



2016-0025705

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01:13PM 24-Mar-2016 Page 1 of 45

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AMENDED AND RESTATED
DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF
KNOLLWOOD TERRACE OWNERS' ASSOCIATION

AMENDED AND RESTATED DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF KNOLLWOOD TERRACE OWNERS' ASSOCIATION

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AMENDED AND RESTATED
DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS
OF KNOLLWOOD TERRACE OWNERS' ASSOCIATION

This Restated Declaration of Covenants, Conditions and Restrictions for KNOLLWOOD TERRACE OWNERS' ASOCIATION made this 18th day of April, 2016, with reference to the following facts:

RECITALS

1. On December 15, 1981 the original "Declaration of Covenants, Conditions and Restrictions for Knollwood Terrace" was recorded as Instrument No.81-50398 of Official Records in the Office of the County Recorder in the County of Santa Barbara, California.

2. The Property covered by this Declaration is a 136 unit condominium development located on East Foster Road in the Town of Orcutt, County of Santa Barbara, California and more particularly described as follows:

Lots 2 through 48 of Tract No. 12,851, in the City of Santa Maria, County of Santa Barbara, State of California, as shown on the map recorded January 31, 1980 in Book 97, pages 78 through 80 of Maps, and described more fully in Exhibit "A" attached hereto.

3. On June 17, 1982, the "First Amendment to the Declaration of Covenants, Conditions and Restrictions of Knollwood Terrace" was recorded as Instrument No. 82-24948 of Official Records in the Office of the County Recorder in the County of Santa Barbara, California.

4. On May 21, 1997, the Second Amendment to the Declaration of Covenants, Conditions and Restrictions for Knollwood Terrace Homeowners Association" was recorded as Instrument No. 97-028597 of Official Records in the Office of the County Recorder in the County of Santa Barbara.

5. The development is governed by an owners' association, the Knollwood Terrace Owners' Association, a California nonprofit mutual benefit corporation, which has adopted this Amended and Restated Declaration of Covenants, Conditions, and Restrictions to govern the Development.

6. This Amended and Restated Declaration of Covenants, Conditions and Restrictions is intended to supersede and replace the original Declaration and any and all

previously recorded amendments thereto. In the case of conflict between the provisions of this Amended and Restated Declaration of Covenants, Conditions and Restrictions and the provisions of the Davis-Stirling Common Interest Development Act (California Civil Code Section 4000, et. seq.), the provisions of the Davis-Stirling Act shall apply.

NOW, THEREFORE, the Knollwood Terrace Owners' Association hereby declares that the Property is, and shall be, held, conveyed, hypothecated, encumbered, leased, rented, used and occupied subject to the following limitations, reservations, restrictions, easements, covenants, conditions, servitudes, liens and charges, all of which are declared and agreed to be in furtherance of a plan of condominium ownership as described in California Civil Code, Sections 4000 et. seq. for the subdivision, improvement, protection, maintenance, and sale of condominiums within the Property, and all of which are declared and agreed to be for the purpose of enhancing, maintaining and protecting the value and attractiveness of the Property. All of the limitations, restrictions, easements, reservations, covenants, conditions, servitudes, liens and charges shall run with the land, shall be binding on and inure to the benefit of all parties having or acquiring any right, title or interest in the Property, and shall be binding on and inure to the benefit of the successors in interest of such parties. It is the express intent that this Declaration will satisfy the requirements of California Civil Code, Section 4000 et. seq.

ARTICLE 1

DEFINITIONS

1.1 The "Articles" mean the Association's Articles of Incorporation and their amendments.

1.2 The "Association" means the Knollwood Terrace Owners' Association, a California nonprofit mutual benefit corporation, its successors and assigns.

1.3 The "Association Rules" mean the rules and regulations regulating the use and enjoyment of the Property adopted by the Board from time to time.

1.4 The "Board of Directors" or "Board" means the Board of Directors of the Association.

1.5 The "Bylaws" mean the Association's bylaws and their amendments.

1.6 The "Common Area" means the entire Development, except the Units as defined in this Declaration or as shown on the condominium plan.

1.7 A "Condominium" means an estate in real property as defined in the California Civil Code consisting of (i) an undivided interest as a tenant-in-common in the Common Area,

(ii) a fee interest in a Unit, and (iii) an easement or easements in portions of the Property as defined herein.

1.8 The "Condominium Plan" means a condominium plan recorded pursuant to the California Civil Code respecting the Development, and any amendments thereto. The Condominium Plan for this Project is recorded in Book 31, Pages 1 through 5, inclusive, of Condominium Maps in the Office of the County Recorder of Santa Barbara County.

1.9 The "County" means the County of Santa Barbara, California, where this Development is located.

1.10 The "Declaration" means this Amended and Restated Declaration of Covenants, Conditions and Restrictions, and any amendments and supplements thereto.

1.11 The "Development" means the Property as subdivided, developed and improved.

1.12 An "Eligible Mortgagee" is an Institutional First Mortgagee who has given notice to the Association and is therefore entitled to participation as described in these documents.

1.13 An "Exclusive Use Common Area" is that area shown on the Condominium Plan as "Y.A." which consists of easements over the Common Area for the exclusive use of the respective condominium owner and his or her invitees.

1.14 The "Governing Documents" mean the Articles, Bylaws, this Declaration, and the Association Rules, as amended from time to time.

1.15 The "Improvements" mean everything constructed, installed or planted on the Property subject to this Declaration, including without limitation, buildings, streets, fences, walls, paving, pipes, wires, grading, landscaping, and other works of improvement as defined in Section 3106 of the California Civil Code, excluding only those improvements or portions thereof which have been dedicated to the public, or a public or quasi-public entity or utility company, and accepted for maintenance by the public, such entity or utility company.

1.16 An "Institutional Mortgagee" is a Mortgagee that is a bank or savings and loan association or Mortgage company or other entity chartered or licensed under federal or state laws whose principal business is lending money on the security of real property or investing in such loans, or any insurance company or pension or profit sharing trust or any federal or state agency or instrumentality.

1.17 An "Invitee" is any person whose presence within the Development is approved by or is at the request of the Association or a particular Owner or Resident, including but not limited to the family, guests, or service employees of the Owners or Residents.

1.18 A "Member or Owner" means every person or entity who holds a membership in the Association by holding a record ownership interest in a Unit, including a contract purchaser under a recorded contract. A Member or Owner shall not include persons or entities who hold an interest in a Unit merely as security for the performance of an obligation.

1.19 A "Mortgage" means a mortgage or deed of trust encumbering a Condominium or other portion of the Development. A "Mortgagee" shall include the beneficiary under a deed of trust and any governmental guarantor or insurer of a Mortgage. A "First Mortgage" or "First Mortgagee" is one having priority as to all other mortgages or holders of mortgages encumbering the same Condominium or other portions of the Development

1.20 The "Property" means the real property described in the Recitals, and such additional real property as may hereafter be annexed hereto and become subject to the provisions of this Declaration.

1.21 A "Resident" is any person lawfully residing in a Unit, including but not limited to Owners and tenants.

1.22 A "Unit" means the elements of a Condominium that are not owned in common with the other Owners of Condominiums in the Development, such Units and their respective elements and boundaries being shown and particularly described in the Condominium Plan, deeds conveying Condominiums and this Declaration. In interpreting deeds and plans, the existing physical boundaries of a Unit or of a Unit reconstructed in substantial accordance with the original plans shall be conclusively presumed to be its boundaries rather than the description expressed in the deed or plans, regardless of minor variance between boundaries shown on the plans or in the deed and those of the building and regardless of settling or lateral movement of the building. Whenever reference is made in this Declaration, in the Condominium Plan, in any deed or elsewhere to a Unit it shall be assumed that such reference is made to the Unit as a whole, including each of its component elements, and to any and all exclusive easements appurtenant to such Unit over the Common Area, if any.

The boundaries of the Unit are the interior surfaces of the perimeter walls, floors, ceilings, doors, all portions of the perimeter windows (including interior and exterior glass surfaces thereof). A Unit, as shown by the numerical designation on the Condominium Plan, includes a Living Area "A"; Garage "B"; as well as an Exclusive Use Yard Area "Y.A.". The following are not a part of the Unit: exterior walls, bearing walls, columns, floors (except the interior surfaces thereof), roofs, foundations, slabs, patio walls, fences, tanks, pumps, and other central service facilities, pipes, ducts, flues, conduits, wires, heating coils and other utility installations providing common service or located within the walls, floors, or ceilings of the Unit. All fixtures, appliances, and utility installations located within the boundaries of the Unit or serving only the Unit shall be part of the Unit.

1.23 The "Voting Power of the Association" means a number equal to the total number of Condominiums subject to this Declaration. Each Owner shall have one (1) vote for each Condominium provided there shall be only one (1) vote for each Condominium.

ARTICLE 2

DESCRIPTION OF COMMON INTERESTS, PROPERTY RIGHTS, RIGHTS OF ENJOYMENT, AND EASEMENTS

2.1 Ownership of Condominium. Ownership of each Condominium within the Development shall include a Unit, an undivided 1/136th interest in the Common Area or portion thereof, membership in the Association, and any non-exclusive easements appurtenant to such Unit or Condominium over the Common Area as described in this Declaration or the deed to the Condominium.

2.2 Owners Non-Exclusive Easements of Enjoyment; Association Rights. Every Owner of a Condominium shall have a non-exclusive easement of use, enjoyment, ingress, egress, and support in, to and throughout the Common Area and any Improvements thereon or facilities thereof. Each such non-exclusive easement shall be appurtenant to and pass with the title to every Unit or Condominium, subject to the following rights and restrictions:

2.2.1 The right of the Association to borrow money to improve, repair or maintain the Common Area.

2.2.2 The right of the Association to consent to or otherwise cause the construction of additional Improvements on the Common Area and to consent to or otherwise cause the alteration, closure, or removal of any existing Improvements on the Common Area for the benefit of the Members of the Association.

2.2.3 The right of the Association to adopt and enforce Association Rules, including the imposition of fines for the violation of those rules. Such Association Rules may include, but are not limited to those concerning the control and use of any Common Area, including swimming pools, recreation buildings and facilities, landscaping, parking and paved areas located upon or across the Common Area, as well as the right to regulate the kind of vehicles traveling thereon, the speed thereof, and the parking of vehicles thereon.

2.2.4 The rights, easements, covenants, conditions and restrictions dedicated to the County or other interested party; or granted or reserved to any person in any recorded instrument or recorded agreement affecting the property and recorded prior to the date of recordation of this Declaration.

