

86 1292408

When Recorded Return to:

JOHN D. FRIEDMAN
16030 Ventura Boulevard
Suite 230
Encino, California 91436

RECORDED IN OFFICIAL RECORDS
RECORDER'S OFFICE
LOS ANGELES COUNTY
CALIFORNIA
31 MIN. 2 PM. SEP 26 1986
PAST.

FEE \$ 79.00 88
87

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS

OF

NEWCASTLE MANOR HOMEOWNERS ASSOCIATION

2

I N D E X

		<u>Page</u>
ARTICLE I	DEFINITIONS	
Section 1.	Articles	2
Section 2.	Association	2
Section 3.	Board of Directors	2
Section 4.	By-Laws	2
Section 5.	Common Area	2
Section 6.	Common Areas, Restricted	2
Section 7.	Condominium	3
Section 8.	Condominium Plan	3
Section 9.	Declarant	3
Section 10.	Declaration	3
Section 11.	Eligible Insurer or Guarantor	3
Section 12.	Eligible Mortgage Holder	3
Section 13.	Manager	3
Section 14.	Member	3
Section 15.	Mortgage - Mortgagee - Mortgagor, and Institutional Holder	3
Section 16.	Project and Property	4
Section 17.	Unit	4
Section 18.	Unit Owner or Owner	4
ARTICLE II	DESCRIPTION OF LAND AND IMPROVEMENTS	
ARTICLE III	BOARD OF DIRECTORS	
Section 1.	Number and Term	5
Section 2.	Cumulative Voting	5
Section 3.	Removal of Directors	5
ARTICLE IV	VOTING RIGHTS	
Section 1.	Voting Classes	5
Section 2.	Commencement of Voting Rights	6
Section 3.	Joint Owner Disputes	6
ARTICLE V	MANAGEMENT AND ADMINISTRATION	
Section 1.	Administration of Project	6
Section 2.	First Meeting of Owners	6
Section 3.	Authority of Board	6
Section 4.	Personal Liability	11
Section 5.	Indemnification for Performance of Duties	12
Section 6.	Certificate of Board of Directors	12

86-1292408

(i)

ARTICLE VI.	MAINTENANCE ASSESSMENTS AND CAPITAL CONTRIBUTIONS	
Section 1.	Creation of Lien and Personal Obligation of Owners	13
Section 2.	Purpose of Assessments	13
Section 3.	Regular Monthly Assessments	13
Section 4.	Change of Regular Monthly Assessments	13
Section 5.	Special Assessments	14
Section 6.	Rate of Assessments	15
Section 7.	Bank Accounts	15
Section 8.	No Offsets	16
ARTICLE VII	LIENS	
Section 1.	Creation of Lien	16
Section 2.	Enforcement of Lien	16
Section 3.	Priority of Lien and Subordination	17
Section 4.	Curing of Default	17
Section 5.	Additional Remedies	18
Section 6.	Certificate re Amounts Due	18
Section 7.	Homestead and Exemption Waiver	18
ARTICLE VIII	INSURANCE	
Section 1.	Public Liability Insurance	18
Section 2.	Fire and Extended Coverage	18
Section 3.	Proceeds Payable to Trustee	19
Section 4.	Insurance by Owner	19
Section 5.	Fidelity Bonds	20
Section 6.	Additional Insurance	20
Section 7.	Authority of Board	20
Section 8.	Rights of Mortgagees	20
Section 9.	Annual Review by Board	20
Section 10.	Notice of Cancellation	20
ARTICLE IX	DESTRUCTION OF IMPROVEMENTS	
Section 1.	Partial Damage	21
Section 2.	Total Destruction	21
Section 3.	Determination to Rebuild	21
Section 4.	Determination Not to Rebuild	22
Section 5.	Repair of Interior Damage	22
Section 6.	Termination of Covenant Against Partition	23
Section 7.	Owners Dispute	23
ARTICLE X	MAINTENANCE AND DECORATION OF BUILDINGS AND UNITS	
Section 1.	Owners Maintenance	23
Section 2.	Fixtures	23
Section 3.	Consent of Architectural Committee for Changes	14
Section 4.	Liens	24
Section 5.	Window Cover	24

86-1292408

(ii)

ARTICLE XI	USE AND OCCUPANCY OF UNITS AND COMMON AREA	
Section 1.	Single Family Use	24
Section 2.	Rental of Unit	24
Section 3.	Common Area	25
Section 4.	Signs	25
Section 5.	External Items	25
Section 6.	Pets	25
Section 7.	Offensive Activities	25
Section 8.	Structural Changes	25
Section 9.	Mineral Exploration	26
Section 10.	Air Space	26
Section 11.	Violation of Rules and Laws	26
Section 12.	Owner Liability	26
Section 13.	Exemption of Payment of Maintenance Fee	26
Section 14.	Parking and Parking Spaces	26
Section 15.	Electronic Equipment	27
ARTICLE XII	ARCHITECTURAL AND DESIGN CONTROL	
Section 1.	Consent of Architectural Committee Required	27
Section 2.	Plans and Specifications	27
Section 3.	Non-Liability of Architectural Committee	27
Section 4.	Appointment of Architectural Committee	28
Section 5.	Approval or Disapproval by Architectural Committee	28
Section 6.	Fees	28
ARTICLE XIII	REPAIR OF COMMON FACILITIES BY INDIVIDUAL OWNER AND RIGHT OF ENTRY	29
ARTICLE XIV	UTILITIES	
Section 1.	Utility Rights	29
Section 2.	Utility Easements	30
ARTICLE XV	ENTRY FOR REPAIRS	30
ARTICLE XVI	COVENANT AGAINST PARTITION	31
ARTICLE XVII	STRUCTURAL ALTERATIONS	31
ARTICLE XVIII	ENCROACHMENT	32
ARTICLE XIX	COMMON AREA EASEMENTS	33
ARTICLE XX	CONDEMNATION	
Section 1.	Action for Condemnation	33
Section 2.	Distribution of Proceeds	33
Section 3.	Revival of Right to Partition	34

86-1292408

(iii)

ARTICLE XXI	PROTECTION OF MORTGAGEES	
Section 1.	Subordination of Liens	34
Section 2.	Material Amendments	34
Section 3.	Required Consent of Mortgagees	36
Section 4.	Examination of Books and Records by Mortgagees	36
Section 5.	Priority of First Mortgagees - Insurance Proceeds and Condemnation Awards	36
Section 6.	Notice to Mortgagees	37
Section 7.	Effect of Foreclosure by First Mortgagee	37
Section 8.	Mortgagee's Attendance at Meetings	38
Section 9.	Providing Information to Board	38
Section 10.	Restriction on Right of First Refusal	38
Section 11.	Termination of Certain Contracts	39
Section 12.	Tax Liens	39
Section 13.	Reserves for Maintenance	39
Section 14.	Termination of the Project	39
Section 15.	Reallocation of Interests	39
Section 16.	Conflict	39
ARTICLE XXII	AMENDMENTS	
Section 1.	Required Vote	39
Section 2.	Compliance with Law	40
Section 3.	Presumption of Validity	40
ARTICLE XXIII	ENFORCEMENT	40
ARTICLE XXIV	TERM	40
ARTICLE XXV	GENERAL PROVISIONS	
Section 1.	Interpretation and Severability	41
Section 2.	Notices	41
Section 3.	Violation Deemed a Nuisance	41
Section 4.	Successors and Assigns	41
Section 5.	No Restriction for Race, Color or Creed :	42
Section 6.	Cumulative Remedies	42
Section 7.	Notice of Sale or Lease of Condominium	42
Section 8.	Gender	42
Section 9.	Increase in Fees Chargeable by Association	42
ARTICLE XXVI	PROFESSIONAL MANAGEMENT	42

86-1292408

(iv)

**DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS**

OF

**NEWCASTLE MANOR
HOMEOWNERS ASSOCIATION**

This Declaration is made this 24 day of September, 1985, by those persons whose names are subscribed hereto (hereinafter collectively called "Declarant").

WHEREAS, Declarant is the owner of all that certain real property located in the City of Los Angeles, County of Los Angeles, State of California, described in Exhibit "A" attached hereto and by this reference made a part hereof.

WHEREAS, said real property is to be divided into two hundred eighty (280) condominiums which are depicted on the Condominium Plan recorded, or to be recorded, in the Official Records of the County of Los Angeles, State of California, as the same may be amended or superseded from time to time; and

WHEREAS, it is the desire and intention of Declarant to subdivide the said real property and to impose on it mutual beneficial restrictions under a general plan or scheme of improvement for the benefit of all the units in the Project and common area and the owners thereof and to create a certain type or method of co-operative ownership commonly known as a "condominium", and to subject the said real property to the provisions of the applicable laws of the State of California pertaining to condominiums and other applicable conditions and statutes of the State of California.

NOW, THEREFORE, Declarant hereby declares that all of the real property described in Exhibit "A" and all improvements thereon, is and shall be held, transferred, sold, conveyed, hypothecated, encumbered, leased, rented, used, occupied, maintained, altered and improved subject to the following protective limitations, restrictions, covenants, conditions, reservations, liens and charges and equitable servitudes, all of which are declared and agreed to be in furtherance of a plan for the subdivision and improvement of said real property, and are established and agreed upon for the purpose of enhancing and protecting the value, desirability and attractiveness of the real property, and every part thereof. All of said limitations, covenants, conditions, restrictions, reservations, liens and charges and equitable servitudes shall run with the real property and shall be binding on all parties having or acquiring any right, title, or interest in the described real property, or any part hereof, whether as sole owners, joint owners, lessees, tenants, occupants, or otherwise, and they shall inure to the benefit of every portion of said property; and shall be for the benefit of each owner of any portion of said real property, or any interest therein, and shall inure to the benefit of and be binding upon each successor in interest of Declarant and each owner, and may be enforced by Declarant, by any successor in interest to Declarant, or any

86-1292408

owner, or by the Board of Directors hereinafter described.

ARTICLE I

Definitions

Certain terms as used in this Declaration shall be defined as follows, unless the context clearly indicates a different meaning therefor:

Section 1. Articles: The Association's Articles of Incorporation as the same may be amended from time to time.

Section 2. Association: Newcastle Manor Homeowners Association, a California Non-Profit Mutual Benefit Corporation, its successors and assigns, the Members of which shall be all of the several Unit Owners. Each Unit Owner shall automatically become and shall be required to be a Member of the Association, whose membership shall include and be limited to each of the Unit Owners of the Project.

Section 3. Board of Directors: The Board of Directors of the Association.

Section 4. By-Laws: The Association's By-Laws as the same may be amended from time to time.

Section 5. Common Area: The entire Project, excepting those portions thereof which lie within the boundaries of any Unit as hereinafter defined. The individual Unit Owners shall have an undivided interest in and to the Common Area and the Association shall be responsible for the management and maintenance of the Common Area.

Each Unit Owner shall have an undivided 1/280th interest in the Common Area which shall be conveyed with each respective Unit and which cannot be changed.

In addition to the vehicle parking spaces which are a part of each Owner's Unit, a portion of the Common Area consists of vehicle parking spaces which may be assigned, rented or licensed to Unit Owners and/or reserved for guest parking and otherwise controlled on such basis as the Board of Directors shall determine from time to time with the right to impose reasonable charges for the use thereof.

Section 6. Common Areas, Restricted: Those portions of the Common Area over which exclusive easements are reserved for the benefit of certain Unit Owners. The Restricted Common Areas are shown and defined on the condominium plan for the Project. Restricted Common Areas, as defined, shall be appurtenant to the Units.

As used herein, the term "Common Area"

86-1292408

-2-

8

shall be deemed to include Restricted Common Areas unless otherwise specifically provided.

Section 7. Condominiums: A condominium as defined in Section 783 of the California Civil Code (see Exhibit B attached) and shall be an estate in real property consisting of (a) a separate fee interest in the space within a Unit; (b) an undivided interest as a tenant in common in the Common Area; and (c) all appurtenances thereto. The ownership of each Condominium shall also include membership in the Association and non-exclusive easements for ingress and egress over the Common Areas of all properties subsequently annexed hereto that are not a part of a Condominium building.

Section 8. Condominium Plan: Shall mean and refer to any plan prepared and executed in respect to the Project as required by Section 1351 of the Civil Code of California.

Section 9. Declarant: Those persons who are currently the owners of the real property described in Exhibit "A" hereto and their heirs, personal representatives, successors and assigns.

Section 10. Declaration: This Declaration, as the same may be amended from time to time, and recorded within the office of the County Recorder of the State of California where the Project is located.

Section 11. Eligible Insurer or Guarantor: A guarantor or insurer of any first mortgage or deed of trust on a Unit, who has provided a written request to the Association, to be notified of any proposed amendment or action described in Article XXI hereof.

Section 12. Eligible Mortgage Holder: The holder of a first mortgage or deed of trust on a Unit who has provided a written request to the Association to be notified of any proposed amendment or action described in Article XXI hereof.

Section 13. Manager: The managing agent, if any, whether individual or corporate, retained by Declarant, or by the Board, on contract, and charged with the maintenance and upkeep of the Project.

Section 14. Member: Every person and entity who holds membership in the Association. Ownership of a condominium in the Project shall be the sole qualification for membership in the Association. All memberships in the Association are hereby specifically made appurtenant to the condominiums, and memberships shall be effective immediately upon the recording of the grant deed transferring the condominium ownership. Membership may not be separated from the ownership of any condominium.

