

Recording Requested By:
FIRST AMERICAN TITLE

When Recorded Mail To:
ELDEN VENTURE GROUP
c/o NEWPORT HARBOR BUILDERS, INC.
1539 Monrovia Ave., #19
Newport Beach, CA 92663

This is to certify that the attached is a true and correct copy of the covenants, conditions and restrictions recorded June 27, 1984 as Instrument No. 84-264439 Official Records. FIRST AMERICAN TITLE INSURANCE COMPANY By Robert G. Baker

DECLARATION OF RESTRICTIONS

THIS DECLARATION OF RESTRICTIONS, made this 15th day of June, 1984, by ELDEN VENTURE GROUP, a Limited Partnership, hereinafter called "Declarant";

This Declaration is made with reference to the following:

RECITALS:

A. Declarant is the owner of real property located in the City of Costa Mesa, County of Orange, California, more particularly described in Section 3 of Article I of this Declaration, hereinafter called the "Real Property."

B. Declarant has or will hereafter file a Condominium Plan with the Office of the County Recorder of Orange County, California covering the Real Property, to wit:

Lot 1 of Tract #12008 as per Map recorded in Book 516, Pages 40 and 41, of Miscellaneous Maps, records of Orange County; hereinafter called the "Condominium Property;"

C. Declarant has, or intends to improve the Condominium Property by constructing thereon 6 condominium units and intends to establish a condominium project under the provisions of the California Condominium Act providing for separate title to Living Units (as hereinafter defined) appurtenant to which will be an undivided fractional interest in the Condominium property other than the Living Units.

D. Each Condominium shall have appurtenant to it a membership in BAY LAUREL HOMEOWNERS ASSOCIATION, a California non-profit mutual benefit corporation ("Association"), which will be the management body for the overall condominium project.

E. Before selling or conveying any interests in the Condominium Property Declarant desires to subject the Condominium Property in accordance with a common plan to certain covenants, conditions and restrictions for the benefit of Declarant and any and all present and future owners of the Real Property.

NOW, THEREFORE, Declarant hereby certifies and declares and does hereby establish the following general plan for the protection and benefit of all of the Real Property described above and has fixed and does hereby fix the following protective covenants, conditions and restrictions upon each and every ownership interest in the Condominium Property described above, under which said covenants, conditions and restrictions each ownership interest in the

Condominium Property shall be hereafter held, used occupied, leased, sold, encumbered, conveyed and/or transferred. Each and all of said covenants, conditions and restrictions are for the purpose of protecting the value and desirability of and shall inure to the benefit of all of the Real Property described above and shall run with and be binding upon and pass with the Condominium Property and each and every ownership interest therein and shall inure to the benefit of, apply to and bind the respective successors in title or interest of Declarant.

ARTICLE I

DEFINITIONS

Section 1. "Association" shall mean and refer to BAY LAUREL HOMEOWNERS ASSOCIATION, a California non-profit, mutual benefit corporation, its successors and assigns.

Section 2. "Boundaries". In interpreting deeds and plans, the then existing physical boundaries of a Living Unit and Garage whether in its original state or reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than the boundaries expressed in the deed or plan, regardless of settling or lateral movement of the building and regardless of minor variance between boundaries shown on the plan or deed, and those of the building.

Section 3. "Real Property" shall mean and refer to that real property located in the County of Orange, California, described as:

Lot 1 of Tract #12008 as per Map recorded in Book 516, Pages 40 and 41 of Miscellaneous Maps, records of Orange County.

Section 4. "Condominium Property" shall mean and refer to that certain real property located in the County of Orange, State of California, more particularly described as: Lot 1 of Tract # 12008.

Section 5. "Owner" shall mean and refer to the record owner, whether one (1) or more persons or entities, of fee simple title to any Condominium which is a part of the Real Property, including contract sellers and purchasers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Condominium Plan" shall mean and refer to the Condominium Plan recorded pursuant to California Civil Code Section 1351 covering the Condominium Property, including such amendments thereto as may from time to time be recorded.

Section 7. "Condominium" shall mean and refer to a fee simple estate in the Condominium Property as defined in Section 783 of the California Civil Code and shall consist of a separate interest in a Living Unit and an undivided 1/6 interest as tenant in common in the Common Area.

Section 8. "Living Unit" shall mean and refer to those portions of the Condominium Property shown and described as such on the Condominium Plan; provided, however, that the following are not part of any Living Unit: Bearing walls,

columns, floors, roofs, foundations, central heating, central refrigeration and central air conditioning equipment, reservoir tanks, pumps and other central services, pipes, ducts, flues, chutes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located in the Living Unit.

Section 9. "Garage" shall mean and refer to those portions of the Common Area for which an exclusive Right to Use is granted to an owner as shown and described on the Condominium Plan.

Section 10. "Common Area" shall mean and refer to all portions of the Condominium Property not located within a Living Unit.

Section 11. "Exclusive Use Area" shall mean and refer to those portions of the Common Area to which an exclusive right to use is granted to an Owner as shown and described on the Condominium Plan and shall consist of Garages, and where applicable, Patios and/or Balconies/Decks. The term "Patios" when used herein, shall include, mean and refer to the term "Back Yard Area".

Section 12. "Declarant" shall mean and refer to its successors and assigns, if successors or assigns should acquire more than one (1) undeveloped Parcel in the Real Property from the Declarant for the purpose of development.

Section 13. "Mortgage" shall mean and refer to a Deed of Trust as well as a mortgage.

Section 14. "Mortgagee" shall mean and refer to a beneficiary under or holder of a Deed of Trust as well as a mortgagee.

Section 15. "Mortgagor" shall mean and refer to the trustor of a Deed of Trust as well as a mortgagor.

Section 16. "Bylaws" shall mean and refer to the Bylaws of the Association as they may from time to time be amended.

Section 17. "Articles" shall mean and refer to the Articles of Incorporation of the Association as they may from time to time be amended.

Section 18. "Member" shall mean and refer to a person entitled to membership in the Association as provided herein.

Section 19. "Project" shall mean and refer to the entire real property above described, including all structures and improvements erected or to be erected thereon.

Section 20. "Declaration" shall mean and refer to this enabling Declaration of Restrictions.

Section 21. "Map" shall mean and refer to Tract Map No. 12008, filed in the Office of the County Recorder of Orange County, California on the day of October 31, 1983.

Section 22. "Common Expenses" means and includes the actual and estimated expenses of operating the Condominium Property and any reasonable reserve for such

purposes as found and determined by the Board and all sums designated common expenses by or pursuant to the Condominium Documents.

Section 23. "Condominium Building" shall mean a residential structure containing condominium Living Units and Garages.

Section 24. "Condominium Documents" means and includes the Declaration as it may be amended from time to time, the exhibits, if any, attached thereto, the Articles, the Bylaws, and the rules and regulations for the members as established from time to time by the Board and the Condominium Plan.

Section 25. "Subdivider" shall mean and refer to "Declarant".

Section 26. "Board" shall mean and refer to the Board of Directors of the Association.

ARTICLE II

MEMBERSHIP AND VOTING RIGHTS IN ASSOCIATION

Section 1. Every Owner of a Condominium shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Condominium. Each Owner is obligated promptly, fully and faithfully to comply with and conform to the Articles and Bylaws and the rules and regulations adopted thereunder from time to time by the Board and Officers of the Association. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of the Condominium to which it is appurtenant, and then only to the Purchaser, in the case of a sale, or Mortgagee, in the case of an encumbrance of such Condominium. Any attempt to make a prohibited transfer is void. In the event the owner of any Condominium should fail or refuse to transfer the membership registered in his name to the purchaser of his unit, the Association shall have the right to record the transfer upon its books and thereupon the old membership outstanding in the name of the seller shall be null and void.