2.3 Entry or Use Rights.

2.3.1 The Association, or its agents, shall have the right to enter any Unit to perform its obligations under this Declaration, including obligations with respect to construction, maintenance or repair for the benefit of the Common Area or the Owners in common. Entry into a Unit shall be made only with the permission of the Owner (which permission shall not be unreasonably withheld) and only after three (3) days' notice to the Owner, except that the right to enter shall be immediate in case of an emergency originating in or threatening any Unit, or if safety concerns warrant, whether or not the Owner is present. Such entry shall be made with as little inconvenience as possible to the Owners, and any damage caused thereby shall be repaired by the Association.

2.3.2 The Association, or its agents, shall have the right to enter any Unit to inspect for or cure any violation or breach of this Declaration or the Bylaws or the Association Rules, provided that at least thirty (30) days' prior written notice of such inspection, violation or breach (except in cases of emergency) has been given to the Owner, the Owner has been given an opportunity to be heard by the Board of Directors, and provided that, within said thirty (30) day period such Owner had not acted to cure such violation or breach. The Association shall be entitled to recover from such Owner its costs of affecting such cure. Such entry shall be made with as little inconvenience as possible to the Owner, and any damage caused thereby shall be repaired by the Association and the cost thereof shall be deemed to be a cost of affecting such cure and charged to the Owner unless the damage was caused by the negligence or willful misconduct of the Association.

2.4 Delegation of Use; Contract Purchasers. Any Owner may delegate his or her rights of use and enjoyment in the Development to the members of his or her family, Residents, and Invitees subject to this Declaration and the Association Rules. However, if an Owner of a Condominium has sold his or her Condominium to a contract purchaser, the Owner, members of his or her family, guests and Invitees shall not be entitled to use and enjoy the facilities of the Development while the Owner's Unit is occupied by such contract purchaser. Instead, the contract purchaser, while occupying such Unit, shall be entitled to use and enjoy the facilities of the Development and can delegate the rights of use and enjoyment in the same manner as if such contract purchaser was an Owner during the period of his or her occupancy. Any delegated rights of use and enjoyment are subject to suspension to the same extent as are those rights of Owners. No such delegation shall relieve an Owner from liability to the Association or to other Owners for payments of assessments or other monetary obligations to the Association or performance of the Covenants, Conditions and Restrictions contained in this Declaration. Any contract of sale entered into between an Owner and a contract purchaser of a Unit shall be subject to, shall incorporate by reference, and shall require performance by the contract purchaser of all of the Covenants, Conditions and Restrictions contained herein, which provision shall be for the express benefit of the Association and each Owner. The Association and each Owner shall have a right of action directly against any contract purchaser of an Owner, as well as against the Owner, for non-performance of any of the provisions of this Declaration to the same extent that such right of action exists against such Owner.

2.5 Minor Encroachments. If any portion of the Common Area encroaches on any Unit or if any portion of a Unit encroaches on the Common Area, regardless of the cause, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and the Common Area are made subject to such easements. However, in no event shall a valid easement for encroachment exist in favor of an Owner if said encroachment occurred due to willful misconduct of said Owner or resulted from said Owner's noncompliance with any provision of this Declaration. If any structure containing a Unit is partially or totally destroyed and then rebuilt and any prior encroachment on the Common Area is again created, a valid easement exists for such encroachment and for the maintenance of it as long as it remains, and all Units and the Common Area are made subject to such easements.

2.6 Utility and Other Common Area Easements. The Association shall have the power to grant and convey to any person or entity easements and rights-of-way in, on, over or under the Common Area for the purpose of constructing, erecting, operating or maintaining lines, cables, wires, conduits, or other devices for electricity, cable television, power, telephone and other purposes, public sewers, storm water drains and pipes, water systems, sprinkling systems, water, heating and gas lines or pipes, and any similar public or quasi-public improvements or facilities. Each Owner, in accepting a deed to a Condominium, expressly consents to such easements and rights of way and authorizes and appoints the Association as attorney-in-fact of such Owner to execute any and all instruments conveying or creating such easements or rights-of-way. However, no such easement can be granted if it would interfere with the use, occupancy or enjoyment by any Owner of his or her Unit, unless approved by the vote or written consent of the holders of not less than seventy-five percent (75%) of the voting rights of Members.

2.7 Prohibition Against Severability of Component Interests in Condominium. An Owner shall not be entitled to sever his or her Condominium from his or her membership in the Association, and shall not be entitled to sever his or her Unit and his or her membership from his or her undivided interest in the Common Area for any purpose. None of the component interests in a Condominium can be severally sold, conveyed, encumbered, hypothecated or otherwise dealt with, and any violation or attempted violation of this provision shall be void. Similarly, no Owner can sever any easement appurtenant to his or her Unit over the Common Area from his or her Condominium, and any attempt to do so shall be void. Any conveyance of a Condominium by an Owner shall be presumed to convey the entire Condominium. However, nothing contained in this section shall preclude the Owner of any Condominium from creating a co-tenancy or joint tenancy in the ownership of the Condominium with any other person or persons.

ARTICLE 3

USE RESTRICTIONS AND COVENANTS

3.1 Residential Use. Units shall be used for residential purposes only, in compliance with applicable zoning regulations, including home occupations provided those occupations are conducted entirely within the Unit by the Residents thereof. There shall be no external signage, storage, or other indications of the home occupation apparent from the exterior of the Unit. No employees, customers or deliveries may come to the Unit for purposes of the home occupation. With this exception, no part of the Development shall be used or caused, allowed, or authorized to be used in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, storing, or other such non-residential purpose.

3.2 Leasing. An Owner shall be entitled to rent or lease his or her Unit, provided (i) there is a written rental or lease agreement specifying that the tenant shall be subject to all provisions of the Governing Documents and that a failure to comply with any provision of the Governing Documents shall constitute a default under the rental or lease agreement; (ii) the period of the rental or lease is not less than ninety (90) days; (iii) the Owner gives notice of the tenancy to the Board and has otherwise complied with the terms of the Governing Documents including the payment of assessments; (iv) no subleasing is allowed; (v) the Owner assigns rents from his or her Unit to the Association in the event he or she becomes delinquent in payment of assessments; (vi) tenant agrees to pay the Owner's assessment in the event the Owner becomes delinquent; (vii) the Owner gives each tenant a copy of the Governing Documents and the tenant acknowledges in writing receipt thereof, and (viii) the Owner has resided in the Development for a minimum of one (1) year prior to becoming a landlord.

3.3 Maintenance. The maintenance responsibilities for the Property are as follows:

3.3.1 Owner's Responsibility. Except as provided in Section 3.3.3 regarding the Association's responsibilities for maintenance, each Owner of a Condominium shall be responsible for maintaining his or her Unit, including plumbing, electrical, mechanical, utilities, and other equipment, appliances, and fixtures in the Unit or serving the Unit, patio floors and deck surfaces, metal garage doors, and the interior walls, ceilings, floors, fixtures, and appliances of the Unit (including but not limited to toilets, faucets, tubs, showers, space heating units, and lighting) in a clean, sanitary, workable and attractive condition. Each Owner has complete discretion as to the choice of furniture, furnishings, and interior decorating; but windows can be covered only by drapes, shutters or shades and cannot be painted or covered by foil, cardboard, or other similar materials. Each Owner shall also be responsible for the repair, replacement, and cleaning (interior and exterior) of the windows and glass in his or her Unit. Owners shall also be responsible for repairing any damage, including mold, to his or her Unit resulting from leaks originating in his or her Unit, including but not limited to (a) leaks from faulty grouting around toilets, showers and bathtubs, (b) leaks from plumbing pipes, connections, or fixtures located within the Unit, and (c) overflowing toilets, sinks, dishwashers, refrigerators/icemakers, showers or bathtubs.

3.3.1.1 Additional Owner Responsibilities. Regardless of the source of any leak or overflow, each Owner shall be solely responsible for the cost of repairing any water damage or mold affecting any and all personal items in such Owner's Unit, including but not limited to any personal property (furniture, household items, clothing, decorations, appliances, and other items). Personal property does not include items permanently attached to the Unit, such as carpeting, cabinets, or wall coverings; responsibility for those items depends upon the source of the leak (see Section 3.3.3.1, below, for the extent of the Association's liability.)

3.3.2 Alterations. No Owner shall make any alteration, repair or addition to his or her Unit which would affect the exterior appearance thereof, alter any structural component therein, or affect the Common Area elements in any way without obtaining the prior written consent of the Association and filing a "Notice of Obligation to Maintain the Alteration" document as described in the Association's Rules. Prior written consent of the Association is also required for installation of new plumbing fixtures (sinks, tubs, etc.). Owners must comply with all laws, ordinances, and Association Rules regarding alterations and remodeling. No alteration of the floor coverings of the Unit may be made which will result in an increase in sound transmission into any other Unit.

3.3.3 Association's Responsibility. As part of the Association's responsibility for maintenance of the Common Area, the Association shall provide exterior maintenance for the structure bounding each Unit. The Association shall also be responsible for all termite inspection, treatment and repair in the Development in accordance with the requirements of State Law. The Association's responsibility for maintenance, repair, and replacement of all other Common Area Improvements is as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, Common Area landscaping (excluding landscaping on patios), fences, walls, walks, asphalt paving and driveways, and other exterior Improvements. This specifically includes the Association's obligation to maintain all Common Area pipes, drains, conduits, appliances or other equipment providing water service to the Units, except in the case where such pipes, drains, conduits, appliances or other equipment have been altered in some way by an Owner, in which case the obligation to maintain such facilities transfers to the Owner. The Association shall be responsible for the original wooden garage doors and their replacement with metal garage doors. Once the metal garage doors have been installed, however, the responsibility for their continued maintenance transfers to the Owners. The Association accepts no responsibility for the repair, replacement, or reimbursement for the costs of any upgrades or betterments which the Owner may have installed in his or her Unit.

3.3.3.1 Association Liability. In the event of damage to an individual Unit, including mold, cause by a Common Area pipe, conduit, appliance or other equipment for which the Association is responsible, the Association shall be responsible for the repairing or replacing any damaged finishing on the interior wall surfaces (paint, wallpaper, etc.) or floor coverings (tile, carpet, etc.) and for repairing or replacing any items permanently affixed to the walls or floor of the Unit, including but not limited to cabinets or other built-in components.

3.3.3.2 Limitation on Association Liability. The Association shall not be liable for damage, including mold, to any Unit resulting from leaks or overflow water from any pipes, conduits, appliances, or other equipment which have been altered in some way by an Owner and where a Notice of Obligation to Maintain the Alteration is on file or was required. Under no circumstances will the Association be responsible for replacement housing, lost income, or tenant relocation costs associated with a leak or overflow from any source.

