition of the discipline.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 9.01. Officers of the Association.

The officers of the Association shall be a President, a Vice-President, a Secretary and a Treasurer, all of whom shall be members of the Board of Directors and elected by the Board of Directors. The Association may also have, at the discretion of the Board, one or more additional Vice-Presidents, one or more Assistant Secretaries and one or more Assistant Treasurers.

Section 9.02. Election of Officers.

The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 9.03. Term.

The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 9.04. Special Appointments.

The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 9.05. Resignation and Removal.

Any officer may be removed from office (but not from the Board, if he or she is also a Board member) by the Board with or without cause. Any officer may resign at any time by given written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 9.06. Vacancies.

A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the office he or she replaces.

Section 9.07. Duties.

The duties of the officers are as follows:

A. President. The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall sign all promissory notes. The President shall have the general powers and duties of management usually vested in the office of the President of a California nonprofit mutual benefit corporation, and shall have such powers and duties as may be prescribed by the Board or by these Bylaws.

B. Vice President. The Vice President shall act in the place and stead of the President in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required by the Board.

C. Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with the addresses, and shall perform such other duties as required by the Board.

D. Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by

resolution of the Board of Directors; shall sign all promissory notes of the Association; shall keep proper books of account; shall prepare and shall distribute budgets and financial statements to each member as follows:

(1) A pro forma operating budget for each fiscal year which shall be distributed not less than forty-five (45) nor more than sixty (60) days before the beginning of the fiscal year consisting of at least the following: (a) Estimated revenue and expenses on an accrual basis; (b) The identification of the total cash reserves of the Association currently set aside; (c) The identification of the estimated remaining life of, and the methods of funding used to defray future repair, replacement, or additions to, those major components which the Association is obligated to maintain; (d) A general statement addressing the procedures used for the calculation and establishment of those reserves to defray the future repair, replacement or additions to those major components that are attributable to the areas which the Association is obligated to maintain;

(2) A financial report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (a) A balance sheet as of the end of the fiscal year; (b) An operating (income) statement for the fiscal year; and (c) A statement of changes in financial position for the fiscal year. For any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000.00), a copy of a review of the financial statement of the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy; (e) Any information required to be reported under Section 8322 of the California Corporations Code;

(3) If the report referred to in D(2), above is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statement was prepared from the books and records of the Association without independent audit or review;

(4) A statement describing the Association's policies and practices in enforcing lien rights, or other legal remedies for default in payment of its assessments against its members, and a statement of the place where the names and addresses of the current members are located shall be annually distributed to the members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year.

ARTICLE X

BOOKS AND RECORDS

Section 10.01. Inspection by Members.

The membership register (including names, mailing addresses, telephone numbers and voting rights), books of account and minutes of meetings of the members, of the Board, and of committees shall be made available for inspection and copying by any member of the Association, or by his duly appointed representative, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the project as the Board shall prescribe.

Section 10.02. Rules for Inspection.

The Board shall establish reasonable rules with respect to:

A. Notice to be given to the custodian of the records by the member desiring to make the inspection.

B. Hours and days of the week when such an inspection may be made.

C. Payment of the cost of reproducing copies of documents required by a member.

Section 10.03. Inspection by Directors.

Every director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director includes the right to make extracts and copies of documents, at the expense of the Association.

Section 10.04. Documents Provided by Board.

Upon written request, the Board shall, within ten (10) days of the mailing or delivery of such request, provide the owner of a unit with a copy of the governing documents of the project, a copy of the most recent financial budget and statements of the Association distributed pursuant to Section 9.07D(1), (2) and (4), and a true statement in writing from an authorized representative of the Association as to the amount of any assessments levied upon the condominium which are unpaid on the date of the statement, including late charges, interest, and costs of collection which, as of the date of the statement, are or may be made a lien upon the owner's condominium. The Board may impose a fee for providing the foregoing which may not exceed the reasonable cost to prepare and reproduce the requested documents.

