

RECORDING REQUESTED BY AND
WHEN RECORDED MAIL TO:

CARLEY PACIFIC, INCORPORATED
11050 Santa Monica Blvd., Suite 200
Los Angeles, California 90025
Attention: Mr. Sol Shye

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
OF
CATALINA TERRACE AT MONTEREY HILLS

This is to certify that this is a full,
true and correct copy of the original
recorded in the office of the County
Recorder of Los Angeles County on

APRIL 16 19 84
Book _____ Page _____
as instrument No. 84-454094

CHICAGO TITLE INSURANCE COMPANY

By Don Harold
Title Officer

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THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS (hereinafter referred to as the "Declaration") is executed as of this 5th day of April, 1984, by CARLEY PACIFIC, INCORPORATED, a corporation organized under the laws of the State of California (hereinafter referred to as the "Declarant").

WHEREAS, Declarant owns all of that certain real property (hereinafter referred to as the "Property") commonly known as Catalina Terrace at Monterey Hills, Los Angeles, California, and more particularly described on Exhibit A which is attached hereto and by this reference made a part hereof, and the improvements constructed thereon, including, without limitation, Eighty-one (81) Condominium Units (all of which are hereinafter collectively referred to as the "Improvements"; the Property and the Improvements being hereinafter collectively referred to as the "Project");

NOW, THEREFORE, pursuant to the provisions of Chapter 1 of Title 6 of Part IV of Division 2 of the California Civil Code and Section 1468 of the California Civil Code, Declarant hereby declares that the Property, Improvements, appurtenances and facilities described herein and as shown on the condominium plan (hereinafter referred to as the "Condominium Plan" which is attached hereto as Exhibit B and by this reference made a part hereof) recorded concurrently with the recordation of this Declaration in the Office of the County Recorder of Los Angeles, State of California, shall be held, conveyed, divided, encumbered, hypothecated, leased, subleased, rented, used, occupied and improved only upon and subject to the following covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-ways, liens, charges and

equitable servitudes, all of which are hereby declared, established, expressed and agreed (i) to be in furtherance of a plan for the subdivision of individual "Condominiums" in a condominium "Project" as defined in Section 1350 of the California Civil Code, (ii) to be for the benefit and protection of the Project, its desirability, value and attractiveness, (iii) to be for the benefit of the Owners (as hereinafter defined), and each of them, of Condominiums in the Project, (iv) to run with the land and be binding upon all parties having or acquiring any right, title or interest in the Project or any portion thereof, (v) to inure to the benefit of every portion of the Project and any interest therein, and (vi) to inure to the benefit of and be binding upon each successor, assignee and lessee in interest of each Owner and of Declarant.

Any conveyance, transfer, sale, assignment, lease or sublease made by Declarant of a Condominium in the Project will be and hereby is deemed to incorporate by reference the provisions of this Declaration, including, but not limited to, the covenants, conditions, restrictions, limitations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes contained herein. The acceptance of a deed to any Condominium, the entering into a lease or sublease of any Condominium or the entering into occupancy of any Unit shall constitute an agreement that each and all of the provisions of this Declaration, the By-Laws and the Articles of Incorporation of the Association (as hereinafter defined), as the same or any of them may be amended from time to time, are accepted and ratified by such Owner or Occupant (as hereinafter defined).

ARTICLE 1
DEFINITIONS

In addition to the definitions hereinbefore set forth, the following words or phrases when used in this Declaration (except when the context otherwise requires) shall have the following definitions:

1.01 "Approval" shall mean the prior written approval or consent as required herein before doing, making or suffering that for which such approval or consent is required. "Approval by the Association" or "Approval of the Association" shall mean approval by the affirmative vote of a majority of the votes entitled to vote represented at a duly held meeting of the Association at which a quorum is present, or by the written consent of the Owners as provided in the By-Laws, unless any provision herein requires a greater proportion of the votes for any specified Association action. In addition, any provision herein contained calling for Approval of the Association shall require the Approval by the same percentage vote of each class of membership (as set forth in Paragraph 5.03 hereof) during the time that there are two outstanding classes of membership.

1.02 "Assessment" shall mean an Assessment, whether Regular (as described in Paragraph 8.01 hereof) or Special (as described in Paragraph 8.02 hereof) levied, charged or assessed against an Owner and his Condominium, and each of them, in accordance with the provisions of this Declaration and shall become a debt of such Owner and be deemed to have been "made" within the meaning of Section 1356 of the California Civil Code when such Assessment is entered upon the assessment

roll described in Paragraph 8.01(c) of this Declaration and notice thereof has been mailed to the Owner of the Condominium so assessed.

1.03 "Association" shall mean the Catalina Terrace Homeowners Association, a California non-profit corporation (the members of which shall be all of the Owners) described in Paragraph 4.01 hereof. The Association, acting alone or through its Board of Directors, officers, managers or any duly authorized representative shall constitute the "management body" within the meaning of Section 1355 of the California Civil Code.

1.04 "Board" shall mean the Board of Directors of the Association as the same may from time to time be constituted.

1.05 "By-Laws" shall mean the duly adopted By-Laws of the Association, as the same may from time to time be amended.

1.06 "Common Area" shall mean the entire Project, excepting all of the Units therein conveyed or reserved by Declarant. Subject to the foregoing, the Common Areas shall include, without limitation, all bearing walls, common walls (but not including the surfaces thereof located within any Unit), columns, floors (but not including surfaces thereof located within any Unit), roofs, foundations, elevator equipment and shafts, central heating, central refrigeration and central air conditioning equipment, reservoirs, tanks, pumps, and other central services pipes, ducts, chimneys, flues, chutes, conduits, wires, sprinkler systems and other utility

installations, wherever located (except outlets thereof when located within a Unit), all lobbies, stairs and stairways (but not including stairs and stairways located solely within any Unit), all basements, sub-basements, surface and subterranean parking facilities and ramps, Parking Spaces (as hereinafter defined), crawl spaces, yards, gardens, landscaping, planters, fountains, spa and facilities, and all other recreational or community facilities, laundry rooms, office, meeting rooms, rest rooms, storage areas, storage compartments and facilities, driveway areas, all compressors and control equipment serving the Common Area or more than one Unit, as distinguished from those compressors and control equipment serving only one individual Unit, and all other parts, apparatus and installations existing in any Improvements necessary or convenient to the existence, maintenance or safety of the Project as a whole. Staircases located solely within a Unit, individual water heating and air conditioning units, and heating equipment, tanks and other equipment serving only one individual Unit (as distinguished from any room, compartment or closet which opens onto a Common Area and contains such units, tanks and equipment) shall not constitute a part of the Common Area, but shall constitute a part of the Units served thereby. Patios and Balconies (as hereinafter defined) shall not constitute part of the Common Area, but shall constitute part of the Units served thereby, and the lateral and vertical boundaries of same shall be as defined in the Condominium Plan.

1.07 "Common Expenses" shall mean any use of Common Funds necessary and incident to the performance of the duties described in Paragraph 7.01 of this Declaration and shall include all expenses or charges for the administration,

insurance, maintenance, personnel, operation, repairs, additions, alterations or reconstruction of the Common Areas within the Project, expenses incurred for legal and accounting services for the Project and any amounts reasonably necessary for reserves and contingencies as the same may be estimated from time to time by the Board.

1.08 "Common Funds" shall mean all funds collected or received by or payable to the Association or any of its duly authorized representatives, for use in the administration, operation, maintenance, repair, addition, alteration or reconstruction of all or any portion of the Common Area, including, but not limited to, the proceeds from insurance carried or obtained by the Association which are payable to or received by the Association as trustee for all of the Owners and their Mortgagees pursuant to Article 16 hereof.

1.09 "Component Interest" shall mean the combination of an Owner's ownership in his Unit together with his Percentage Interest of the Common Area.

1.10 "Condominium" shall mean a condominium as defined in Sections 783 and 1350 of the California Civil Code, located within the Project and shall be that estate in real property transferred, conveyed and granted to each Owner as described in Article 2 hereof.

1.11 "Condominium Plan" shall mean and refer to the recorded diagrammatic floor plan of the Units built or to be built on the Property which identifies each Unit and shows its dimensions pursuant to Section 1351 of the California Civil Code.

1.12 "Eligible Mortgagee" shall mean the record owner of a beneficial interest under a first-lien Mortgage that has delivered to the Association, at its address for notices, a written request to receive notice of the matters described in Paragraph 21.02 hereof, which request shall contain the name and address of the Eligible Mortgagee and shall identify each Unit on which it holds a Mortgage. For purposes of receiving notices as described in Article 21, the term "Eligible Mortgagee" shall also include any insurer or guarantor of a first-lien Mortgage which has given notice as described in the preceding sentence, except that such notice shall identify each Unit subject to a first-lien Mortgage insured or guaranteed by such insurer or guarantor.

1.13 "Manager" shall mean any person, firm or other entity delegated, appointed or employed by the Association to operate, maintain and manage the Project, as more particularly described in Paragraph 7.03 hereof.

1.14 "Mortgage" shall mean any security device, including without limitation deeds of trust, encumbering all or any portion of the Project or any Condominium located therein.

1.15 "Mortgagee" shall mean the record owner of a beneficial interest under a Mortgage.

1.16 "Occupant" shall mean any person which possesses or otherwise occupies a Unit and shall include without limitation the Owner, the family (and each member thereof), guests, tenants, servants, employees, and invitees of such Owner.

1.17 "Owner" shall mean any person, firm, corporation or other association which owns a Condominium and shall mean any person, firm, 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 of Los Angeles County, State of California. Declarant shall be deemed the Owner of all retained or unsold Condominiums until Declarant or its successor or assigns shall have executed and caused to be recorded in the Office of the County Recorder of the County of Los Angeles, State of California, an instrument of conveyance conveying the respective Condominium.

1.18 "Parking Spaces" shall mean those portions of the Common Area designated as Parking Spaces on the Condominium Plan, and which shall be set aside and allocated initially by Declarant for the exclusive use of "Owners". Such Parking Spaces are also herein referred to as "Restricted Common Area". The initial allocation and assignment of Parking Spaces is indicated on Exhibit C hereto. In addition to the Parking Spaces, there are 15 unassigned parking spaces and one handicapped parking space located and shown on the Condominium Plan (herein referred to as "Guest Parking Spaces"). Guest Parking Spaces may be used by all Owners, their guests and invitees, subject to such rules and regulations as the Board may adopt from time to time.

1.19 "Personal Property of the Association" or "Personal Property" shall mean all tangible and intangible personal property as may from time to time be acquired, owned, held or controlled by the Association for the use and benefit of the Owners, and any replacements, substitutions or additions thereto. No Owner shall have any interest in the Personal

Property of the Association and the transfer of a Condominium to an Owner shall not transfer to him any proprietary interest therein.

1.20 "Percentage Interest" shall mean that percentage interest set forth on Exhibit C attached hereto and made a part hereof, which represents each Owner's undivided interest in and to the Common Area.

1.21 "Person" shall mean a natural person, corporation, partnership, association or firm and shall include (except where the context otherwise requires) an Owner, the Association, each member of its Board, each of its officers, the Manager and each member of his staff, and any Mortgagee.

1.22 "Unit" shall mean the element of a Condominium which is not owned in common with the Owners of other Condominiums and consisting of the air space lying within the boundary lines as shown on the Condominium Plan.

ARTICLE 2

DESCRIPTION OF PROPERTY AND INTEREST THEREIN

2.01 Interest Conveyed. Each Owner shall receive in his instrument of conveyance a fee simple condominium estate 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; and,

(ii) An individual undivided Percentage Interest as tenant in common in and to the Common Area; which Percentage Interest shall be the amount set forth opposite the Unit included in such conveyance on Exhibit D hereto.