3.3.4 Failure to Maintain. If any Owner fails to perform necessary maintenance of his or her Unit, after written notice and an opportunity to be heard at a meeting of the Board, the Association may perform such maintenance and shall be entitled to recover the cost thereof from such Owner through a Reimbursement Assessment as defined in Section 6.3.4 or by any lawful means, together with interest at the maximum rate permitted by law and all costs of collection, including reasonable attorneys' fees.

3.4 Offensive Conduct; Nuisances. No noxious or offensive activities, including but not limited to repair of automobiles or other motorized vehicles, shall be conducted within the Development. Nothing shall be done on or within the Development that may be or may become an annoyance or nuisance to the residents of the Development, or that in any way interferes with the quiet enjoyment of residents of Units. Offensive conduct specifically includes loud parties, noisy guests, persistently barking dogs, or other disruptions which negatively impact other Residents, and which shall subject the Owner to enforcement action.

3.5 Parking Restrictions. Unless otherwise permitted by the Association, no Owner's automobile shall be parked or left within the Development other than within a designated parking space. No parking is permitted in the fire lanes or driveways. No automobile parking anywhere on the Development shall exceed the length of 19 feet, including any racks or accessories attached thereto. No boat, trailer, recreational vehicle, camper, truck (other than a pick-up truck), or commercial vehicle shall be parked or left within the Development without the approval of the Board of Directors. However, parking by commercial vehicles for the purpose of making deliveries shall be permitted in accordance with the Association Rules. No open parking space may be used for storage of vehicles not regularly driven.

3.6 Signs. No advertising signs, billboards, flags, or displays (with the exception of holiday displays erected for no more than thirty (30) days) shall be erected on the Property except as permitted by State Law.

3.7 Antennae and Satellite Dishes. No exterior radio or television poles, antennae, or satellite dish shall be erected or maintained on the Property except as permitted by law. All requests for antennae or satellite dishes must be approved by the Association prior to installation. As a condition of approval, the Owner installing the antennae or satellite dish must repair any damage to the Common Area caused by the installation, maintenance, removal or use of the antennae or satellite dish and must indemnify the Association for any claim or damage attributable to such antennae or satellite dish. All such antennae or satellite dishes must be

removed prior to the sale of the Unit, or an agreement executed by the buyer accepting responsibility for the antennae or satellite dish must be filed with the Association prior to close of escrow. Each Owner shall have the right to maintain television or radio antennae within completely enclosed portions of his or her Unit without Association approval.

3.8 Exterior Fixtures. No woodpiles, storage piles, or other unsightly objects or external fixtures other than those originally installed or approved by the Association shall be constructed, erected or maintained on or within the Common Area or elsewhere in the Development without approval of the Board. No wiring, insulation, air-conditioning, or other machinery or equipment, other than that originally installed and any approved replacements thereof, or as approved by the Association shall be constructed, erected or maintained on or within the Common Area or elsewhere in the Development without the approval of the Board.

3.9 Fences, Etc. No fences, ornamental screens, screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the Development, except those that are installed in accordance with the original construction of the Development, and their replacements or as are authorized and approved by the Board. No potted plants shall be placed on the top board of the fences. Any trees, bushes, or vines belonging to the Owner that cause damage to the fencing must be removed at the Owner's expense. If the Owner's negligence results in damage to the fencing, the Owner will be required to replace the fence at the Owner's expense. No awnings may be erected or replaced except as authorized and approved by the Board. No clotheslines or external drying of clothes on decks or patios is permitted.

3.10 Animals. No animals, reptiles, rodents, birds, fish, livestock or poultry shall be kept in any Unit or elsewhere within the Development except that domestic dogs, cats, tank of fish, or birds inside a bird cage may be kept as household pets within any Unit, if the pets are not kept, bred or raised for commercial purposes. The Board can prohibit the keeping of any animal that, in the sole and exclusive opinion of the Board, constitutes a nuisance or danger to any other Owner. Each person bringing or keeping a pet upon the Development shall be liable to the other Owners, their family members, guests, invitees, tenants and contract purchasers, and their respective family members, guests, and invitees for any damage to persons or property proximately caused by any pet brought upon or kept upon the Development by that person or by members of his or her family, guests or invitees. Each person bringing or keeping a pet upon the Development shall be responsible for immediately cleaning up after that pet. No pets are allowed in the Common Area except while traveling to or from a Unit and all dogs traveling through the Common Area must be leashed at all times.

3.11 Trash Disposal. Trash, garbage or other waste shall be kept only in sanitary containers. No Owner shall permit or cause any trash or refuse to be kept on any portion of the Development other than in the receptacles customarily used for it.

3.12 Structural Alterations. No structural alterations to the interior of or Common Area surrounding any Unit shall be made and no plumbing or electrical work within any bearing or Common walls shall be performed by any Owner without the prior written consent of the Association.

3.13 Exterior Alterations. No Owner shall at his or her expense or otherwise make any alterations or modifications to the exterior of the buildings, fences, railings, or walls situated within the Development without the prior written consent of the Association.

3.14 Driveways. All driveways, sidewalks, entries, and passageways outside the Units shall remain open and unobstructed, and shall not be used for purposes other than ingress and egress. No parking of vehicles in the fire lanes or driveways is permitted.

3.15 Patios. No patio may be enclosed in any manner without prior written approval from the Association. No storage of boxes, cleaning supplies, sports equipment, or other unsightly material is permitted in areas visible from the Common Area or other Units.

3.16 Additions to the Common Area. No fences, statuary, or structures of any kind shall be installed or erected in the Common Area without the prior written consent of the Association. No plants or other improvements other than those installed and maintained by the Association shall be planted, installed or maintained in the Common Area.

3.17 Exterior Lighting. All exterior lighting shall be of low intensity and directed away from neighboring Units.

3.18 Landscaping. Landscaping in or on any patio or Yard Area installed by an Owner shall be maintained by the Owner and may not infringe upon the Common Area or any other Unit. Maintenance of such landscaping shall meet any requirements regarding drought tolerant installations imposed by the Board or the County of Santa Barbara.

3.19 Insurance Rates and Compliance With Laws. Nothing shall be done or kept in any Unit or in the Common Area that might increase the rate of, or cause the cancellation of, insurance for the Development, or any portion of the Development, without the prior written consent of the Association. No Owner shall permit anything to be done or kept in his or her Unit that violates any law, ordinance, statute, rule or regulation of any local, county, state or federal body. No Owner shall allow his or her furniture, furnishings, or other personal property to remain within any portion of the Common Area except as may be permitted by the Association.

3.20 Garage Doors. Garage doors are to remain closed except when residents are entering or leaving the garage area.

3.21 Smoking. Smoking is permitted inside the Units and private patios only, and may not impact other Units or the Common Area. No smoking is permitted in the Common Area, including but not limited to the pool area.

3.22 Electric Vehicle Charging Stations. Electric vehicle charging stations may be installed in Garages at the Owner's expense, provided the Owner (i) obtains approval from the Association prior to beginning the installation; (ii) arranges for separate metering to the charging station, with billing to the Owner; (iii) obtains all necessary permits for the installation and engages the services of a licensed contractor to install the charging station; (iv) provide the Association with a certificate of insurance in the amount of \$1,000,000.00 naming the Association as an additional insured with the right of notice of cancellation; and (v) meets all other requirements contained in the Civil Code relative to electric vehicle charging stations.

ARTICLE 4

THE ASSOCIATION

4.1 Formation. The Association is a nonprofit mutual benefit corporation formed under the laws of the State of California. The Association shall be charged with the duties and vested with the powers set forth in the Articles, the Bylaws, and this Declaration, including but not limited to, control and maintenance of the Common Area and any facilities on the Common Area.

4.2 Association Action; Board of Directors and Officers; Members' Approval. Except as to matters requiring the approval of members as set forth in this Declaration, the Articles, or the Bylaws, the affairs of the Association shall be conducted by the Board and such officers as the Board may elect or appoint. Such election or appointment shall be in accordance with this Declaration or the Bylaws. Except as otherwise provided in this Declaration, the Articles or the Bylaws, all matters requiring the approval of members shall be deemed approved if members holding a majority of the total voting rights assent to them at any regular or special meeting held in accordance with the Bylaws.

4.3 Powers and Duties of Association.

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

4.3.1.1 Assessments. The Association shall have the power to establish, fix, and levy assessments against the Owners and to enforce payment of such assessments, in accordance with the provisions of this Declaration and State Law.

4.3.1.2 Right of Enforcement. The Association in its own name and on its own behalf, or on behalf of any Owner who consents, can commence and maintain actions to collect monetary obligations, for damages, or to restrain and enjoin any actual or threatened breach of any provision of this Declaration, the Articles, the Bylaws, the Association Rules or any resolutions of the Board, and to enforce these provisions in accordance with State Law. In addition, the Association can suspend an Owner's voting rights or use privileges of the Common Area (except roads located thereon), or can assess monetary penalties against any Owner or other person entitled to exercise such rights or privileges for any violation of this Declaration or the Articles, Bylaws, Association Rules, or Board resolutions pursuant to the enforcement procedures described in the Association Rules and State Law, including notification of the violation and a right to a hearing before the Board of Directors. The Association does not have the power or authority to cause a forfeiture or abridgement of an Owner's right to the full use and enjoyment of his or her Unit if the Owner does not comply with provisions of this Declaration, the Articles, Bylaws, or the Association Rules or Board resolutions, except by judgment of a court, a decision arising out of arbitration, or because of a foreclosure or sale under a power of sale based on the failure of the Owner to pay assessments duly levied by the Association.

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

4.3.1.2.2 Violations as Nuisance. Every act or omission in violation of the provisions of this Declaration shall constitute a nuisance and, in addition to all other remedies herein set forth, may be abated or enjoined by any Owner, any member of the Board, or the Association.

4.3.1.3 Delegation of Powers; Professional Management. The Association, acting by and through the Board, may delegate certain of its powers, duties, and responsibilities to committees or employees, including a professional managing agent ("Manager"), subject to the provisions of this Declaration and State Law.

4.3.1.4 Association Rules. The Board shall have the power to adopt, amend and repeal the Association Rules as it deems reasonable in accordance with State Law. However, the Association Rules shall not be inconsistent with or materially alter any provisions of this Declaration, the Articles or the Bylaws. A copy of the Association Rules as adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner and a copy shall be posted in a conspicuous place within the Development. In case of any conflict between any of the Association Rules and any other provisions of this Declaration, the Articles, or Bylaws, the

conflicting Association Rule shall be deemed to be superseded by the provisions of this Declaration, the Articles or the Bylaws to the extent of any such inconsistency.