Section 15. Mortgage - Mortgagee - Mortgagor and Institutional Holder: An institutional holder is a Mortgagee which

86-1292408

-3-

9

is a bank or a savings and loan association or established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

Reference in this Declaration to a mortgage shall be deemed to include a deed of trust; reference to a Mortgagee shall be deemed to include the beneficiary of a deed of trust; reference to a Mortgagor shall be deemed to include a trustor of a deed of trust.

Section 16. Project and Property: The entire parcel of real property hereinabove described, including all structures thereon, divided or to be divided into condominiums, said Project being known as Newcastle Manor Homeowners Association.

Section 17. Unit: The elements of a condominium that are not owned in common with the Owners of other condominiums in the Project and which are more particularly designated and described as a Unit in the Condominium Plan for the Project. The boundaries of a Unit are as designated in said Condominium Plan. There shall be no restriction upon any Unit Owner's right of ingress and egress to his Unit which right shall be perpetual and appurtenant to the ownership of a Unit.

Section 18. Unit Owner or Owner: Each person and entity or persons and entities, if more than one, holding record ownership interest in a condominium, including contract sellers. The term "Owner" shall not include persons or entities who hold an interest in a condominium merely as security for the performance of an obligation.

ARTICLE II

Description of Land and Improvements

The property subject to the covenants, conditions and restrictions herein contained is located in the County of Los Angeles, State of California, and is more particularly designated as per Exhibit "A", in the City of Los Angeles, County of Los Angeles, State of California, according to the Condominium Plan recorded or to be recorded in the Office of the County Recorder of said county as the same may be amended or superseded from time to time (and is hereinafter referred to as said Condominium Plan). Any grant deeds conveying any interest in the Project to individual purchasers of condominiums shall expressly refer to and incorporate this Declaration therein by reference. Whether or not a reference to this Declaration is made in any individual deed, each purchaser of a condominium, part or portion thereof, shall be acceptance of a deed or other conveyance for such condominium, part or portion thereof, thereby be conclusively deemed to have consented to and agreed to all of the covenants, conditions and restrictions contained herein for himself and his heirs, executors, administrators and assigns and does by said acceptance covenant for himself and his heirs, executors, administrators and assigns to observe, perform and be bound by the

86-1292408

-4-

same.

ARTICLE III

Board of Directors

Section 1. Number and Term: The management of the Project and the Association shall be governed by a Board of Directors consisting of seven (7) persons, who shall all be Owners of condominiums in the Project, or the nominee of any corporate Unit Owner.

The number of members of the Board and their term of office may be changed solely by an amendment to the By-Laws of the Association.

Section 2. Cumulative Voting. The Voting Owners shall vote for the election of the Board. Each Owner shall be entitled to cumulate his votes for one or more candidates to the Board of Directors if the candidate's name or candidates' names have been placed in nomination prior to the voting and if the Owner has given notice at the meeting prior to the voting of his intention to cumulate his votes. If any one Owner has given such notice all members may cumulate their votes for the candidates in nomination. The candidates receiving the highest number of votes, up to the number of Directors to be elected, shall be deemed elected. All voting at elections shall be by secret ballot.

Section 3. Removal of Directors. The entire Board of Directors or any individual Directors may be removed by a vote of the Voting Owners holding a majority of the voting power entitled to vote at any election of Directors. Unless the entire Board of Directors is removed from office, no individual Director shall be removed prior to the expiration of his term of office if the votes cast against removal, or not consenting in writing to such removal, would be sufficient to elect such Director if voted cumulatively at an election at which the same total number of votes were cast and the entire number of Directors authorized at the time of the most recent election of the Board of Directors were then being elected. If any Director is removed in the manner authorized above, a new Director may be elected at the same meeting.

ARTICLE IV

Voting Rights

Section 1. Voting Class. The Association shall have one class of voting membership. Each member shall be entitled to one vote for each condominium owned by him. When more than one such person holds such interest in any condominium, all such persons shall be Members. The vote for such condominium shall be exercised as they, among themselves determine, but in no event shall more than one vote be cast or counted with respect to any such condominium.

-5-

86-1292408

11

Section 2. Commencement of Voting Rights. The Association shall immediately assume control of the Project and commence to perform its obligations hereunder. Voting rights shall commence for each condominium within the Project at such time; provided, however, that assessments have been levied against that condominium by the Association in accordance with the provisions hereof. All voting rights shall be subject to the restrictions and limitations provided herein and in the Articles and By-Laws and any rules and regulations governing the Project.

Section 3. Joint Owner Disputes. Each Unit Owner shall designate one Voting Owner. There shall be only one Voting Owner for each condominium. The Voting Owner shall be designated by the record Owner or Owners of each condominium, by written notice to the Association, or the Manager. Said designation of a Voting Owner of a condominium shall be revocable at any time by actual notice to the Association or the Manager, of the death or judicially declared incompetence of any record Unit Owner, or by written instrument delivered to the Manager by any record Owner. Where no designation is made or where a designation has been made but is revoked and no new designation made, the Voting Owner of each condominium shall be the group composed of its record owners. If the Joint Owners are unable to agree as to how their vote shall be cast, they shall forfeit the vote on the matter in question. If any Owner exercises the voting rights of a particular condominium, it will be conclusively presumed for all purposes that he was acting with the authority and consent of all other Owners of the same condominium. If more than one (1) person exercises the voting rights for a particular condominium, their votes shall not be counted and shall be deemed void. Declarant shall be the Voting Owner with respect to any condominium owned by it from time to time.

ARTICLE V

Management and Administration

Section 1. Administration of Project. The management and administration of the Project shall be in accordance with this Declaration, the Articles of Incorporation, the By-Laws of the Association and any rules and regulations governing the Project as the same may be amended from time to time.

Section 2. First Meeting of Owners. The first organization meeting of the Unit Owners shall be held within forty-five (45) days after recordation of this Declaration with the office of the Los Angeles County Recorder. Thereafter, annual meetings of such Owners shall be held in accordance with the By-Laws of the Association.

Section 3. Authority of Board. Prior to the first meeting of Members, and thereafter until their successors are elected, the initial Board elected by Declarant, or their duly appointed successors, shall manage the affairs of the Association.

12

The Board of Directors as constituted from time to time, shall at ~~all times be responsible for the day to day operation and management~~ of the affairs of the Association and shall have the sole power and duty to perform and carry out the powers and duties of the Association as set forth in this Declaration and the By-Laws, together with the powers and duties otherwise expressly delegated to the Board by this Declaration or the By-Laws, except for action or activity expressly set forth herein or in the By-Laws, the Articles or the California Corporations Code as requiring the vote or assent of the Members of the Association or a given percentage thereof. Without limiting the generality of the foregoing, the Board shall have the following powers and duties:

A. Employ the services of personnel necessary to operate and maintain the Project, fix and pay their compensation, and oversee and control such management and otherwise delegate its powers to committees, officers and/or employees.

B. Contract and pay for such labor and materials as may be reasonably required to maintain the Common Area and the buildings, to provide lateral support therefor and prevent and correct erosion thereof.

C. Acquire and maintain any pay for any required services such as: water, sewer, refuse collection, electrical, telephone and gas, and other necessary utility services for the Common Area and (if not separately metered or charged) for the Units, as well as maintenance and gardening service for the Common Areas and Units.

D. Enforce the applicable provisions of the Declaration, By-Laws and other instruments for the management and control of the Project. The Board shall have the right to adopt reasonable rules and to amend the same from time to time, relating to the use of the Common Area and any recreational and other facilities situated thereon, by Owners and their tenants or guests, and conduct of such persons with respect to automobile parking, storage of boats, trailers, bicycles, and other objects, disposal of waste materials, drying of laundry, control of pets, exterior dealings with buildings and other activities, which if not so regulated, might detract from the appearance of the community or which otherwise would detract from the overall aesthetics of the Project or offend or cause inconvenience or danger to persons residing or visiting therein. Such rules may provide that the Owner whose occupants leave property on the Common Area in violation of the rules, or who otherwise violate the rules in any manner may be assessed to cover the expense incurred by the Board, in removing such property and storing or disposing thereof or may be fined for violation of the rules after a hearing upon notice and a two-thirds (2/3) approval of the Board. The Board may provide in such rules for reasonable rental charges to be made with respect to the use of any storage areas or facilities which may exist upon the Common Area, provided that such charge shall in no way, impose liability upon the Board or any of its members for damages or loss to property so stored,

13
~~it being intended that the use of any such storage area or facility be solely at the risk of the person using the same. A copy of such rules and all amendments thereto, shall be mailed to each Owner and a copy shall be posted in one or more places on the Common Area where the same may be conveniently inspected.~~

E. Pay all taxes, charges and assessments levied or which could become a lien against the Common Area (except for charges levied solely against a Unit Owner and/or the undivided interest of a Unit Owner, which charges shall be paid by such Owner).

F. Use, in the discretion of the Board, the funds paid by Unit Owners as maintenance charges, as hereinafter more fully provided.

G. Provide financial statements of the Association to Unit Owners as provided in the By-Laws of the Association.

H. Enter any living area, patio, balcony, parking, or any portion of the Common Area or Restricted Common Area, if any, when necessary, in connection with any maintenance or construction for which the Board is responsible therein subject to the conditions set forth in Article XV.

I. Contract and pay for fire, casualty, liability and other insurance on behalf of the Association as hereinafter provided.

J. Hire and pay for legal and accounting services necessary or proper in the operation of the Project or enforcement of these restrictions, the By-Laws, Articles and any rules and regulations governing the Project.

K. Paint, decorate, maintain, repair, landscape (except as herein otherwise provided), keep in good condition and repair the Common Area and equipment and improvements thereon, including all appurtenant exclusive easements forming a part of any condominium, exterior walls, balconies, roof, and all facilities, improvements and landscaping therein and acquire and maintain such furnishings and equipment for the Common Area as the Board shall determine are necessary and proper. The Board shall exercise such authority and perform such duties on behalf of the Owners with a view toward preserving the attractiveness of the Project as a whole and maintaining, insofar as may be practicable, the structural style and the color scheme established by Declarant. It is further understood that each Unit Owner shall have the primary obligation to paint, maintain and repair the interior of his Unit subject to the restrictions and provisions provided for herein, but if he fails to do so, the Association may, but shall not be required to, effect the repair or maintenance thereof and charge the costs thereof to the defaulting Unit Owner; provided, however, that the Association may not effect such repair or maintenance unless the Board shall first give notice of such intent to the Unit Owner and the Unit

86-1292408

-8-

14

Owner shall have an opportunity for hearing before the Board and the Board shall approve the proposed repair or maintenance by a Unit Owner or members of his family, his tenants, guests, or invitees, no Unit Owner shall have any obligation with respect to maintenance and repair of any portion of the Common Area.

L. Provide, acquire and pay for any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments which the Board may be required to secure to pay for pursuant to the terms of these restrictions, or By-Laws, or which the Board in its opinion shall deem necessary, proper, or convenient for the operation of the Project, provided that if any such materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments are provided for a single Unit or only several but not all Units, the cost thereof shall be specifically assessed to the Owner or Owners of such Units.

M. Pay any amount necessary to discharge any lien or encumbrance levied against the Project, or any part thereof, which may, in the opinion of the Board, constitute a lien against the Property or against the Common Area, rather than merely against the interests therein of particular Owners. Where one or more Owners are responsible for the existence of such lien, they shall be jointly and severally liable for the cost of discharging it.

N. Until such time as property taxes are separately assessed to each individual Unit Owner, the Board may pay such property taxes singly assessed against the Project as a whole and collect the same from each Unit Owner based on the undivided interest owned by each Unit Owner in the Common Area in the ratios as set forth in Exhibit C.

O. Comply with all applicable laws and orders and directives of any lawful authority.

P. The Board is hereby precluded from taking any of the following actions except with the vote or written assent of a majority of the voting power of the Association:

(1) Entering into a contract with a third person where the third person will furnish goods or services for the Common Area or the Association for a term longer than one (1) year, with the following exceptions:

(a) A management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration.

(b) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, that the term of the contract shall not exceed the shortest term

86-1292408

-9-

for which the supplier will contract at the regulated rate.

(c) Prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration provided that the policy permits for short rate cancelation by the insured.

(d) Lease agreements for laundry room fixtures and equipment of not to exceed five (5) years duration provided that the lessor under the agreement is not an entity in which Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(e) Agreements for cable television services and equipment of not to exceed five (5) years duration provided that the supplier is not an entity in which the Declarant has a direct or indirect ownership interest of ten percent (10%) or more.

(f) Such other contracts which may from time to time be permitted by the regulations of the Real Estate Commissioner of the State of California.

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

(3) Selling, during any fiscal year, property of the Association having an aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year.

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

Q. The Board shall have the right to and shall receive complaints and hold hearings concerning violations of this Declaration, the By-Laws and/or other rules and regulations governing the management and control of the Association and the Project. The Board shall have the right to suspend the voting rights and right to use of the recreation facilities of a Unit Owner for any period during which any assessment against his interest in the Project unpaid and delinquent. The Board may also impose monetary penalties and/or suspend the voting rights and right to use of the recreational facilities for any other infraction of this Declaration or the By-Laws or the rules and regulations of the Association, for a period not to exceed thirty (30) days, provided that any suspension of such voting rights or right to use the recreational

86-1292408

facilities shall be made only by the Board, or a duly appointed committee of the Board, after notice and hearing. All procedures for notice and hearing to the accused Owner pursuant to this Paragraph Q shall satisfy the minimum requirements of Section 7341 of the California Corporations Code (See Exhibit "B" attached hereto) before a decision is reached by the Board to impose discipline as set forth in the By-Laws.