(iii) An exclusive easement and exclusive right to use no less than one (1) Parking Space, which Parking Space(s) shall be identified by the number(s) set forth opposite the number of the Unit included in such conveyance on Exhibit C hereto.

2.02 Easement for Support. In accordance with Section 1353(c) of the California Civil Code, each Owner shall enjoy, and each shall have a nonexclusive easement, appurtenant and for the benefit of his Unit, for ingress, egress and support over, across and through the Common Area, including without limitation vehicular and pedestrian passage over the roads and walkways within the Common Area, and a nonexclusive easement appurtenant to and for the benefit of his Unit, for support over, across and through every portion of every Unit within Project required for this structural support of the building within which said Unit is located.

2.03 Interpretation. In interpreting deeds and the Condominium Plan, the existing physical boundaries of a Unit or of a Unit reconstructed in substantial accordance with the Condominium Plan shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in the deed or Condominium Plan, regardless of settling or lateral movement of the building within which the Unit is located and

regardless of any variance between boundaries shown on the Condominium Plan or in the deed and those of the building.

2.04 Encroachments. If any part of the Common Area encroaches upon any Unit, or if any Unit encroaches upon the Common Area, or upon another Unit, a valid easement for such encroachment and maintenance thereof shall and does exist, so long as it continues. In the event any building within the Project shall be partially or totally destroyed and then rebuilt, minor encroachments of any part of the Common Area upon or within any Unit or of any Unit upon the Common Area, or upon another unit, due to such construction shall be permitted, and valid easements for such encroachments and the maintenance thereof shall exist.

ARTICLE 3

USE RESTRICTIONS

3.01 Temporary Use by Declarant. Except for such temporary use by Declarant, its agents, employees and invitees, as is reasonably necessary or convenient to facilitate and complete the development, improvement and conveyance of the Condominiums and the construction, excavation, grading and completion of any and all Improvements, landscaping, parking and service facilities, storage and recreational facilities for the Project together with alterations and interior decoration in and to Common Areas and Units, and the permanent use by the Association, the Board and the Manager, if any, of all areas and space, including parking and storage space reasonably necessary for use in connection with the operation and maintenance of the Project; the Units, Common Areas (including the Restricted Common Areas), and any Personal

Property of the Association shall be occupied and used only as provided herein. In furtherance of the foregoing, but without limiting the generality thereof, Declarant hereby reserves an easement, with the right to transfer and grant same, over, under and across the Common Areas for the installation, operation and maintenance of water, gas, electrical conduits, telephone cables, signal transmission cables and master radio and television systems and antennas, and other utility facilities; provided, however, in no event shall the exercise of the easement or any of the rights herein reserved unreasonably interfere with the use and possession by the Owners of their respective Units and the Common Area.

3.02 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 for single-family residential purposes. Except for the management, operation and maintenance of the Project and subject to the provisions of Paragraph 3.01 of the Declaration, no professional, commercial or industrial operation or business of any kind whatsoever shall be established, maintained, operated, carried on, permitted or conducted from the Project.

3.03 Interior of Units. Each Owner shall maintain in good repair the interior of his Unit. Subject to the provisions of Paragraph 3.05 and 3.06 hereof, each Owner shall have the exclusive right to paint, repaint, tile, wax, wallpaper or otherwise furnish and decorate the interior surfaces of the walls, partitions, ceilings, floors, windows and doors within his Unit; provided, however, that Declarant or the Association may prescribe the quality and color of draperies, curtains or other window coverings that may be installed within

the Units; provided, further, that, subject to the provisions of Article 17 hereof to the extent the same is part of the "Insured Premises" to be repaired or reconstructed by or on behalf of the Association, all maintenance repairs and/or replacement of interior surface of walls (including wall coverings), partitions, floors (including floor coverings), ceilings, doors, door frames and moldings within any Unit, all plumbing and lighting fixtures, refrigerators, heating and air conditioning equipment, water heater, dishwashers, disposals and other household appliances, serving each Unit, whether or not physically attached to such Unit, all glass doors and windows enclosing such Unit and all painting, papering, paneling, plastering, tiling and finishing of the interior surfaces thereof shall be at the sole cost and expense of the Owner of such Unit.

3.04 Balconies.. The Owner of a Unit shall not, without the Approval of the Architectural Control Committee (as hereinafter defined), paint, alter or remodel in any manner any Balcony included in the Unit. All Balconies included in a Unit may be furnished by the Owner only with outdoor furniture in keeping with the architecture of the Project and reasonably related to normal family use. Each Owner shall, at his sole cost and expense, maintain the landscaping within any Balcony appurtenant to his Unit, and shall otherwise keep and maintain such Balcony in a neat and clean condition at all times. Notwithstanding the foregoing, the Owner of such Unit (i) shall not have the right, and the Association and the Architectural Control Committee shall not have the power to grant the right, to enclose any Balcony or otherwise alter or remodel the structure of any such Balcony or any portion of the Common Area to which such Balcony is attached.

3.05 Insurance. Nothing shall be done or kept in or on any Unit or Common Area which will increase the rate of insurance in or on that or any other Unit or Common Area. No Owner shall permit anything to be done or kept in his Unit or in any Common Area or in or on any portion thereof with respect to which he has an easement or right of exclusive use, which would result in the uninsurability, cancellation, suspension, modification or reduction of insurance in, on or covering his or any other Unit, Common Area or item of Personal Property within the Project. If, by reason of the occupancy or use of any Unit or Common Area by any Owner, the rate of insurance on all or any portion of the Project shall be increased, such Owner shall become personally liable to the Association for any increase in insurance premiums caused thereby in accordance with Paragraph 8.02 hereof.

3.06 Structural Maintenance and Exterior of Units. Nothing shall be done in, on or to any Unit or Common Area which will impair the structural or architectural integrity of any Improvement or any portion thereof. No Owner shall make, or permit to be made, any alteration, demolition or improvement to, on or of any portion of the Common Areas without the Approval of Architectural Control Committee, including without limitation painting of the exterior surfaces of the building within which any Owner's Unit is located, removal of any planting or structure, or construction of any fences or walls (except to the extent permitted pursuant to Paragraph 3.04 hereof). Notwithstanding the foregoing, the Approval of the Architectural Control Committee shall not be required for the installation within a Unit of any decorative items such as fixtures, shelving and art work irrespective of whether such installation requires affixing said items to bearing walls.

3.07 Alteration of Common Area. No building, fence, wall, tent, or any other structure shall be erected, constructed, altered or maintained upon, under or above or moved upon any part of the Common Area, and no grading, cut, fill or excavation shall be done, changed or altered unless the plans and specifications thereof showing the construction, nature, kind, shape, height, material and exterior color scheme thereof, including but not limited to windows and window fixtures, names, name plates or signs, and a plot plan indicating the location of such structure on the building site to be built upon, and grading plans (if requested) of the building site, shall have been submitted to and approved by the Architectural Control Committee, and a copy of such plans and specifications, plot plan and grading plan (if requested) as finally approved is deposited for permanent record with the Association.

3.08 Signs. No sign, notice, nameplate, card or advertisement of any kind shall be displayed to the public view on or from any Unit or any Common Area, without the Approval of the Board; provided, however, that signs, of reasonable size, in aid of the sale or lease of units may be displayed in areas of the Project designated by the Board.

3.09 Electrical Wiring and Equipment. No Owner shall install, attach or hang, or cause to be installed, attached or hung any equipment or wiring for electrical installation, television or radio transmitting or receiving antenna, machines or air conditioning units or other like equipment or wiring in or on any portion of the Common Area or that protrude from any Balcony or Patio or through any Common Area, wall, floor, ceiling, window or door. All radio, television, air conditioning units, or other electrical equipment or appliances

of any kind or nature or wiring therefor installed or used in a Unit shall comply fully with all rules, regulations and requirements of all state and local public authorities having jurisdiction over same, and the Owner alone shall be liable for any damage or injury caused by any such radio, television or other electrical equipment or appliance installed or used in his Unit. No alteration to or modification of a central radio and/or television antenna system or cable television system, if any, as developed by Declarant and as maintained by the Association, shall be permitted.

3.10 Nuisance. 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 embarrassment, disturbance or annoyance to other Owners in the use and enjoyment of their property or in the use and enjoyment of the Common Area. Without limiting the foregoing, no horns, whistles, bells or other sound devices, except security devices approved for use by the Architectural Control Committee 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 paragraph shall not preclude the use and operation of stereos, radios, television or musical instruments where the volume is maintained at a reasonable level.

3.11 Compliance with Laws. 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 Unit.

3.12 Pets. No bird, reptile or animal of any kind shall be raised, bred or kept in any Unit, or in any Common Area, except that dogs, cats or other usual and ordinary domestic household pets may be kept in a Unit; provided, however, that the size and number of pets permitted to be maintained and kept shall be in accordance with the rules and regulations adopted by the Board. The Owner of any pet shall and does hereby indemnify the Declarant, Association, the Board, the Manager, if any, and agrees to hold each of them harmless from and against any and all loss, cost, liability or expense of any kind or character whatsoever arising from or growing out of having pets within the Project. Any inconvenience, damage or injury caused by such domestic pet or pets shall be the responsibility of the respective Owner thereof.

3.13 Vehicles. Subject to the provisions of Paragraph 3.21 hereof, 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, except that, guest parking, limited to automobiles, may be permitted to remain in those areas designated as "Guest Parking Spaces" by the Board, for a period of time not in excess of twenty-four (24) hours. No Owner or Occupant 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, garage or parking facility or Parking Space by another vehicle. No Owner shall construct, repair, service or maintain any motor vehicle within any portion of the Common Area, except for emergency repairs thereto to the extent necessary for the movement thereof to a proper repair facility.

3.14 Common Area Obstructions. Subject to the provisions of Paragraph 3.01 hereof, no part of the Common Area shall be obstructed so as to interfere with its use as permitted by this Article. The Common Area shall be used for the purposes intended.

3.15 Laundry. No laundry, bedding, garment or similar article shall be hung, and no exterior clothesline shall be erected or maintained so as to be visible from public or private streets, the Common Area or any other Unit.

3.16 Swimming Pool, Spa and Recreational Facilities. The swimming pool, spa and other recreational facilities and all Personal Property of the Association therein located shall be used only in such manner and at such times as the Board may from time to time direct.

3.17 Flammable, Corrosive or Explosive Materials. No Occupant shall at any time bring into, keep or maintain in or on any portion of the Project any highly corrosive or explosive solid, liquid, gas, chemical, substance or other material which may be extrahazardous to life, limb or property.

3.18 Trash, Refuse. No trash or refuse cans, ice, milk bottles or other articles shall be placed in the Common Areas, unless deposited in appropriate containers suitably placed as designated by the Board.

3.19 Storage Limitations. There shall be no storage of any item except in an enclosed area not visible from other Units, adjoining streets or other portions of the Common

Area, and no item of any kind may be stored or permitted to be stored by any Owner in any portion of the Common Area; provided, however, that equipment for use exclusively for the maintenance or operation of the Common Area may be stored and maintained in or upon such portions of the Common Area as the Board may from time to time designate. No storage of any kind shall be allowed in any room, compartment, closet or facility within which heating, air conditioning or water heating equipment is located whether physically within or attached to or adjoining a Unit served thereby or otherwise.

3.20 Parking Facilities and Roadways. Each Owner shall observe all regulations from time to time established by the Board, including, but not limited to, speed limitations, and directional arrows and signs when using the parking facilities, roads, roadways and pedestrian ways within the Project.

3.21 Central Utility Controls. Subject to the provisions of Paragraph 3.01 hereof, no Owner shall adjust, attempt to adjust, fix, alter or repair any Common Area heating, air conditioning, electrical equipment, valves, pumps, pipes, ducts, wires or other utility installation or Common Area controls within the Project without the Approval and supervision of the Manager, if any, or the Board.