4.3.1.5 Contracts. The Association has the power to enter into contracts for services or materials for the benefit of the Association or the Common Area, subject to the limitations contained in this Declaration.

4.3.1.6 Other Powers. The Association, the Board, and the membership shall have such other powers and authority as set for in the Articles and Bylaws, and as established by State Law, including but not limited to the power to borrow money and hire professionals as needed.

4.3.2 Duties of the Association. In addition to the powers delegated to it by its Articles or the Bylaws, and without limiting their generality, the Association, acting by and through the Board, has the obligation to conduct all business affairs of common interest to all Owners and to perform each of the following duties:

4.3.2.1 Operation and Maintenance of Common Area. To operate, maintain and otherwise manage or provide for the operation, maintenance and management of the Common Area, and all its facilities, and all Common Area improvements, fixtures, furniture, and landscaping, in a first-class condition and in a good state of repair, all driveways, parking facilities, exterior lighting, drainage devices or facilities located upon or within the Common Area, all sewer laterals and connections and water supply lines located upon or within the Common Area and which are not located within a portion of the Common Area subject to a dedicated and accepted easement or right of way in favor of a public utility supplying water or sewer service to the Development, and any other property acquired by or subject to the control of the Association, including personal property. All driveways are to be posted with "no parking" and "tow-away" signs and shall be kept clear of parked vehicles or other obstructions so as not to interfere with access by emergency vehicles. Any and all irrigation and drainage devices and equipment on the Property shall at all time be the personal property of the Association and shall not become part of the real estate upon or in which it is located.

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

4.3.2.3 Other Utilities. To acquire, provide and pay for water, sewer, garbage disposal, refuse and rubbish collection, electrical, telephone, gas and other necessary utility services for the Common Area, and for the Units when the Units are not separately billed.

4.3.2.4 Insurance. To obtain, from reputable insurance companies, and maintain the insurance described in Article 8.

4.3.2.5 Delivery of Governing Documents. To provide to any Owner or mortgagee or prospective purchaser (evidenced by a copy of a signed agreement of purchase or by a copy of signed escrow instructions) within ten (10) days of the mailing or delivery of a written request by an Owner, mortgagee or prospective purchaser a copy of the Declaration, the Articles of Incorporation, the Bylaws, the Association Rules, and all other Governing Documents or Association records required by State Law. The Association may impose a fee for providing such documents and statements, which fee shall be paid by the person making the request, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents and statements.

4.3.2.6 Estoppel Certificate. The Board or Manager, on not less than twenty (20) days prior written request, shall execute, acknowledge and deliver to the party making such request, a statement in writing stating whether or not to the knowledge of the Association, a particular Owner is in default as to his or her Unit under the provisions of this Declaration and further stating the dates to which installments of assessments, regular or special, have been paid as to such Unit. Any such certificate may be relied upon by any prospective purchaser or mortgagee of the Unit, but reliance on such certificate may not extend to any default not involving the payment of assessments or of which the signer had no actual knowledge.

4.4 Financial Statements of the Association.

4.4.1 Each year the Board shall prepare, approve, and make available to each Member a pro forma operating budget as described in Civil Code Section 5300 and containing: (i) estimated revenue and expenses on an accrual basis; (ii) the amount of the total cash reserves of the Association currently available for replacement or major repair of Common Area facilities and for contingencies; (iii) an itemized estimate of the current replacement costs of, the estimated remaining life of, and the methods of funding to defray repair, replacement or additions to major components of the Common Area; (iv) a general statement setting forth the procedures used by the Board in calculating and establishing reserves to defray the costs of repair, replacement, or additions to major components of the Common Area; (v) a statement as to whether the board has determined to defer or not undertake repairs or replacement of major components; (vi) a statement as to whether the Board has determined or anticipates that one or more special assessments will be levied, and if so the estimated amount, commencement date, and duration of such a special assessment; and (vii) a statement as to whether the Association has any outstanding loans. Not less than thirty (30) days and not more than ninety (90) days prior to the beginning of the fiscal year, the Board shall distribute to each Owner by first class mail a copy of the final pro forma budget as adjusted by the Board and a notice of any increase in the regular assessment applicable for the coming year. In addition to the other disclosures required by State Law, the budget shall be accompanied by the Annual Policy Statement required by Civil

Code Section 5310 as well as (i) a statement of the Association's policies and practices in enforcing its remedies against Owners for default in payment of regular and special assessments, including liens; (ii) a summary of the Association's insurance policies; (iii) a notice that Owners have the right to receive copies of minutes of the Board and financial statements of the Association and the method by which those documents may be obtained; (iv) a schedule of monetary penalties for violations; (v) a summary of any requirements for Association approval of changes to Units, (vi) a statement of the Association's collection policies; and (vii) an outline of the Alternative Dispute Resolution process and a summary of California Civil Code Section 5965 (and any successor sections) which shall include the following:

"Failure by an Owner/Member of the Association to comply with the alternative dispute resolution requirements of Section 5930 of the Civil Code (and any successor sections) may result in the loss of the member's right to sue the Association or another member of the Association regarding the enforcement of the governing documents or the applicable law." (This requirement may be waived if this notice has been otherwise distributed during the calendar year.)

4.4.2 Copies of each of the above financial statements for the Association shall be mailed to any mortgagee who has requested their receipt in writing.

ARTICLE 5

OWNER'S RIGHTS AND OBLIGATIONS

5.1 Owner's Obligation for Taxes. To the extent allowed by law, all Units, including their pro rata undivided interest in the Common Area and the membership of an Owner in the Association, shall be separately assessed and taxed so that all taxes, assessments, and charges which may become liens prior to first mortgages under local law shall relate only to the individual Units and not to the Development as a whole. Each Owner shall be obligated to pay any taxes or assessments assessed by the County Assessor of the County against his or her Unit and against his or her personal property. The Association shall have no obligation to pay such taxes or assessments.

5.2 Owners' Rights and Duties. Each Owner shall have the rights, duties, and obligations set forth in this Declaration, the Articles, the Bylaws and the Association Rules.

5.3.1 Transfer of Membership. The Association membership of each person or entity who owns, or owns an interest in, one or more Units shall be appurtenant to each such Unit, and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except on a transfer of title to each such Unit or interest in it and then only to the transferee. Any attempt to make a prohibited transfer shall be void. Any transfer of title to a Unit or interest

in it shall operate automatically to transfer the appurtenant membership rights in the Association to the new Owner.

5.3.2 Disclosure Obligation. An Owner shall, as soon as practicable before sale of his or her Unit, provide the prospective purchaser all of the information required by State Law or arrange for the Association to make such a disclosure.

5.3.3 Notification of Change of Ownership. Within ten (10) days of the consummation of any sale or other transfer which results in a change in the record ownership of the fee interest in a Unit, the transferring Owner shall provide the following information to the Association in writing: (1) the name(s) of the new Owner(s) of record, (2) the Unit number and street address of the transferred Unit, (3) the forwarding or current mailing address of the seller/transferor, and (4) the date of the transfer. Each Owner shall have the duty to keep the Association Secretary or manager apprised of his or her current address and telephone number at all times.

5.3.4 Transfer of Responsibility for Delinquent Assessments. Upon conveyance, sale, assignment or other transfer of a Unit to a new Owner, the transferring Owner shall not be personally liable for any assessments levied with respect to the Unit after the date of such transfer, and no person, after the termination of ownership, shall incur any of the obligations or enjoy any of the benefits of an Owner, under this Declaration. The voluntary conveyance of a Unit to a new Owner, however, will not extinguish any obligation for unpaid assessments against the Unit being conveyed, or the Owner that is transferring the Unit. The Association may proceed to take action to record a lien and foreclose for delinquent assessments, or pursue the transferring Owner, or both, until such time as the delinquencies are paid in full.

ARTICLE 6

ASSESSMENTS

6.1 Agreement to Pay. Each purchaser of a Unit by his or her acceptance of a deed covenants and agrees, for each Unit owned, to pay to the Association regular, emergency, reimbursement, and special assessments, such assessments to be established, made and collected as provided in this Declaration and State Law.

6.2 Personal Obligations. Each assessment or installment, together with any late charge, interest, collection costs and reasonable attorney's fees, shall be the personal obligation of the person or entity who was an Owner at the time of such assessment or installment became due and payable. If more than one person or entity was the Owner of a Unit, the personal obligation to pay such assessment or installment respecting such Unit shall be both joint and several. The personal obligation for delinquent assessments, or delinquent installments and other such sums, shall not pass to an Owner's successors in interest unless expressly assumed by them.

No such assumption of personal liability by a successor Owner (including a contract purchaser under an installment sales contract) shall relieve any Owner from personal liability for delinquent assessments. After an Owner transfers fee title of record to his or her Unit, he or she shall not be liable for any charge thereafter levied against the Unit. No Owner may exempt him or herself from payment of assessments, or installments, by waiver of the use or enjoyment of all or any portion of the Common Area or by waiver of the use or enjoyment of, or by abandonment of, his or her Unit. Any assessment not paid when due is delinquent.

6.3 Types of Assessments.

6.3.1 Regular Assessments. Regular assessments are levied by the Association for the administration and management of the Property, maintenance of the Common Area, services as needed, and other expenses of the Association incurred in carrying out its duties and obligations (called "Operating Expenses") and for fulfilling the responsibility of the Association with regard to maintenance, repair, and replacement of the major components that the Association is obligated to maintain, repair and replace (called "Reserves".) Not more than ninety (90) days nor less than forty-five (45) days before the beginning of each fiscal year of the Association, the Board shall meet for the purpose of establishing the regular annual assessment for the forthcoming fiscal year. At such meeting the Board shall review the proposed pro forma operating statement or budget, and written comments received and any other information available to it and, after making any adjustments that the Board deems appropriate, without a vote of the Members of the Association, shall establish the regular assessment for the forthcoming fiscal year; provided, however, that the Board may not establish a regular assessment for any fiscal year of the Association which is more than one hundred twenty percent (120%) of the regular assessment of the prior fiscal year of the Association without the approval by vote or written consent of Members holding fifty-one percent (51%) of the voting rights of all Members.