R. The Association shall have the power to grant and convey to any third party permits, licenses, 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, roads and other purposes reasonably necessary or useful for the proper maintenance or operation of the Project, and each purchaser, in accepting a deed to a condominium, expressly consents to the granting of the same. However, no such easements can be granted if it would interfere with the use occupancy or enjoyment by the Owner of his condominium, any exclusive easements over any Common Area appurtenant to the condominium, or any recreational facilities of the Project.

S. The Board shall, except as otherwise provided in Section 1360(c) of the California Civil Code (See Exhibit "B" attached hereto) within ten (10) days of the mailing or delivery of a written request by an Owner, prospective purchaser of a condominium, any first mortgagee or the holders, insurers or guarantors of a first mortgage on any condominium provide such requesting party with a copy of this Declaration and the Association's By-Laws, Articles, rules and regulations and all other books, records and financial statements of the Association. The Board shall also make available to a requesting party a true statement in writing as to the amount of any delinquent assessments, penalties, attorneys fees and other charges due and owing from the Owner in connection with his Unit as of the date of the request. The Board may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

T. Make available to any prospective purchaser of a condominium, any Owner of a condominium, any first mortgagee, the holders, insurers, and guarantors of a first mortgage on any condominium, current copies of the Declaration, the Articles of Incorporation, the By-Laws, the rules governing the condominium, and all other books, records and financial statements of the Association.

Section 4. Personal Liability. No member of the Board or of any committee of the Association, or any officer of the Association, or any Declarant, or the Manager, if any, shall be personally liable to any Owner, or to any other party, including the Association, for any damage, loss or prejudice suffered or

86-1292408

17
claimed on account of any act, omission, error or negligence of the Association, the Board, the Manager, or any other representative or employee of the Association, any Declarant, or the Architectural Committee, if any, or any other committee, or any officer of the Association, or any Declarant, provided that such person has, upon the basis of such information as may be possessed by him, acted in good faith, and without willful or intentional misconduct.

Section 5. Indemnification for Performance of Duties. Every Member of the Board of Directors, officer and Member of the Association shall be indemnified by the Association against all reasonable costs, expenses and liabilities (including attorneys fees) actually or necessarily incurred by, or imposed upon him, in connection with any claim, action, suit, proceedings, investigation or inquiry, of whatever nature, in which he may be involved as a party, or otherwise, by reason of his having been an officer or member of the Association, or the Board of Directors whether or not he continues to be such Director, officer or Member of the Association at the time of the incurring or imposition of such costs, expenses, or liabilities, except in relation to matters as to which he shall finally be adjudged in such action, suit, proceeding, investigation or inquiry to be liable for willful misconduct or gross negligence toward the Association in the performance of his duties, or in the absence of such final adjudication, any determination of such liability by the opinion of legal counsel selected by the Association. The foregoing right of indemnification shall be in addition to and not in limitation of, all rights to which such persons may be entitled as a matter of law and shall inure to the benefit of the legal representative of such persons.

In the event the Association is required to pay any such costs, expenses, or liabilities, the Association shall be entitled to assess all Unit Owners for the amount so expended in the manner hereinafter provided for special assessments and such assessments need not be first approved by the vote of the Owners.

Section 6. Certificate of Board of Directors. Any certificate executed by any four (4) members of the Board shall be conclusive proof of all matters contained in the certificate as to any act or non-act of the Association and/or the Board, or any of their respective committees or agents, or as to the performance or non-performance of any act of any Unit Owner, or non-payment or payment of any dues, fees, charges, assessments, interest, costs, or penalties, or as to any matters contained in the records of the Association or said Board. A charge of \$25 may be imposed by the Board of Directors for the issuance of each Certificate.

86-1292408

-12-

18

ARTICLE VI

Maintenance Assessments and Capital Contributions

Section 1. Creation of Lien and Personal Obligation of Owners. Each Declarant hereby covenants, and each Owner of any condominium within the Project, by acceptance of a deed therefor, is deemed to covenant and agree to pay to the Association: (1) Regular Monthly Assessments or charges which shall include an amount necessary to establish an adequate reserve fund for maintenance, repairs and replacement of Common Area improvements; and (2) Special Assessments for capital improvements and emergencies; such assessments to be fixed, established and collected from time to time, as hereinafter provided. The Regular Monthly and Special Assessments together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge and continuing lien upon the condominium against which each such assessment is made, which lien shall be created and enforced in accordance with the provisions of this Article VI. Each such assessment (and all other assessments levied in accordance with this Declaration), together with late charges, interest, costs, penalties and reasonable attorneys fees, as provided for by this Declaration, shall also be the joint and several personal obligation of each person who was an Owner of such condominium at the time the assessment fell due. The personal obligations for delinquent assessments shall not pass to an Owner's successors in title unless expressly assumed by them.

Section 2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively for the purpose of promoting the recreation, health, safety and welfare of the members of the Association and, in particular, for the improvement, maintenance and repair of the Project in a first class condition related to the use and enjoyment of the Common Area including any recreational facilities located thereon, and to the extent provided for herein, of the condominiums situated in the Project.

Section 3. Regular Monthly Assessments. Until January 1st of the year immediately following the conveyances of the first Condominium to an Owner, the maximum annual assessment shall be as set forth in the initial Final Subdivision Public Report issued by the California Department of Real Estate. Regular Monthly Assessments shall commence for all Units, including those owned by Declarant, commencing on the first day of the month following the first conveyance of an interest in the common areas of the Project pursuant to authority of a Public Report issued by the California Department of Real Estate and, thereafter, shall be due and payable in advance on the first day of each month, without notice.

Section 4. Change of Regular Monthly Assessments.

A. The Regular Monthly Assessment may not be increased by the Board prior to the first day of the fiscal year following the commencement date of Assessments. Thereafter, the Regular Monthly Assessment may be increased by the Board without

86-1292408

19

the vote of the Members provided that any such increase shall not be more than ten percent (10%) of the Regular Monthly Assessment in effect during the previous fiscal year, and provided that the Board give written notice of such increase to each Owner at least thirty (30) days in advance of the commencement of such increase. In the event the amount budgeted to meet common expenses for any current year proves to be excessive in light of the actual common expenses, the Board in its discretion may either reduce the amount of the Regular Monthly Assessment or may abate collection of such assessment as it deems appropriate; provided, however, that the assessments may not be decreased by more than ten percent (10%) in any one year without the approval of a majority of the voting power of the Association. All Regular Monthly Assessments shall continue in effect until the end of the fiscal year during which they become effective and for each fiscal year thereafter unless increased or decreased in accordance with this Declaration.

B. The Regular Monthly Assessment may be increased by the Board in an amount greater than provided for in subsection A. of this Section 4 provided that any such change shall first be approved by the vote or written assent of fifty-one percent (51%) of the total voting power of the Association. Written notice of such meeting shall be sent to all Owners not less than ten (10) days nor more than ninety (90) days in advance of the meeting, setting forth the purpose of the meeting. Notice of any increase pursuant to this Section 4B. shall be given by the Board to each Owner at least thirty (30) days in advance of the commencement of such increase.

Section 5. Special Assessments.

A. Special Assessments shall commence as to all Units, including those owned by Declarant, commencing on the date Regular Monthly Assessments commence.

B. In addition to the Regular Monthly Assessments authorized above, the Board may levy, during any fiscal year, assessments applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, or unexpected repair or replacement of a capital improvement upon the Common Area and personal property related thereto; provided that any such assessment shall have the vote or written assent of fifty-one percent (51%) of the total voting power of the Association.

C. In the event the Board shall determine that its budget for any current month is, or will become, inadequate to meet all expenses of the Association, including non-payment of any Owner's assessments on a current basis, it shall immediately determine the approximate amount of such inadequacy for such month and levy a Special Assessment for the amount required to meet all such expenses on a current basis against the Owners of each Condominium; provided that any assessment in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal

86-1292408

year must first be approved by vote or written assent of fifty-one (51%) percent of the total voting power of the Association.

D. Special Assessments shall be due and payable in full thirty (30) days from notice thereof to the Owners unless otherwise provided by the Board.

Section 6. Rate of Assessments.

A. All Regular Monthly Assessments, Special Assessments and Maximum Annual Assessments shall be in accordance with the initial budget of the Newcastle Manor Homeowners Association as more fully described in Exhibit "D" attached hereto.

B. The Board shall have the right after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code (See Exhibit "B" attached hereto) as provided in the By-Laws, to establish a Special Assessment on a single Unit Owner or group of Unit Owners, if the same be required to secure or satisfy any breach of this Declaration, the Articles, By-Laws or rules and regulations of the Association, by said Unit Owner or Owners, which breach shall require or has required an expenditure by the Board for repair or remedy, including but not limited to, the violation of, or failure of such Unit Owner to comply with any applicable laws or directives of any lawful authority.

Section 7. Bank Accounts. Assessment charges so collected shall be promptly deposited in a bank or savings account, in a bank or savings and loan association to be selected by the Board, which account or accounts shall be under the name of the Association. The Board, and any officer of the Association or other person or firm designated by the Board, shall have exclusive control of said account or accounts, and shall be responsible to the Owners for the maintenance of accurate records thereof at all times. No withdrawal shall be made from any of said accounts except to pay for the charges and expenses or otherwise provide for the common benefit of all Owners.

The Board shall establish two (2) separate accounts into which shall be deposited all monies paid to the Association, and from which disbursements shall be made, as provided herein, in the performance of functions by the Association under this Declaration. Each account at a bank or savings institution. The savings or checking accounts shall include: (i) an operating fund for current common expenses of the Association, and (ii) a fund for reserves for capital improvements, replacements, painting and repair of the Common Areas (which cannot normally be expected to occur on an annual basis). The Board shall not commingle any amounts deposited into either of the above accounts with one another. Nothing contained herein shall limit, preclude, or impair the establishment of additional maintenance funds by the Association, so long as the amounts assessed to, deposited into, and disbursed from any such fund are earmarked

86-1292408

for specified purposes authorized by this Declaration.

Section 8. No Offsets. All assessments shall be payable in the amount specified in the notice of assessment and no offsets against such amount shall be permitted for any reason.

ARTICLE VII

Liens

Section 1. Creation of Lien. There is hereby created a lien against and on each Unit Owner's interest herein to secure payment of the amount of the maintenance fund, or of any assessment, regular or special, assessed to the Unit Owners as provided herein; provided, however, the lien shall not be deemed effective for any purpose unless and until a notice of claim of lien is recorded, as hereinafter provided. No lien shall be created by way of an assessment for a monetary penalty imposed by the Association as a disciplinary measure for failure to an Owner to comply with the governing instruments of the Project or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to Common Area and facilities for which the Owner is allegedly responsible or in bringing the Owner and his interest into compliance with the governing instruments unless the lien is as a result of enforcing a judgment of a court or a decision arising out of arbitration. The limitations imposed by the preceding sentence on the Association's ability to create a lien for a monetary assessment, shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and/or costs reasonably incurred (including attorneys fees) in its efforts to collect delinquent assessments.

Section 2. Enforcement of Lien. If a Unit Owner fails to pay any assessment within thirty (30) days of the due date, a late charge shall be imposed on each delinquent assessment in an amount equal to the sum of Ten Dollars (\$10.00) plus one percent (1%) of the amount of the delinquent assessment which is in excess of One Thousand Dollars (\$1,000). The amount of the late charge may be increased by the Board from time to time if not in excess of that permitted by law. Assessments not paid within thirty (30) days after the due date shall bear interest at the highest rate permitted by law (but in no event to exceed twelve percent (12%) per annum) from the due date. If any assessment and other charges remain unpaid for thirty (30) days, the Board or any Unit Owner shall mail a notice of claim of lien to the Unit Owner and record a copy thereof in the office of the County Recorder of the county in which the Project is located. If, after thirty (30) days after such recording, the said sums remain unpaid, such lien may be enforced by sale by the Board, its attorney, or by any Owner, as trustee, in either case, for all Owners, such sale to be conducted in accordance with the provisions of Section 2924 et seq of the California Civil Code applicable to the exercise of powers of sale in mortgages or deeds of trust or in any other manner permitted by law. The Board

86-1292408

shall have the power to bid in at the foreclosure sale and to hold, lease, mortgage and convey the same. Reasonable attorneys fees, title fees and expenses in connection with such foreclosure and/or the collection of the debt secured by such lien shall be paid by the Unit Owner against whom such foreclosure or other action is taken in connection with such lien. Unless sooner satisfied and released or the enforcement thereof initiated, as herein provided, such lien shall expire and be of no further force and effect one (1) year from the date of recordation of said notice, provided said one (1) year period may be extended by the Board for not to exceed one (1) additional year, by recording a written extension thereof. Such lien and right to foreclosure shall be in addition to and not in substitution for all other rights and remedies which the Unit Owners and the Board may have hereunder, including appropriate legal or equitable action.

Section 3. Priority of Lien and Subordination.

The lien provided for herein shall be prior and superior to all other liens and encumbrances except for taxes, bonds, and assessments which by law are superior. Any lien provided for herein shall at all times also be subject and subordinate to and shall not affect or defeat nor render invalid the lien of any first mortgage or first deed of trust made in good faith and for value that is of record as an encumbrance against such condominium prior to the recordation of a notice of assessment against such condominium. The sale or transfer of any condominium pursuant to a judicial foreclosure or foreclosure by power of sale of a first deed of trust shall extinguish any assessment lien and any "right of first refusal" created against the condominium which is the subject of such sale or transfer pursuant to a judicial foreclosure or foreclosure by power of sale of a first deed of trust by the filing of a notice of assessment prior to the date of such sale or transfer, and shall prohibit the creation of any assessment lien against such condominium on account of payments which became due prior to the date of such sale or transfer; provided, however, that the purchaser at such sale shall be subject to all of the obligations of an Owner with respect to all assessments which become due after the date of such sale.