The Association shall have two classes of voting membership:

CLASS A. Class A Members shall originally be all Owners of a Condominium, with the exception of Declarant if Class B Membership exists, and shall be entitled to one (1) vote for each Condominium owned. When more than one person holds an interest in any Condominium, all such persons shall be Members. The vote for such Condominium shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium.

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

(a) When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

(b) Two years following the date of original issuance by the California Department of Real Estate of the Final Subdivision Public Report for development of the Real Property; or

(c) June 1, 1986.

Except with respect to action to enforce the obligations of Declarant under any completion bond, membership approval of action to be taken by the Association shall require the vote or written consent of the prescribed percentage of each class of membership during the time that there are two classes of membership. Except with respect to action to enforce the obligations of Declarant under any completion bond, any requirement in the Articles of Incorporation, Bylaws, or Declaration of Restrictions, that the vote of the Declarant-Subdivider shall be excluded in any determination, shall be applicable only if there has been a conversion of Class B members to Class A members, and the same shall be read as requiring the prescribed percentage of the Class A members and the prescribed percentage of the Class A members other than the Declarant-Subdivider.

Section 2. Except as otherwise provided herein, the Association acting through the Board and Officers shall have the sole and exclusive right and duty to manage, operate, control, repair, replace or restore all of the Common Area or any portion thereof, together with the improvements, trees, shrubbery, plants and grass thereon, all as more fully set forth in this Declaration of Restrictions, the Articles and the Bylaws.

Section 3. The Board shall have the right to adopt reasonable rules not inconsistent with the provisions contained in this Declaration, and to amend the same from time to time relating to the use of the Common Area and the recreational and other facilities situated thereon by Owners and by their tenants or guests, and the conduct of such persons with respect to automobile parking, outside storage of boats, trailers, bicycles and other objects, disposal of waste materials, drying of laundry, control of pets and other activities which, if not so regulated, might detract from the appearance of the community or offend or cause inconvenience or danger to persons residing or visiting therein. Such rules may provide that the Owner of a Condominium whose occupant leaves property on the Common Area in violation of the rules may be assessed after appropriate notice and an opportunity for a hearing before the Board (pursuant to California Corporation Code 7341) and a two-thirds vote of approval by the Board to cover the expense incurred by the Association in removing such property and storing or disposing thereof. The Board may suspend the voting rights and right to use the recreational facilities located on the Common Area of a Member who is in default in the payment of any assessment for any period during which such assessment remains unpaid, and for a period not to exceed thirty (30) days for any infraction of its published rules and regulations after reasonable written notice and an opportunity for a hearing before the Board (pursuant to California Corporation Code 7341).

Section 4. For the purpose of performing the maintenance of the Common Area or for any other purpose reasonably related to the performance by the Board of its responsibilities under this Declaration, the Association's agents or employees shall have the right, after reasonable notice to the Owner, to enter any Living Unit, assigned Garage, or upon any portion of the Common Area at reasonable hours; provided, however, there shall be no entry into a Living Unit without the Owner's written consent, which consent shall not unreasonably be withheld. When

there is an entrance into any Living Unit or assigned Garage, such entrance shall be made with as little inconvenience to the Owner as possible and any damage caused shall be repaired by the Association.

Section 5. In discharging their duties and responsibilities, the Board acts on behalf of and as representative of the Association which acts on behalf of and as representative of the Owners, and no Member thereof shall be individually or personally liable or obligated for performance or failure of performance of such duties or responsibilities unless he fails to act in good faith.

ARTICLE III

COVENANT FOR MAINTENANCE ASSESSMENTS TO ASSOCIATION

Section 1. The Declarant, for each Condominium owned within the project, hereby covenants, and each Owner of any Condominium by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to pay to the Association: (1) regular assessments, and (2) special assessments for capital improvements, such assessments to be established and collected as hereinafter provided. The regular and special assessments, together with interest, costs and reasonable attorney's 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 assessment. Each such assessment, together with interest, costs and reasonable attorney's fees shall also be the personal obligation of the person who was the Owner of such Condominium at the time when the assessment fell due. The personal obligation for delinquent assessments shall not pass to an Owner's successors in title unless expressly assumed by them. No Owner of a Condominium may exempt himself from liability for his contribution toward the common expenses by waiver of the use or enjoyment of any of the Common Area or by abandonment of his Condominium.

Section 2. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety and welfare of all the residents in the entire project and for the improvement and maintenance of the Common Area for the common good of the Project.

Section 3. Until January 1st of the year immediately following conveyance of the first Condominium to an Owner, the maximum regular annual assessment per Condominium Unit shall be \$ 79.87.

From and after January 1st of the year immediately following the conveyance of the first Condominium to an Owner, the maximum regular annual assessment may be increased each year by not more than five percent (5%) above the maximum assessment for the previous year without a vote or written assent of a majority of the voting power of the Association residing in members other than Declarant.

The Board may fix the regular assessment at an amount not in excess of the maximum allowed.

Section 4. In addition to the regular assessments authorized above, the Association may levy, in any assessment year, a special assessment to defray the costs of any action or undertaking on behalf of the Association for the purpose of, but not limited to, defraying the cost of any construction,

reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, provided that any such assessment shall have the vote or written assent of a majority of the voting power of the Association residing in members other than the Declarant.

Except as provided in Subsection (a) and (b) hereof, every special assessment shall be levied upon the same basis as that prescribed for levying of the regular assessments (pursuant to Section 6 of this Article):

(a) A special assessment against owners in the condominium development to raise funds for the rebuilding or major repair of the structural common area housing units of the project shall be levied upon the basis of the ratio of the square footage of the floor area of the units assessed to the total square footage of floor area of all units to be assessed.

(b) The provisions hereof with respect to special assessments do not apply in the case where the special assessment against a member is a remedy utilized by the governing body to reimburse the Association for costs incurred in bringing the member and his subdivision interest into compliance with provisions of the governing instruments for the subdivision.

Section 5. Any action authorized under Section 3 or 4 above shall be taken at a meeting called for that purpose, written notice of which shall be sent to all Members not less than ten (10) days nor more than ninety (90) days in advance of the meeting. The notice shall specify the place, day and hour of the meeting and the nature of the business to be undertaken.

A quorum for such meeting shall be fifty one percent (51%) of the total voting power of the Association through presence in person or by proxy. If the required quorum is not present, another meeting may be called subject to the same notice requirements stated herein, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting, but not less than twenty-five percent (25%) of the total voting power of the Association.

Section 6. Both regular assessments and special assessments shall be fixed at a uniform rate for all Condominiums, except as provided in Section 4(a) and (b) of this Article III, and may be collected on a monthly basis or otherwise as determined by the Board. Any assessment not paid within thirty (30) days after the due date shall be delinquent and shall bear interest at the rate of six percent (6%) per annum from the due date until paid.

Section 7. The regular assessments provided for herein shall commence as to all Condominiums covered by this Declaration on the first day of the month following the conveyance of the first Condominium to an Owner. The Board shall determine and fix the amount of the annual regular assessment against each Condominium at least thirty (30) days in advance of each annual assessment. Written notice of the annual assessment shall be sent to every Owner subject thereto. The due dates shall be established by the Board. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessment on a specified Condominium has been paid. A properly executed certificate of the Association as to the status of assessments on a Condominium is binding upon the Association as of the date of its issuance.