6.3.2 Special Assessments. If the Board determines that the estimated total amount of funds necessary to defray the common expenses of the Association for a given fiscal year is or will become inadequate to meet expenses for any reason, including, but not limited to, unanticipated delinquencies, costs of construction, unexpected repairs or replacements of capital improvements in the Common Area, the Board shall determine the approximate amount necessary to defray such expenses, and if the amount is approved by a majority vote of the Board it shall become a special assessment. The Association may, in the discretion of the Board, pro rate such special assessment over the remaining months of the fiscal year or levy the assessment against each Condominium beginning sixty (60) days following the Board's vote. The Board may not levy special assessments in any fiscal year which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year without the vote or written consent of Members holding fifty-one percent (51%) of the voting power of the Association. The obligation to pay Special Assessments which are paid over time is transferred to, and becomes the obligation of any successor Owner of a Condominium.

6.3.3 Emergency Assessments. If the Board is required to make any expenditure, the necessity for which was not foreseen at the time the budget was adopted, and which cannot be postponed to a later date, the Board may levy an additional assessment to cover such costs, provided the notice and findings requirements of the Civil Code have been met.

6.3.4 Reimbursement Assessments. The Association shall levy a reimbursement assessment against any Owner and his or her Unit to reimburse the Association for the costs of repairing damage caused by such Owner, Resident, or Invitee or if a failure to comply with the Governing Documents has (i) necessitated an expenditure of monies, including attorneys' fees by the Association to bring the Owner or his or her Unit into compliance or (ii) resulted in the imposition of a fine or penalty. A reimbursement assessment shall be due and payable to the Association when levied. A reimbursement assessment may not be levied by the Association until a notice and opportunity for a hearing has been given in accordance with State Law. Notwithstanding any other provision in the Governing Documents either expressed or implied to the contrary, reimbursement assessments are assessments, but they may not be enforced by any lien rights provided in this Declaration. Reimbursement assessments shall include assessments levied pursuant to Article 9 (for repair or reconstruction).

6.3.5 Taxation. Unless the Association is exempt from federal or state income taxation, all proceeds from any assessment shall be segregated and deposited into separate accounts and shall be used solely for the purpose or purposes for which it was levied or it shall be otherwise handled and used in a manner authorized by law under the regulations of the Internal Revenue Service or the California Franchise Tax Board in order to avoid, if possible, its taxation as income of the Association.

6.4 Rate of Assessments. Regular and special assessments shall be levied on the basis of the ratio of the square footage of the floor area of the Units to be assessed to the total square footage of all Units. Reimbursement assessments shall be charged to the affected Unit Owner(s) and levied on the basis of the actual costs incurred by the Association.

6.5 Assessment Period. The regular assessment period shall commence on January 1st of each year and shall terminate on December 31st of such year, and regular assessments shall be payable in equal monthly installments unless the Association adopts some other basis for collection.

6.6 Notice and Assessment Installment Due Dates. A notice of the amount of any regular or special assessment imposed by the Association, including the due dates for the payment of installments, shall be mailed to the Owners in accordance with State Law. The due dates for the payment of installments normally shall be the first day of each month unless some other due date is established by the Association. Each installment of regular assessments and special assessments shall become delinquent if not paid within fifteen (15) days after its due date. There shall accrue with each delinquent installment a late charge equal to the maximum amount permitted under State Law unless the Association by resolution of the Board establishes a lesser

late charge. There shall be no offsets or withholding of assessments for any reason, including, without limitation, any claim that the Association is not properly exercising its duties of maintenance or enforcement. No Owner shall be relieved of an assessment or any part thereof by reason of his or her failure to use the Common Area. Upon the sale or transfer of any Unit by any Owner, the Owner's interest in the funds held by the Association shall terminate and shall be deemed automatically transferred to the successor-transferee of such Owner.

6.7 Association Bank Accounts. All assessments collected by the Board shall be deposited in FDIC-insured accounts selected by the Board. The Board shall have the control of all such accounts and shall be responsible to the Owners for the maintenance of accurate records thereof at all times. Funds may be withdrawn from any reserve account only upon written signature of two appropriately authorized members of the Board. The Board shall adopt a written policy with regard to signature(s) required for the operating account.

6.8 Reserve Study. At least once every three (3) years the Board shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components of the Common Area improvements, or of other improvements, facilities or personal property, which the Association is obligated to repair, replace, restore or maintain ("Major Components") as a part of a study of the "Reserve Account Requirements" of the Development to be conducted if the current replacement value of the Major Components is equal to or greater than one-half (1/2) of the gross income budget of the Association, which excludes the Association's reserve account for that period. As used herein, the term "Reserve Account Requirements" means the estimated funds which the Board has determined are required to be available at a specified point in time to repair, replace, or restore Major Components or to defray the future repair or replacement of, or additions to, Major Components. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the Reserve Account Requirements as a result of that review. The study shall meet the requirements of the Civil Code and shall at a minimum include the following:

6.8.1 Identification of the Major Components which, as of the date of the study, have a remaining useful life of less than 30 years.

6.8.2 Identification of the probable remaining useful life, as of the date of the study, of the Major Components identified in Section 6.8.1.

6.8.3 An estimate of the cost of repair, replacement, restoration, or maintenance of the Major Components identified in Section 6.8.1 during and at the end of their useful lives.

6.8.4 An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore or maintain the Major Components identified in Section 6.8.1 during and at the end of their useful lives, after subtracting total reserve funds as the date of the study.

ARTICLE 7

COLLECTION OF ASSESSMENTS; LIENS

7.1 Right to Enforce. The right to collect and enforce assessments is vested in the Association. The Board shall annually distribute, not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year, a statement of the Association's policies and practices in enforcing its remedies against Owners in default in the payment of regular and special assessments, including the recording and foreclosing of liens against Owners' Units.

7.1.1 Notice Regarding Assessments and Foreclosure: The Association shall distribute to each Owner the written notice required by the Civil Code Sections 5600 through 5625 and 5650 through 5740 and any successor sections during the sixty (60) day period prior to commencement of each fiscal year.

7.1.2 Remedies. In addition to all other remedies provided by law, the Association, or its authorized representative, may enforce the obligations of the Owners to pay each assessment provided for in this Declaration in any manner provided by law or by either or both of the following procedures:

7.1.2.1 By Suit: The Association may commence and maintain a suit at law against any Owner personally obligated to pay a delinquent assessment. The suit shall be maintained in the name of the Association. Any judgment rendered in any action shall include the amount of the delinquency, additional charges and any other amounts as the court may award. A proceeding to recover a judgment for unpaid assessments may be maintained without the necessity of foreclosing or waiving the lien established herein.

7.1.2.2 By Lien: The Association or a trustee nominated by the Association may commence and maintain proceedings to establish and/or foreclose assessment liens as provided in Sections 5650 through 5740 and any successor sections of the Civil Code.

7.1.3 Additional Charges: In addition to any other amounts due or any other relief or remedy obtained against an Owner who is delinquent in the payment of any assessments, each Owner agrees to pay such additional costs, fees, charges and expenditures ("Additional Charges") as the Association may incur or levy in the process of collecting from that Owner monies due and delinquent. All Additional Charges shall be included in any judgment in any suit or action brought to enforce collection of delinquent assessments or may be levied against a Unit as a Reimbursement Assessment. Additional Charges shall include, but not be limited to the following:

(i) **Attorneys' Fees:** Reasonable attorneys' fees and costs incurred in the event an attorney(s) is employed to collect any assessment or sum due, whether by suit or otherwise;

(ii) **Late Charges:** A late charge in an amount to be fixed by the Board in accordance with the then current laws of the State of California to compensate the Association for additional collection costs incurred if any assessment or other sum is not paid when due or within any "grace period" established by law;

(iii) **Costs of Suit:** Costs of suit and court costs incurred as allowed by the court;

(iv) **Interest:** Interest on the delinquent assessment and Additional Charges at a rate fixed by the Board in accordance with the then current laws of the State of California.

(v) **Other:** Any such other additional costs that the Association may incur in the process of collecting delinquent assessments or sums.

7.1.4 **Certificate of Satisfaction of Lien.** Upon payment or other satisfaction of a delinquent assessment for which a Notice was recorded, the Association shall record a certificate stating the satisfaction and release of the assessment lien.

7.2 **Subordination of Lien.** Notwithstanding any provision to the contrary, the liens for assessments created pursuant to this Declaration shall be subject and subordinate to and shall not affect the rights of the holder of a First Mortgage made in good faith and for value. Upon the foreclosure of any First Mortgage on a Unit, any lien for assessments which becomes due prior to such foreclosure shall be extinguished; provided, however, that after such foreclosure there shall be a lien on the interest of the purchaser at the foreclosure sale to secure all assessments, whether regular or special, charged to such Unit after the date of the foreclosure sale, which lien shall have the same effect and shall be enforced in the same manner as provided herein. For purposes of this subsection, a Mortgage may be given in good faith or for value even though the Mortgagee has constructive or actual knowledge of the assessment lien provisions of this Declaration.

7.3 **Payment of Taxes.** The Association shall have the right, to the extent not paid by the several Owners thereof, to pay all real property taxes and assessments levied upon any part or portion of the Development by a duly authorized governmental or quasi-governmental authority. The Association, by its Board, shall have the right to impose a special assessment and lien against such portion of the Development for the amount paid by the Association pursuant to the right given by this paragraph. Such assessment and lien imposed by the Association shall be enforced as provided in this Article.

7.4 Waiver of Exemptions. Each Owner, to the extent permitted by law, waives, to the extent of any liens created pursuant to this Article 7, the benefit of any homestead or exemption laws of California in effect at the time any assessment, or installment, becomes delinquent or any lien is imposed.

ARTICLE 8

INSURANCE

8.1 Liability Insurance. The Association shall obtain and maintain comprehensive public liability insurance insuring the Association, any manager, and the Owners of the Units, against any liability incident to the ownership, maintenance or use of the Common Area and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than the amount required by the Civil Code covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to Developments similar in construction, location and use.

8.2 Fire and Extended Coverage Insurance. The Association also shall obtain and maintain a master or blanket policy of fire insurance for the full insurable value of all of the improvements within the Development, excluding betterments and upgrades in individual Units. The policy shall contain an agreed amount endorsement or its equivalent, an increased cost of construction endorsement or a contingent liability from operation of building laws endorsement or their equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a determinable cash adjustment clause or a similar clause to permit cash settlement covering full value of the improvements in case of partial destruction and a decision not to rebuild. The policy shall provide amounts of coverage as shall be determined by the Association in accordance with State Law. The policy shall name as insured the Association and the Owners, and all mortgagees as their respective interests may appear.