Section 4. Curing of Default. Upon payment of the delinquent assessment, all assessments becoming due thereafter, together with all interest, late charges, attorneys fees, and all additional charges incurred by the Association in connection with said notice of claim of lien and payment of a fee in the amount of Twenty-five Dollars (\$25), the Board shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof. Any Unit Owner may free his own condominium from the lien of any joint assessment on more than one condominium by payment of his share thereof, whereupon a similar further notice of satisfaction and release shall be recorded by the Board as to said condominium.

86-1292408

-17-

Section 5. Additional Remedies. Such lien and the right to foreclose the same shall be in addition to and not in substitution for all other rights and remedies which the Unit Owners and the Board may have to enforce the provisions hereof.

Section 6. Certificate Re Amounts Due. Upon written request of any Unit Owner and payment of a reasonable fee, the Board or the Manager will furnish, for the benefit of any prospective purchaser or present or prospective encumbrancer of such condominium, a statement showing all amounts then due which are secured by any lien hereunder.

Section 7. Homestead and Exemption Waiver. Each Unit Owner does hereby waive, to the extent of any liens created pursuant hereto, the benefit of any homestead or exemption laws of the State of California in effect at the time the claim of lien is recorded.

ARTICLE VIII

Insurance

Section 1. Public Liability Insurance. Comprehensive public liability insurance shall be purchased by the Board and shall be maintained in effect at all times, insuring the Association, any Manager, the Declarant and the Owners and occupants of condominiums and their respective family members, guests, invitees, and the agents and employees of each and all holders of first deeds of trust encumbering the condominiums within the Project, against any liability incident to the ownership 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 \$1,000,000 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 for non-owned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to projects similar in construction, location and use.

Section 2. Fire and Extended Coverage. A master or blanket policy of fire insurance for one hundred percent (100%) of current replacement cost of all of the improvements within the Project shall be purchased by the Board and shall be maintained in effect at all times. The form, content, and term of the policy and its endorsements and the issuing company must be satisfactory to all institutional Mortgagees. If more than one institutional Mortgagee has a loan of record against the Project, or any part of it, the policy and endorsements shall meet the maximum standards of the various institutional mortgagees represented in the Project. 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

86-1292408

-18-

coverage, a special form endorsement, 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, a severability of interest provision, cross liability endorsement and waiver of subrogation as to the Association and its officers, directors, members, guests, agents and employees. Earthquake coverage need not be included unless requested in writing by a majority of the Owners. The policy shall be in the amounts as shall be determined by the Board. The policy shall name as insured the Association, for the use and benefit of the Owners and all institutional Mortgagees as their respective interests may appear, and shall contain a loss payable endorsement in favor of the Trustee or the Board, as applicable. All policies shall meet the requirements of any Eligible Mortgage Holder and the guarantor, insurer or subsidizer of any Eligible Mortgage Holder.

Section 3. Proceeds Payable to Trustee. All insurance proceeds payable under Section 2 and subject to the rights of Mortgagees under Section 8, shall be paid to a Trustee, to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear pursuant to the Article herein relating to "Destruction of Improvements". The policy must also contain the standard mortgage clause and name as mortgagee, if applicable, either Federal National Mortgage Association ("FNMA") or the servicers for FNMA mortgages or its successors and assigns. The Trustee shall be appointed by the Board and shall be a commercial bank and/or trust company in the county in which the Project is located which agrees in writing to accept such trust. If repair or reconstruction is authorized, the Board shall have the duty to contract for such work as provided for in this Declaration.

Notwithstanding the foregoing, if the proceeds from a single claim do not exceed Twenty Thousand Dollars (\$20,000) such proceeds shall be paid to the Association to be used for repair and reconstruction. If the Board fails to appoint a Trustee, the proceeds shall be paid to the Board.

Section 4. Insurance by Owner. Except as provided in this Section 4., no Owner can separately insure his Unit or any part of it against loss by fire or other casualty covered by an insurance carrier under the fire and extended coverage insurance policy carried by the Association. If any Owner violates this provision, any diminution in insurance proceeds otherwise payable pursuant to the provisions of Section 2. that result from the existence of such other insurance will be chargeable to the Owner who acquired other insurance, and the Owner will be liable to the Association to the extent of any such diminution. An Owner can insure his personal property against loss. In addition, any improvements made by an Owner to the real property within his 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 and the Association. An Owner may also carry public liability insurance

86-1292408

-19-

covering his individual liability for damage to persons or property occurring within his Unit.

Section 5. Fidelity Bonds. The Board shall contain fidelity bond coverage on behalf of the Association for any person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees, employees and agents of the Association and employees of the professional managing agent of the Association, whether or not such persons are compensated for their services, in an amount not less than one hundred fifty percent (150%) of the Association's annual assessments, including reserves.

Section 6. Additional Insurance. The Board may, and if required by any Mortgagee, shall purchase and maintain demolition insurance in adequate amounts to cover demolition in case of total or partial destruction and a decision not to rebuild, contingent liability from operation of building laws endorsement, increased cost of construction endorsement, steamboiler coverage providing at least \$50,000 coverage for each accident, and a blanket policy of flood insurance. The Board shall also purchase and maintain: worker's compensation insurance, to the extent that it is required by law, for all employees of the Association; errors and omissions insurance for officers and directors of the Association; and any other insurance as it deems necessary or that is required by any Mortgagee.

Section 7. Authority of Board. The Board is appointed attorney in fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried by the Association. The Board is granted full right and authority to compromise and settle any claim or endorse any claim by legal action or otherwise and to execute releases in favor of any insurer.

Section 8. Rights of Mortgagees. Any Mortgagee has the option to apply insurance proceeds payable on account of a condominium, in reduction of the obligation secured by the mortgage of such Mortgagee.

Section 9. Annual Review by Board. The Board shall determine annually whether the amounts and types of insurance it has obtained provide adequate coverage for the Project, Owners, Mortgagees and the Association. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 10. Notice of Cancellation. Any policy obtained by the Board must provide that it may not be cancelled or substantially modified without at least ten (10) days prior written notice to the Association and to each Eligible Mortgage Holder listed as a scheduled holder of a first mortgage in the policy.

86-1292408

26

ARTICLE IX

Destruction of Improvements

Section 1. Partial Damage. In the event any improvements or any fixtures or personal property in the Project owned in common are partially destroyed by fire or other casualty, or by partial condemnation, it shall be the duty of the Board to restore and repair the same to its former condition, as promptly as practicable and in a lawful and workmanlike manner. The proceeds of any insurance shall be made available for such purpose, subject to the prior rights of beneficiaries of deeds of trust whose interest may be protected by said policies. In the event that the amount available from the proceeds of such insurance policies for such partial reconstruction shall be less than eighty-five (85%) percent of the cost of the repair or reconstruction and/or in the event such destruction is in an amount equal to fifty (50%) percent or more of the total value of the entire improvements on the Project, the Owners of individual Units, by vote of the Owners holding seventy-five (75%) percent of the voting power of each class of membership, in person or by proxy, at a duly constituted meeting, shall determine whether the Board shall be authorized to proceed with such partial reconstruction or not, and in the event of an affirmative vote, a Special Assessment of the Owners may be levied to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purposes. Such assessment shall be assessed against Owners upon the basis of the ratio of the square footage of the floor area of all Units to be assessed. In the event of a determination by the Owners that the cost of such reconstruction would be so substantial that it would not be in their best interests to proceed with the same, the Owner's may, in their discretion, proceed as provided hereinafter.

Section 2. Total Destruction. In the event of the total destruction of the improvements on the Property, the Owners, by the requisite vote as set forth in Section 1 above, shall likewise have the authority to determine whether said improvements shall be rebuilt, or whether the Property shall be sold. In the event of the determination to rebuild and if the insurance proceeds shall be insufficient for the same, the necessary funds shall be raised by Special Assessment of the Owner as provided in Section 1. above.

Section 3. Determination to Rebuild. In the event of a destruction, whether partial or total, and whether by fire or other casualty or partial condemnation, and in the further event of a reconstruction, the Board shall be authorized to have prepared the necessary plans, specifications and maps, and to execute the necessary documents to effect such reconstruction as promptly as practicable, and in a lawful and workmanlike manner. Such reconstruction shall be in conformity with all applicable governmental regulations. A certificate of the resolution authorizing such reconstruction shall be filed by the Board with the

86-1292408

county recorder within six (6) months from the date of such destruction, or if they do not, by any Owner and in the event of the failure to record such certificate within said period, it shall be conclusively presumed that the Owners have determined not to rebuild said improvements. Any restoration or repair of the Project shall be performed substantially in accordance with the Declaration and the original plans and specifications unless other action is approved by Eligible Mortgage Holders on Units which have at least fifty-one (51%) percent of the votes of Units subject to Eligible Mortgage Holders.

Section 4. Determination Not to Rebuild. In the event of a determination not to rebuild, the Board shall be authorized to have prepared and to have filed, as promptly as practicable, a corrected subdivision map, (approved by the appropriate governmental authorities), converting the Property into an unimproved parcel of land, which shall be offered for sale, at the highest and best price obtainable, either in its damaged condition, or after damaged structures have been razed. The net proceeds of such sale, and the proceeds, if any, of insurance carried by the Owners as a whole on the Property shall be distributed to the Unit Owners in the proportions in which the fair market value of each condominium bears to the fair market value of all condominiums in the Project, provided that if at the time of distribution there is due and owing any encumbrance on any individual Unit, executed in good faith and for value, the balance of such encumbrance shall first be paid before the distribution of any proceeds to the Owner whose Unit is so encumbered. For purposes hereof, fair market value of the condominiums in the Project shall be determined at the time of the destruction by an independent, qualified and experienced real estate appraiser appointed by the Board of Directors and the cost of such appraisal shall be an expense of the Association. The Board, or any member thereof as shall be designated by the Board, is hereby irrevocably appointed as the attorney in fact for each Unit Owner, to make, execute and deliver on his behalf any and all documents necessary or convenient to effect and complete said sale including, but not limited to deeds, escrow instructions and the like.

In the event of a destruction of the improvements and in the event of a determination not to rebuild the same, the Board, or if they do not, any Unit Owner, shall record a sworn declaration with the County Recorder where the Project is located setting forth such decision. The recordation of such declaration shall determine and terminate the title of each Owner of his condominium and such title shall forthwith merge in the interest of each Unit Owner in the Common Area, and forthwith upon such recordation, all Owners shall be and become tenants in common of the entire Project.

Section 5. Repair of Interior Damage. Restoration and repair of the damage to the interior of any individual Unit shall be made by and at the individual expense of the Owner of said Unit and in the event of the determination to rebuild such partial or total destruction, the same shall be completed as prompt-

ly as practicable and in a lawful and workmanlike manner.

Section 6. Termination of Covenant Against Partition. Six (6) months from the date of any partial or total destruction, if a certificate of resolution to rebuild is not filed or recorded as hereinbefore provided, or if reconstruction is not actually commenced within said period, the covenant against partition provided herein shall terminate and be of no further force or effect.

Section 7. Owners Dispute. In the event of a dispute amongst the Owners with reference to the distribution of any of the proceeds received in connection with any damage or destruction of any of the improvements in the Project, or with reference to Special Assessments which may be levied pursuant to the provision of this Article IX, an Owner or the Board may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association and the decision thereof shall be final and conclusive upon all Owners.

ARTICLE X

Maintenance and Decoration of Buildings and Units

Section 1. Owners Maintenance. Each Unit Owner shall have the exclusive right and duty, at his sole cost and expense, to maintain, repair, paint, repaint, paper, panel, plaster, tile, wax and finish, refinish or decorate the interior surfaces of the ceilings, floors, doors and perimeter walls of his living Unit including balconies and exposed plumbing as well as all glass and window breakage, screens and screen doors, and all permanent fixtures, appliances and equipment of his Unit, including but not limited to refrigerators, dishwashers, disposals, lighting fixtures, water heaters, ranges or fireplaces located within or connected with his Unit and air conditioning and heating equipment and elements located within a Unit or on the roof thereof or situated in the Common Area but servicing only that Unit; provided, however, nothing in this Article shall be construed as permitting any interference with or damage to the structural integrity of any building. In the event an Owner shall do anything with respect to his Unit or use his Unit in such manner that might have the effect of increasing the level of noise or sounds that can be heard outside of his Unit during his use and occupancy thereof, or which might cause a continual disturbance or annoyance to any other Unit Owner, he shall be required to take at his own expense all reasonable measures to deaden, insulate and otherwise decrease the level of such noise or sounds to the minimum level reasonably possible so as not to cause an interference with the use and enjoyment by other Unit Owners of their Units.

Section 2. Fixtures. Carpets, individual air conditioners, dishwashers, garbage disposals, ranges and ovens which may be physically located within any Unit shall be deemed to be fixtures and attached to the realty, but the upkeep, maintenance, repairs and replacement shall be the responsibility of the Unit Owner and not of the Board. All other furnishings, furniture, drapes and appliances are personal property and shall not, during the term of these restrictions, become a part of the Property.

86-1292408

-23-

Section 3. Consent of Architectural Committee for Changes. No Unit Owner shall, at his expense or otherwise, make any structural changes, repairs, or alterations to his Unit or the Common Area or any facilities or structures thereon, without the prior written consent of the Architectural Committee provided for in this Declaration.