Section 8. At any time after an assessment, levied by the Association affecting any Condominium has become delinquent, subject to Section 10 of this Article III, the Board may file for recording in the Office of the County Recorder a notice of delinquency as to such Condominium, which notice shall state all amounts which have become delinquent with respect to such Condominium and the costs (including attorney's fees) and interest which have accrued thereon, the amount of any assessments relating to such Condominium which are due and payable although not delinquent, a description of the Condominium with respect to which the delinquent assessments are owed, and the name of the record or reputed record Owner of such Condominium. Such notice shall be signed by the President or Vice President and Secretary or Assistant Secretary of the Association. In the event the delinquent assessments and all other assessments which have become due and payable with respect to the same Condominium together with all costs (including attorney's fees) and interest which have accrued on such amounts are fully paid or otherwise satisfied prior to the completion of any sale held to foreclose the lien provided for in this Article, the Board shall record a further notice, similarly signed, stating the satisfaction and releasing of such lien. Immediately upon recording of any notice of delinquency pursuant to the foregoing provisions of this Section, the amounts delinquent, as set forth in such notice, together with the costs (including attorney's fees) and interest accruing thereon, shall be and become a lien upon the Condominium described therein, which lien shall secure all other payments and/or assessments which shall become due and payable with respect to said Condominium following such recording, and all costs (including attorney's fees) and interest accruing thereon. Said lien shall continue for a period of one (1) year unless extended for a period of an additional year by the recording of a written extension by the Association. When a notice of assessment has been recorded, such assessment shall constitute a lien on each respective Condominium prior and superior to all other liens, except (i) all taxes, bonds, assessments and other levies which, by law, would be superior thereto, and (ii) the lien or charge of any first Mortgage of record.

Section 9. Each assessment lien may be foreclosed subject to Section 10 of this Article III as and in the same manner as the foreclosure of a mortgage upon real property under the laws of the State of California, or may be enforced by sale pursuant to Sections 2924, 2924(b), 2924(c) and 1356 of the California Civil Code, and to that end a power of sale is hereby conferred upon the Association. The Association, acting on behalf of the Condominium Owners, shall have the power to bid for the Condominium at a foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. Suit to recover a money judgment for unpaid assessments, rent and attorney's fees shall be maintainable without foreclosing or waiving the lien securing the same.

Section 10. A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the member was allegedly responsible or in bringing the member and his subdivision interest into compliance with the governing instruments may not be characterized nor treated in the governing instruments as an assessment which may become a lien against the member's subdivision interest enforceable by a sale of the interest in accordance with the provisions of Sections 2924, 2924 (b) and 2924 (c) of the Civil Code.

The provisions of this Section 10 do 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 attorney's fees) in its efforts to collect delinquent assessments.

If there exists a conflict between the terms of this Article III, Section 10 and any other provision of this Declaration, Article III, Section 10 will prevail.

Section 11. The lien of the assessments provided for herein shall be subordinate to the lien of any first Mortgage upon any Condominium. Sale or transfer of any Condominium shall not affect the assessment lien. However, the sale or transfer of any Condominium pursuant to a judicial or non-judicial foreclosure of a first Mortgage shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Condominium from lien rights for any assessments thereafter becoming due. Where the Purchaser (Mortgagee of a first Mortgage of record) obtains title to a Condominium Unit as a result of foreclosure, such acquirer of title, his successors and assigns, shall not be liable for the share of the common expenses or assessments by the Association chargeable to such Condominium which became due prior to the acquisition of title to such Condominium by such acquirer. Such unpaid share of common expenses or assessments shall be deemed to be common expenses collectible from all of the Condominiums including such acquirer, his successors and assigns.

Section 12. In the event that any taxes are assessed against the Common Area or the personal property of the Association, rather than against the individual Condominiums, said taxes shall be added to the annual assessments and, if necessary, a special assessment may be levied against the Condominium in an amount equal to said taxes, to be paid in two (2) installments, thirty (30) days prior to the due date of each tax installment.

Section 13. Declarant shall be liable for payment of any assessment against Living Units owned by Declarant.

ARTICLE IV

POWERS AND DUTIES OF ASSOCIATION

Subject to other provisions of the Declaration and to the limitations of the Articles of Incorporation, the Bylaws and the California Corporations Code as to action to be authorized or approved by the Members, all corporate powers shall be exercised by or under the authority of, and the business and affairs of the Association shall be controlled by the Board. Without prejudice to such general powers but subject to the same limitations, it is hereby expressly declared that the directors shall have the following powers and duties:

Section 1. To select and remove all the officers, agents and employees of the Association, prescribe such powers and duties for them as may not be inconsistent with law, the Articles of Incorporation, the Bylaws or the Declaration.

Section 2. To conduct, manage and control the affairs and business of the Association, and to make such rules and regulations therefor not inconsistent

with law, the Articles of Incorporation, the Bylaws or the Declaration as they deem best, including rules and regulations for the operation of the Common Area and facilities owned or controlled by the Association.

Section 3. To change the principal office for the transaction of the business of the Association from one location to another within the same county; to designate any place within the Condominium Property Area or at a place as close thereto as possible for the convenience of all members of the Association for the holding of any membership meeting or meetings and to adopt, make and use a corporate seal, and to alter the form of such seal from time to time as in their judgment they may deem best, provided such seal shall, at all times, comply with the provisions of law.

Section 4. With the vote or written assent of the majority of the voting power of the Association residing in members other than the Declarant: to incur aggregate expenditures for capital improvements to the common area; to borrow money and incur indebtedness for the purposes of the Association; to sell the property of the Association; and to cause to be executed and delivered, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and securities therefor.

Section 5. To contract and pay for fire, casualty, liability, fidelity and other insurance adequately insuring the Association and Owners with respect to the Common Area and the affairs of the Association, which shall include bonding of the members of any management body. Notwithstanding any provisions to the contrary herein, so long as the Federal National Mortgage Association ("FNMA") holds a Mortgage on a Condominium in the Project, or owns a Condominium, the Association shall continuously maintain in effect such casualty and liability insurance and fidelity bond, meeting all requirements and containing such coverage and endorsements as may be required from time to time by FNMA. Such insurance shall include, but not be limited to, the following:

(a) A policy or policies of fire insurance with extended coverage endorsement in an amount equal to 100% of the full replacement value of the Living Units and Common Area, payable as provided in Article X, Section 1, herein, or such other fire and casualty insurance as the Directors shall determine gives substantially equal or greater protection to the Owners, and their mortgagees, as their respective interest may appear. Such coverage shall be reviewed annually by the Directors and increased at their discretion;

(b) A policy or policies insuring the Board of Directors and the Owners and/or Owners' Association against any liability to the public or to the Owners, their tenants and invitees, incident to the ownership and/or use of the project, and including the personal liability exposure of the Owners. Limits of liability under such insurance shall not be less than \$250,000.00 for any one person injured, \$500,000.00 for any one accident, and \$50,000.00 for property damage. Such limits and coverage shall be reviewed at least annually by the Directors and increased by their discretion. Said policy or policies shall be issued on a comprehensive liability basis and shall provide cross-liability endorsement where the rights of named insureds under the policy or policies shall not be prejudiced as respects his, her, or their action against another named insured;

(c) Workmen's compensation insurance to the extent necessary to comply with any applicable laws;

Whether or not FMNA holds any Mortgage, fidelity insurance shall be in the form of a bond in an amount equal to one hundred fifty percent (150%) of the Association's annual assessment plus reserves, which names the Association as obligee and protects against misuse and misappropriation of Association property by Members of the Board, officers and employees of the Association and any management agent and his employees whether or not any such persons are compensated for their services.

Section 6. To pay all charges for water, electricity, gas, CATV and other utility services for the Common Area and, to the extent not separately metered or charged, for each Living Unit and assigned Garage.