ARTICLE XI

GENERAL PROVISIONS

Section 11.01. Amendment of Bylaws.

These Bylaws may be amended by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the voting power of the Association. However, the percentage of voting power necessary to amend a specific section or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that section.

Whenever an amendment or new bylaw is adopted it shall be placed in the Bylaws in an appropriate place. If any bylaw is repealed, the fact or repeal, with the date of the meeting at which the repeal was enacted or written assent was filed, shall be stated in the Bylaws.

Section 11.02. Conflicts.

In the case of any conflict or inconsistency between the Articles and these Bylaws, the Articles shall control; and in the case of any conflict or inconsistency between the Declaration and these Bylaws, the Declaration shall control.

Section 11.03. Fiscal Year.

Unless the Board determines otherwise, the fiscal year of the Association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 11.04. Applicability.

The provisions of these Bylaws are applicable to the project, its operation, occupancy, ownership, maintenance and use and to all present and future owners, members of their families, guests, tenants, agents, employees and licensees and to any other person or persons who may use the project or its facilities in any manner. The acceptance of a deed to any unit in the project shall constitute an acceptance and ratification of these Bylaws and the Declaration, as either or both may from time to time be amended.

Section 11.05. Counterpart Signatures.

These Amended Bylaws may be executed in one (1) or more counterparts.

CERTIFICATE OF SECRETARY

OF

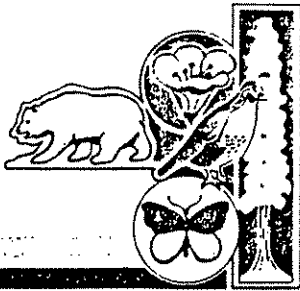
TOLUCA HILLS APARTMENT CORPORATION
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION

I hereby certify that I am the duly elected and acting Secretary of said corporation and that the foregoing Bylaws, consisting of eighteen (18) pages, constitute the Amended Bylaws of said corporation as duly consented to in writing by no less than 75% of the total voting power of the corporation.

Dated: 29 day of October, 1989.



Secretary



State of California

OFFICE OF THE SECRETARY OF STATE

CORPORATION DIVISION

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

That the annexed transcript has been compared with the corporate 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

JAN 31 1990



March Fong Eu

Secretary of State

A382039

ENDORSED
FILED
In the office of _____ Secretary of State
of the _____ State

DEC 29 1989

CERTIFICATE OF AMENDMENT
OF
ARTICLES OF INCORPORATION
OF

MARCH FOR THE EU, Sec. of State

BARHAM COURT APARTMENT CORPORATION
A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION

Roger Franzen and Donna Silverman certify that:

1. They are the President and the Secretary, respectively, of BARHAM COURT APARTMENT CORPORATION, A CALIFORNIA NONPROFIT MUTUAL BENEFIT CORPORATION ("Association").

2. At a meeting of the Board of Directors of the Association, duly held at Los Angeles, California on September 19, 1989, the following resolutions were adopted:

★ RESOLVED, that Article ONE of the Articles of Incorporation of this Association is amended to read as follows:

✓ "ONE: The name of this corporation is Toluca Hills Apartment Corporation ("Association" herein)."

★ RESOLVED FURTHER, that Article THREE(a) of the Articles of Incorporation of this Association is amended to read as follows:

"(a) The specific and primary purposes are 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 Toluca Hills ("project") located at 3480 Barham Boulevard, in the City of Los Angeles, County of Los Angeles, State of California, and by operating, managing and maintaining the project for the use and benefit of all of the members of the Association."

3. The members have adopted the amendment by written consent. The wording of the amended Article, as set forth in the members' written consent, is the same as that set forth in the Directors' resolution in paragraph 2. above.

4. The number of membership votes that consent in writing to adopt the resolution is 69, which is greater than seventy-five percent (75%) of the total voting power of the Association.