Section 4. Liens. No labor performed or services or materials furnished with consent of or at the request of a Unit Owner or his agent or his contractor or subcontractor shall be the basis for filing of a lien against the Project or against any other condominium or Unit Owner, or against the Common Area, unless such other Unit Owner or the Board, as the case may be, has expressly consented to or requested the performance of such labor or furnishing of such materials or services. Such express consent shall be deemed to have been given by a Unit Owner in the case of emergency repairs thereto, or in the case of a Unit Owner failing to maintain those areas of the Project which he has the primary obligation to maintain hereunder. Labor performed or services or materials furnished for the Common Area, if duly authorized by the Board, shall be deemed to be performed or furnished with the express consent of each Unit Owner. The Unit Owner may remove his condominium from a lien against two or more condominiums, or any part thereof, by payment to the holder of the lien of the fraction of the total sum secured by such lien which is attributable to his condominium.

Section 5. Window Cover. Windows can only be covered by drapes, shades, curtains, or shutters and cannot be painted or covered by foil, cardboard, or other similar materials.

ARTICLE XI

Use and Occupancy of Units and Common Area

Section 1. Single Family Use. Each condominium shall be used as a residence for a single family and for no other purposes whatsoever. Individual condominiums may not be subdivided nor may parts thereof be sold. No part hereof shall ever be used or allowed to be used directly or indirectly for any business, commercial, manufacturing or mercantile or other non-residential use.

Section 2. Rental of Unit. Unit Owners may lease or rent their condominium upon appropriate written notice to the Board of such intent; provided, however, that no Unit Owner shall be permitted to lease his condominium for transient or hotel purposes and no such lease or rental shall be for a period of less than thirty (30) days. Any such lease or rental shall be in writing, shall be in such form as approved by the Board and shall require the tenant thereof to comply in all respects with the Declaration, the By-Laws and all rules and regulations adopted by the Association and any failure by the tenant to so comply shall be a default under said lease or rental.

86-1292408

Section 3. Common Area. Except as otherwise permitted herein, there shall be no obstruction of any portion of the Common Area nor shall anything be stored in the Common Area, even on a temporary basis, without the prior written consent of the Board.

There shall be no use or occupancy of any part of the Common area, except by the Unit Owner, his family, tenants and guests.

Nothing shall be done or kept in or upon any Unit or in the Common Area, which will increase the rate of insurance, without the prior written consent of the Board. No Unit Owner shall permit anything to be done or kept on or within his Unit or in the Common Area, which will result in the cancellation of insurance on the building or which would be in violation of any governmental statute, ordinance, rule or regulation.

No waste shall be committed in the Common Area and nothing shall be altered, installed or constructed in the Common Area without the consent of the Board.

Section 4. Signs. No sign of any kind shall be displayed on the Common Area, without the prior written consent of the Board, except one professional sign of dignified appearance advertising a condominium for sale or lease, may be placed on the Common Area in such size, location and manner as shall be designated by the Board.

Section 5. External Items. No antennae (television, radio, or of any sort), poles, wires, or other external items shall be located on the outside of any Unit, or in the Common Area, except with the express written consent of the Board.

Section 6. Pets. No animals, livestock, or poultry of any kind shall be raised, bred, or kept in or upon any Unit or in the Common Area.

Section 7. Offensive Activities. No noxious or offensive activity shall be carried on in any Unit or in the Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance. All rubbish, trash and garbage shall be kept only in sanitary containers and shall be regularly removed from the Unit and shall not be allowed to accumulate therein. No Owner of a condominium shall permit or cause any trash or refuse to be kept on any portion of the Common Area except in places specifically designated for such purpose and except on the scheduled day for trash pickup. No exterior clothesline shall be erected or maintained and there shall be no exterior drying or laundering of clothes on balconies, patios or other areas.

Section 8. Structural Changes. Nothing shall be done in any Unit or in or on, or to the Common Area which will impair the structural or esthetic integrity of the buildings or which would structurally alter the buildings, except as is other-

86-1292408

-25-

31

wise provided herein.

Section 9. Mineral Exploration. No drilling, oil development, operations, oil refining, quarrying or mining operations of any kind shall be permitted upon or in any Unit or the Common Area or within 500 feet below the surface of the property.

Section 10. Air Space. No development shall be made of the air space above the exterior of any structure or any Unit or in the Common Area except upon the written consent of the Board.

Section 11. Violation of Rules and Laws. There shall be no violation of the rules or regulations for the use of Units or the Common Area as set forth herein or as may be adopted by the Board. There shall be no violation or failure to comply with applicable laws, orders, or directives of any lawful authority.

Section 12. Owner Liability. Each Owner shall be liable to the Association as such liability may be determined pursuant to the laws of the State of California, for any damage to any portion of the Common Area or the equipment, facilities or structures thereon which may be sustained by reason of the negligence or willful misconduct of said Owner or of his family, relatives, guests, invitees, or tenants, both minor and adult. In the case of joint ownership, the liability of such Owners shall be joint and several. In the event of personal injury or property damage sustained by any person while physically within the Unit of any Owner, and in the further event that any other Owner shall be sued, or a claim made against him or her for said injury or damage, the Owner or Owners of the Unit in which said injury or damage occurs, shall fully indemnify and hold harmless any such other Owners against whom such claim shall be made, and shall further defend any such other Owners at his or her own expense in the event of litigation of such claim; provided, however, that such protection shall not extend to any other Owner whose own negligence may have caused or contributed to the cause of any such injury or damage.

Section 13. Exemption of Payment of Maintenance Fee. No Unit Owner may exempt himself from liability for his contribution to the maintenance fund by any waiver of the use or enjoyment of the Common Area, or by the abandonment of his condominium.

Section 14. Parking and Parking Spaces. No parking space may be sold or assigned to, or retained in the ownership of, any person not a Unit Owner and no parking space may be rented or leased to a non-Unit Owner except in connection with a lease of a condominium. No motorcycle, trailer, camper, mobile home, commercial vehicle, truck (other than a standard size pick-up truck), inoperable automobile, boat or similar equipment shall be permitted to remain upon any area within the Project, unless placed or maintained within an enclosed garage or carport or on the parking site deeded or assigned to a Unit Owner. No repairs shall be made to any automobile or other vehicle while parked in any area in the Project, except in the case of strict emergency.

The Board shall have the authority to tow away and store any vehicle or similar equipment parked in violation of the above restrictions whether the same shall belong to any Owner or a member of his family or to any relative, guest, or invitee of any Owner. Charges for such towing and storage shall be assessed against any Owner who shall violate such restrictions and also against any Owner whose family members, relatives, guests, or invitees may violate the same, and such assessment may be enforced against the property interest of said Owner or Owners in the same manner as provided hereinabove relative to liens for non-payment of maintenance charges.

Section 15. Electronic Equipment. No electronic transmitting equipment other than electronic garage door opening devices, if any, and other than electronic transmitting equipment and devices approved by the Board shall be installed and maintained or used within the Project.

ARTICLE XII

Architectural and Design Control

Section 1. Consent of Architectural Committee Required. No Unit Owner shall, at his expense or otherwise, make any structural changes, repairs, or alterations to his Unit or the Common Area of any facilities or structures thereon, nor shall he make any alterations, additions, improvements, repairs, or modifications or changes in paint or finish or color of the Common Area or any facilities or structures thereon, or install awnings or sunshades or perform any landscaping of any kind or character in or on his Unit or any of the Common Area, or make any change, alteration, improvement or repair visible from the exterior of the Units, without the prior written approval of the Architectural Committee. Such approval may be withheld if in the view of the Committee, the installation or improvement would affect the uniformity and the attractiveness or the value of the Project as a whole.

Section 2. Plans and Specifications. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Architectural Committee for approval as to quality of workmanship and design and harmony of external design with existing structures, and as to location in relation to surrounding structures and topography. Approval may be withheld if in the view of the Architectural Committee the improvements, installation, etc. would affect the uniformity and the attractiveness or the value of the Project as a whole.

Section 3. Non-Liability of Architectural Committee. Neither the Committee, nor any member thereof, shall be held responsible for any loss or damage, nor be liable in any manner whatsoever, for any errors or defects which may or may not be shown on said plans or specifications or on buildings or structures erected, improved or altered in accordance with such plans or specifications or otherwise.

86-1292408

Section 4. Appointment of Architectural Committee.
The Board shall appoint the Architectural Committee, which shall consist of not less than three (3) nor more than five (5) members. Members appointed to the Architectural Committee shall be from the membership of the Association.

Section 5. Approval or Disapproval by Architectural Committee. The Committee or the Association shall approve or disapprove a proposed alteration by sending a written notice thereof to the Owner who so requested said proposed alteration. The approval thereof may be recorded in the office of the County Recorder, but such approval shall not have the effect of, or be construed as, in any manner modifying, altering or waiving any of the provisions, covenants, conditions or restrictions set forth herein. The Committee shall make its determination as to approval or disapproval of the proposed alterations within sixty (60) days of the submission of said proposed alteration to the Committee. Failure on the part of the Committee or the Association to record such disapproval or to render a decision within the sixty (60) day period mentioned above, shall be deemed to be a waiver of any and all jurisdiction of said Committee or Association as to said plans and specifications, or either of them, and of said location and/or construction, but nothing contained herein, shall be construed as a waiver on the part of the Association or its successors or assigns or any other Owner in the Project, of their right to enforce the conditions recited herein or their right to enforce compliance of any other conditions, restrictions and covenants set forth herein.

Section 6. Fees. The Architectural Committee shall act without compensation but shall be permitted to charge a total fee not to exceed Two Hundred Dollars (\$200) for any set of plans which may be submitted to it for approval. In the event the Committee shall be reasonably required to engage a professional consultant to assist it in its determination, the Committee shall first obtain an estimate of the fees to be paid to such consultant and shall notify the Unit Owner of such fees. The Unit Owner shall be required, as a condition to proceeding further, to agree to pay such fees. If the Unit Owner shall not agree to pay such fees, the matter submitted before the Committee shall be deemed to be disapproved unless some alternative method of providing the necessary assistance to the Committee (which is in a form satisfactory to the Committee) shall be provided.

34

ARTICLE XIII

Repair of Common Facilities by Individual
Owner and Right of Entry

If any common facility or any portion of the Common Area falls into disrepair or is damaged and the Board fails to take action to repair or restore the same within sixty (60) days after written notice so to do from any Unit Owner, then such Unit Owner may make such repairs as are necessary to insure his enjoyment of his own condominium; provided, that such Owner first obtains the approval of Owners holding fifty-one (51%) of the voting power of the Association. Such Unit Owner shall receive at least two (2) bids before employing any person, firm or corporation to perform such work. Such Unit Owner may, to the extent necessary, enter on any Unit or any portion of the Common Area to effect such repairs. Any such entry shall be made with as little inconvenience as practicable to the Unit Owners affected, and to the other Unit Owners in their use of the Common Area. Any damage caused thereby shall be forthwith repaired by the entering party. The Board shall reimburse such Owner undertaking to make such repairs out of the maintenance fund for all reasonable expenses incurred by him in making such repairs, and if such fund be insufficient, shall cause the levy of a Special Assessment.

ARTICLE XIV

Utilities

Section 1. Utility Rights. The rights and duties of the Unit Owners with respect to lines for sanitary sewer, water, gas, electricity, telephone cables and heating and air conditioning, shall be governed by the following:

A. Wherever sanitary sewer connections and lines or electricity, gas, telephone lines, heating and air conditioning lines or television cables are installed within the Project, which connections or any portion thereof, lie in or upon portions of the Project owned by others than the Unit Owner of a Unit served by said connections, the Unit Owners of any Units served by said connection, shall have the right and are hereby granted an easement, to the full extent necessary therefor, to enter upon such portion of the Project or to have the utility companies enter thereupon to repair, replace and generally maintain said connection as and when the same may be necessary as set forth below.

B. Wherever sanitary sewer connections and lines, facilities, and/or water connections and lines or electricity, gas, telephone lines, air conditioning and heating lines, or television cables are installed within the Project, which connections serve more than one Unit, the Owners of each Unit served by said connection shall be entitled to the full use and enjoyment of such portions of said connections as services their Unit.

86-1292408

-29-

C. In the event any portion of said connection or line is damaged or destroyed through the negligent act or acts or failure to act, the willful misconduct of one Unit Owner or any of his employees, agents, invitees, tenants or guests, so as to deprive other Unit Owners of the full use and enjoyment of said connection or line, then such connection or line shall be repaired or restored by the Association, but at the expense of the Unit Owner who commits or whose guests, agents, or employees commit, such act or acts.

D. In the event any portion of such connection or line is damaged or destroyed by some other cause than the negligence or willful misconduct of one of the Unit Owners, his employees, agents, guests, tenants or invitees (including ordinary wear and tear and deterioration from lapse of time) then in such event, such connection or line shall be repaired and restored by the Board, such repair and restoration to be paid out of the assessments levied in accordance with this Declaration equally, against all Owners.

E. In the event of a dispute between Owners with respect to the repair or rebuilding of said connection or with respect to the sharing of the costs thereof, then upon written request of one of such Owners addressed to the Association, the matter shall be submitted to the Board for a final and binding determination.

Section 2. Utility Easements. Easements through the Units and Common Area for all facilities for the furnishing of utility services, television cable service and heating and air conditioning lines within any Unit, which facilities shall include but not be limited to, conduits, ducts, plumbing and wiring shall be appurtenant to each condominium and all other condominiums and the Common Area shall be subject thereto; provided, however, that easements for such facilities shall, at all times be and remain substantially in accordance with the initial construction of the Project or the Project as reconstructed upon damage or destruction pursuant to the terms of this Declaration.