3.22 Drilling Operations. The use of any portion of the Project for drilling operations, mining or quarrying of any kind, including without limitation, oil well drilling, is hereby prohibited.

3.23 Discrimination. There shall be no discrimination against or segregation of, any person, or group of persons on account of marital status, sex, race, color, creed, national origin or ancestry in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Project, nor shall the transferee himself or any person claiming under or through him, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Project, or any portion thereof.

3.24 Drainage. There shall be no alteration, modification, or interference which adversely affects the operating, safety or aesthetic condition of the established drainage system over the Common Area. The "established drainage system" shall mean the network of interceptor terraces (bench drains), interceptor terraces (double capacity), diverter terraces, open down drains, rip-raps, slope outlet drainage devices and structures which exist and are in place over the Common Area as of the date of this Declaration.

3.25 Mailboxes. The Association shall provide appropriately marked facilities for the receipt of mail and packages by Owners of the Units.

3.26 Power Tools. No power tools, welding equipment or carpentry shops shall be maintained or used within the Project without the approval of the Board.

3.27 Waterbeds. Each Owner agrees to indemnify the Association, all other Owners, the Board and the Manager

and agrees to hold them and each of them harmless from and against any and all loss, cost, liability or expense of any kind or character whatsoever arising from or growing out of the use or possession of waterbeds within such Owner's Unit.

3.28 Roof. The roofs of the Improvements shall be used only in such manner and at such times as the Board may from time to time direct.

ARTICLE 4 ASSOCIATION

4.01 Managing Body. The Catalina Terrace Home-owners Association, a California non-profit corporation ("Association"), shall be the management body of the Project within the meaning of Section 1355(a) of the California Civil Code.

4.02 Membership in Association. Each Owner shall automatically become a member of the Association and shall remain a member thereof until he shall cease to be an Owner or his membership shall be terminated or suspended by the Association pursuant to Paragraph 19.05 hereof.

4.03 Transfer of Membership. A membership in the Association is appurtenant to and inseparable from the ownership of a Condominium and shall be automatically transferred upon any sale, grant or conveyance of the Condominium; provided, however, that a membership in the Association and all rights and incidents thereto, including without limitation, the right to vote as provided in the By-Laws, shall not be transferable to lessees of Owners. An Owner shall conclusively be deemed to have ceased to be an Owner and a member of the

Association and a new Owner shall be deemed to have succeeded to such ownership and membership, when and only when a deed transferring the respective ownership interest has been executed, delivered and recorded and evidence thereof has been delivered to the Association.

ARTICLE 5

BOARD OF DIRECTORS AND VOTING RIGHTS

5.01 Initial Board of Directors. The initial Board of Directors of the Association shall be five (5) persons named by the Declarant.

5.02 Election of Board of Directors. At the time of the first annual meeting of the members of the Association, the Owners shall elect, in accordance with this Declaration and Article 2 of the By-Laws, a Board of Directors replacing the initial Board of Directors as defined in Paragraph 5.01 hereof. Directors need not be members of the Corporation nor reside in the Project.

Notwithstanding anything herein or in the By-Laws to the contrary, in the event that, at any time commencing with the first annual meeting of the Association, the aggregate votes of the "Class A members" (as described in Paragraph 5.03 hereof) entitled to vote are not sufficient to elect at least one (1) Director, all but one (1) Director shall be elected in accordance with the provisions hereof and one (1) Director shall be elected solely by the Class A members. In the event a Director shall be elected solely by Class A members pursuant to this paragraph, such Director may be removed from office prior

to the expiration of his term of office only by the vote of at least a majority of the Class A members entitled to vote.

5.03 Voting. The Association shall have the two classes of voting membership as follows:

Class A. Class A members shall be all Owners with the exception of the Declarant and shall be entitled to one vote for each Condominium owned, subject to the provisions of 19.05 hereof. 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 vote be cast with respect to any Condominium.

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

(i) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or

(ii) the second anniversary of the original issuance of the Final Subdivision Public Report for the Project.

Except as provided in Section 7.07 of this Declaration, any requirement in the Articles of Incorporation, By-Laws, or this Declaration calling for membership approval of action to

be taken by the Association shall be read as requiring the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Except as provided in Section 7.07 of this Declaration, any requirement elsewhere in the Articles of Incorporation, By-Laws, or this Declaration that the vote of the Declarant shall be excluded in any such 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 vote of the prescribed percentage of the Class A members and the vote of the prescribed percentage of the Class A members other than the Declarant.

ARTICLE 6

TRANSFER OF TITLE AND MANAGEMENT AND CONTROL TO ASSOCIATION

6.01 Transfer. The management and control of the Common Area and the Personal Property of the Association, both tangible and intangible, shall be transferred from Declarant to the Association contemporaneously with the election of the Board of Directors as provided in Paragraph 5.02 hereof. To the extent Declarant shall not have theretofore conveyed same, all of Declarant's rights reserved pursuant to Paragraph 3.01 hereof shall be transferred to the Association at such time as Declarant shall no longer be an Owner, and all improvements, including utility facilities to be constructed within the Project have been completed.

ARTICLE 7
MANAGEMENT

7.01 Management Powers. In addition to the powers of collection and enforcement set forth in Article 9 hereof, the Association acting as the "management body", as defined in Section 1355(b) of the California Civil Code, may, subject to the provisions of the Articles of Incorporation and By-Laws, (a) exercise any and all rights and powers set forth in Section 1355(b) of the California Civil Code and Section 2792.21(a) of Title 10 of the California Administrative Code and (b) provide, perform, cause to be performed, maintain, acquire, contract and pay for all or any of the services described therein out of Common Funds or provide such other services for the use, enjoyment and protection of the Project and the Occupants thereof as the Association may determine from time to time are proper or desirable. Without limiting the generality of the foregoing, the Association shall (i) paint, maintain, repair, replace, and pay for and perform or cause to be performed all gardening and landscaping of the Common Area (including the streets therein and all project monuments therein bearing the names "Catalina Terrace" and "Catalina Terrace at Monterey Hills", or any derivation thereof) as the Association shall determine are necessary and proper, including without limiting the generality of the foregoing, all equipment, furnishings, and personnel for such portions of the Common Area used for recreational purposes necessary or proper therefor and for the facilities thereon, and the Association shall have the exclusive right and duty to perform or acquire the same; (ii) maintain in the best possible operating, safety and aesthetic condition the entire portion of the "established drainage system" (as

defined in Paragraph 3.24 hereof) which is situated in the Common Area, and to promptly repair or replace the same resulting from any damage which results from normal wear and use or from any unusual, unexpected or abrupt forces or from any other cause whatsoever. In addition, the Association shall paint, maintain and repair the exterior surfaces of the buildings wherein the Units are located, including, but without limitation, painting, replacement of trim, caulking, and other repairs of the roof and structure as all of the foregoing shall be deemed necessary by the Board. Notwithstanding the foregoing, (i) no contract for the services of a Manager or any other person employed to assist in the operation and maintenance of the Project shall be made or entered into which binds the Association unless the same has a term not to exceed one (1) year, is terminable for cause on not greater than thirty (30) days written notice and is terminable by either party without cause and without payment of a termination fee on ninety (90) days or less written notice; (ii) the Association may not incur aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five percent (5%) of the budgeted Common Expenses (as determined pursuant to Paragraph 8.01 hereof) for that fiscal year unless Approved by the Association, excluding the vote of Declarant as to retained or unsold Condominiums; (iii) the Association may not sell during any fiscal year property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted Common Expenses (as determined pursuant to Paragraph 8.01 hereof) for that fiscal year unless Approved by the Association excluding the vote of Declarant as to retained or unsold Condominiums; (iv) the Association may not pay compensation to members of the Board or to officers of the Association for services performed in the conduct of the Association's

business, provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association; and (v) the Board of Directors may not fill a vacancy on the Board of Directors created by the removal of a Director except with the consent of a majority of the voting power of the Association excluding the votes of Declarant.

7.02 Financial Statements. The Board shall cause to be prepared (i) a balance sheet as of an accounting date which shall be the last day of the month closest in time to six (6) months from the date that the first Condominium shall have been sold; (ii) an operating statement for such period which shall include a schedule of Assessments received or receivable, itemized by Unit number and the Person assessed; (iii) an annual operating statement reflecting the income and expenditures of the Association for the maintenance and operation of the Project and changes in the financial position of the Association for each of the Association's fiscal years; (iv) a balance sheet for each of the Association's fiscal years; and (v) a budget for the coming fiscal year which shall contain at least the following information:

(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 Areas and facilities and Personal Property of the Association 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 Board 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.

A copy of the statements described in (i) and (ii) above shall be delivered to each Owner not later than sixty (60) days after the end of the period for which same shall be prepared. The statements described in (iii) and (iv) above shall be prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy, and copy of each of said statements shall be delivered to each Owner within 120 days after the close of the relevant fiscal year of the Association and to each holder, insurer, or guarantor of a first Mortgage from which the Association has received a request in writing for copies of the same. A copy of the budget described in (v) above shall be delivered to each Owner not later than 45 days prior to the beginning of the relevant fiscal year. If any audit, other than such audit as is necessary for the preparation of the statements described in (iii) and (iv) above, is desired by a majority of the Owners, it shall be prepared at the expense of such Owners desiring same. In addition to financial statements, the Board shall annually distribute within 60 days prior to the beginning of the Association's fiscal year a statement of the Association's policies and practices in enforcing its remedies against Owners for defaults in the payment of Regular and Special Assessments,

including the recording and foreclosing of liens against Owners' interests in the Project.

7.03 Delegation of Powers. The Board may delegate any of its duties, powers or functions to maintain the Project, provide any and all services with respect thereto, and administer the day-to-day affairs of the Project, including without limitation, maintaining the books of account and records of the Association, to any person, corporation, partnership or other entity as Manager. Said Manager may further be authorized to file any notice and take any legal action on behalf of the Owners which filing or taking of such action is within the authority of the Board. Neither the Association, nor the members of the Board, nor its officers shall be liable for any omission or improper exercise by the Manager or his staff of any such duty, power or function so delegated.

7.04 Right of Entry. The Manager or any one or more qualified persons designated by the Manager, or if there be no Manager then one or more qualified persons designated by the Board, shall have the right and authority to enter upon and within any Unit, in the presence of the Owner thereof or otherwise, for the purpose of (i) making emergency repairs therein within the meaning of Paragraph 7.06 hereof, (ii) performing necessary maintenance or repairs to portions of the Common Area, (iii) abating any nuisance, or any dangerous, unauthorized, prohibited or unlawful activity being conducted or maintained in such Unit, (iv) protecting the property rights and welfare of the other Owners, or (v) for any other purpose reasonably related to the performance by the Manager of his responsibilities mandated by the Board or required by the terms of this Declaration as the same may from time to time be

amended or modified by the Association. Such right of entry shall be exercised in such a manner as to avoid any unreasonable or unnecessary interference with the possession, use and enjoyment of the Owner or Occupant of such Unit and shall be preceded by reasonable notice to the Owner or Occupant thereof whenever the circumstances permit. Notwithstanding anything contained in this Paragraph 7.04 to the contrary, the Manager, acting alone, or one or more persons designated by the Manager, or if there be no Manager then such person designated by the Board, is hereby authorized to make such entry into and upon any room, closet or enclosure containing heating, air conditioning equipment and water heaters, or any of them, which room, closet or enclosure is unattached to or located outside the residential portions of any Unit at any time to make such inspections, repairs and replacements as he shall deem reasonably necessary.