Section 7. To perpetually manage, operate, maintain and repair in good, sanitary and attractive condition the Common Area, landscaped area, and all improvements located thereon, including the restoration and replacement of any or all of the buildings, structures or improvements which are part of the Common Area at any time and from time to time as the Board may determine desirable or necessary; and to make capital expenditures for and on behalf of the Association with the vote or written assent of a majority of the voting power of the Association residing in members other than Declarant.

Section 8. To enter onto any Exclusive Use Area subject to the limitations set forth in this Declaration.

Section 9. To enforce the provisions of the Declaration, the Articles of Incorporation and Bylaws of the Association, the rules and regulations adopted by the Board and the provisions of any agreement to which the Association is a party.

Section 10. To contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to the Common Area, and to employ personnel necessary for the operation and maintenance of the same, including legal and accounting services; provided, however, that the term of any contract with a third person for supplying goods or services to the Common Area or for the Association shall not exceed a term of one (1) year unless a longer term is approved by a majority of the voting power of the Association residing in Members other than Declarant, except that a contract with a public utility company, materials or services the rate for which are regulated by the Public Utilities Commission, may exceed a term of one (1) year so long as it does not exceed the shortest term for which the public utility will contract at the regulated rate; a contract for prepaid casualty and/ or liability insurance policies may be for a term not to exceed three (3) years, provided that the policy permits short rate cancellation by the Association; and a management contract, the terms of which have been approved by the Veterans Administration when applicable, may exceed a term of one (1) year. Anything contained herein to the contrary notwithstanding, the Board shall not terminate professional management of the Condominium Property and assume self-management without the prior written approval of Mortgagees holding seventy-five percent (75%) or more of the first Mortgages on Condominiums and any agreement for management of the Condominium Property and any other contract providing for services by the Declarant, shall be terminable for cause upon thirty (30) days written notice,

and without cause or payment of a termination fee upon ninety (90) days, or fewer, written notice and shall have a term of not more than three (3) years, renewable with the consent of the Association and the management agent. No contract with the Association negotiated by Declarant shall exceed a term of one (1) year.

Section 11. To pay any taxes and governmental special assessments which are or could become a lien on the Common Area or any portion thereof.

X Section 12. To initiate and execute disciplinary proceedings against Members of the Association for violations of the provisions of the Articles of Incorporation and Bylaws of the Association, the Declaration and the rules and regulations adopted by the Board. Said Members shall have appropriate notice and an opportunity for a hearing before the Board (pursuant to California Corporation Code 7341).

Section 13. To prepare budgets and financial statements for the Association as provided in the Bylaws.

Section 14. Upon the written request of the holder of any first Mortgage encumbering any Condominium, to notify the same in writing of any default by the Owner of such Condominium in the performance of the Owner's obligations under the Bylaws or the Declaration which is not cured within thirty (30) days.

Section 15. To give notice in writing to the Federal Home Loan Mortgages Corporation ("FHLMC") in care of the servicers of FHLMC loans on Condominium Area if such loss or taking exceeds \$10,000.00, and of any damage to a Living Unit if such damage exceeds \$1,000.00.

Section 16. To give timely written notice to all first mortgagees of any substantial damage to or destruction of any Living Unit or any part of the Common Area and, if any Living Unit, or any portion thereof, or the Common Area, or any portion thereof, is made the subject of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority to give timely written notice to all first Mortgagees of any such proceeding or proposed acquisition.

Section 17. To prosecute or defend, in the name of the Association, any action affecting or relating to the Common Area or the property owned by the Association, and any action in which all or substantially all of the Owners have an interest.

Section 18. To delegate any of its powers hereunder to others, including Committees, officers and employees.

Section 19. To elect the officers of the governing body.

Section 20. To fill the vacancies of the governing body except for a vacancy created by the removal of a Director from the governing body, which the latter will require the vote or written assent of a majority of the voting power of the Association residing in members other than the Declarant to fill such vacancy.

ARTICLE V

USE OF LIVING UNITS, ASSIGNED GARAGES AND COMMON
AREA AS DESCRIBED IN CONDOMINIUM PLAN

Section 1. Each living Unit shall be improved, used and occupied for private, single-family dwelling purposes only, and no portion thereof nor the Common Area shall be used for any commercial purpose whatsoever; provided, however, Declarant may use any of the Living Units owned by Declarant as model homes and sales office during that period of time commencing when the Condominiums are first sold or offered for sale to the public and ending when all the Condominiums in the Project are sold and conveyed by Declarant to separate owners thereof, or three (3) years from the date of sale of the first Condominium in the Project, whichever shall first occur.

Section 2. Each Owner shall have the right to lease his Living Unit, patio or balcony/deck (where applicable) and assigned Garage together provided that such lease is in writing and provides that the tenant shall be bound by and obligated to the provisions of this Declaration, the Bylaws and the rules and regulations of the Board; provided, however, that no such lease shall be for transient or hotel purposes. Any such lease which is either for a period of less than thirty (30) days or pursuant to which the Lessor provides any services normally associated with a hotel shall be deemed to be for transient or hotel purposes.

Section 3. No Living Unit, assigned Garage, nor improvements situated therein shall be occupied or used for any purpose or in any manner which shall cause such improvements to be uninsurable against loss by fire or the perils of the extended coverage endorsement to the California Standard Fire Policy form, or cause any such policy or policies representing such insurance to be cancelled or suspended, or the company issuing the same to refuse renewal thereof.

Section 4. No more than two (2) usual and ordinary household pets (exclusive of caged birds) may be kept in any Living Unit, assigned Garage and assigned Patio and/or Balcony/Deck without the prior written consent of the Board. Pets shall not be allowed on the Common Area except as may be permitted by rules made by the Board. Except as provided hereinabove, no animals, livestock, birds or poultry shall be brought within the Condominium Property or kept in any Living Unit or on any portion of the Common Area.

Section 5. No Living Unit nor assigned Garage nor assigned patio shall be used in such manner as to obstruct or interfere with the enjoyment of occupants of other such areas or annoy them by unreasonable noise or otherwise, nor shall any nuisance be committed or permitted to occur in any Living Unit nor on any Common Area.

Section 6. No signs other than one (1) sign of customary and reasonable dimensions advertising a Condominium for sale or lease, shall be erected or displayed in any Living Unit so that it is visible from without such area without the prior written permission of the Board, and all signs must conform with applicable governmental ordinances. No signs shall be erected or displayed on the Common Area except signs placed by authority of the Board. Anything contained in the Declaration to the contrary notwithstanding, Declarant shall have the right to install and maintain during the sales period set forth in

Section 1 above, such signs, poles and advertisements as it deems appropriate in connection with its sales program for the sale to the public of Condominiums.

Section 7. There shall be no outside television or radio antennae, masts, poles or flag poles constructed, installed or maintained on the Condominium Property for any purpose whatsoever without the prior written consent of the Board.

Section 8. Except as otherwise specifically provided herein, nothing herein contained shall give the Owner the right to paint, decorate, remodel, landscape or adorn any part or parcel of the Common Area without the written consent of the Board.

Section 9. No noxious or offensive activity shall be carried on in any Living Unit, nor on the Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance to the other Owners other than construction or repair of improvements made at the Board's instruction or at Declarant's instruction. Nothing shall be done in any Living Unit, or in, on, or to the Common Area which will impair the structural integrity of any building, or which would structurally change any building located therein. Except as otherwise provided herein, nothing shall be altered or constructed in or removed from the Common Area except upon the written consent of the Board or an architectural committee appointed by the Board. All equipment, garbage cans, wood piles or storage piles shall be kept screened and concealed from view of neighboring Living Units, streets and Common Area. All rubbish, trash and garbage shall be regularly removed from each Living Unit and assigned Garage and shall not be allowed to accumulate thereon or on the adjacent Common Area. Said rubbish, trash, and garbage shall be exposed to the view of the neighboring Living Units in containers only when set out for trash collection for a reasonable period of time (not to exceed twelve (12) hours before and after scheduled trash collection hours). No fences, hedges or walls shall be erected or maintained upon the Condominium Property except such as are installed in accordance with the initial construction of the buildings located on the Condominium Property or as provided by the Board. No exterior clothes lines shall be erected or maintained, and there shall be no outside drying or laundering of clothes on the Common Area.