ARTICLE XV

Entry for Repairs

The Board or its designated agents may enter upon any Unit when necessary in connection with any maintenance or construction for which the Board is responsible, or for any maintenance required by reason of the failure of the Unit Owner to maintain as provided herein, or to abate any nuisance being conducted or maintained therein. Such entry shall be made with as little inconvenience to the Unit Owners as practicable, and any damage caused thereby shall be repaired by the Board at the expense of the maintenance fund. There is hereby reserved to the Board, for the benefit of each Unit Owner, easements over each Unit and the Common Area, for the purpose of maintenance and repairs and such further purposes as are necessary to perform the duties and obligations of the Board and the Association.

86-1292408

ARTICLE XVI

Covenant Against Partition

By acceptance of his deed, each Unit Owner shall be deemed to covenant and agree for himself and his heirs, personal representatives, successors and assigns, that there shall be no judicial partition of the Common Area and the same shall remain undivided, nor shall any person acquiring any interest in the Project or any part thereof, seek any such judicial partition until the structures on the Property are totally or practically destroyed and the Owners shall elect not to rebuild as hereinabove provided. Each person acquiring any interest in the Project shall by such acquisition be deemed to have waived any right to partition of the subdivided property, except only as herein provided. Notwithstanding the foregoing, if any condominium shall be owned by two or more co-tenants in common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition of such condominium as between such co-tenants.

No Unit Owner may sell or convey all or part of his undivided interest in any of the Common Area, except in conjunction with the sale of his condominium nor may he encumber any part or all of his undivided interest in the Common Area except in conjunction with an encumbrance of his condominium.

Partition may be had upon a showing of any of the conditions specified in Section 1354 of the Civil Code of the State of California (See Exhibit "B" attached hereto).

The Association is hereby granted an irrevocable power of attorney to sell the Condominium property for the benefit of all the Owners thereof when the partition of the Owners' interests in said Condominium property may be had pursuant to Section 1354 of the Civil Code as noted above. The power of attorney herein granted may be exercised upon the vote or written consent of Owners holding in the aggregate at least two-thirds (2/3) of the interest in the Common Area by any two (2) members of the Board who are hereby authorized to record a Certificate of Exercise in the Office of the County Recorder where the Project is located, which certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith.

ARTICLE XVII

Structural Alterations

A proposal for any structural alteration or addition to structures in the Project may be made at any regular or special meeting of the Voting Owners, provided that said proposal shall be accepted only upon the affirmative vote of Owners holding at least sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership. The approval of Owners pursuant to this Article XVII shall relate to proposed alterations or additions

86-1292408

-31-

involving the Project as a whole as opposed to changes requested to be made by an Owner to his Unit or the Common Area affecting his Unit which shall be governed by Article XII. Unless otherwise agreed at the meeting of the Voting Owners approving said proposal, the cost of the alteration or addition so approved shall be paid from the maintenance fund and the Board shall levy a Special Assessment to cover said cost.

ARTICLE XVIII

Encroachment

Each condominium within the Project is hereby declared to have an easement over all adjoining condominiums for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settlement or shifting of any building, or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist, and the rights and obligations of Owners shall not be altered in any way by said encroachment, settlement, or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if said encroachment occurred due to the willful misconduct of said Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each condominium agree that minor encroachments over adjoining condominiums shall be permitted and that there shall be valid easements for the maintenance of said encroachments so long as they shall exist.

If any portion of the Common Area encroaches upon a Unit or Units, a valid easement for the encroachment and for the maintenance of same, so long as it stands, shall and does exist. In the event a multi-family structure is partially or totally destroyed, and then rebuilt, the Unit Owners agree that minor encroachments of parts of the Common Area due to construction shall be permitted and that valid easements for said encroachment and the maintenance thereof shall exist.

The Common Area is and shall always be subject to easements for minor encroachments thereon of the Units.

86-1292408

ARTICLE XIX

Common Area Easements

Every Owner of a condominium shall have a non-exclusive easement of use and enjoyment in, to and throughout the Common Area of the Project and for ingress, egress and support over and through the Common Area. Such non-exclusive easements shall be appurtenant to each condominium and the Common Area but shall be subordinate to, and shall not interfere with, exclusive easements appurtenant to condominiums over the Common Area, if any. Each such easement shall be appurtenant to and pass with the title to every condominium, subject to the following rights and restrictions:

A. The right of the Association to limit the number of guests, and to adopt Association rules and regulations regulating the use and enjoyment of the Common Area.

B. The right of the Association to charge reasonable admission and other fees for any recreational facility situated on the Common Area.

C. The right of the Association to borrow money to improve the Common Area.

D. The right of the Association to assign, rent, license, or otherwise delegate and control use of unassigned parking and storage spaces within the Common Area (other than those portions subject to exclusive easements to condominiums, if any).

E. The right of the Association, or its agents, to enter any Unit to perform its obligations under this Declaration.

ARTICLE XX

Condemnation

Section 1. Action for Condemnation. In the event that an action for condemnation of all or a portion of the Project is proposed or threatened by any governmental agency having the right of eminent domain, then, upon unanimous written consent of all of the Owners, and the lenders and Mortgagees affected, as their interests may appear, the Project, or such portion thereof, may be sold by the Board acting as irrevocable attorney-in-fact of all the Owners for a price deemed fair and equitable by the Board. Written notice of any threatened or proposed condemnation shall be given in writing by the Association to each Mortgagee of record within ten (10) days after the same becomes known to the Association.

Section 2. Distribution of Proceeds. Upon a sale occurring as described in Section 1. hereof, the proceeds resulting therefrom shall be distributed to the Association or any trustee

86-1292408

-33-

appointed by the Board, for the use and benefit of the Owners and their Mortgagees, as their interests may appear, in the proportions in which the fair market value of each condominium bears to the fair market value of all condominiums in the Project. For purposes hereof, fair market value of the condominiums in the Project shall be determined by an independent, qualified and experienced real estate appraiser appointed by the Board of Directors and the cost of such appraisal shall be an expense of the Association. In the event of the occurrence of a disagreement within ninety (90) days after the proceeds of sale become available for distribution, the matter shall be referred to arbitration in accordance with the then rules of the American Arbitration Association.

In the event the Project, or such portion thereof, is not sold but is instead taken, the judgment of condemnation shall by its terms apportion the award among the Owners and their respective lenders and Mortgagees, as their interests may appear, as provided above.

Section 3. Revival of Right to Partition. Upon a sale or taking pursuant hereto, which renders more than fifty (50%) percent of the Units in the Project uninhabitable, the right of any Owner to partition through legal action shall forthwith revive.

ARTICLE XXI

Protection of Mortgagees

Section 1. Subordination of Liens. Any lien created or claimed under the provisions of this Declaration is expressly made subject and subordinate to the rights of any first mortgage that encumbers all or a portion of the Project, or any condominium, made in good faith and for value, and no such lien shall in any way defeat, invalidate, or impair the obligation or priority of such mortgage unless the Mortgagee expressly subordinates his interest, in writing, to such lien.

Section 2. Material Amendments. Except as provided by statute or by other provisions of the Declaration, Articles or By-Laws, in case of substantial destruction or condemnation of the Project and further excepting any reallocation of interest in the Common Area which might occur pursuant to any plan of expansion or phase development contained in the original Declaration, if an Eligible Mortgage Holder informs the Association in writing of its appropriate address and requests in writing to be notified, neither the Association nor any Owner shall make any material change to the Declaration unless at least seventy-five (75%) of Eligible Mortgage Holders (based upon one (1) vote for each mortgage) have given their prior written approval. The term "material amendment" is defined to mean amendments to provisions of any such documents governing the following subjects:

A. The percentage interest of the Unit Owners in the Common Area of the Project.

86-1292408

-34-

40

B. The fundamental purpose for which the Project was created (such as a change from residential use to a different use).

C. Voting.

D. Assessments, assessment liens and subordinations thereof.

E. The reserve for maintenance, repair and replacement of the Common Area.

F. Responsibility for repair and property maintenance obligations.

G. Casualty and liability insurance and fidelity bonds.

H. Restoration or repair of the Project (after a hazard damage or partial condemnation) in a manner other than that specified in this Declaration.

I. Rights to use the Common Area.

J. Expansion or contraction of the Project or the addition, annexation or withdrawal of property to or from the Project.

K. Boundaries of any Unit.

L. Convertibility of Units into Common Area or of Common Area into Units.

M. Leasing of Units.

N. Imposition of any right of first refusal or similar restriction on the right of a Unit Owner to sell, transfer, or convey his Unit.

O. Any provision, which by its terms, is specifically for the benefit of First Mortgagees, Insurers, or Guarantors, or specifically confers rights on first Mortgagees, Insurers, or Guarantors.

P. Amendments involving matters set forth in subparagraph A, B, C and K shall require the consent of all Unit Owners.

An addition or amendment to the Declaration, the Articles or to the By-Laws shall not be considered material if it is for the purpose of correcting technical errors, or for clarification only. An Eligible Mortgage Holder or Eligible Guarantor or Insurer who receives a written request to approve additions or amendments, who does not deliver or post to the requesting party

86-1292408

-35-

a negative response within thirty (30) days shall be deemed to have approved such request.

Section 3. Required Consent of Mortgagees. Except as provided by statute in case of condemnation or substantial loss of the Units and/or the Common Areas of the condominium project, unless at least seventy-five (75%) percent of the first Mortgagees (based upon one vote for each mortgage owned) of the individual condominiums have given their prior written approval, neither the Association nor the Owners shall be entitled:

A. By act or omission to seek to abandon or terminate the Project, except for abandonment provided by statute in case of substantial loss or damage to the Units and Common Area by fire or casualty or in the case of a taking by condemnation or eminent domain.

B. To change the pro rata interest or obligations of any condominium for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards or for determining the pro rata share of ownership of each condominium in the Common Area.

C. To partition or subdivide any condominium.

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

E. To use hazard insurance proceeds for losses to Units or Common Area in the Project for other than the repair, replacement, or reconstruction of improvements, except as provided by statute in case of substantial loss to the Units or Common Area of the Project.

F. To terminate professional management (but only if such professional management is required by any Mortgagee or by the guarantor, insurer, or subsidizer of any Mortgagee) and assume self control of the Project.

Section 4. Examination of Books and Records by Mortgagees. First Mortgagees can examine and copy the books and records of the Association and can require the submission of financial data concerning the Association or the Project, free of charge, including annual audited financial statements for the immediately preceding fiscal year. Such financial statements shall be furnished within a reasonable time following such request.

Section 5. Priority of First Mortgagees - Insurance Proceed and Condemnation Awards. No Unit Owner, or any other party,

86-1292408

42

shall have priority over any right of first Mortgagees of distribution to Unit 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 By-Laws or other documents relating to the Project is to such extent void. All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses acceptable to the affected Mortgagees naming the Mortgagees, as their interests may appear.

Section 6. Notice to Mortgagees. Upon written request to the Association, identifying the name and address of the Eligible Mortgage Holder or Eligible Insuror or Guarantor, and the Unit number or address, such Eligible Mortgage Holder or insuror or guarantor will be entitled to timely written notice of:

A. Any loss casualty to any Unit covered by a mortgage, if such loss exceeds One Thousand Dollars (\$1,000), or any loss to the Common Area if such loss exceeds Ten Thousand Dollars (\$10,000) or on any taking of the Common Area.

B. Any default in performance of obligations under the Declaration, the Articles, or the By-Laws or rules and regulations adopted by the Association, which default is not cured within sixty (60) days after written notice to such Owner.

C. Any lapse, cancellation or material modification of any fidelity bond required to be maintained by the Association or of any insurance policy required to be maintained by the Association pursuant to Sections 1 and 2 of Article VIII.

D. Any proposed action which would require the consent of mortgages as specified in Sections 2 and 3 of this Article XXI.

Section 7. Effect of Foreclosure by First Mortgagee.

A. No breach of any provision of these covenants, conditions and restrictions shall invalidate the lien of any first 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.

B. If any condominium is encumbered by a first mortgage made in good faith and for value, the foreclosure of any lien created by any provision set forth in this Declaration for assessments, or installments of assessments shall not operate to affect or impair the lien of the mortgage. On exercise of power of sale or judicial foreclosure of the first mortgage, the lien for assessments or installments that has accrued up to the time of foreclosure shall be subordinate to the lien of the mortgage, with the foreclosure purchaser taking title to the condominium free of the lien for assessments, or installments that has accrued up to the time of the foreclosure sale. On taking title to the condominium

86-1292408

-37-

ium, the foreclosure purchaser shall only be obligated to pay assessments or other charges levied or assessed by the Association after the foreclosure purchaser acquired title to the condominium. The subsequently levied assessments or other charges may include previously unpaid assessments provided all Owners, including the foreclosure purchaser, and his successors and assigns, are required to pay their proportionate share as provided in this Article.

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

D. Any mortgage given to secure a loan to facilitate the resale of a condominium after acquisition by foreclosure or by a deed in lieu of foreclosure or by 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 protection of this Article.

Section 8. Mortgagee's Attendance at Meetings.

Because of its financial interest in the Project, any Mortgagee may appear (but cannot vote) at meetings of the Members and the Board to draw attention to violations of this Declaration that have not been corrected or made the subject of remedial proceedings or assessments or for any other purpose. Written notice of any or all meetings of the Members and the Board will be provided to any Mortgagee upon its request.

Section 9. Providing Information to Board.

Any Mortgagee may furnish information to the Board concerning the status of any mortgage.

Section 10. Restriction on Right of First Refusal.

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

Any right of first refusal shall not impair the rights of a first Mortgagee to: (a) foreclosure or take title to a condominium pursuant to the remedies provided in the mortgage; (b) accept a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor; or (c) sell or lease a condominium acquired by the first Mortgagee.