8.3 Individual Fire Insurance Limited. Except as provided in this Article, no Owner shall separately insure his or her Unit against loss by fire or other casualty covered by any insurance carried under Section 8.2. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable under policies described in Section 8.2 that results from the existence of such other insurance will be chargeable to the Owner who acquired other insurance, and such Owner will be liable to the Association to the extent of any such diminution. Any improvements made by an Owner within his or her Unit may be separately insured by the Owner, but the insurance is to be limited to the type and nature of coverage commonly known as "tenant's improvements." All such insurance that is individually carried must contain a waiver of

subrogation rights by the carrier as to other Owners, the Association, and institutional first mortgagee of such Condominium.

8.4 Owner's Insurance. Each Unit Owner must purchase and maintain in force at all times HOA or equivalent condominium owner's insurance in an amount determined by the Board. Such insurance shall provide liability coverage for accidents or incidents that occur in the Owner's separate interest Unit as well as coverage for damage to personal property or contents kept in the Unit. In the absence of insurance coverage, the Owner is responsible for these losses. In addition, each Owner is responsible for procuring coverage to insure any upgrades or betterments installed in his or her Unit, any loss assessment, and any extra building coverage needed to pay for repairs to the Unit that are not covered by the Association's policies to the extent available. The Association has no obligation to monitor or assure individual compliance with these requirements. Owners who fail or refuse to so insure may not expect the Association to pay for the losses that would have been covered by such insurance, or to cover damages that could have been otherwise insured by the Owners.

8.5 Dogs. Any Owner or resident owning a dog must purchase and maintain in force at all times liability insurance covering any injury caused by the dog. This insurance may be part of the condominium owner's policy required by Section 8.4.

8.6 Other Insurance. The Association may and, if required by any Institutional First Mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction of the development and a decision not to rebuild. The Association also shall purchase and maintain worker's compensation insurance to the extent that it is required by law, for all employees or uninsured contractors of the Association. The Association may also purchase and maintain fidelity bonds or insurance covering members of the Board, officers and employees of the Association and employees of any manager, whether or not such persons are compensated for such services, naming the Association as obligee or as insured, which shall be in an amount sufficient to meet the requirements of any Institutional First Mortgagee. The Association shall purchase and maintain such insurance on personal property owned by the Association, and any other insurance that it deems necessary or that is required by any Institutional First Mortgagee, including but not limited to flood or earthquake insurance.

8.7 Owner's Liability and Personal Property Insurance. In addition to the requirements of Sections 8.4 and 8.5, an Owner may carry whatever personal injury liability, property damage liability and personal property casualty insurance with respect to his or her Unit that he or she desires. However, any such policy shall include a waiver of subrogation clause acceptable to the Association and to any Institutional First Mortgagee.

8.8 Adjustment of Losses. The Association is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Sections 8.1, 8.2 and 8.6. The Association is granted full right and authority to

compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer.

8.9 Officer and Director Insurance. Upon and in the event of the determination by the Board to purchase such insurance, the Association shall purchase and maintain insurance in an amount up to Two Million Dollars (\$2,000,000.00) on behalf of any director, officer, or member of a committee of the Association (collectively the "agents") against any liability asserted against or incurred by the agent in such capacity or arising out of the agent's status as such, whether or not the Association would have the power to indemnify the agent against such liability under applicable law.

8.10 Indemnification. Each Owner shall be liable to the remaining Owners and the Association for any damage to the Common Area that may be sustained by reason of the negligence of that Owner, members of his or her family, contract purchasers, tenants, guests or Invitees, but only to the extent that any such damage is not covered by casualty insurance in favor of the Association or other Owners. Each Owner, by acceptance of his or her deed, agrees for him or herself and for the members of his or her family, contract purchasers, tenants, guests or Invitees, to indemnify each and every other Owner and the Association, and to hold them harmless from, and to defend them against any claim of any person for personal injury or property damage occurring within the Unit of that particular Owner, except to the extent (i) that such injury or damage is covered by liability insurance in favor of the Association or other Owner, or (ii) the injury or damage occurred by reason of the willful or negligent act or omission of the Association or another Owner or person temporarily visiting in that Unit.

8.11 Summary of Insurance Policies. The Association shall distribute to each Owner within sixty (60) days preceding the beginning of the Association's fiscal year a summary of the Association's property, general liability, and fidelity insurance policies. The summary shall include the following information about each policy: (i) the name of the insurer, (ii) the type of insurance, (iii) the policy limits of the insurance, and (iv) the amount of the deductible, if any. To the extent that any of the information required to be included in the summary is specified in an insurance policy declaration page, the Association may distribute to each Owner a copy of the declaration page in lieu of the information required to be included in the summary of that policy. The summary distributed to each Owner shall contain, in at least 10-point type the following statement:

"This summary of the Association's policies of insurance provides only certain information as required by Subdivision (E) of Section 5300(b)(9) of the Civil Code and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Member, upon request and reasonable notice, may review the Association's insurance policies, and upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property, or real property improvements to or around your dwelling,

or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance brokers or agents for appropriate additional coverage."

ARTICLE 9

DESTRUCTION OF IMPROVEMENTS

9.1 Damage to a Single Unit. If the building is damaged by fire or other casualty and the damage is limited to a single Unit, all insurance proceeds from covered events shall be used to rebuild the Unit in accordance with the original plans and specifications, and to the extent of the Association's coverage, pursuant to any plans approved by the Board. In the event that the damage is caused by negligence of the Owner or any other resident of or guest in the Unit, the Board may seek compensation from the Owner of the Unit for any portions of the loss that are not covered by the Association's insurance policy.

9.2 Destruction; Proceeds Exceed 85% of Reconstruction Costs. If there is a total or partial destruction of any of the improvements in the Development, and if the available proceeds of the insurance carried pursuant to Article 8 are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the improvements shall be promptly rebuilt unless, within ninety (90) days from the date of destruction, Members then holding at least seventy-five percent (75%) of the total voting power of the Association, in person or by proxy, at a duly constituted meeting, determine that repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Association shall be required to execute, acknowledge and record in the office of the County Recorder of the County not later than one hundred twenty (120) days from the date of the destruction, a certificate declaring the intention of the members to rebuild.

9.3 Destruction; Proceeds Less than 85% of Reconstruction Costs. If the proceeds of insurance carried pursuant to Article 8 are less than eighty-five percent (85%) of the costs of repair and reconstruction, repair and reconstruction shall take place unless, within ninety (90) days from the date of destruction, members then holding at least sixty-six and two-thirds percent (66 2/3%) of the total voting power of the Association, in person or by proxy, at a duly constituted meeting, determine that repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Association shall execute, acknowledge and record in the office of the County Recorder of the County not later than one hundred twenty (120) days from the date of destruction a certificate declaring the intention of the Members to rebuild.

9.4 Rebuilding Procedures. If the Members determine to rebuild, pursuant to Sections 9.2 or 9.3, each Owner shall be obligated to contribute his or her proportionate share of the cost of repair or reconstruction over and above the available insurance proceeds. The proportionate share of each Owner shall be based upon the ratio the square footage of the floor

area of his or her Unit bears to the total square footage of the floor area of all Units. If any Owner fails or refuses to pay his or her proportionate share, the Association may levy a special assessment against the Unit of such Owner which may be enforced under the lien provisions contained in Article 7 or in any other manner provided in this Declaration.

9.5 Rebuilding Contract. If the Members determine to rebuild, the Association or its authorized representative shall attempt to obtain bids from at least two reputable contractors and shall, absent extenuating circumstances, award the repair and reconstruction work to the lowest qualified bidder. The Association shall have the authority to enter into a written contract with the contractor for the repair and reconstruction, and the insurance proceeds shall be disbursed to the contractor according to the terms of the contract. It shall be the obligation of the Association to take all steps necessary to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

9.6 Repair, Replacement and Reconstruction of Appliances, Fixtures, Equipment or Interior Improvements. If repair or reconstruction of the buildings, structures, or improvements located within the Units or within the Common Area is authorized pursuant to Sections 9.2 or 9.3, appliances or mechanical, plumbing, sewer, water, gas, cable television, heating, air conditioning and electrical systems, equipment or fixtures or non-structural interior partition walls, windows and doors located within a Unit or exclusively serving a Unit that are damaged or destroyed, irrespective of the cause or whether or not covered by insurance, shall be repaired, replaced or reconstructed by the Owner of the Unit in accordance with the same plans and specifications required by the County. Subject to the rights of Mortgagees, and provided there are sufficient proceeds to repair or replace the buildings, structures and Common Area Improvements, the Association shall make available to each Owner all remaining available insurance proceeds received by the Association solely for the benefit of repair or replacement of such appliances, fixtures, equipment or interior improvements. The cost of repair or replacement of any uninsured losses shall be paid by the Owner.

9.7 Rebuilding Not Authorized. If the Members determine not to rebuild, then any insurance proceeds then available for rebuilding shall be used or distributed as follows:

9.7.1 Purchase by Association.

9.7.1.1 If, prior to the expiration of one hundred twenty (120) days from the date of destruction, seventy-five percent (75%) of all Owners and Institutional First Mortgagees with Mortgages encumbering condominiums in the Development consent by vote or in writing, the Board acting on behalf of the Association shall have the right to purchase the Units which were rendered uninhabitable by such damage or destruction at the fair market value thereof immediately prior to the damage or destruction (as determined pursuant to Section 9.9), using the available proceeds of insurance for such purpose. The Board's decision as to whether or not a Unit is uninhabitable shall be final and binding on all parties. Any payment of the purchase price shall be made jointly to the selling Owner and all mortgagees of his or her Unit

and each Owner by accepting a deed to a Unit agrees to be bound by these provisions and to sell and to convey his or her Unit by grant deed to the Association as provided herein. Concurrently with such purchase, the Association, acting as attorney-in-fact of all Owners shall amend the Condominium Plan, the Tract Map (if necessary) and this Declaration to eliminate from the Development the Condominiums so purchased and to adjust the undivided ownership interest of the remaining Owners to reflect the reduced number of Condominiums in the Development and the Association shall convey to each remaining Owner a proportionate share of the undivided interests in the Common Area represented by the Condominium purchased, which proportion shall be in the ratio that each remaining Owner's undivided interest in the Common Area bears to all remaining Owners' undivided interest in the Common Area.

9.7.1.2 Notwithstanding the determination not to rebuild pursuant to Sections 9.2 or 9.3, any Units which are not rendered uninhabitable shall be repaired and reconstructed to a condition as near as possible to their condition immediately before such damage or destruction. Such repair and reconstruction shall be paid for first, from the insurance proceeds remaining after the purchase of Units pursuant to Section 9.7.1.1, if any, and second, from a special assessment levied against all remaining Owners in the Development in the manner described in Section 9.4 (but without the consent or approval of Members, despite any contrary provisions in the Declaration).