Section 10. The door to each assigned Garage shall be kept closed except when entering and leaving the garage. No Owner or guest shall park, store or keep any vehicle on any street and turn-around area within the Condominium Property, except where designated for parking of such vehicles.

Section 11. Except as otherwise provided herein, the Common Area shall be improved and used only for the following purposes:

(i) affording vehicular passage and pedestrian movement within the Condominium Property, including access to the Living Units and assigned Garages;

(ii) recreational use by the Owners and occupants of Living Units in the Condominium Property and their guests, subject to rules established by the Board;

(iii) beautification of the Common Area and providing privacy to the residents of the Condominium Property through landscaping and such other means as the Board shall deem appropriate;

(iv) parking of automotive passenger vehicles in areas provided therefor as may be designated and approved by the Board. The storage of boats, trailers, recreational vehicles and other similar vehicles on the Common Area is prohibited;

(v) as Exclusive Use Areas to be used in the manner hereinafter described; nothing herein contained shall be deemed to allow persons other than the Owner of a Living Unit to which an Exclusive Use Area is appurtenant (or his tenants and licensees) to enjoy the use thereof.

No part of the Common Area shall be obstructed so as to interfere with its use for the purposes hereinabove permitted, nor shall any part of the Common Area be used for storage purposes (except as incidental to one of such permitted uses, or for storage of maintenance equipment used exclusively to maintain the Common Area), nor in any manner which shall increase the rate at which insurance against loss by fire, or the perils of the extended coverage endorsement to the California Standard Fire Policy form, or bodily injury, or property damage liability insurance covering the Common Area and improvements situated thereon may be obtained, or cause such premises to be uninsurable against such risks or any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof.

Section 12. Except as otherwise provided herein, no Owner shall make any alteration or improvement to the Common Area or remove any planting, structure, furnishing or other object therefrom except with the prior written consent of the Board.

Section 13. Each Owner shall be legally liable to the Association for all damages to the Common Area or to any improvements thereof or thereto, including but not limited to the buildings, recreation facilities and landscaping caused by such Owner, his licensee(s) or any occupant of such Owner's Living Unit as such liability may be determined under California law.

Section 14. In addition to Section 1 of Article VI, each Owner shall have the right and obligation, at his sole cost and expense, to maintain, repair, paint, paper, panel, plaster, tile and finish the interior surfaces of the ceilings, floors, window frames, door frames, trim and perimeter walls of the Living Unit and the surfaces of the bearing walls and partitions located within the Living Unit. Said Owners shall have the right to substitute new finished surfaces in place of those existing on said ceiling, floors, walls and doors of said Living Unit in place of those existing on said ceiling, floors, walls and doors of said Living Unit.

Section 15. Each Exclusive Use Area shall be (i) appurtenant to the Condominium Living Unit of which bear the same number as the Exclusive Use Area as set forth on the Condominium Plan, and (ii) used only for the purposes set forth in this Declaration. The right to so use an Exclusive Use Area shall be exercisable only by the Owner(s) of the Condominium appurtenant thereto and/or said Owner's tenants and licensee(s). Conveyance of a Condominium shall effect conveyance of Exclusive Use Areas appurtenant thereto and transfer of all rights thereto to the vested Owner of the Condominium. Any license(s) thereto shall be terminated upon such conveyance. No Exclusive Use Area or any rights thereto (other than said revocable licenses) shall be transferred or conveyed apart from conveyance of the Condominium to which it is appurtenant. Each Exclusive Use Area shall be deemed to be Common Area for all those purposes set forth in this Declaration which are not inconsistent with this Article V or Article VI.

Section 16. Each Owner shall have the following rights with regard to the Patio (when applicable) which he has the exclusive right to use:

(i) To place furniture and potted plants upon said area.

(ii) To landscape and plant flowers and shrubs which do not unreasonably interfere with the enjoyment of adjacent Living Units and Patios.

Each Owner shall have the right to place furniture and potted plants upon the Balcony/Deck, if any, which he has the exclusive right to use.

Each Owner shall have the right to park and store two (2) standard automotive vehicle(s) in the assigned Garage as designated on the Condominium Plan; Each Owner shall also be entitled to use the uncovered Common Area guest parking spaces in accordance with the purpose for which it is intended, without hindering or encroaching upon the lawful rights of the other Owners.

Except as provided in this Section 16 and Article VI, Section 1, nothing contained herein shall give any Owner the right to paint, decorate, remodel or alter said Exclusive Use Areas or any other part of the Common Area without the prior written consent of the Board.

Section 17. No power equipment, hobby shops or car maintenance (other than emergency work) shall be permitted on the Real Property except with prior written approval of the Board. Approval shall not be unreasonably withheld and in deciding whether to grant approval the Board shall consider the effects of noise, air pollution, dirt or grease, fire hazard, interference with radio or television reception, and similar objection.

Section 18. Anything contained in this Declaration to the contrary notwithstanding, no building, fence, wall or other structure or improvement shall be commenced, erected, placed or altered upon the Common Area until the location and the complete plans and specifications showing the nature, kind, shape, height and materials, including the color scheme, have been submitted to and approved in writing as to harmony of external design, color and location to surrounding structures and topography by the Board or by an Architectural Committee composed of three (3) or more, but not to exceed five representatives appointed by the Board from the membership of the Association. The grade, level or drainage characteristics of the Condominium Property or any portion thereof shall not be altered without the prior written consent of the Board or its designated committee. Plans and specifications for the installation of a solar heating system by a unit Owner must be submitted to the Board or Architectural Committee for approval prior to said installation. The Board or Architectural Committee shall reasonably review and grant its approval of said installation unless the proposed work will harm the project or conflict with the general plan of the development. Any solar heating system approved by the Board or Architectural Committee will still be subject to the applicable zoning district regulations, the Uniform Building Code and associated ordinances. In the event said Board, or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this article will be deemed to have been fully complied with. The provisions of this Section 18 shall not apply to the initial construction by Declarant of dwellings or other improvements on the Condominium Property, and neither the Board nor any committee appointed by the Board shall have any authority or right to approve or disapprove thereof.

ARTICLE VI

RESPONSIBILITIES OF OWNERS

Section 1. Each Owner of a Condominium shall be responsible for the maintenance and repair of the glass doors and windows enclosing his Living Unit, the interior of his Living Unit, and all appliances whether "built-in" or freestanding within the Living Unit, the interior surfaces of the Living Unit, and shall also be responsible for the maintenance and repair of the plumbing, electrical and heating systems servicing his Living Unit and located within the outside perimeter of the exterior bearing walls thereof, including television cable equipment and connections, and all appliances and equipment located in said Living Unit. Each Owner shall also be responsible for the maintenance and repair of the assigned Garage, Patio and Balcony/Deck, where applicable, which he has the exclusive right to use, including the interior, interior surfaces of fences and railing and any windows, and shall make repairs in such manner as shall be deemed necessary in the judgment of the Board to preserve the attractive appearance thereof and protect the value thereof. Each Owner hereby grants easements to other Owners to enter onto each condominium or to have utility companies enter onto Condominiums to repair the plumbing, heating and electrical systems located thereon, subject to the limitations on entry into any Living Unit set forth in Article II, Section 4. The Association shall maintain and repair all Guest Parking Areas.