7.05 Limitation of Liability. Notwithstanding the duties enumerated herein to maintain the Project, the Declarant, the Association, the Manager, if any, or any of their respective agents, employees or officers shall not be liable for any injury or damage to persons or property caused by the elements, any condition or any Improvement of the Property, or by another Owner unless caused by the gross negligence of the Declarant, Association, Manager, or any of their respective agents, employees or officers.

7.06 Repairs to Units. In the event (a) any Owner fails to maintain the interior of his Unit in such a manner as deemed reasonably necessary in the judgment of the Board to preserve the value of such Unit, the value or attractive appearance of the Project as a whole, or the safety and

welfare of the other Owners, and (b) such Owner, within a reasonable time designated by the Board after such Owner's receipt of a written notice requesting the work, maintenance or repair which the Board finds to be required, fails to effect such work, maintenance or repair, the Board may cause such work to be done in the name of such Owner and may assess the cost thereof (including the cost and expense of all necessary governmental approvals or other entitlements) to such Owner in accordance with Paragraph 8.02(a) hereof. For the purposes only of this Paragraph 7.06 and Section 1357 of the California Civil Code, any work, maintenance or repairs the Board shall cause to be performed in accordance with this Paragraph 7.06 shall be and the same is hereby expressly agreed and deemed to be (i) "emergency repairs" to the Unit involved, and (ii) performed and furnished with the express consent of the Owner of the Unit involved.

7.07 Books and Records. The Association will at all times maintain at its office, where they will be available for inspection by Owners and by any holder, insurer, or guarantor of a first-lien Mortgage during normal business hours current copies of (i) this Declaration, (ii) the By-Laws, (iii) any and all rules and regulations concerning the Project, and (iv) the books, records, and financial statements prepared by the Association.

7.08 Special Provision for Enforcement of Bonded Obligations. Pursuant to the requirements of the California Department of Real Estate, and in the event that Declarant chooses to procure a bond ("Bond") to secure Declarant's obligations to complete the Common Areas in conformity with Declarant's plans and specifications therefor, copies of which plans and specifications have been placed on file with that agency, then the following shall apply:

The Association is obligee under the Bond. In the event it shall become necessary so to do, the Board shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvement for which a Notice of Completion, as defined in and pursuant to the provisions of the California Civil Code, has not been filed within sixty (60) days after the completion date specified for that improvement in the "Planned Construction Statement" appended to the Bond. If the Association has given an extension in writing for the completion of any Common Area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension. In the event of a decision by the Board not to initiate action to enforce the obligations under the Bond or on the failure of the Board to consider and vote on the question, a special meeting of the Association shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Owners otherwise entitled to vote and representing five percent (5%) of the total voting power of the Association. At such special meeting the Owners (excluding the votes of Declarant as to any retained or unsold Condominiums) shall consider and vote on the question

of overriding the decision of the Board not to initiate action to enforce the obligations under the Bond. The vote of a majority of the voting power of the Association (excluding the votes of Declarant as to any retained or unsold Condominiums) to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association, and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association. In the event that, at the time the same is required to be released in accordance with its terms, the Association shall wrongfully fail or refuse to release the Bond, the Association shall be liable to Declarant for all premiums paid or payable by Declarant in respect thereof from the date the same was required to have been released and the date the same is released.

ARTICLE 8

ASSESSMENTS; COMMON FUNDS

8.01 Regular Assessments. Regular Assessments shall be levied against Owners and their respective Condominiums as follows:

8.01(a) Estimate. Not less than ninety (90) days prior to the beginning of each fiscal year, the Board shall estimate and prepare budgets for the anticipated Common Expense for such fiscal year for the Common Area and facilities of the Project (including a reasonable provision for the repair and replacement of furniture, fixtures and the equipment, working capital and contingency reserves, less any surplus from the prior year's Common Funds). Except for "Proportionate Expenses" (as hereinafter defined), the total estimated Common Expense shall be divided among, and charged and assessed in uniform and equal manner to and against, each of the Owners and their respective Condominiums; Proportionate Expenses shall be divided among and charged and assessed against, each of the Owners and their respective Condominiums in proportion to each Owner's Percentage Interest, provided, however, that without the vote or written consent of a majority of the voting power the Association (excluding the votes of Declarant as to any retained or unsold Condominium), the Board may not impose a Regular Assessment against any Condominium which is more than twenty percent (20%) greater than the Regular Assessment paid or payable in respect of such condominium for the fiscal year in which the budget is prepared by the Board. For the purposes of this Declaration, the term "Proportionate Expenses" shall mean and include the following Common Expenses: any and all insurance premiums, costs and charges for domestic water,

domestic gas and revenues established for the roofs and painting. Notwithstanding the foregoing, Regular Assessments (including that portion thereof required to be paid by Declarant in respect of unsold or retained Condominiums), based upon the budget submitted by Declarant to the Department of Real Estate of the State of California, shall commence on the first day of the calendar month next following the close of the first sale of a Condominium.

8.01(b) Supplemental Estimate. At any time, or from time to time, the Board may determine that the estimates of Common Expense described in Paragraph 8.01(a) hereof are or will be (i) inadequate to meet all such expenses of the Project, or (ii) in excess of the amounts needed to meet such expenses of the Project. Upon such determination, the Board may cause the amount of any inadequacy to be added to the estimate of such expense determined by the Board, and if appropriate, prorated over the remaining months of the fiscal year, which amounts shall be payable in the same manner as the Assessment described in Paragraph 8.01(a) hereof, or may subtract any excess from said estimate; provided, however, that in the event of any excess, no Owner shall, by reason of such reduction, be entitled to a refund of all or any portion of any Assessment previously paid, and any amount assessed and collected in excess of the amount required to meet the Common Expense, together with any interest earned thereon, shall be applied to reduce the estimate of such expenses for the next succeeding fiscal year; and provided, further, that without the vote or written consent of a majority of the voting power of the Association (excluding the votes of Declarant as to any retained or unsold Condominiums) the Board may not levy supplemental assessments to defray the costs of any action or undertaking on

behalf of the Association which in the aggregate exceed five percent (5%) of the budgeted amount of such expenses of the Association for that fiscal year as determined pursuant to Paragraph 8.01 hereof.

8.01(c) Notice and Mailing. The Board shall cause to be mailed to each Owner a statement of the amount of his Regular Assessment, as determined or modified pursuant to this Article 8, not later than sixty (60) days prior to the beginning of each fiscal year. The estimated Common Expense assessed to each Owner as may be adjusted pursuant to Paragraph 8.01(b) hereof, shall be set forth and recorded upon an assessment roll which shall be maintained by the Manager and available from him for inspection at all reasonable times.

8.01(d) Failure to Make Estimate. If, for any fiscal year, the Board shall fail to make an estimate of Common Expense as provided hereinabove, then the previous fiscal year's estimates as determined by the Board, together with any increase determined by the Board in the previous year, but excluding any reduction determined by the Board for the previous year, shall automatically be charged and assessed in a uniform and equal manner to and against each Owner and their respective Condominiums. Installment payments (as hereinafter provided) based upon such an automatic assessment shall be payable on the regular payment dates established by the Board unless later modified by a Supplemental Estimate established by the Board.

8.01(e) Installment Payment. From and after the date Regular Assessments commence in accordance with Paragraph 8.01(a) hereof, the Regular Assessment charged and assessed to

each Owner shall be due and payable in advance in equal monthly installments on the first (1st) day of each month (commencing with the date on which he becomes an Owner and prorated to said date) or at such times and dates or in such other manner as may be established from time to time by the Board.

8.02 Special Assessments. Special Assessments may be levied against Owners and their respective Condominiums as follows:

8.02(a) Owner's Failure to Maintain Unit. All costs and expenses incurred in connection with the work, maintenance and repairs described in Paragraph 7.06 hereof shall be immediately assessed and charged solely to and against such Owner and his Condominium as a Special Assessment.

8.02(b) Damage to Common Area. In the event of any damage or destruction to any portion of the Common Area caused by any act or omission of any Owner or any Occupant, and in the further event that the Board shall cause the same to be repaired or replaced pursuant to Article 17 hereof, 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 and his Condominium as a Special Assessment.

8.02(c) Other Special Assessments Authorized by this Declaration. In addition to the Special Assessments authorized by this Paragraph 8.02, Special Assessments may also be assessed in accordance with Article 17 and Paragraph 16.05 of this Declaration and as otherwise provided for in this Declaration.

8.02(d) Breach of Terms of Declaration. All costs, liabilities, damages and expenses (including reasonable attorneys' fees) arising out of any breach of the provisions of this Declaration or of such rules and regulations promulgated by the Board relating to the use of the Project shall be assessed and charged to the defaulting Owner and his Condominium as a Special Assessment.

8.02(e) Method of Special Assessment. Any Special Assessment made in accordance with this paragraph shall be a separate debt of each Owner and Condominium against whom and against which the same is assessed, and shall be recorded on the assessment roll; notice thereof shall be mailed to the Owner, and shall be payable in full to the Association within fifteen (15) days from the mailing of such notice. Any and all Special Assessments shall bear interest upon any unpaid portion thereof in accordance with the provisions of Paragraphs 8.04, and the collection of any Special Assessment may be enforced in accordance with the provisions of Article 9 hereof.

8.03 Reserves. Sums received from Assessments, Regular or Special, and which are allocated to reserves for capital improvements to the Project, replacement or repair of fixtures, management, maintenance and care of the Common Areas, shall be irrevocably held by the Association as agent for the Owners, and shall be expended as determined from time to time by the Board. Sums received from such Assessments and which are allocated to reserves for the replacement or repair of the Personal Property to the Association shall be considered to be contributions to the capital of the Association; provided, however, that the Owners, as Members of the Association, shall have no right to withdraw all or any portion of such

contributions irrespective of whether any such Owner shall sell or otherwise transfer his Condominium.

8.04 Waiver of Non-Use Not an Exemption. No Owner shall be exempt from liability for payment of his specified share of Common Expenses duly assessed against him and his Condominium because of any non-use or enjoyment by such Owner or Occupant of all or any portion of the Common Area, its facilities or the services provided therein, or because of any non-use or abandonment of his Condominium.

8.05 Delinquent Payments. If any Regular Assessment or Special Assessment assessed to any Owner is not paid within Thirty (30) days after the date on which the same is due, the Board shall have the right to assess, charge and collect from the delinquent Owner, from month to month, its reasonable attorneys' fees and costs, and a late charge equal to the greater of

(a) one and one-half percent (1½%) of the outstanding delinquent balance of unpaid Assessments to the extent the same does not exceed one thousand dollars (\$1,000), plus one percent (1%) of such outstanding delinquent balance in excess of one thousand dollars (\$1,000); or

(b) ten dollars (\$10.00).

For purposes of calculating the amount of the late charge, the outstanding delinquent balance shall include any late charges previously assessed which remain unpaid. An Assessment shall

be deemed delinquent as of the first day following the date on which the same is due.

ARTICLE 9

MAINTENANCE OF FUNDS; COLLECTION;

LIENS; ENFORCEMENT

9.01 Maintenance of Funds. All sums received or collected by the Association from Assessments, together with any interest attributable thereto, shall be deposited in checking or savings accounts in banks or savings and loan associations, and in respect of which accounts the Board shall have exclusive control. Separate accounts shall be maintained for Common Funds. Additionally, all sums received allocated to reserves for Common Areas shall be deposited in separate checking or savings accounts. At no time shall the funds deposited in any of the accounts established pursuant to the immediately preceding two sentences be commingled with the funds deposited in any other accounts. All interest payable with respect to any funds deposited pursuant to this paragraph shall be retained in their respective accounts and shall be applied to reduce the estimate of the related Common Expense for the next fiscal year in accordance with Paragraph 8.01 hereof, and no Owner shall have the right to receive same; provided, however, that nothing contained herein shall be construed as obligating the Board to deposit any Common Funds in an interest bearing account.