9.7.2 Procedure if Purchase Not Authorized. If the required seventy-five percent (75%) of all Owners and institutional first mortgagees do not consent to purchase of the Units which were rendered uninhabitable, the proceeds of insurance shall be apportioned among all Owners, and their respective mortgagees, in proportion to the relative fair market value of their Units determined pursuant to Section 9.9. The Association shall have the duty, within one hundred twenty (120) days from the date of destruction, to execute, acknowledge and record in the office of the County Recorder of the County, a certificate declaring the intention of the Members not to rebuild. On recordation of the certificate, the right of any Owner to partition through legal action as described in Article 11 shall revive immediately.

9.8 Minor Repair and Reconstruction. The Association shall have the duty to repair and reconstruct improvements, without the consent of Members and irrespective of the amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed \$15,000.00 (Fifteen thousand dollars) in the case of improvements to a Unit and \$100,000.00 (One hundred thousand dollars) in the case of Common Area improvements. The Association is expressly empowered to levy a special assessment for the cost of repairing and reconstructing improvements to the extent insurance proceeds are unavailable, such assessment to be levied as described in Section 9.3 (but without the consent or approval of Members, despite any contrary provisions in this Declaration).

9.9 Fair Market Value. Wherever in this Article 9 reference is made to a determination of the relative fair market value of one or more Units, it shall mean the relative fair market value of each such Unit as of a date immediately prior to any damage or destruction as

determined by an appraisal by an independent appraiser selected by the Association, who shall be a member of the Society of Real Estate Appraisers or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the relative fair market value of each such Unit. The cost of such appraisal shall be paid from the insurance proceeds.

ARTICLE 10

CONDEMNATION

10.1 Sale by Consent or Taking. If an action for condemnation of all or a portion of the Development is proposed or threatened by any governmental agency having the right of eminent domain, then, on written consent of sixty-six and two-thirds percent (66 2/3%) of the Members and Institutional First Mortgagees, the Development, or a portion of it may be sold and conveyed to the condemning authority by the Association or its designees acting as the attorney-in-fact of all Owners under an irrevocable power of attorney, which each Owner by accepting a deed to a Unit in the Development hereby grants and which shall be coupled with the interest of all other Owners, for a price deemed fair and equitable by the Board. If the requisite number of Owners or Institutional First Mortgagees do not consent to a sale of all or a portion of the Development, and the condemning authority institutes condemnation proceedings, the court shall fix and determine the condemnation award.

10.2 Revival of Right to Partition. In the event that less than the entire Development is sold to or taken by a condemning authority, the remaining Development shall continue to be operated as a Condominium Development. However, if the sale or taking (i) renders more than seventy-five percent (75%) of the Units uninhabitable, as determined by the Board, or (ii) renders the Development remaining after the sale or taking uneconomic or undesirable, as determined by a vote or written consent of sixty-six and two-thirds percent (66 2/3%) of the Owners whose Units will remain habitable after the sale or taking and with the written consent of sixty-six and two-thirds percent (66 2/3%) of their Institutional First Mortgagees, the Board shall commence proceedings to wind up and dissolve the Association and shall execute and record a grant deed conveying all remaining Common Area to the Owners in equal undivided interests. In such event, the right of any Owner to partition through legal action as described in Article 11 shall revive immediately. However, any such determination reviving each Owner's right of partition must be made before the proceeds from any sale or condemnation award are distributed.

10.3 Distribution of Sale Proceeds or Condemnation Award.

10.3.1 Total Sale or Taking. In the event of a total sale or taking of the Development, meaning a sale or taking (i) that renders more than fifty percent (50%) of the Units

uninhabitable (such determination to be made by the Board in the case of a sale and by the court in the case of a taking) or (ii) that renders the Development as a whole uneconomic as determined by the vote or written consent of sixty-six and two-thirds percent (66 2/3%) of those Members and their respective institutional mortgagees whose Units will remain habitable after the taking; the rights of any Owner to partition through legal action as described in Article 11 shall revive immediately. However, any determination that a sale or taking is in total must be made before the proceeds from any sale or award are distributed. The proceeds of any such total sale or taking of the Development, together with the proceeds of any sale pursuant to a partition action, after payment of all expenses relating to the sale, taking or partition action, shall be paid to all Owners and to their respective mortgagees in the proportion that the fair market value of each Unit bears to the fair market value of all Units in the Development. The fair market value of Units shall be determined pursuant to Section 10.4.

10.3.2 Partial Sale or Taking. In the event of a partial sale or taking of the Development, meaning a sale or taking that is not a total taking as described in Section 10.3.1, the proceeds from the sale or taking shall be paid or applied in the following order of priority and any judgment of Condemnation shall include the following provisions as part of its terms:

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

10.3.2.2 To Owners and to their respective mortgagees, as their interests may appear, of Units in the Development whose Units have been sold or taken, an amount up to the aggregate fair market value of each such Unit as determined pursuant to Section 10.4, less such Owners' share of expenses paid pursuant to Section 10.3.2.1 (which share shall be in proportion to each Owner's undivided interest in the Common Area). After such payment, the recipient shall no longer be deemed an Owner and the Association or individuals authorized by the Association, acting as attorney-in-fact of all Owners shall amend the Condominium Plan, the Tract Map (if necessary) and this Declaration to eliminate from the Development the Condominiums so sold or taken and to adjust the undivided ownership interest of the remaining Owners in the Common Area based upon the ratio that each remaining Owner's undivided interest bears to all the remaining Owners' undivided interest in the Common Area; then

10.3.2.3 To any remaining Owner and to his or her mortgagees, as their interest may appear, whose Unit has been diminished in fair market value as a result of the sale or taking disproportionate to any diminution in fair market value of all Units, as determined pursuant to Section 10.4, but as of a date immediately after any announcement of condemnation, an amount up to the total diminution in value; then

10.3.2.4 To all remaining Owners and to their respective mortgagees, as their interest may appear, the balance of the sale proceeds or award in proportion to the ratio that

the fair market value of each remaining Owner's Unit bears to the fair market value of all remaining Owners' Units as determined pursuant to Section 10.4.

10.4 Fair Market Value. Wherever in this Article 10 reference is made to a determination of the relative fair market value of one or more Units, it shall mean the relative fair market value of each such Unit as of a date immediately prior to any announcement of condemnation as determined by an appraisal by an independent appraiser selected by the Association, who shall be a member of the Society of Real Estate Appraisers or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the value or fair market value of each such Unit. The cost of such appraisal shall be paid from the sale proceeds.

ARTICLE 11

PARTITION

11.1 Suspension. Except as expressly provided herein, an Owner shall have no right to partition or divide his or her ownership of the Common Area. Partition of the Common Area can be had on a showing that the conditions to such partition as stated in Section 9.7.2 (relating to damage or destruction) or in Section 10.2 (relating to condemnation) or in State Law have been met. Nothing in this Declaration shall prevent partition of a co-tenancy in a Unit.

ARTICLE 12

TERMS OF DECLARATION

This Declaration shall continue in full force and effect until the Development is partitioned as authorized in Article 11 hereof, or until this Declaration is revoked pursuant to Article 14, hereof.

ARTICLE 13

PROTECTION OF MORTGAGEES

13.1 Mortgage Permitted. Any Owner may encumber his or her Unit with a Mortgage.

13.2 Subordination. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any First Mortgage that encumbers all or a portion of the Development, or any Unit, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such Mortgage unless the Mortgagee expressly subordinates his or her interest, in writing, to such lien. If any Unit is encumbered by a First Mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments, shall not operate to affect or impair the lien of the Mortgage. On foreclosure of the Mortgage, the lien for assessments, or installments, that have accrued up to the time of foreclosure shall be subordinate to the lien of the Mortgage, with the foreclosure-purchaser taking title to the Unit free of the lien for assessments, or installments, that have accrued up to the time of the foreclosure sale. On taking title to the Unit the foreclosure-purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association, including ongoing payments of special assessments, after the foreclosure-purchaser acquired title to the Unit. The subsequently levied assessments or other charges may include previously unpaid assessments provided all Owners, including the foreclosure-purchaser, and his or her successors and assigns are required to pay the proportionate share as provided in this Section.

13.3 Amendment or Revocation. In addition to the requirements of Section 14 and unless a greater percentage is expressly required by this Declaration, the Articles, the Bylaws or by law, the prior written consent (or deemed consent as provided hereinafter) of Eligible Mortgagees of Units which have at least fifty-one percent (51%) of the votes of all Units encumbered by First Mortgages shall be required to add or amend any material provisions of the Declaration, the Articles, the Bylaws, the Condominium Plan or the Tract Map, which establish, provide for, govern or regulate any of the following:

13.3.1 Voting;

13.3.2 Assessments, collection of assessments, assessment liens or subordination of such liens;

13.3.3 Reserves for maintenance, repair and replacement of Common Area or improvements thereon;

13.3.4 Casualty and liability insurance or fidelity bonds;

13.3.5 Rights to use the Common Area;

13.3.6 Responsibility for maintenance and repair of Units and Common Area and the improvements thereon;

13.3.7 Expansion or contraction of the Development or the addition, annexation or withdrawal of real property to or from the Development;

13.3.8 Boundaries of any Unit;

13.3.9 The interest or rights of the Association or Owners in and to the Common Area;

13.3.10 The convertibility of Units into Common Area or of Common Area into Units;

13.3.11 The leasing of Units;

13.3.12 Imposition of any right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey his or her Unit; or

13.3.13 Any provisions which are for the express benefit of first mortgagees or insurers or governmental guarantors of first mortgages.

For purposes of this Section, an addition or amendment shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. Any Eligible Mortgagee who receives a written request to consent to additions or amendments requiring consent under this Section who does not deliver or post to the requesting party a negative response within thirty (30) days after such receipt shall be deemed to have consented to such request. Eligible Mortgagees must notify the Association of their interest in a Unit in order to receive notice and exercise their rights under these provisions. The Association accepts no responsibility for notification of any mortgagee who has not informed the Association of their security interest in a Unit and requested such notification. If a Mortgagee has failed to advise the Association of their security interest, the Association's failure to provide notice of any amendment or other action does not invalidate the amendment or action.