86-1292408

Section 11. Termination of Certain Contracts. Any contract for professional management of the Project, or any other contract providing for services by Declarant shall provide for termination by either party without cause or payment of a termination fee on ninety (90) days or less written notice and the term of such contract shall not exceed three (3) years. Such contracts shall also provide for termination for cause upon no more than thirty (30) days written notice. Such agreement shall be renewable with the consent of the Board and the management agent. No contract with the Association negotiated by Declarant shall exceed a term of one (1) year.

Section 12. Tax Liens. All taxes, assessments and charges which may become liens prior to the first mortgage under the local law, shall relate only to the individual condominiums and not to the Project as a whole.

Section 13. Reserves for Maintenance. Assessments on condominiums shall include an adequate reserve for maintenance, repairs and replacement of the Common Area facilities that must be replaced on a periodic basis, and shall be payable in regular installments rather than by Special Assessments.

Section 14. Termination of the Project. Any election to terminate the legal status of the Project after substantial destruction or a substantial taking in condemnation of the Project must require the approval of Eligible Mortgage Holders holding mortgages on Units which have at least fifty-one percent (51%) of the votes of Units subject to Eligible Mortgage Holders.

Section 15. Reallocation of Interests. No reallocation of interests in the Common Area resulting from a partial condemnation or partial destruction of the Project may be affected without the prior approval of Eligible Mortgage Holders holding mortgages on all remaining Units, whether existing in whole or in part, and which have at least fifty-one (51%) percent of the votes of such remaining Units subject to Eligible Mortgage Holders.

Section 16. Conflict. If there is any conflict between any Section of this Article XXI and any other provision of this Declaration, or the By-Laws of the Association, the language contained in this Article XXI shall control.

ARTICLE XXII

Amendments

Section 1. Required Vote. This Declaration may be amended or revoked in any respect only with the vote or written consent of Members entitled to cast at least seventy-five (75%) percent of the voting power of the Association.

86-1292408

45

If the consent or approval of any governmental authority, Mortgagee or other person, firm, agency or entity is required under this Declaration with respect to any amendment or revocation of any provision of this Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained. Any amendment or revocation subsequent to the close of such first sale need only 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 where the Project is located.

Section 2. Compliance with Law. 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.

Section 3. Presumption of Validity. Any amendments made in accordance with the terms of this Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XXIII

Enforcement

Each and every covenant, condition, restriction and easement herein contained and in the By-Laws, Articles of Incorporation and rules and regulations shall be for the benefit of any and all persons who now own or who may hereafter own any portion of the Project, and all such persons are specifically given the right to enforce the same at law or in equity, and upon the filing of any action to enforce the same, judgment may be given for attorneys fees against the party found to be in breach in favor of the party seeking enforcement. Enforcement of these covenants and restrictions, the By-Laws, Articles of Incorporation and any rules and regulations may be sought by the Association or any Unit Owner and shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any covenant or restriction, either to restrain violation by way of injunctive relief or to recover damages, and against the land to enforce any lien created by these covenants, and failure by the Board or any Unit Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter, nor shall any such failure to enforce the same or any other violation of such covenants or restrictions impair or invalidate the lien of any first mortgage or first deed of trust.

ARTICLE XXIV

Term

Except in the event of earlier termination as provided above, the covenants, conditions and restrictions of this Declaration shall run with and bind the Project, and shall inure to the benefit

86-1292408

-40-

46

of and be enforceable by the Board, or the Owner of any condominium subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time said covenants, conditions and restrictions shall be automatically extended for successive periods of ten (10) years, unless an instrument signed by Unit Owners holding a majority of the voting power of the Association has been recorded within one (1) year prior to the termination of the forty (40) year period or within one (1) year prior to the termination of any successive ten (10) year period, agreeing to terminate said covenants, conditions and restrictions, in whole or in part.

ARTICLE XXV
General Provisions

Section 1. Interpretation and Severability. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development and operation of the Project. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or unenforceability of any one provision shall not affect the validity or enforceability of any other provision hereof.

Section 2. Notices. Any notice permitted or required to be delivered as provided herein may be delivered either personally or by mail. If delivery is made by mail, the same shall be deemed to have been delivered forty-eight (48) hours after a copy of the same has been deposited in the United States mail, certified mail, return receipt requested, postage prepaid, addressed to each such person at the address given by such person to the Board for the purpose of service, or to such person's Unit, if no address has been given to the Board. An address may for any reason be changed from time to time by notice in writing to the Board.

Section 3. Violation Deemed a Nuisance. Every act or omission in violation of any covenant, condition, or restriction herein set forth shall constitute a nuisance, and in addition to the legal remedies hereinbefore set forth, may be abated or enjoined by any Owner or any member of the Board.

Section 4. Successors and Assigns. This Declaration shall be binding upon and shall inure to the benefit of each Unit Owner and their heirs, personal representatives, successors and assigns, grantees and lessees. This Declaration shall run with the land, and shall continue in full force and effect until (i) terminated by a court of competent jurisdiction pursuant to law, or (ii) in the event of the total destruction of the improvements on the Property and a subsequent determination of the Owners not to rebuild the same, or a total abandonment of said improvements by the Owners, or as hereafter provided. Each purchaser by accepting a deed or valid contract of sale to any individual condominium, accepts the same subject to all the covenants, conditions and restrictions herein contained, and agrees to be bound by each and all thereof. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce said provision thereafter.

86-1292408

Section 5. No Restrictions for Race, Color or Creed. No Owner shall execute or file for record any instrument which imposes a restriction upon the sale, leasing or occupancy of his condominium on the basis of race, color or creed.

Section 6. Cumulative Remedies. Each remedy provided for in this Declaration shall be cumulative and not exclusive.

Section 7. Notice of Sale or Lease of Condominium. Within five (5) business days after the consummation of the sale, transfer or lease of any condominium under circumstances whereby the transferee becomes an Owner or lessee thereof, the transferee, or the Owner in the case of a lease, shall notify the Board in writing of such sale or lease. Such notification shall set forth (i) the names of the transferee or lessee and his transferor or lessor, (ii) the street address or unit number of the condominium purchased or leased by the transferee, (iii) the number and names of all persons and the ages of all minors who intend to occupy said Unit, (iv) the transferee's mailing address, and (v) the date of sale or lease. Prior to receipt of such notification, any and all communications required or permitted to be given by the Board or the Architectural Committee or any agent or representative thereof shall be deemed to be duly made and given to the transferee if duly and timely made and given to said transferee's transferor or lessor.

Section 8. 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 include the masculine, feminine or neuter as the context requires.

Section 9. Increase in Fees Chargeable by Association. The fees which the Association is permitted to charge pursuant to Article V, Section 6 (Certificate of Board of Directors), Article VII, Section 4 (Curing of Default), and Article XII, Section 6 (Fees) may be increased by the Association effective on each anniversary date of the recording of this Declaration by a percentage equal to the lesser of (i) the percentage increase of the Consumer Price Index (Los Angeles - Long Beach - Anaheim, California, All Urban Consumers) during such year; or (ii) ten (10%) percent.

ARTICLE XXVI

Professional Management

The Board shall be required to engage a professional real property manager duly licensed as a real estate broker by the State of California (if so required to be licensed by the laws of the State of California) to manage the Project. Such manager shall be experienced in the management of condominium projects. When professional management has been previously required by any Eligible Mortgage Holder or insuror or guarantor, whether such entity became an Eligible Mortgage Holder or Eligible Insuror or Guarantor at that time or later, any decision to establish self-management by the Association shall require the prior consent of Owners of Units to which at least sixty-seven (67%) percent of the votes in the Association are allocated.

86-1292408

IN WITNESS WHEREOF, Declarant has executed this Declaration the day and year first above written.

DECLARANT: NEWCASTLE MANOR HOMEOWNERS ASSOCIATION

[Signature] V. President
[Signature] Philip M. Halpern, Treas.

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

Or, _____ before me, the undersigned, a Notary Public in and for said State, personally appeared _____, personally known to me or 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 that said individuals executed the same.

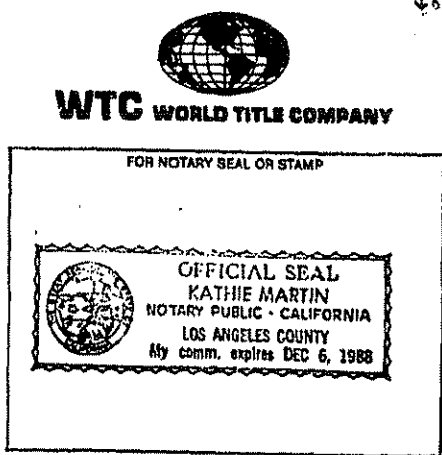
WITNESS my hand and official seal.

Notary Public in and for said County and State

Staple
State
Act Corporation
Staple

STATE OF CALIFORNIA
COUNTY OF Los Angeles) ss.
On September 24, 1986 before me, the undersigned, a Notary Public in and for said County and State, personally appeared Kathy Stevens personally known to me (or proved to me on the basis of satisfactory evidence) to be the President, and Philip M. Halpern personally known to me (or proved to me on the basis of satisfactory evidence) to be the person who executed the within instrument as TREASURER Secretary on behalf of the corporation therein named, and acknowledged to me that such corporation executed the within instrument pursuant to its bylaws or a resolution of its board of directors.
Signature Kathy Stevens

WTC 063



86-1292408

49

EXHIBIT "A"

LEGAL DESCRIPTION OF PROJECT

LOTS 1,2,3, & 4 OF TRACT NO. 33625, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 1071 PAGES 30 AND 31 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

ALSO EXCEPTING AND RESERVING THEREFROM, ALL MINERALS, OIL, GAS, PETROLEUM, OTHER HYDROCARBON SUBSTANCES AND ALL UNDERGROUND WATER IN OR UNDER OR WHICH MAY BE PRODUCED FROM SAID LAND WHICH UNDERLIES A PLANE PARALLEL TO AND 550 FEET BELOW THE PRESENT SURFACE OF SAID LAND FOR THE PURPOSE OF PROSPECTING FOR, THE EXPLORATION, DEVELOPMENT, PRODUCTION, EXTRACTION AND TAKING OF SAID MINERALS, OIL, GAS, MEANS OF MINES, WELLS, DERRICKS OR OTHER EQUIPMENT FROM SURFACE LOCATIONS ON ADJOINING OR NEIGHBORING LAND OR LYING OUTSIDE OF THE ABOVE-DESCRIBED LAND, IT BEING UNDERSTOOD THAT THE OWNER OF SUCH LAND OR PORTION THEREOF ABOVE SAID PLANE PARALLEL TO AND 550 FEET BELOW THE PRESENT SURFACE OF THE SAID LAND FOR ANY PURPOSE WHATSOEVER.

86-1292408

EXHIBIT "B"

CORPORATIONS CODE

Section 7341. Expulsion, suspension or termination; fairness
and reasonableness; procedure

(a) No member may be expelled or suspended, and no membership or memberships may be terminated or suspended, except according to procedures satisfying the requirements of this section. An expulsion, termination or suspension not in accord with this section shall be void and without effect.

(b) Any expulsion, suspension, or termination must be done in good faith and in a fair and reasonable manner. Any procedure which conforms to the requirements of subdivision (c) is fair and reasonable, but a court may also find other procedures to be fair and reasonable when the full circumstances of the suspension, termination, or expulsion are considered.

(c) A procedure is fair and reasonable when:

(1) The provisions of the procedure have been set forth in the articles or bylaws, or copies of such provisions are sent annually to all the members as required by the articles or bylaws;

86-1292408

1

41

(2) It provides the giving of 15 days' prior notice of the expulsion, suspension or termination and the reasons therefor; and

(3) It provides an opportunity for the member to be heard, orally or in writing, not less than five days before the effective date of the expulsion, suspension or termination by a person or body authorized to decide that the proposed expulsion, termination or suspension not take place.

(d) Any notice required under this section may be given by any method reasonably calculated to provide actual notice. Any notice given by mail must be given by first-class or registered mail sent to the last address of the members shown on the corporation's records.

(e) Any action challenging an expulsion, suspension or termination of membership, including any claim alleging defective notice, must be commenced within one year after the date of the expulsion, suspension or termination. In the event such an action is successful the court may order any relief, including reinstatement, it finds equitable under the circumstances, but no vote of the members or of the board may be set aside solely because a person was at the time of the vote wrongfully excluded by virtue of the challenged expulsion, suspension or termination, unless the court finds further that the wrongful expulsion, suspension

86-1292408

52
or termination was in bad faith and for the purpose, and with the effect, of wrongfully excluding the member from the vote or from the meeting at which the vote took place, so as to affect the outcome of the vote.

(f) This section governs only the procedures for expulsion, suspension or termination and not the substantive grounds therefor. An expulsion, suspension or termination based upon substantive grounds which violate contractual or other rights of the member or are otherwise unlawful is not made valid by compliance with this section.

86-1292408

3

53
CIVIL CODE

Section 1360. Declaration of restrictions, bylaws and articles of incorporation; statement of charges; copy to prospective purchaser; violations; damages; attorney fees; validity of title

(c) The provisions of this section, except those provisions relating to a written statement of delinquent assessments and such other charges as may be authorized by the declaration of restrictions or management documents, shall not apply to the transfer of a lot or unit the transfer of which is required to be preceded by the furnishing to a prospective purchaser of a copy of a public report pursuant to Section 11018.1 of the Business and Professions Code.