9.02 Liens.

(a) Except as otherwise provided in Paragraph 9.02(b) hereof, upon the failure of an Owner to pay all or any portion of any Assessment assessed in accordance with Article 8 hereof within the time period specified in Paragraphs 8.01(e)

and 8.02(e) hereof, the Board shall cause a Notice of Assessment to be recorded in the Office of the County Recorder of Los Angeles, State of California. The Notice of Assessment shall set forth the matters enumerated in Section 1356 of the California Civil Code including the amount of any delinquent Regular or Special Assessment and any interest (as provided in Paragraph 8.04 hereof) and costs (including attorneys' fees) attributable thereto or incurred in collection thereof, which amount shall thereby be declared a lien upon the Condominium assessed with a power of sale foreclosure vested in the Association when the said Notice of Assessment is so recorded. Upon the expiration of fifteen (15) days after the recordation of the Notice of Assessment, the Board shall cause a Notice of Default in the form prescribed by Section 2924 of the California Civil Code to be recorded in the Office of the County Recorder of Los Angeles, State of California, and thereafter (in the absence of such Owner curing the default) the Condominium may be sold in the manner provided in Section 2924 of the California Civil Code, as said section may be amended from time to time, or in any other manner permitted by law. The Association, or its designee, shall have the power to bid in the Condominium foreclosure sale and thereafter hold, lease, mortgage and convey the same subject to the provisions of Paragraph 18.01 hereof.

(b) Notwithstanding anything to the contrary contained in Paragraph 9.02(a) hereof, to the extent required by law, in no event shall any Special Assessment described in Paragraph 8.02(b) or 8.02(d) hereof become a lien against an Owner's Condominium enforceable by a sale of the Condominium in accordance with the provisions of Sections 2924, 2924(b), and 2924(c) of the California Civil Code; provided, however, the

provisions of this Paragraph 9.02(b) shall not apply to late charges assessable against any Owner on account of delinquent payment of any such Special Assessment in accordance with Paragraph 8.05 hereof 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.

9.03 Priority and Duration of Lien. Except as otherwise provided in Article 11 hereof, the lien created as provided herein shall be prior to all other liens recorded subsequent to the recordation of said Notice of Assessment, and unless sooner satisfied and released or the enforcement thereof initiated as herein provided, such lien shall expire and be of no further force or effect one (1) year from the date of recordation of said Notice of Assessment; provided that said one (1) year period may be extended by the Board but not to exceed one (1) additional year by recording in the Office of the County Recorder of Los Angeles County, State of California a written extension of said Notice of Assessment. Except as otherwise provided in Article 11 hereof, any such lien will not be affected by the sale or transfer of the Unit in question.

9.04 Waiver of Homestead Exemption. Each Owner does hereby waive to the fullest extent permitted by law, with respect only to liens in respect of Assessments created pursuant to this Article 9, 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, whether Regular or Special, becomes 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 Assessment liens.

ARTICLE 10

TAXES AND UTILITIES

10.01 Taxes Separately Assessed. With respect to any and all taxes and real property assessments, each Condominium shall be separately assessed to the Owner thereof and the tax and assessment on each such Condominium shall constitute a lien solely thereon.

10.02 Utilities. Each Owner shall be obligated to pay any and all assessments or charges for sewage, gas, electricity or other utilities assessed individually against such Owner's Unit.

10.03 Unallocated Taxes and Utilities. Any unallocated taxes, utilities (including water) or other assessments levied or assessed against the Project or the Association, which taxes, utility charges or other assessments are not separately assessed pursuant to Paragraphs 10.01 and 10.02 hereof, shall be deemed a Common Expense and shall be included in the estimate of the Regular Assessment or Special Assessment made by the Board or the Association as provided in Article 8 hereof. For purposes of this Paragraph 10.03, any unallocated taxes, utilities or other assessments levied against any portion of the Project which are paid by Declarant but attributable to any Condominium sold, conveyed or otherwise transferred by Declarant for a period of time after any such sale, conveyance or transfer shall be deemed a Common Expense and payable by the Association to Declarant not later than ten (10)

days after written demand therefor by Declarant. Any such payments by the Association to Declarant shall be the subject of a Special Assessment by the Board or the Association against the Condominium to which such taxes, utilities or assessments were so attributable.

10.04 Utility Easements. The rights and duties of the Owners with respect to sanitary sewer, water, electricity, gas and telephone lines and facilities, and heating and air conditioning facilities shall be as follows:

(a) Whenever sanitary sewer, water, electricity, gas, television receiving, telephone lines or connections, drain pipes, heating or air conditioning conduits, ducts, or flues are installed within the Project, which connections, or any portion thereof lie in or upon Units owned by other than the Owner served by said connections, the Owner served by said connections shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon the Units or to have the utility companies enter upon the Units in or upon which said connections, or any portion thereof, lie, to repair, replace and generally maintain said connections as and when necessary.

(b) Whenever sanitary sewer, water, electricity, gas or telephone lines or connections, heating or air conditioning conduits, ducts, or flues are installed within the Project, which connections serve more than one Unit, the Owner served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as service his Unit.

(c) In the event of a dispute between Owners with respect to the repair or rebuilding of said connections, or with respect to the sharing of the cost thereof, then, upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the parties.

10.05 Association's Duties. The Association shall maintain all utility installations located in the Common Area except for those installations maintained by utility companies, public, private, or municipal. The Association shall pay all charges for utilities supplied to the Project except those metered or charged separately to the Units.

ARTICLE 11

PROTECTION OF LENDERS

11.01 Priorities. Any lien created under the provisions of Paragraph 9.03 hereof shall be prior to other liens recorded subsequent to the recordation of the Notice of Assessment, but shall be subject and subordinate to the rights of any Mortgagee under any first Mortgage upon any Condominium made in good faith and for value, unless the Mortgagee thereunder shall expressly subordinate his interest, in writing, to such lien. Foreclosure or exercise of power of sale by the Mortgagee under any first-lien Mortgage will extinguish any lien for Assessments payable prior to such foreclosure or exercise of power of sale, but will in no event relieve any subsequent Owner of the Unit of the obligation to pay all Assessments coming due and payable after such foreclosure or exercise of power of sale. No breach of any of the terms or

conditions of this Declaration shall defeat or render invalid the lien of any Mortgage made in good faith and for value.

ARTICLE 12

PARTITION AND SEVERANCE

12.01 Partition. In accordance with the provisions of Section 1354 of the California Civil Code, the right of any Owner or Owners to partition the Common Area is hereby suspended and no proceeding shall be brought for such partition except as provided by said Section 1354, as said section may be amended from time to time; provided, however, that nothing contained herein shall prohibit the partition or division by sale or gift of joint or common interests of any two or more Owners in any one Condominium within the Project if such partition or division does not result in a physical partition or division of the Condominium or any Component Interest thereof.

12.02 Non-Severability. Any transfer, sale, conveyance, encumbrance or hypothecation of any Condominium or any transfer, sale, conveyance, encumbrance or hypothecation of any Component Interest by the Owner thereof shall be presumed to convey the entire Condominium; provided, however, that nothing contained herein shall be construed to preclude the Owner of any Condominium from creating a joint or co-tenancy in the ownership of said Condominium with any other person or persons.

No Owner shall have the right, for any purpose, to sever his Unit in any Condominium from his undivided interest in the Common Area. Said Component Interest shall not be

severally sold, conveyed, encumbered, hypothecated or otherwise severally dealt with, and any violation or attempted violation of this Paragraph 12.02 shall be void and of no effect; provided, however, that said prohibition against severance shall not, in accordance with the provisions of Section 1355(g) of the California Civil Code, extend beyond the period during which the right of partition has been suspended pursuant to this Article 12.

ARTICLE 13

POWERS OF ATTORNEY

13.01 Power of Attorney in Favor of Association for Sale of Project. In accordance with the provisions of Section 1355(b)(9) of the California Civil Code, each Owner does hereby grant to the Association (as the same may from time to time be constituted) an irrevocable power of attorney, coupled with an interest, to sell the entire Project for the benefit of all of the Owners, which power of attorney shall be binding upon all of such Owners, but shall be exercisable only after (i) the occurrence of one of the conditions set forth in Section 1354 of the California Civil Code, (ii) the Approval of the Association, and (iii) the recordation in the Office of the County Recorder of the County of Los Angeles, State of California, of a certificate executed by the Secretary of the Association or other authorized person on behalf of the Association and stating that said power of attorney is properly exercisable under said Section 1355(b)(9) hereunder.

13.02 Power of Attorney Re Condemnation, Destruction, Liquidation, or Termination. Each Owner grants to the Association (as the same may from time to time be

constituted) an irrevocable power of attorney, coupled with an interest, to represent the Owners in any proceedings, negotiations, settlements, or agreements arising out of the occurrence of any event described in Paragraph 15.02, 15.03, or 15.04 of this Declaration, the destruction or liquidation of all or any part of the Project, or the termination of the Project.

ARTICLE 14

ARCHITECTURAL CONTROL COMMITTEE

14.01 Establishment of Committee. The Architectural Control Committee (hereinafter referred to as the "Committee") shall consist of three (3) members, each of whom shall be appointed or elected for the term and in the manner hereinafter set forth. Except for members appointed by the Board as hereinafter provided, no member of the Committee shall be required to be a member, director or officer of the Association.

14.02 Declarant's and Owner's Right to Appoint Members. Declarant may appoint all of the original members of the Committee and all replacements until the first anniversary of the issuance of the Final Public Report. Thereafter, Declarant shall have the power to appoint a majority of the members of the Committee until ninety percent (90%) of all of the Units in the Project have been sold or until the fifth anniversary date of the issuance of the Final Public Report, whichever first occurs.

After one year from the date of issuance of the Final Public Report, the governing body of the Association shall have

the power to appoint one member to the Committee until ninety percent (90%) of all of the Units have been sold or until the fifth anniversary date of the issuance of the Final Public Report, whichever first occurs. Thereafter, the governing body of the Association shall have the power to appoint all of the members of the Committee.

Members appointed to the Committee by the Board of Directors shall be from the membership of the Association. Members appointed to the Committee by Declarant need not be members of the Association.

14.03 Original Members of Committee. The original members of the Committee are hereby appointed by Declarant and are the following:

Sol Shye

Richard Eisenberg

Joyce A. Fox

The address of the Committee for purposes of giving notice, until changed by written notice to the Association, shall be:

c/o Carley Pacific, Incorporated
11050 Santa Monica Blvd., Suite 200
Los Angeles, California 90042

14.04 Term of Members. Each member of the Committee appointed by Declarant shall serve until such time as Declarant removes him and appoints a member to succeed him, or until such member resigns by recording a notice of such resignation, or until the Board, exercising the rights

hereinabove provided, appoints one or more members, as the case may be, in which latter event the Board shall notify the Committee and Declarant of such appointment and Declarant shall designate in writing to the Committee which one or more of the existing members shall be removed and be replaced by the person or persons appointed or elected by the Board. No removal of a member of the Committee appointed by the Declarant shall be effective until the expiration of thirty (30) days after the date the Board shall have given the notice described in the immediately preceding sentence.

14.05 Appointment of Members by Board. The appointment of members to the Committee by the Board shall be made by election of the Board in the same manner as officers of the Association are elected. The term of office of the members of the Committee elected by the Board shall be the same as the term for officers of the Association and otherwise governed and controlled by the provisions of the By-Laws relating to officers of the Association. No member of the Committee shall, however, be deemed an officer in the Association unless separately elected as such officer in the Association. At such time as the Board shall have appointed all of the members of the Committee in accordance with the provisions of Paragraph 14.02 hereof, the Committee shall be deemed a committee of the Board and shall thereafter be subject to its control and jurisdiction.