13.4 Restrictions on Certain Changes. Unless at least sixty-six and two-thirds percent (66 2/3%) of Eligible Mortgagees of Condominiums who have provided information regarding their security interest to the Association as required in Section 13.3 have given their prior written approval, neither the Association nor the Owners shall be entitled:

13.4.1 By act or omission to seek to abandon or terminate the Condominium Development, except for abandonment provided by statute in case of substantial loss to the Units and Common Area;

13.4.2 To change the method of determining the obligations, assessments, dues or other charges which may be levied against an Owner, or except as provided in Section 6.5.3, to change the pro rata interest or obligations of any Unit Owner for purposes of levying

assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the pro rata share of ownership of each Owner in the Common Area;

13.4.3 To partition or subdivide any Unit;

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

13.4.5 To use hazard insurance proceeds for losses to Units or Common Area improvements in the development or to any other Association owned real property, for other than the repair, replacement or reconstruction of such improvements or property;

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

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

13.5 Right to Examine Books and Records. Eligible Mortgagees can examine the books and records of the Association or the Development and can require the submission of financial data concerning the Association or the Development, including annual audit reports and operating statements as furnished to the Owners.

13.6 Distribution of Insurance and Condemnation Proceeds. No Owner, or any other party, shall have priority over any right of institutional first mortgagees of Condominiums pursuant to their mortgages in case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of Units or Common Area. Any provision to the contrary in this Declaration or in the Bylaws or other documents relating to the Development is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected institutional first mortgagees naming the mortgagees, as their interests may appear.

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

13.8 Payments by Mortgagees. Mortgagees of Condominiums may, jointly or singularly, pay taxes or other charges which are in default and which may or have become a charge against the Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, covering any Common Area improvements or other insured property of the Association and, upon making any such payments, such Mortgagees shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all Mortgagees and upon request of any Mortgagee the Association shall execute and deliver to such Mortgagee a separate written agreement embodying the provisions of this Section 13.8.

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

13.10 Non-Curable Breach. Any Mortgagee who acquires title to a Unit by foreclosure or by deed-in-lieu of foreclosure or assignment-in-lieu of foreclosure shall not be obligated to cure any breach of this Declaration that is non-curable or of a type that is not practical or feasible to cure.

13.11 Loan to Facilities. Any First Mortgage given to secure a loan to facilitate the resale of a Unit after acquisition by foreclosure or by a deed-in-lieu of foreclosure or by an assignment-in-lieu of foreclosure shall be deemed to be a loan made in good faith and for value and entitled to all of the rights and protections of this Article 13.

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

13.13 Right to Furnish Information. Any Mortgagee can furnish information to the Board concerning the status of any Mortgage.

13.14 Inapplicability of Right of First Refusal to Mortgagee. No right of first refusal or similar restriction on the right of an Owner to sell, transfer or otherwise convey the Owner's Unit shall be granted to the Association without the written consent of any Mortgagee of the Unit. Any right of first refusal or option to purchase a Unit that may be granted to the Association (or other person, firm or entity) shall not apply to any conveyance or transfer of title to such Unit, whether voluntary or involuntary, to a Mortgagee which acquires title to or ownership of the Unit pursuant to the remedies provided in its Mortgage or by reason of foreclosure of the Mortgage or deed or assignment-in-lieu of foreclosure.

13.15 Conflicts. In the event of any conflict between any of the provisions of this Article 13 and any other provisions of this Declaration, the provisions of this Article 13 shall control.

ARTICLE 14

AMENDMENT OR REVOCATION

14.1 Percentage Required. This Declaration may be amended in any respect or revoked by the vote or written consent of not less than fifty-one percent (51%) of the voting rights of the Members, unless a greater percentage is required by another provision of this Declaration. If the consent or approval of any governmental authority, Eligible Mortgagee or other person, firm, agency or entity is required under this Declaration with respect to any amendment or revocation of any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation shall be evidenced by an instrument certified by the Secretary or other duly authorized officer of the Association and shall make appropriate reference to this Declaration and its amendments and shall be acknowledged and recorded in the office of the County Recorder of the County.

14.2 Conflict with Article 13 or Other Provisions of this Declaration. To the extent any provisions of this Article 14 conflict with the provisions of Article 13 or any other provision of this Declaration, except those contained in Section 14.3, the provisions of Article 13 or the other provisions shall control.

14.3 Business and Professions Code Section 11018.7. All amendments or revocations of this Declaration shall comply with the provisions of California Business and Professions Code Section 11018.7 to the extent said Section is applicable.

14.4 Reliance on Amendments or Revocation. Any amendments or revocation made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

14.5 Amendments to Conform with Mortgagee Requirements. It is intended that this Declaration and the Articles and Bylaws of the Association, and the Development in general, shall now and in the future meet all requirements necessary to purchase, guarantee, insure or subsidize any Mortgage of a Condominium in the Development by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, and the Federal Housing Administration. The Association and each Owner shall take any action or shall adopt any resolutions required by any Mortgagee to conform this Declaration or the Development to

the requirements of any said entities or agencies. Mortgagees shall be required to inform the Association if they wish to receive notice of any actions taken by the Association or to participate in any amendment process. If such requests for notice are not on file with the Association, the Association shall have no obligation to attempt to contact such Mortgagees and the Mortgagee's concurrence with any bona fide action of the Association is presumed.

14.6 Individual Unit Deed Amendments. No Owner shall record any other or further covenants, conditions or restrictions on the sale or use of any Unit without the prior written consent of the Association. Any such consent shall be evidenced by a written instrument recorded with the other or further covenants, conditions or restrictions and shall affirmatively show consent by approval of not less than two-thirds (2/3) of the voting power of the Association. Any attempted recordation of any such covenants, conditions or restrictions shall be void unless the requirements of this Section have been fully met.

ARTICLE 15

ARCHITECTURAL CONTROL

15.1 Architectural Approval. No building, fence, wall or other structure shall be commenced, erected or maintained on the Property, nor shall any exterior addition to or change or alteration in any such structures or Units on the Property, landscaping, stonework, concrete work or related mechanical plumbing or electrical facilities, awnings, antennae, or satellite dish be made until the plans and specifications showing the nature, kind, shape, materials and location of the same have been submitted to and approved in writing as to harmony of design and location in relation to surrounding structures and topography by the Board of Directors or any committee formed by the Board of Directors for the purpose of reviewing and approving such architectural changes. In the event the Board of Directors or its designated committee fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required, and this Section will be deemed to have been complied with in full.

5.12 Trees and other vegetation. The Association shall have the right at any time, at its own cost, to cut and remove any trees or other vegetation located anywhere on the Development, or to remove or trim the branches of any trees or vegetation if the Association finds such cutting, trimming or removal to be necessary for the benefit of other Owners or Units, or for the general benefit of the Development, whether for the health of the tree or vegetation, to preserve views, or because of a change in landscape design.

ARTICLE 16

GENERAL PROVISIONS

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

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

16.3 No Discriminatory Restriction. No Owner shall execute or cause to be recorded any instrument which imposes a restriction upon the sale, leasing or occupancy of his or her Unit on the basis of race, sex, marital status, national ancestry, sexual orientation, color or religion.

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

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

16.6 Notices. Mailing addresses may be changed at any time upon written notification to the Association. Notices shall be deemed received forty-eight (48) hours after mailing if mailed to the Owner, the transferee, or to his or her transferor if the Association has received no notice of transfer, by certified mail, return receipt requested, at the mailing address above specified. Notices shall also be deemed received twenty-four (24) hours after being sent by facsimile or upon personal delivery to any occupant of a Condominium over the age of twelve (12) years.

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

16.8 Exhibits. Any exhibits referred to are attached to this Declaration and incorporated by reference.

16.9 Easements Reserved and Granted. Any easements referred to in this Declaration shall be deemed reserved or granted, or both reserved and granted, by reference to this Declaration in a deed to any Condominium.

16.10 Binding Effect. This Declaration shall inure to the benefit of and be binding on the heirs, personal representatives, grantees, successors and assigns of the Owners.

16.11 Alternative Dispute Resolution. If any dispute arises under this Declaration, the parties are directed to the provisions of Civil Code Sections 5900-5920 (internal dispute resolution) or Civil Code Sections 5925-5965 (Alternative Dispute Resolution) and any successor statutes, as well as the dispute resolution procedures adopted by the Association.

Executed this 28 day of April, 2016.

Knollwood Terrace Owners' Association,
a California nonprofit mutual benefit corporation

By: Brian McIntyre
BRIAN MCINTYRE
By: Germaine A. R. Avery
GERMAINE A. R. AVERY

EXHIBIT A

All of Lots 2 through 48 of Tract No. 12,851, known as "Knollwood Terrace," in the City of Santa Maria, County of Santa Barbara, State of California, as shown on the map recorded January 31, 1980 in Book 97, pages 78 through 80 of Maps, consisting of all those Units and Common Areas as shown and defined on the Condominium Plan of Phase I, filed December 5, 1981 in Book 131, pages 1 through 5 of Condominium Records; consisting of all those Units and Common Areas as shown and defined on the Condominium Plan of Phase II, filed April 5, 1983 in Book 132, pages 41 through 45 of Condominium Records, and as Amended by the map filed September 1, 1983 in Book 132, pages 74 through 78 of Condominium Records; consisting of all those Units and Common Areas as shown and defined on the Condominium Plan of Phase III, filed March 20, 1984 in Book 133, pages 62 through 66 of Condominium Records.

California All-Purpose Certificate of Acknowledgment

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of California

County of Santa Barbara } s.s.

On April 28, 2016 before me, Marlene E. Gonzalez, Notary Public
Name of Notary Public Title

personally appeared Brian McINTYRE
Name of Signer (1)

Germaine A R Avery
Name of Signer (2)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Marlene E. Gonzalez
Signature of Notary Public



OPTIONAL INFORMATION

Although the information in this section is not required by law, it could prevent fraudulent removal and reattachment of this acknowledgment to an unauthorized document and may prove useful to persons relying on the attached document.

Description of Attached Document

The preceding Certificate of Acknowledgment is attached to a document titled/for the purpose of _____

containing _____ pages, and dated _____

The signer(s) capacity or authority is/are as:

- Individual(s)
 Attorney-in-fact
 Corporate Officer(s) _____
Titles _____

- Guardian/Conservator
 Partner - Limited/General
 Trustee(s)
 Other: _____

representing: _____
Names of Persons, to Whom Signer is Representing

Additional Information

Method of Signer Identification

Proved to me on the basis of satisfactory evidence:

- form(s) of identification credible witness(es)

Notarial event is detailed in notary journal on:

Page # _____ Entry # _____

Notary contact: _____

Other

- Additional Signer Signer(s) Thumbprint(s)