Section 2. No Owner may sell, assign, lease or convey (i) his interest in the Common Area separate and apart from his Living Unit nor (ii) his Living Unit separate and apart from his Exclusive Use Area, nor (iii) his interest in the Common Area separate and apart from his Exclusive Use Area.

ARTICLE VII

PARTITION PROHIBITED

Each of the Owners, whether ownership is in fee simple to a Condominium Unit or as a tenant-in-common with respect to the Common Area, is hereby prohibited from partitioning or in any other way severing or separating such ownership from any of the other ownerships in the Condominium Property except upon the showing that: (i) three (3) years after damage or destruction to the project which renders a material part thereof unfit for its use prior thereto the project has not been rebuilt or repaired substantially to its state prior to its damage or destruction, or (ii) that three-fourths (3/4) or more of the Project has been destroyed or substantially damaged, and that Owners holding in aggregate more than a fifty percent (50%) interest in the Common Area are opposed to repair or restoration of the Project, or (iii) that the Project has been in existence in excess of fifty (50) years, that it is obsolete and uneconomic, and that Owners holding in aggregate more than a fifty percent (50%) interest in the Common Area are opposed to repair or restoration of the Project; provided, however, that if any Condominium shall be owned by two (2) or more co-tenants as tenants in common or as joint tenants, nothing herein shall be deemed to prevent a judicial partition as between such co-tenants.

ARTICLE VIII

POWER OF ATTORNEY

The Association is hereby granted an irrevocable power of attorney to sell the Condominium Property for the benefit of all the Owners thereof when partition of the Owners' interests in said Condominium Property may be had pursuant to Article VII above. The power of attorney herein granted may be exercised upon the vote or written consent of Owners holding in the aggregate at least two-thirds (2/3) of the interest in the Common Area by any two (2) Members of the Board who are hereby authorized to record a certificate of exercise in the Office of the County Recorder, which certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith; provided, however, that said power of attorney shall not apply to the Administrator of Veterans Affairs, an officer of the United States of America.

ARTICLE IX

SPECIAL RESTRICTIONS

Unless at least seventy-five percent (75%) of the first Mortgagees of Mortgages encumbering Condominiums (based upon one (1) vote for each mortgage) have given their prior written approval, neither the Owners nor the Association shall:

(i) Seek, by act or omission, to abandon the Condominium Project or to terminate the Condominium Plan or this Declaration, or change, waive or abandon any scheme of regulation or enforcement thereof, pertaining to the architectural design or the exterior appearance or maintenance of Living Units, assigned Garages, or the Common Area;

(ii) Change the pro rata interest or obligations of any Condominium for purposes of levying assessments or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the pro rata share of the Common Area appurtenant to each Living Unit;

(iii) Partition or subdivide any Condominium;

(iv) Seek, by act or omission, to abandon, partition, subdivide, encumber, sell or transfer the Common Area; provided, however, that the granting of easements for public utility or other public purposes consistent with the uses of the Common Area shall not be deemed a transfer within the meaning of this provision; or

(v) Use hazard insurance proceeds for losses to any portion of the Condominium Property for other than the repair, replacement or reconstruction of the Condominium Property, except as may be provided by statute or upon substantial loss to the Living Units, assigned Garages, and Common Area.

ARTICLE X

DAMAGE, DESTRUCTION AND CONDEMNATION OF COMMON AREA

Section 1. If any portion of the Common Area is damaged or destroyed by fire or other casualty, then:

(a) If the cost of repairing or rebuilding does not exceed the amount of available insurance proceeds by more than Five Thousand Dollars (\$5,000.00) the Board shall thereupon contract to repair or rebuild the damaged portions of the Common Area substantially in accordance with the original plans and specifications therefor.

(b) If the cost of repairing or rebuilding exceeds the amount of available insurance proceeds by more than Five Thousand Dollars (\$5,000.00) and if the Owners holding in aggregate more than fifty percent (50%) interest in the Common Area agree to the repair or restoration of the project, then the Board shall contract as provided in (a) above. If said Owners do not so agree, then all insurance proceeds received by the Association shall be distributed by the Association among the Owners of Units and their respective Mortgagees proportionately based upon the ratio of fair market value of a single unit to the fair market value of all units of the Condominium project as determined by an independent appraisal at the time of destruction.

(c) Anything in the immediately preceding paragraph to the contrary notwithstanding, the Board shall contract for such repair or rebuilding of Common Area which consists of building(s) containing Living Units, Garages (or portions thereof and/or improvements thereto) if fifty percent (50%) or more of the Owners owning Living Units in said building(s) agree to the repair or restoration of said building(s).

(d) If a bid to repair or rebuild is accepted, the Board shall levy a special assessment upon the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of the area of all the Units to be assessed to make up any deficiency between the total insurance proceeds and the contract price for such repair and rebuilding, and such assessment and all insurance proceeds, whether or not subject to liens of Mortgagees, shall be paid to the account of the Association to be used for such rebuilding.

Section 2. If any portion of the Condominium Property is taken by condemnation, eminent domain or any proceeding in lieu thereof then:

(a) In the event of any taking of a Living Unit, the Owner (and his Mortgagee as their interests may appear) of the Living Unit shall be entitled to receive the award for such taking, and after acceptance thereof he and his mortgagee shall be divested of all further interest in the Condominium Property if such Owner shall vacate his Living Unit as a result of such taking. In such event said Owner shall grant his interest in the Common Area, if any, to the other Owners owning a fractional interest in the same Common Area, such grant to be in proportion to the fractional interest in the Common Area then owned by each.

(b) In the event of any taking of the Common Area, the Owners of the Common Area, and their Mortgagees, shall be entitled to receive the award for such taking based upon the ratio of the Fair Market value of a Single Unit to the Fair Market Value of total units as determined by appraisal, provided, however, that should it be determined to repair or rebuild any portion of the Common Area, such proceeds shall be paid to the Association for that purpose in the same manner and subject to the same terms, conditions and limitations as are set forth above in Article X, Section 1 for repairing damaged or destroyed

portions of the Common Area. A decision to repair or rebuild shall be made in the same manner subject to the conditions and limitations as provided above in Article X, Section 1 for determining whether to rebuild or repair following damage or destruction.

Section 3. The Association shall obtain and continue in effect, a master policy of insurance (covering real property and improvements, and personal property owned by the Association) and liability insurance (including fire for full extended coverage, vandalism, malicious mischief, public liability, fidelity bond covering officers and employees, and employees of any manager or managing agent) naming the Association as obligee and written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating expenses, including reserves, glass coverage and, workmen's compensation coverage in form and amounts satisfactory to the Board, subject to Article IV, Section 5 requirements, but without prejudice to the right of the Owner for a Condominium to obtain individual Condominium insurance.

Insurance premiums for the master policy shall be a common expense to be included in the monthly assessments levied by the Association, and the portion of such payments necessary for the insurance premiums shall be held in a separate account of the Association and shall be used solely for the payment of the master insurance policy premiums as such premiums become due.

ARTICLE XI

DAMAGE AND DESTRUCTION OF LIVING UNITS

In the event of damage or destruction to any Living Unit, the Owner thereof shall reconstruct the same as soon as reasonably practicable and substantially in accord with the original plans and specifications therefor; provided, however, that any such Owner may, with the written consent of the Board, reconstruct or repair the same pursuant to new or changed plans and specifications. In the event the Board fails to approve or disapprove such changed plans and specifications within sixty (60) days of the receipt thereof, they shall be deemed to have been approved.

ARTICLE XII

ENFORCEMENT

Section 1. The Association, Declarant or any Owner shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by this Declaration.