14.06 Action by Committee. Any action by the Committee shall require the affirmative vote or consent of at least two (2) of its members. All requests, consents or approvals submitted to the Committee for its action shall be in writing and shall be accompanied by plans, specifications, and

renderings of the proposed undertaking. Should the Committee fail to approve or disapprove any matter submitted to it within ten (10) days after it shall have received the written request and plans, specifications and renderings, the matter shall be deemed approved. Approval by the Committee of any matter shall not prevent the Committee from withholding its approval of an identical request, plan or specification, or part thereof, when subsequently or additionally submitted for approval by the same or any other Owner.

ARTICLE 15

CONDEMNATION

15.01 Definitions. The following definitions apply in construing the provisions of this Declaration relating to a taking of or damage to all or any part of the Project or Improvements thereon or any other interest therein by or as a result of eminent domain or inverse condemnation:

(a) Taking shall include the exercise of the power of eminent domain or any similar governmental power, whether by public authority or a private corporation, and any purchase or other acquisition in lieu of condemnation;

(b) Total Taking means the taking of the fee title to all of the Project, which shall be construed to include off-site improvements effected by Declarant or the Association to serve the project or the Improvements thereon;

(c) Substantial Taking means the taking of fee title fifty percent (50%) or more of the number of Units in

each of the structures in which Units are located, or portions of said structures which would make said Units uninhabitable.

(d) Partial Taking means any taking of the fee title that is not either a Total or a Substantial Taking; and

(e) Award means any compensation paid for a Taking whether pursuant to judgment or by agreement or otherwise.

15.02 Total Taking. Unless any such Award shall have been apportioned among the Owners by court judgment or by agreement between the condemning authority and each of the affected Owners, the Award in respect of a Total Taking shall be paid to the Association, as trustee for the Owners, and proceeds of such Award shall be distributed among the Owners, each in proportion to the respective fair market values of the Units as determined by the independent appraisal of at least one (1) and not more than three (3) qualified M.A.I. appraisers selected by the Board, subject to (i) the rights of Mortgagees holding Mortgages covering each such Owner's Condominium, and (ii) any and all unpaid Regular and Special Assessments of such Owner together with any interest, charges or other fees attributable thereto.

15.03 Substantial Taking. In the event of a Substantial Taking and the Approval of the Association by a vote of at least 75% of all of the Owners entitled to vote to waive the prohibition against partition contained in Paragraph 12.01 hereof, such prohibition against partition shall be deemed waived upon the recordation of the certificate required by Section 1355(b)(9)(iii) of the California Civil Code. In

such event, the Award in respect of such taking shall be paid to the Association, as trustee for the Owners, and the Association shall exercise the power of attorney described in Paragraph 13.01 hereof to sell the Project, for the benefit of all the Owners, and distribute the proceeds thereof together with the proceeds from the Award to the Owners, each in proportion to the relative values of the Units to be determined in the same manner as described in Paragraph 15.02 hereof, subject to (i) the rights of Mortgagees holding Mortgages covering such Owner's Condominium, and (ii) any and all unpaid Regular and Special Assessments of such Owner together with any interest, charges or other fees attributable thereto.

15.04 Partial or Substantial Taking. In the event of a Substantial Taking for which the Association fails to waive the prohibition against partition or in the event of a Partial Taking, the Award in respect of such taking shall be paid to the Association, as trustee for the Owners, and the proceeds of such Award shall be distributed as follows:

(a) If the Taking is of all or any portion of one or more Units the portion of the proceeds attributable to the Taking of such Units shall be paid to the respective Owners of the Units so taken, each in proportion to the relative values thereof to be determined in the same manner as described in Paragraph 15.02 hereof, subject to the rights of Mortgagees holding Mortgages covering such Units and all paid assessments against each such Owner thereto.

(b) If the Taking is of Common Areas, all proceeds not distributed to Owners of individual Units pursuant to subparagraph (a) hereof shall be held by the Association, as trustee for the Owners (subject to the rights of Mortgagees

holding Mortgages covering each such Owner's Condominium) and such proceeds shall be held by the Association in accordance with Paragraph 8.01(a) of this Declaration and used to reduce the Common Expense for the next succeeding fiscal year.

15.05 Revision of Condominium Documents; Reorganization. In the event of any Taking of a part of the Project, the Board shall, as soon as practicable, cause to be prepared, filed and/or recorded any revised subdivision map, Condominium Plans or other documents, reports, schedules or exhibits necessary to show the change or altered status of the Project, including, without limitation, the elimination of all or part of one or more of the Units as a result of such condemnation. In the event all of a Unit is taken in condemnation, the Condominium containing that Unit shall cease to be part of the Project, the Owner thereof shall cease to be a Member of the Association, and the Percentage Interest in the Common Areas of the remaining Owners shall be readjusted accordingly by appropriate amendments to this Declaration and to the By-Laws.

ARTICLE 16

INSURANCE

16.01 Types of Insurance; Coverage; Endorsements and Special Provisions. The Association (which, if required, shall be deemed for the purpose of this Article 16 the agent, coupled with an interest, of all of the Owners) shall purchase, obtain, carry and maintain, with the premiums therefor being a Common Expense and being paid out of Common Funds, the following types of insurance:

(a) Casualty. A master or blanket policy, naming as insureds the Association, the Board and all Owners as

their respective interests may appear, which policy shall expressly name as the insured the Association for the use and benefit of the individual Owners. The "loss payable" clause shall show the Association as trustee for each Owner and each Mortgagee, and for the Community Redevelopment Agency of the City of Los Angeles, and for Security National Bank (or its successor trustee) acting as trustee under that certain Indenture of Trust dated as of _____, and for First Nationwide Savings, as their respective interests may appear. To the extent the Federal National Mortgage Association ("FNMA") is a first-lien Mortgagee of any of the Units, the policy shall name as mortgagee either (i) FNMA, or (ii) the servicers for FNMA's mortgages, and each such servicer's successors and assigns. Such policy shall contain, as a part thereof, the standard fire extended coverage and all physical loss endorsement with replacement cost endorsements and such other or special endorsements as will afford protection and insure, for their full insurable replacement cost (without deduction for depreciation) of all Common Areas, all Improvements (including interior walls within all Units and all fixtures and equipment affixed to Units) and all Personal Property of the Association (hereinafter collectively referred to as the "Insured Premises") for and against the following; provided, however, that Units (other than interior walls within all Units), the finished surface material of any kind contained within the unfinished interior surface of walls (whether interior, perimeter or common walls), finished surface material of any kind contained within the floors and ceilings within the Units (including floor and ceiling coverings) and anything hung or attached to the surfaces of the walls or ceilings (including cabinets, sinks, shower stalls and tiles (if any), bathtubs, light fixtures and appliances whether or not "built in", except to the extent such items were hung, attached or installed in a Unit prior to its

sale by Declarant) shall not be deemed part of the Insured Premises:

(i) loss or damage by or as a result of the perils covered by the standard fire, extended coverage, vandalism, malicious mischief, flood and all physical loss endorsement and earthquake damage assumption endorsement (provided, however, that the endorsement insuring against earthquakes and flood may contain a deductible not in excess of 5% of the amount insured);

(ii) the payment of all regular assessments attributable to any damaged Condominium during such period of time as is required with the exercise of due diligence and dispatch to rebuild, repair and replace such damage or destruction, not exceeding twelve months, and

(iii) such other risks, perils or coverage as the Board may from time to time determine.

Said master policy or the endorsements made a part thereof shall:

(1) require the issuance of such certificate or other writing as is necessary to satisfy Mortgagees that any Condominium covered by their Mortgage is fully insured;

(2) provide that only improvements made or installed with the Approval of the Association shall affect the valuation of any Improvement on the Property for co-insurance purposes;

(3) contain a waiver by said insurer of any and all rights of subrogation against any of the Insured Parties;

(4) provide that said master policy cannot be cancelled, invalidated, suspended, substantially modified, terminated or avoided in whole or in part by reason of any act, omission or breach of any covenant, condition or restriction contained therein by any of the Insured Parties without the prior written demand upon the Association to cure such breach, and that in no event shall said policy be cancelled, invalidated, suspended, substantially modified, terminated or avoided for any reason (other than non-payment of premium in which case ten (10) days' notice must be given) without sixty (60) days prior written notice from the insurer to the Association, Declarant, to each first-lien Mortgagee named in the mortgagee clause and to any Owner who shall have filed a written request with said insurer for such notice;

(5) provide that the Board or its delegate shall have the exclusive authority to negotiate on behalf of the named insureds the adjustment of any and all losses covered by said policy;

(6) provide that the insurance obtained pursuant to this Article 16 shall not be prejudiced by any act or neglect of any of the insureds when such act or neglect is not within the knowledge and control of the insureds collectively and shall likewise not be prejudiced by any failure of the insureds collectively to comply with any warranty or condition with regard to any portion of the insured Premises over which the insureds collectively have no control;

(7) provide that the insurance obtained pursuant to this Article 16 shall not be prejudiced by reason of the vacancy of any portion or portions, or occupancy of less than all, of the Project, provided that this Declaration (as the same may be amended from time to time) is in force and the

Project is operating as a condominium project;

(8) provide a so-called "Stipulation Agreed Amount Endorsement" and "Inflation Guard Endorsement", and if any construction code provision requires changes to undamaged portions of improvements in the event of partial damage to the Project, so-called "Construction Code Endorsements";

(9) provide for steam boiler insurance coverage of at least \$100,000 per accident per location;

(10) provide for a deductibility clause of not more than Two Hundred Fifty Dollars (\$250.00) per loss (except for earthquake as hereinabove described) or such other amount as the Board may from time to time approve; and

(11) provide that said insurer shall (in addition to such other notices as may be customarily given) give the Association at least sixty (60) days prior written notice of the expiration of all or any portion of said master policy, and change, modification or non-renewal thereof.

At least every two years the Board shall conduct an insurance review which shall include an appraisal of all of the Insured Premises.

(b) Public Liability. A comprehensive public liability and property damage policy naming as insureds the Declarant, its officers, agents and employees, the Board, the Manager, the Association and their respective agents and employees in their capacity as such while acting within the scope of their duties, and the Owners. Said policy or the endorsements made a part thereof shall provide for liability limits not less than \$1,000,000.00 combined single limit for

personal injury and property damage; \$25,000.00 total medical payment for each accident; and \$1,000.00 medical payment for any one person; coverage shall be increased from time to time by the Board as inflation and sound insurance practice dictate. Said comprehensive public liability and property damage policy shall also include, but shall not be limited to:

(i) Insurance against bodily injury, personal injury, death or property damage occurring in, on or about any portion of the Common Area and/or within, on or about any Unit (but excluding coverage of the Owner for any act or omission within, on or about any Unit), and against any legal liability that results from law suits related to employment contracts in which the Association is a party;

(ii) a "cross-liability" or "severability of interest" endorsement to provide that said policy shall be interpreted as if a separate policy was issued to each insured so as not to prejudice the rights of a named insured against another named insured and so as to preclude the insurer from denying the claim of any Owner because of negligent acts of the Association or of other Owners;

(iii) "hired automobile" and "non-owned automobile" liability coverage; and

(iv) provide for the same cancellation clause and "no-control" clause contained in Paragraph 16.01(a) (4) and (6) hereof.

(c) Worker's Compensation. Worker's compensation and employer's liability insurance to the extent necessary to comply with applicable laws.