Roger Franzen
President

Conrad Silverman
Secretary

The undersigned declare under penalty of perjury that the matters set forth in the foregoing certificate are true of their own knowledge. Executed at Los Angeles, California, on OCTOBER 29, 1989.

Roger Franzen
President

Conrad Silverman
Secretary

TOLUCA HILLS APARTMENT CORPORATION
 PROPOSED 3/31/94 BUDGET
 FOR THE 12 PERIODS ENDED MARCH 31, 1994

←----- PERIOD TO DATE -----→----- YEAR TO DATE -----→
 CURRENT BUDGET CURRENT BUDGET
 BUDGET ACTUAL VARIANCE BUDGET ACTUAL VARIANCE

REVENUE

	16,380	196,560
HOMEOWNERS DUES	42	504
LATE FEES	225	2,700
LAUNDRY INCOME	60	720
INTEREST INCOME	50	600
MISCELLANEOUS	-----	-----
TOTAL REVENUE	16,757	201,084
	-----	-----

WAGES & PAYROLL EXPENSES:

	1,359	16,308
SALARIES & WAGES - MAINTENANCE	1,286	15,432
SALARIES & WAGES - GARDENER	2,150	25,800
SECURITY SERVICE	241	2,892
PAYROLL TAXES - EMPLOYER	305	3,660
WORKERS COMPENSATION INSURANCE	-----	-----
SUBTOTAL	5,341	64,092
	-----	-----

PAIRS & MAINTENANCE:

	500	6,000
ELEVATOR REPAIRS & MAINTENANCE	825	9,900
BUILDING REPAIRS & MAINTENANCE	200	2,400
GARDENING SUPPLIES	150	1,800
POOL SERVICE & SUPPLIES	463	5,556
TRASH REMOVAL	50	600
LAMPS & LIGHTBULBS	400	4,800
PLUMBING REPAIRS	75	900
SECURITY GATE REPAIRS	-----	-----
SUBTOTAL	2,663	31,956
	-----	-----

UTILITIES:

	1,400	16,800
ELECTRICITY	895	10,740
GAS	70	840
TELEPHONE	2,560	30,720
WATER/SEWER	-----	-----
SUBTOTAL	4,925	59,100
	-----	-----

INSURANCE:

	1,527	18,324
PROPERTY INSURANCE	-----	-----

GENERAL & ADMINISTRATIVE:

	400	4,800
ACCOUNTING	225	2,700
DATA PROCESSING	-----	-----

TOLUCA HILLS APARTMENT CORPORATION
PROPOSED 3/31/94 BUDGET
FOR THE 12 PERIODS ENDED MARCH 31, 1994

	+----- PERIOD TO DATE -----+			+----- YEAR TO DATE -----+		
	CURRENT	BUDGET		CURRENT	BUDGET	
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
POSTAGE/SUPPLIES/PRINTING		50			600	
	-----			-----		
SUBTOTAL		675			8,100	
	-----			-----		
TOTAL OPERATING EXPENSES		15,131			181,572	
MAJOR REPAIRS & REPLACEMENTS		1,833			22,000	
	-----			-----		
TOTAL EXPENSES		16,964			203,572	
	-----			-----		
EXCESS <DEFICIENCY> OF						
REVENUE OVER EXPENSES		(207)			(2,488)	
	-----			-----		
		*****			*****	

TOLUCA HILLS APARTMENT CORPORATION
BALANCE SHEET
MARCH 31, 1993

+ Y-T-D ->

ACTUAL

ASSETS

CASH IN BANK - OPERATING	6,567
CASH IN BANK - RESERVE	29,361
A/R - HOMEOWNERS	2,173
A/R - CLEARING	740
PETTY CASH	0

TOTAL ASSETS	38,841

LIABILITIES AND FUND BALANCE

PAYROLL TAXES PAYABLE	1,588

TOTAL LIABILITIES	1,588
	0
FUND BALANCE	37,253

TOTAL LIABILITIES AND FUND BALANCE	38,841