Section 2. Failure by the Association, Declarant or any Owner to enforce any provision of this Declaration shall in no event be deemed a waiver of the right to do so thereafter.

Section 3. Breach of any said covenants and restrictions, or by reason of such breach, shall not defeat or render invalid the lien of any first mortgage or first deed of trust made in good faith and for value as to said lots, units, or property, or any part thereof; but such provisions, restrictions or covenants

shall be binding and effective against any owner of said property whose title thereto is acquired by foreclosure, trustee's sale or otherwise.

ARTICLE XIII

AMENDMENT AND DURATION

This Declaration and any amendments to it may be amended or revoked as follows:

(a) Before the issuance of the Final Public Report, this declaration and any amendments to it may be amended in any respect or revoked by the execution by declarant and when applicable, with consent from the Veterans Administration and any mortgagee of record of an instrument amending or revoking the declaration.

The amending or revoking instrument shall make appropriate reference to this declaration and its amendments and shall be acknowledged and recorded in the office of the Orange County Recorder.

(b) After the issuance of the Final Public Report, this Declaration may be amended at any time and from time to time by an instrument in writing signed by seventy-five percent (75%) of the voting rights of each class of members, any which amendment shall become effective upon the recording thereof with the Office of the County Recorder; provided, however, that so long as there is a Class "B" membership in the Association, the Veterans Administration consent, when applicable, is required. When the two-class structure is no longer in effect because of conversion of one class to another, then any amendment or revocation may be enacted by both seventy-five percent of the voting rights of the Association and at least a bare majority of the voting rights of the Class "A" Members other than Declarant. 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. No amendment may be made to Article IX and Article XVII by the Association membership without the prior written consent of at least seventy-five percent (75%) of the Mortgagees of first Mortgages encumbering Condominiums within the Condominium Property (based upon one (1) vote for each such Mortgage). No Amendment which would materially change the rights of an owner is valid without the prior written consent of the California Real Estate Commissioner during the period of time in which the Declarant or his successor in interest holds or controls as much as one-fourth of the votes of the Association that may be cast to effect such change.

The Covenants, Conditions and Restrictions of this Declaration shall run with and bind the land for a period of twenty (20) years from the date this Declaration is recorded, after which time the same shall be automatically extended for successive ten (10) year periods unless a Declaration of Termination is recorded in the public records of the County Recorder. Any amendment or revocation subsequent to the close of such first sale 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 and shall be acknowledged and recorded in the office of the County Recorder.

ARTICLE XIV

GENERAL PROVISIONS

Section 1. Severability. Should any provision in this Declaration be void or become invalid or unenforceable in law or equity by judgment or court order, the remaining provisions hereof shall be and remain in full force and effect.

Section 2. Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purposes of creating a uniform plan for the development and operation of a condominium project. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provisions or any other provision hereof.

Section 3. Litigation. In the event the Association, Declarant or any Owner shall commence litigation to enforce any of the covenants, conditions or restrictions herein contained, the prevailing party in such litigation shall be entitled to costs of suit and such attorney's fees as the Court may adjudge reasonable and proper. The "prevailing party" shall be the party in whose favor a final judgment is entered.

Section 4. Encroachment easements. The Owner of each Condominium is hereby granted an easement over all adjoining Living Units, Garages, and the Common Area for the purpose of accomodating 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 as long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachments, settlement or shifting; provided, however, that in no event shall an easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful misconduct of any Owner. In the event any portion of a structure on the Condominium Property is partially or totally destroyed and then repaired or rebuilt, each Owner agrees that minor encroachments over adjoining Living Units, Garages, or Common Area shall be easements for the maintenance of said encroachments so long as they shall exist.

Section 5. Limitation of Restrictions on Declarant. Declarant is undertaking the work of construction of residential Condominium dwellings and incidental improvements upon the Condominium Property. The completion of that work, and the sale, rental and other disposal of said Condominium dwellings is essential to the establishment and welfare of said Condominium Property as a residential community. In order that said work may be completed and said Condominium Property be established as a fully occupied residential community as rapidly as possible, nothing in this Declaration shall be understood or construed to:

(a) Prevent Declarant, its contractors or subcontractors from doing on the Condominium Property or any Living Unit, Garage, Patio or Balcony/Deck, whatever is reasonably necessary or advisable in connection with the completion of said work; or

(b) Prevent Declarant or its representatives from erecting, constructing and maintaining on any part or parts of the Condominium Property, such structures as may be reasonable and necessary for the conduct of its business of

completing said work and establishing said Condominium Property as a residential community and disposing of the same in parcels by sale, lease or otherwise; or

(c) Prevent Declarant from conducting on any part of the Condominium Property its business of completing said work, and of establishing a plan of Condominium ownership and of disposing of said Condominium Property in Condominium dwellings by sale, lease or otherwise; or

(d) Prevent Declarant from maintaining such sign or signs on any of the Condominium Property as may be necessary for the sale, lease or disposition thereof; provided, however, that the maintenance of any such sign shall not unreasonably interfere with the use by any Owner of his Living Unit, assigned Garage, or the Common Areas.

Declarant, in exercising his rights under this Article XIV, Section 5, will not unreasonably interfere with the use of the Common Area by the Owners of Condominiums.

So long as Declarant, its successors and assigns owns one or more of the Condominiums established and described herein, Declarant, its successors and assigns shall be subject to the provisions of this Declaration.

Section 6. Owners' Compliance. Each Owner, tenant or occupant of a Condominium shall comply with the provisions of this Declaration, the Bylaws, decisions and resolutions of the Association or its duly authorized representative, as lawfully amended from time to time, and failure to comply with such provisions, decisions, or resolutions shall be ground for an action to recover sums due, for damages, or for injunctive relief.

All agreements and determinations lawfully made by the Association in accordance with the voting percentages established in this Declaration or in the Bylaws, shall be deemed to be binding on all Owners of Condominiums, their successors and assigns.

Section 7. Limitations of Liability. The liability of any Owner for performance of any of the provisions hereof shall terminate upon sale, transfer, assignment, or other divestiture of said Owner's entire interest in his or her condominium with respect to obligations arising hereunder from and after the date of such divestiture.

ARTICLE XV

COMPLIANCE WITH CITY ORDINANCES

Notwithstanding any other provisions of this Declaration, the use of the Property shall be in compliance with all ordinances of the City of Costa Mesa. The City of Costa Mesa and its agents, departments and employees shall have the unrestricted right and authority to refuse issuance of any building, electrical, or plumbing permit which may be in violation of this Declaration and/or City Ordinances.

ARTICLE XVI

RIGHTS OF CITY OF COSTA MESA

(a) Sanitary sewer service to each Living Unit and the Common Area is provided by the City of Costa Mesa (hereinafter called "City") on a basis comparable to that for the provision of such services to property owners in said City whose property fronts on dedicated City streets. To assure the City of access to maintain and repair its services and facilities and for the provision of fire and police protection, the Board shall keep all access ways; roadways and appurtenances thereto on the Common Area that are not dedicated streets in a state of good condition and repair, consistent with the standard of quality of said roadways and appurtenances on original installation. All such repairs shall be made at the expense of the Association.

(b) The Board and the City shall agree as to certain rubbish collection service points on the Common Area and said collection points shall be maintained by the individual Living Unit Owners in accordance with the applicable sections of the City Code.