(d) Fidelity Bond or Insurance. Coverage against dishonest acts on the part of directors, managers, trustees, employees or volunteers responsible for handling funds belonging to or administered by the Association. Said bond or insurance must name the Association as the named insured and shall be written in an amount sufficient to provide protection which is in no event less than the greater of (a) the maximum amount of funds that will be in the custody of the Association at any time, and (b) one and one-half (1-½) times the Association's estimated annual operating expenses and reserves. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers. Such bonds or insurance shall provide that they may not have cancelled or substantially modified for any reason without ten days' prior written notice to the Association and to each servicer, if any, that services a FNMA-owned Mortgage.

16.02 Rights of Owners to Obtain Additional Insurance. No Owner may obtain any insurance against any risk covered by insurance maintained by the Association pursuant to Paragraph 16.01(a). Notwithstanding anything to the contrary contained herein, any Owner may obtain, at his own expense and for his own benefit, such personal liability insurance and insurance on personal property, tenant improvements and betterments as such Owner may deem appropriate to protect his own interests; provided, however, that all such insurance shall contain the same waivers of subrogation provisions as described in Paragraph 16.01(a) hereof and a "cross-liability" endorsement; and, provided, further, that the Board shall have the right and may, in its discretion, require such owner to deliver

to said Board a true and correct copy of any such additional insurance policy purchased by such Owner. In the event any Owner shall obtain any insurance in violation of the provisions of this Paragraph 16.02 and such insurance covers a risk in respect of all or any portion of the Insured Premises also covered by the insurance obtained by the Association as provided pursuant to Paragraph 16.01 hereof, the insurance so obtained by the Association shall be primary.

16.03 Additional Insurance and Bonds. The Association may also purchase with Common Funds such additional insurance and/or bonds as it may, from time to time, determine to be reasonably necessary or desirable, including but not limited to (i) demolition insurance in amounts adequate to cover demolition of Improvements in the event of destruction and a decision not to rebuild, and (ii) fidelity bonds covering the Board in excess of the coverage required to be maintained hereinabove provided, and (iii) Condominium Directors and Officers liability insurance, insuring against any liability for an act or omission in carrying out the obligations required of the Board hereunder.

16.04 Choice of Insurance Company. All policies of insurance obtained by the Association or its Board of Directors as provided in this Article 16 shall be obtained from an insurance company qualified to do and doing business in the State of California and holding a Policy Holding Rating of "A" and a Financial rating of "IX" or better by Best's Insurance Reports and may be obtained from one or more companies.

16.05 Expense of Collecting Insurance Proceeds.
All costs and expenses incurred by the Association to collect

or recover the proceeds of any insurance policy purchased by the Association as provided by this Article 16 (including, but not limited to, any and all fees of attorneys, appraisers, architects and adjusters) shall constitute a Common Expense, and shall, in accordance with the provisions of Paragraph 8.02, be divided into equal shares among and specially assessed to each Owner.

16.06 Insurance Proceeds Unavailable. In the event the proceeds of insurance obtained by the Association or carried by any Owner in lieu thereof are paid to any Mortgagee, and by reason of such payment, said insurance proceeds are not made available to the Association as trustee or otherwise to effect any repair, reconstruction or restoration of any damage or destruction to all or any portion of the Project as provided in Article 17 hereof, then the amount of such proceeds not made available shall be assessed and charged solely to and against such Owner and his Condominium as a Special Assessment.

ARTICLE 17

DAMAGE OR DESTRUCTION; REBUILDING

17.01 Repair or Reconstruction After Partial Casualty. Except as otherwise provided in Paragraph 17.02 hereof, in the event of damage to or destruction of any portion of the Insured Premises, the Board shall arrange for and cause the prompt repair and restoration of the damaged or destroyed Insured Premises. The Board shall disburse the proceeds of all insurance policies and amounts received as Special Assessments pursuant to Paragraph 15.05 hereof to the contractors engaged in such repair and restoration in appropriate progress payments. Any cost of such repair and restoration in excess of

the insurance proceeds received by or made available to the Association shall constitute a Common Expense, and shall in accordance with Paragraph 8.02(c), be assessed to each Owner 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 and floor area of all units to be assessed.

17.02 Repair or Reconstruction After Total Casualty. If the Board shall determine that fifty percent (50%) or more of the number of Units in each structure in which Units are located are destroyed or substantially damaged, and the Association by a vote of no less than 75% of all Owners otherwise entitled to vote elects not to repair, reconstruct or restore the damaged Insured Premises, the Board shall promptly cause the Project to be sold and shall distribute (a) the insurance proceeds available for such reconstruction, (b) any other sums otherwise available to the Association for such purpose, and (c) any and all sums received by the Association, on behalf of the Owners, upon the sale of the Project, to the Owners each in proportion to the percentage that the initial sales price for each Owner's Unit bears to the aggregate initial sales prices for all Units in the Project, but subject to (i) the rights of Mortgagees holding Mortgages encumbering Condominiums within the Project and (ii) any and all unpaid Regular and Special Assessments together with any interest charges attributable thereto. A true and complete schedule of all initial sales prices for Units in the Project shall be provided by Declarant to the Association upon the closing of the escrow for the last Unit sold by Declarant.

17.03 Association Not Responsible for Loss.
Neither the Declarant, nor its officers, agents or employees,

nor the Association nor any member of its Board of Directors, its officers, agents or employees, nor the Manager or any member of his staff shall be responsible to any Owner or to any Occupant for any loss or damage suffered by reason of theft or otherwise of any article, vehicle or thing which may be stored by such Owner or other Person in or on any Unit or any portion of the Common Area.

17.04 Liability for Damage to Common Areas. Each Owner shall be liable to the Association for any damage to the Common Area or any of the Personal Property of the Association which may be sustained by reason of the negligence, gross negligence or willful misconduct of said Owner or any Occupant of his Condominium to the extent that such damage shall not be covered or reduced by insurance proceeds paid to or received by the Association. Any cost and expense incurred in connection with the repair of such damage, to the extent such cost and damage shall not be covered or reduced by insurance proceeds paid to or received by the Association, shall be specially assessed against such Owner and his Condominium as provided in Paragraph 8.02(c) hereof.

17.05 Personal Injury or Property Damage Sustained Within A Unit. In the event any personal injury or property damage is sustained by any person while physically within or on a Unit, and same shall result in a claim or suit against any other Owner or the Association, the Board or the Manager, then the Owner of such Unit within which such injury or damage occurred (i) shall and does hereby indemnify and agree to hold harmless such other Owner, the Association, the Board and the Manager, and each of them or any member thereof, against whom such claim or suit is brought and (ii) to defend,

at his own cost and expense, any litigation resulting therefrom in which such other Owner, Association, member of the Board or Manager has been made a party; provided that no such obligation shall exist with respect to such other Owner or person whose negligence or willful misconduct caused or contributed to the cause of any such injury or damage.

ARTICLE 18

TRANSFER OF CONDOMINIUMS

18.01 Limitation on Transfer. Each Owner is free to sell, lease, assign, give or otherwise transfer (hereinafter collectively referred to as "Transfer"; the proposed buyer or lessee being hereinafter referred to as "Transferee") his Condominium; provided, however, all Transferees shall be liable for all unpaid Assessments, interest or other charges attributable to the Condominium whether or not such Assessments, interest or other charges may have become due and payable prior to the date of such Transfer; provided, further, that nothing contained herein shall relieve an Owner who leases his Condominium of any liability for any and all Assessments, whether Regular or Special, interest or other charges attributable to the Condominium, whether or not such Assessments, interest or other charges become due and payable after the date of such lease. Nothing contained herein shall prejudice the Transferee's right to recover from the Transferring Owner any and all amounts paid by the Transferee therefor. Notwithstanding anything to the contrary contained in this Declaration, any person who acquires title to a Condominium upon foreclosure of any Mortgage or lien which constitutes a first lien on the Condominium as provided in Article 9 hereof shall be liable only for Assessments attributable to the Condominium

transferred which became due and payable after the date of such Transfer.

ARTICLE 19

BREACH OR DEFAULT BY CONDOMINIUM OWNERS

19.01 Remedy at Law Inadequate. Except for the non-payment of any Assessment 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, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, charges and equitable servitudes contained in this Declaration are inadequate and the failure of any Owner or Occupant to comply with each and all of the terms and provisions of this Declaration, the rules, regulations, decisions, resolutions and By-Laws of the Association and its Board, all as lawfully amended from time to time, may be enjoined by appropriate legal proceedings instituted by Declarant or the Board on behalf of the Association. Nothing herein contained shall be deemed to limit any right any Owner may have at law or in equity against any other Owner or occupant in the event of the failure of such other Owner or Occupant to comply with each and all of the terms and provisions of this Declaration, the rules, regulations, decisions, resolutions and By-Laws of the Association and its Board, all as lawfully amended from time to time.

19.02 Costs and Attorneys' Fees. In any proceeding arising out 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.

19.03 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, or any other such rights or remedies for the same or different defaults or breaches or for the same or different failures of the Owners or others to perform or observe any provision of this Declaration.

19.04 Failure Not a Waiver. The failure of Declarant, any Owner or the Association to enforce any of the covenants, conditions or restrictions, limitations, reservations, easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Association or Declarant.

19.05 Suspension of Voting Rights. In the event any Owner shall fail for a period of more than thirty (30) days to pay when due any Regular Assessment, any Special Assessment, or either of them, the Board may temporarily suspend the voting rights of an Owner, after notice and hearing as prescribed by Section 7341 of the California Corporations Code. For the purposes of this Paragraph 19.05, the Manager shall, immediately upon the expiration of the thirtieth (30th) day of default in payment of any such Assessment or Assessments, notify or cause to be notified said Owner in writing of such failure and

also cause a copy of said notice to be sent to the Secretary of the Association.

ARTICLE 20

AMENDMENT

20.01 Procedure. This Declaration (other than Articles 3, 8, 9, 11, 12, 18, 20 and Paragraph 1.19 hereof, and any other provision hereof which provides for the Approval of the Association by a vote of no less than seventy-five percent (75%) of the Owners) may be amended in whole or in part upon the Approval of the Association consisting of both 67% of the Owners and a majority of the Owners excluding the votes of Declarant, subject to receipt by the Association of any prior written consent of the California Department of Real Estate if required; provided, however, that until the provisions of Paragraph 5.03 of this Declaration shall no longer be operative, this Declaration may be amended only upon Approval of the Association consisting of at least 67% of the votes of each class of membership. Articles 3, 8, 9, 11, 12, 18 and 20, and Paragraph 1.19 hereof, and any other provision hereof which provides for the Approval of the Association by a vote of no less than seventy-five percent (75%) of the Owners, may be amended only by Approval of the Association consisting of at least seventy-five percent (75%) of the Owners and at least seventy-five percent (75%) of the Owners excluding the votes of Declarant; provided, however, that until the provisions of Paragraph 5.03 of this Declaration shall no longer be operative, said provisions may be amended only by the Approval of the Association consisting of at least seventy-five percent (75%) of the votes of each class of membership. Notwithstanding the foregoing, any such amendment shall be

subject to the provisions of Paragraph 20.02, if applicable. Notwithstanding anything herein contained to the contrary, no such amendment shall be effective for any purpose unless and until the same has been (i) reduced to writing, (ii) signed by two officers of the Association who shall certify that said amendment was made in compliance with this Article 20, and (iii) recorded in the Office of the County Recorder of Los Angeles County, State of California. An amendment so recorded shall be conclusive and presumed to be valid as to anyone relying thereon in good faith.

20.02 Approval by Eligible Mortgagees. In addition to the vote of the Owners as required by Paragraph 20.01 of this Declaration, the approval of Eligible Mortgages holding first-lien Mortgages on at least 51% of Units that are subject to first-lien Mortgages held by Eligible Mortgagees shall be required prior to enacting any amendment to this Declaration that would materially alter the provisions of this Declaration with respect to any of the following matters:

- (a) voting rights;
- (b) Assessments, Assessment liens, or subordination of Assessment liens;
- (c) reserves for maintenance, repair and replacement of all or part of the Common Area;
- (d) responsibility for maintenance and repairs;
- (e) reallocation of Percentage Interests in, or rights to the use of, the Common Area;

- (f) boundaries of any Unit;
- (g) convertibility of Units into Common Area or vice versa;
- (h) expansion or contraction of the Project, or the addition, annexation or withdrawal of property to or from the Project;
- (i) insurance or fidelity bonds;
- (j) leasing of units;
- (k) imposition of any restrictions on an Owner's right to sell or transfer his or her Unit;
- (l) a decision by the Association to establish self management when professional management had been required previously by an Eligible Mortgagee;
- (m) restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in this Declaration;
- (n) any action to terminate the legal status of the Project after substantial destruction or condemnation occurs; or
- (o) any provisions of this Declaration that expressly benefit mortgage holders, insurers or guarantors of Mortgages.

In addition, approval of Eligible Mortgagees holding first-lien Mortgages on at least 67% of Units that are subject to first-lien Mortgages held by Eligible Mortgagees shall be required prior to enacting any amendment hereto that would have the effect of terminating the legal status of the Project for any reason other than after the substantial destruction or condemnation of the Project. Notwithstanding the foregoing, for purposes of correcting technical errors or clarifying language affecting any of the matters as to which Eligible Mortgagee approval is required, an Eligible Mortgagee that has failed to respond in writing to any written proposal for such an amendment within 30 days after a written copy of such proposed amendment has been mailed to such Eligible Mortgagee in accordance with Paragraph 21.02 hereof, will be deemed to have approved such proposed amendment.

ARTICLE 21

NOTICES

21.01 Manner of Giving Notices. Any communication or notice of any kind permitted or required herein may be delivered as provided in this Declaration and shall be in writing and may be served, as an alternative to personal service, by mailing same as follows:

If to Declarant:

Carley Pacific, Incorporated
5321 Via Marisol, Suite 201
Los Angeles, California 90042
Attention: Sol J. Shye, President

If to Owner:

To the street address of his Condominium or at such other address as said Owner may from time to time designate in writing to the Association.

If to the Association:

To the Catalina Terrace Homeowners Association, Inc. at the street address of the Project

If to an Eligible Mortgagee:

To the Eligible Mortgagee at the address contained in the Eligible Mortgagee's request for notice described in Paragraph 1.12.

All notices and demands to be served by mail shall be mailed by registered or certified mail, with postage thereon fully prepaid.

21.02 Notice to Mortgagee. An Eligible Mortgagee shall be entitled to written notification from the Association given in the manner described in Paragraph 21.01 hereof, of any of the following events:

(a) any condemnation or casualty loss that affects either a material portion of the Project or a Unit subject to its Mortgage;

(b) any delinquency of sixty days in the payment of any Regular or Special Assessment owed by the Owner of a Unit subject to its Mortgage;

(c) a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and

(d) any proposed action or amendment that requires the consent of a specified percentage of Eligible Mortgagees.

ARTICLE 22
INTERPRETATION

22.01 Interpretation. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the use, operation and maintenance of the Project. In case any term, covenant, provisions, phrase, Article, Section, Paragraph or other element contained in this Declaration is held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect, alter, modify or impair in any manner whatsoever any other term, covenant, provision, phrase, Section, Article, Paragraph or other element contained in this Declaration, the provisions of which shall be carried out as if such invalid, illegal or unenforceable provision were not contained herein. Whenever the context so requires, the singular number includes the plural, the plural includes the singular, the masculine gender includes the feminine or neuter, and the neuter gender includes the masculine or feminine.

22.02 Article, Section and Paragraph Headings. The headings of the several Articles, Sections and Paragraphs in this Declaration are inserted solely for convenience of reference and are not a part of and are not intended to govern, limit or aid in the construction or interpretation of any term or provision of this Declaration.

22.03 No Representation or Warranties. No representations or warranties of any kind, express or implied, have been given or made by Declarant or its agents or employees in connection with the Project or any portion thereof, its physical condition, zoning or other legal classification, fitness for intended use, nor in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a Condominium Project except as specifically set forth herein.

ARTICLE 23

TERM OF DECLARATION

23.01 Term. The covenants, conditions, restrictions, limitations, easements, rights and rights-of-way, liens, charges and equitable servitudes contained in this Declaration shall run with and benefit the land within the Project and shall be binding upon the Owners, Declarant, the Association, the Board and the Manager, and their respective 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 six (6) months prior to the expiration of the initial fifty (50) year term or any ten (10) year extension period, a written agreement terminating the effectiveness of this Declaration approved by the Association, which approval shall consist of at least a seventy-five percent (75%) vote of all the Owners otherwise entitled to vote, shall be placed on record in the Office of the County Recorder of Los Angeles County, State of California.

ARTICLE 24

SPECIAL RIGHTS OF FIRST MORTGAGEE OR BENEFICIARY
UNDER FIRST MORTGAGE OR FIRST DEED OF TRUST

24.01 Exemption from Right of First Refusal.

This Declaration contains no provision creating a "right of first refusal". However, should any such right be created in the future, any Mortgagee or institutional lender coming into possession of a Unit pursuant to the remedies provided in a Mortgage, or foreclosure or deed in lieu of foreclosure, shall be exempt from any such "right of first refusal", and no such "right of first refusal" shall impair the rights of any Mortgagee to:

- (a) foreclose or take title to a Unit pursuant to the remedies provided in the Mortgage;
- (b) accept a deed or assignment in lieu of foreclosure in the event of default under its Mortgage; or
- (c) sell or lease a Unit acquired by the Mortgagee pursuant to (a) or (b) above.

24.02 Prior Approval of Holders. Unless at least seventy-five percent (75%) of holders of first Mortgages on the Units (based upon one vote for each first Mortgage owned), or Owners (other than Declarant) have given their prior written approval, the Association shall not:

- (a) By act or omission, seek to abandon or terminate the condominium regime;

(b) Change the prorata interest or obligations of any Unit for the purpose of: (i) levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards; or (ii) determining the prorata share of ownership of each Unit in the common elements;

(c) Partition or subdivide any Unit;

(d) By act or omission, 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 Project, shall not be deemed a transfer within the meaning of this clause;

(e) Use hazard insurance proceeds for losses to any condominium property (whether to Units or to the Common Area) for other than the repair, replacement or reconstruction of such condominium property; or

(f) Amend any of the provisions of Article 16 hereof.

The provisions of this Paragraph 24.02 are in addition to the provisions of Paragraph 20.02 respecting certain voting rights of Eligible Mortgagees.

24.03 Examination of Books and Records. The holders of first Mortgages shall have the right to examine the books and records of the Association.

24.04 Working Capital Assessment. Each Owner shall, with respect to each Unit owned, be assessed a one-time "Working Capital Assessment" in an amount equal to two times the amount of the Association's initial Regular Assessment described in Paragraph 8.01 hereof. The Working Capital Assessment for each Unit shall be paid upon the first to occur of (a) closing of the purchase of the Unit, or (b) sixty days after the date of the conveyance of the first Unit in the Project to be sold. Such Working Capital Assessment shall be collected by the Association and maintained in a segregated account for the purpose of creating and maintaining a working capital fund, the purpose of which is to insure that the Association will have cash available to meet unforeseen expenses or to acquire additional equipment or services deemed necessary to desirable by the Board. Declarant shall have the right to add to the purchase price of any Unit with respect to which Declarant as paid the Working Capital Assessment the amount of Working Capital Assessment attributable to such Unit to the extent paid by Declarant. In no event is payment of any Working Capital Assessment to be deemed an advance payment of all or any part of any Regular or Special Assessment otherwise payable hereunder.

24.05 Conflict. If there is any conflict between any provision of this Article and any other provision in this

Declaration, or the By-Laws of the Association, the language contained in this Article shall control.

ARTICLE 25

MISCELLANEOUS

25.01 Joint Ownership. In the event of a joint ownership of any Condominium, the liability for all obligations, duties and responsibilities of such Owners shall be joint and several.

25.02 Dispute, Hearings and Arbitration. Any dispute or question among or between any Owners inter se or between any Owner or Owners and the Association or Manager, involving any action, omission, interpretation, application or enforcement of any of the provisions of this Declaration shall be submitted by the persons concerned in writing to the Board which shall consider and weigh such written and such other oral statements as may be offered and shall hold such hearings as it may consider appropriate and shall promptly thereafter (orally or in writing but in all events within no more than ten (10) days) decide any such dispute or question. Any such hearing shall be (i) preceded by no less than three (3) days written notice to all persons concerned and (ii) held within or near the Project. Any such decision by the Board shall be binding upon all Owners and persons concerned, provided that any dispute or objection raised in connection with (i) the provisions of Paragraph 7.06 hereof, (ii) any Special Assessment (except a Special Assessment levied by reason of the authority set forth in Paragraph 8.02 hereof) or (iii) the provisions of Article 17 hereof shall be referred to arbitration in accordance with the then prevailing rules of the American

Arbitration Association. In the event of any such arbitration, notice thereof shall be given to the Board and all other Owners and persons as promptly as possible after the reference to arbitration is made, giving all such Owners and persons an opportunity to appear in such arbitration proceeding. A schedule of the date for the hearings on all such matters submitted to arbitration pursuant to this Paragraph 25.02 shall be kept with the Manager and be available to any Owner requesting the same. The decision of the arbitrator in any such matter shall be final and conclusive upon all Owners, concerned persons and the Association. In the event of any decision, order, judgment or decree (whether made, entered or issued in arbitration as provided herein or by a court of law) against the Association which includes a judgment or award for costs, attorneys' fees, or any of them, against the Association the amount of such award shall be specially assessed to the Owners (excluding any Owner against whom no such costs or fees were awarded) in accordance with Paragraph 8.02(d) hereof.

25.03 No Dedication Implied. Nothing contained in this Declaration shall be deemed a gift or dedication of all or any portion of the Project to the general public for any public use or purpose whatsoever.

25.04 The Housing Authority of the City of Los Angeles. In accordance with the provisions of Ordinance No. 145,927 of the City of Los Angeles, the effect of which was to amend Section 12.03 and 13.04 of the Los Angeles Municipal Code and to add Section 12.30 thereto, Declarant has entered into an agreement entitled "Agreement C" with the Executive Director of the Housing Authority of the City of Los Angeles, which agreement was recorded with the County Recorder for the County of

Los Angeles. Agreement C requires, among other things, that the provisions of said Agreement C be incorporated into this Declaration. Therefore, based upon the foregoing, the provisions of Agreement C, and each of them, are hereby incorporated by reference.

25.05 Leases. No Unit may be leased for a period of less than thirty days. Any such lease or rental agreement respecting a Unit shall be specifically subject to the requirements of the Articles, By-Laws, and this Declaration, and all rules and regulations adopted pursuant thereto, as the same may be lawfully amended from time to time.

IN WITNESS WHEREOF, the undersigned Declarant has executed this Declaration of Covenants, Conditions and Restrictions for Catalina Terrace at Monterey Hills as of this 6th day of April, 1984.

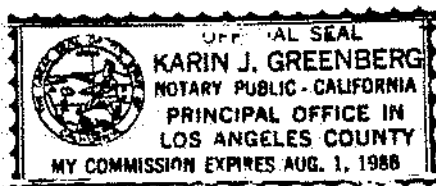
Carley Pacific, Incorporated,
a California corporation

By [Signature]
Sol J. Shye, President

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

On this 6th day of April, 1984, before me, the undersigned, a Notary Public in and for said State, personally appeared Sol J. Shye, known to me to be the President, of the corporation that executed the within instrument, known to me to be the person who executed the within instrument on behalf of the corporation therein 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.



Karin J. Greenberg
Notary Public