(c) If, in the opinion of the City, said accessways, roadways, or rubbish collection point facilities fall into a state of disrepair or are allowed to deteriorate so that the provision of City services enumerated herein becomes more hazardous or more expensive than the provision of services to comparable properties in the City, then, and in that event, the City may demand that appropriate repairs and restorations be made in accordance with the applicable sections of the City Code. If the Board does not undertake said repairs and restorations within fifteen (15) days after receipt of written demand therefor, then the City may do such work or repair or restoration. Any sums expended by the City shall be at the expense of the Members and shall be a charge upon the maintenance fund. The Board may levy a special assessment against the members for the payment of such charges and any such assessment shall be secured by the lien hereinabove described. Any such assessment shall be levied in proportion to the ratio that the number of Lots owned by each Member bears to the total number of Lots unless the work of repair is required by the conduct of one or more Members in which case the assessment shall be levied against said Member or Members.

(d) The Condominium Association shall establish written standards of exterior maintenance for the Common Area, and all improvements thereon, as the Association may from time to time find the welfare of the Association and the Owners demand. In establishing such standards, the Association shall consult with the City and, if required, enter into a maintenance agreement with the City. The standards shall be established by the same method as provided herein for making special assessments. If the Association fails to maintain the Common Area in accordance with the standards so established, the City may cause the necessary maintenance to be done to conform with the standards and assess the costs thereof to the Association and Owners obligated to so maintain in the same manner as assessments are levied under the City's ordinance for repair of substandard dwellings. All rights of notice, protest, and appeal under the ordinance or otherwise provided by law are reserved to the Association and the Owners.

(e) No amendment to this Declaration, which affects maintenance duties or enforcement provisions or which amend the provisions of Article IV, Section 7, Article V, Section 11(iv), and Article XVI, shall be effective without the prior written consent of the City of Costa Mesa.

ARTICLE XVII

MORTGAGE PROTECTION

In addition to the rights established in Article IX of this Declaration, a first mortgagee shall be entitled to the following:

(a) A first mortgagee, upon request, will be entitled to written notification from the association of any default in the performance by the individual unit Borrower of any obligation under the Declaration of Covenants, Conditions and Restrictions or under the Articles of Incorporation or Bylaws of the Association (hereinafter referred to as the condominium constituent documents) which is not cured within thirty (30) days.

(b) Any first mortgagee who obtains title to the Condominium Unit pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage, or deed in lieu of foreclosure will be exempt from any "right of first refusal" contained in the condominium constituent documents.

(c) Any first mortgagee who obtains title to the Condominium Unit pursuant to the remedies provided in the mortgage (which shall not include deed in lieu of foreclosure) or foreclosure of the mortgage will not be liable for such unit's unpaid dues or charges which accrue prior to the acquisition of title to such unit by the mortgagee.

(d) First mortgagees shall have the right to examine the books and records of the association of the condominium project.

(e) Condominium dues or charges shall include an adequate reserve fund for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis, and shall be payable in regular installments rather than by special assessments.

(f) No provision of the condominium constituent documents gives a Condominium Unit owner, or any other party, priority over any rights of first mortgagees of Condominium Units pursuant to their mortgages in the case of a distribution to Condominium Unit owners of insurance proceeds or condemnation awards for losses to or a taking of Condominium Units and/or common elements.

(g) Any agreement for professional management of the condominium project, or any other contract providing for services by the developer, sponsor or builder, must provide for termination by either party without cause or payment of a termination fee on thirty (30) days or less written notice and a maximum contract term of one year, renewable on yearly basis.

(h) In the event any first mortgage is purchased from the first mortgagee by the Federal Home Loan Mortgage Corporation (FHLMC), the association agrees to give FHMLC in care of the mortgage company or other financial institution acting as its servicer, in writing, notice of any loss to, or taking of, the common

elements of the condominium project if such loss or taking exceeds \$10,000 or damage to a Condominium Unit covered by a mortgage purchased in whole or in part by FHLMC exceeds \$1,000.

ARTICLE XVIII

ASSOCIATION FINANCIAL INFORMATION

The following financial information shall be regularly prepared and distributed by the governing body to all members regardless of the number of members or the amount of assets of the association.

(1) A budget for each fiscal year consisting of at least the following information shall be distributed not less than 45 days prior to the beginning of the fiscal year.

(A) Estimated revenue, and expenses on an accrual basis.

(B) The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

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

(D) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the common areas and facilities for which the Association is responsible.

(2) A balance sheet - as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of an interest in the subdivision - and an operating statement for the period from the date of the first closing to the said accounting date, shall be distributed within 60 days after the accounting date. This operating statement shall include a schedule of assessments received and receivable identified by the number of the subdivision interest and the name of the entity assessed.

(3) A report consisting of the following shall be distributed within 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.

(C) A statement of changes in financial position for the fiscal year.

(D) For any fiscal year in which the gross income to the Association exceeds \$75,000, a copy of the review of the annual report prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy.

If the report referred to in (3) 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.

In addition to financial statements, the governing body shall annually distribute within 60 days prior to the beginning of the fiscal year a statement of the Association's policies and practices in enforcing its remedies against members for defaults in the payment of regular and special assessments including the recording and foreclosing of liens against members' subdivision interests."

SIGNATURE

IN WITNESS WHEREOF, the undersigned hve executed this instrument this 15 day of JUNE, 1984.

ELDEN VENTURE GROUP
a Limited Partnership

BY: NEWPORT HARBOR BUILDERS, INC.,
a California Corporation,
General Partner

BY:

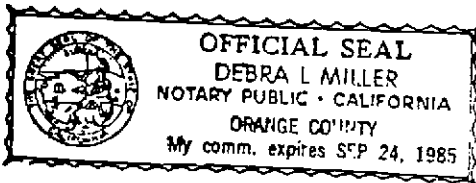
[Signature]
JOHN PETERKA, President

[Signature]
JOAN PETERKA, Secretary

STATE OF CALIFORNIA,

COUNTY OF ORANGE

} ss.



ON JUNE 15, 1984
before me, the undersigned, a Notary Public in and for the said State, personally appeared
JOHN PETERKA, known to me to be the
President, and JOAN PETERKA, known to me
to be the Secretary of _____

the Corporation that executed the within instrument, known to me to be the persons who executed the within instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the within instrument pursuant to its by-laws or a resolution of its board of directors.

WITNESS my hand and official seal.

[Signature]
Notary Public in and for said State.

CONSENT AND SUBORDINATION TO
DECLARATION OF RESTRICTIONS

ORANGE COAST SAVINGS & LOAN ASSOCIATION, Beneficiary under
that Deed of Trust recorded on November 29, 1983,
as Instrument Number 83-543227 of Official Records of
Orange County, California, hereby
consent to the recording of the within Declaration of
Restrictions for Tract Number 12008 and further
subordinates the lien or charges of its Deed of Trust to
said Declaration of Restrictions.

Dated: June 18, 1984

By: John A. Dawson
JOHN A. DAWSON, VICE-PRESIDENT

Beneficiary: ORANGE COAST SAVINGS & L
A

(PLEASE HAVE NOTARIZED FOR RECORDING)

STATE OF CALIFORNIA

COUNTY OF Orange } ss.

On this 18th day of June, 1984, before me, the undersigned,
a Notary Public in and for said County and State, personally appeared

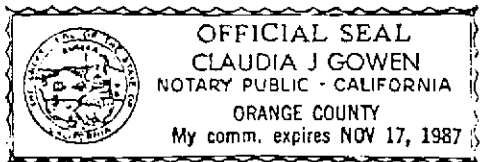
John A. Dawson

personally known to me (or proved to me on the basis of satisfactory evidence) to be the Vice
President, and _____

personally known to me (or proved to me on the basis of satisfactory evidence) to be the _____

Secretary of the corporation that executed the within instrument,
and known to me to be the persons who executed the within
instrument on behalf of the corporation therein named, and
acknowledged to me that such corporation executed the same,
pursuant to its by laws, or a resolution of its Board of Directors.

WITNESS my hand and official seal.



Claudia J Gowen
Notary signature

Acting - Corporation