86-1292408

1

CIVIL CODE

Section 1358. Personal property acquired by management

Unless otherwise provided by a declaration of restrictions under Section 1355, the management body, if any provided for therein, may acquire and hold, for the benefit of the condominium owners, tangible and intangible personal property and may dispose of the same by sale or otherwise; and the beneficial interest in such personal property shall be owned by the condominium owners in the same proportion as their respective interests in the common areas, and shall not be transferable except with a transfer of a condominium. A transfer of a condominium shall transfer to the transferee ownership of the transferor's beneficial interest in such personal property.

86-1292408

CIVIL CODE

Section 1359. Liberal construction of instruments

Any deed, declaration or plan for a condominium project shall be liberally construed to facilitate the operation of the project, and its provisions shall be presumed to be independent and severable.

86-1292408

1

CIVIL CODE

Section 1350. Definitions

As used in this title unless the context otherwise requires:

1. "Condominium" means a condominium as defined in Section 783 of the Civil Code.
2. "Unit" means the elements of a condominium which are not owned in common with the owners of other condominiums in the project.
3. "Project" means the entire parcel of real property divided, or to be divided into condominiums, including all structures thereon.
4. "Common areas" means the entire project excepting all units therein granted or reserved.
5. "To divide" real property means to divide the ownership thereof by conveying one or more condominiums therein but less than the whole thereof.
6. "Condominium plan" means a document or instrument meeting the requirements of Section 1351.

86-1292408

57

CIVIL CODE

Section 1351. Application of chapter

The provisions of this chapter shall apply to real property divided or to be divided into condominiums only if there shall be recorded in the county in which such property lies a condominium plan consisting of (i) a description or survey map of the * * * project which shall refer to or show sufficient monumentation on the ground to locate applicable boundaries, (ii) a three-dimensional description of such property (one or more dimensions of which may extend for an indefinite distance upwards or downwards in sufficient detail to identify the common areas and each separate interest in space), and (iii) a certificate consenting to the recordation of such plan pursuant to this chapter signed and acknowledged by the record owner of fee title to such property and, in the case of a condominium which will terminate upon the termination of an estate for years, by the lessor and lessee of such an estate for years, by all life tenants and remainder interests when such property is subject to a life estate and by either the trustee or the beneficiary of each recorded deed of trust, and the mortgagee of each recorded mortgage encumbering the property. Such condominium plan may be amended or revoked by a subsequently acknowledged recorded instrument executed by all the persons whose signatures would be required to record a condominium plan pursuant to this section. Until recorda-

86-1292408

tion of a revocation, the provisions of this chapter shall
continue to apply to such property.

86-1292408

CIVIL CODE

Section 1352. Transfer; presumption as to scope

Unless otherwise expressly stated therein, any transfer or conveyance of a unit or an apartment, office or store which is a part of the unit, shall be presumed to transfer or convey the entire condominium:

86-1292408

CIVIL CODE

Section 1353. Incidents of grant

Unless otherwise expressly provided in the deeds, declaration of restrictions or plan, the incidents of a condominium grant are as follows:

(a) The boundaries of the unit granted are the interior surfaces of the perimeter walls, floors, ceilings, windows and doors thereof, and the unit includes both the portions of the building so described and the airspace so encompassed. The following are not part of the unit: bearing walls, columns, floors, roofs, foundations, elevator equipment and shafts, central heating, central refrigeration and central air-conditioning equipment, reservoirs, tanks, pumps and other central services, pipes, ducts, flues, chutes, conduits, wires and other utility installations, wherever located, except the outlets thereof when located within the unit. In interpreting deeds and plans the existing physical boundaries of the unit or of a unit reconstructed in substantial accordance with the original plans thereof shall be conclusively presumed to be its boundaries rather than the metes and bounds expressed in the deed or plan, regardless of settling or lateral movement of the building and regardless of minor variance between boundaries shown on the plan or in the deed and those of the building.

86-1292408

(b) The common areas are owned by the owners of the units as tenants in common, in equal shares, one for each unit.

(c) A nonexclusive easement for ingress, egress and support through the common areas is appurtenant to each unit and the common areas are subject to easements.

(d) Each condominium owner shall have the exclusive right to paint, repaint, tile, wax, paper or otherwise refinish and decorate the inner surfaces of the walls, ceilings, floors, windows and doors bounding his own unit.

86-1292408

CIVIL CODE

Section 1354. Restrictions on partition

(a) Except as provided in this section, the common areas shall remain undivided, and there shall be no judicial partition thereof. Nothing herein shall be deemed to prevent partition of a tenancy in a condominium.

(b) The owner of a condominium in a condominium project may maintain a partition action as to the entire project as if the owners of all of the condominiums in the project were tenants in common in the entire project in the same proportion as their interests in the common areas. The court shall order partition under this subdivision only by sale of the entire condominium project and only upon a showing of one of the following:

(1) More than three years before the filing of the action, the project was damaged or destroyed so that a material part was rendered unfit for its prior use, and the project has not been rebuilt or repaired substantially to its state prior to the damage or destruction.

(2) Three-fourths or more of the project is destroyed or substantially damaged and condominium owners holding in aggregate more than a 50-percent interest in the common areas oppose repair or restoration of the project.

86-1292408

(3) The project has been in existence more than 50 years, is obsolete and uneconomic, and condominium owners holding in aggregate more than a 50-percent interest in the common areas oppose repair or restoration of the project.

(4) The conditions for such a sale, set forth in restrictions entered into with respect to the project pursuant to Section 1355, have been met.

86-1292408

64

CIVIL CODE

Section 1355. Declaration of project restrictions;
servitudes

The owner of a project shall, prior to the conveyance of any condominium therein, record a declaration of restrictions relating to such project, which restrictions shall be enforceable equitable servitudes where reasonable, and shall inure to and bind all owners of condominiums in the project. Such servitudes, unless otherwise provided, may be enforced by any owner of a condominium in the project, and may provide, among other things:

(a) For the management of the project by one or more of the following management bodies: the condominium owners, a board of governors elected by the owners, or a management agent elected by the owners or the board or named in the declarations; for voting majorities, quorums, notices, meeting dates, and other rules governing such body or bodies; and for recordation from time to time, as provided for in the declaration, of certificates of identity of the persons then composing such management body or bodies, which certificates shall be conclusive evidence thereof in favor of any person relying thereon in good faith.

86-1292408

65
(b) As to any such management body:

(1) For the powers thereof, including power to enforce the provisions of the declaration of restrictions;

(2) For maintenance by it of fire, casualty, liability, worker's compensation and other insurance insuring condominium owners, and for bonding of the members of any management body;

(3) For provision by it of and payment by it for maintenance, utility, gardening and other services benefiting the common areas; for employment of personnel necessary for the operation of the building, and legal and accounting services;

(4) For purchase by it of materials, supplies and the like and for maintenance and repair of the common areas;

(5) For payment by it of taxes and special assessments which would be a lien upon the entire project or common areas, and for discharge by it of any lien or encumbrance levied against the entire project or common areas;

(6) For payment by it for reconstruction of any portion or portions of the project damaged or destroyed;

86-1292408

CIVIL CODE

66

Section 783. Condominium defined

A condominium is an estate in real property consisting of an undivided interest in common in a portion of a parcel of real property together with a separate interest in space, the boundaries of which are described on a recorded final map, parcel map, condominium plan or other document in sufficient detail to locate all boundaries thereof. The area within such boundaries may be filled with air, earth, or water or any combination thereof and need not be physically attached to land except by easements for access and, if necessary, support. The description of such space may refer to (i) boundaries described in the recorded final map, parcel map, condominium plan or other document; (ii) physical boundaries, either in existence, or to be constructed, such as walls, floors and ceilings of a structure or portion thereof; (iii) an entire structure containing one or more separate interests in space; or (iv) any combination thereof. The portion of the parcel of real property held in undivided interest may be all of the real property of an existing parcel or lot (except for the separate interests in space) or may include a particular three-dimensional portion thereof, the boundaries of which are described on a recorded final map, parcel map, condominium plan or other document. The area within the boundaries may be filled with air, earth, or water, or any combination thereof, and need not be physically attached to land except by easements for access

86-1292408

1

and, if necessary, support. A condominium may include in addition a separate interest in other portions of such real property.

Such estate may, with respect to the duration of its enjoyment, be either (1) an estate of inheritance or perpetual estate, (2) an estate for life, * * * (3) an estate for years, such as a leasehold or a sublease hold, or (4) any combination of the foregoing.

86-1292408

2

(7) For delegation by it of its powers;

(8) For entry by it or its agents into any unit when necessary in connection with maintenance or construction for which such body is responsible;

(9) For an irrevocable power of attorney to the management body to sell the entire project for the benefit of all of the owners thereof when partition of the project may be had under Section 1354, which said power shall: (i) be binding upon all of the owners, whether they assume the obligations of the restrictions or not; (ii) if so provided in the declaration, be exercisable by less than all (but not less than a majority) of the management body; (iii) be exercisable only after recordation of a certificate by those who have power to exercise it that said power is properly exercisable hereunder, which certificate shall be conclusive evidence thereof in favor of any person relying thereon in good faith.

(c) For amendments of such restrictions which amendments, if reasonable and made upon vote or consent of not less than a majority in interest of the owners in the project given after reasonable notice, shall be binding upon every owner and every condominium subject thereto whether the burdens thereon are increased or decreased thereby, and whether the owner of each and every condominium consents thereto or not.

86-1292408

(d) For independent audit of the accounts of any management body.

(e)(1) For reasonable assessments to meet authorized expenditures of any management body, and for reasonable method for notice and levy thereof, each condominium to be assessed separately for its share of such expenses in proportion (unless otherwise provided) to its owner's fractional interest in any common areas;

(2) For the subordination of the liens securing such assessment to other liens either generally or specifically described.

(f) For the conditions upon which partition may be had of the project pursuant to Section 1354. Such right to partition may be conditioned upon failure of the condominium owners to elect to rebuild within a certain period, specified inadequacy of insurance proceeds, specified damage to the building, a decision of an arbitrator, or upon any other reasonable condition.

(g) For restrictions upon the severability of the component interests in real property which comprise a condominium as defined in Section 783 of the Civil Code. Such restrictions shall not be deemed conditions repugnant to the interest created within the meaning of Section 711 of the Civil Code; provided, however, that no such restrictions

86-1292408

shall extend beyond the period in which the right to partition a project is suspended under Section 1354.

86-1292408

CIVIL CODE

Section 1356. Assessments; debt of owner; lien; notice;
enforcement of lien

A reasonable assessment upon any condominium made in accordance with a recorded declaration of restrictions permitted by Section 1355 shall be a debt of the owner thereof at the time the assessment is made. The amount of any such assessment plus any other charges thereon, such as interest, costs (including attorneys' fees), and penalties, as such may be provided for in the declaration of restrictions, shall be and become a lien upon the condominium assessed when the management body causes to be recorded with the county recorder of the county in which such condominium is located a notice of assessment, which shall state the amount of such assessment and such other charges thereon as may be authorized by the declaration of restrictions, a description of the condominium against which the same has been assessed, and the name of the record owner thereof. Such notice shall be signed by an authorized representative of the management body or as otherwise provided in the declaration of restrictions. Upon payment of said assessment and charges in connection with which such notice has been so recorded, or other satisfaction thereof, the management body shall cause to be recorded a further notice stating the satisfaction and the release of the lien thereof.

86-1292408

Such lien shall be prior to all other liens recorded subsequent to the recordation of said notice of assessment except that the declaration of restrictions may provide for the subordination thereof to any other liens and encumbrances. Unless sooner satisfied and released or the enforcement thereof initiated as hereafter provided such lien shall expire and be of no further force or effect one year from the date of recordation of said notice of assessment; provided, however, that said one-year period may be extended by the management body for not to exceed one additional year by recording a written extension thereof.

Such lien may be enforced by sale by the management body, its attorney or other person authorized to make the sale, after failure of the owner to pay such an assessment in accordance with its terms, such sale to be conducted in accordance with the provisions of Sections 2924, 2924b and 2924c of the Civil Code, applicable to the exercise of powers of sale in mortgages and deeds of trust, or in any other manner permitted by law. Unless otherwise provided in the declaration of restrictions, the management body shall have power to bid in the condominium at foreclosure sale and to hold, lease, mortgage and convey the same.

86-1292408

2

CIVIL CODE

Section 1357. Liens for labor and materials

No labor performed or services or materials furnished with the consent of or at the request of a condominium owner or his agent or his contractor or subcontractor, shall be the basis for the filing of a lien against the condominium of any other condominium owner, or against any part thereof, or against any other property of any other condominium owner, unless such other owner has expressly consented to or requested the performance of such labor or furnishing of such materials or services. Such express consent shall be deemed to have been given by the owner of any condominium in the case of emergency repairs thereto. Labor performed or services or materials furnished for the common areas, if duly authorized by a management body provided for in a declaration of restrictions governing the property, shall be deemed to be performed or furnished with the express consent of each condominium owner. The owner of any condominium may remove his condominium from a lien against two or more condominiums or any part thereof by payment to the holder of the lien of the fraction of the total sum secured by such lien which is attributable to his condominium.

86-1292408

74

CIVIL CODE

Section 1360. Declaration of restrictions, bylaws and articles of incorporation; statement of charges; copy to prospective purchaser; violations; damages; attorney fees; validity of title

(a) The owner of a lot or unit in any of the subdivisions referred to in Section 11004.5 of the Business and Professions Code, shall, as soon as practicable before transfer of title or the execution of a real property sales contract as defined in Section 2985, give to the prospective purchaser a copy of the declarations of restrictions, bylaws, and articles of incorporation affecting rights to the property being offered for transfer, and a true statement in writing from the governing body of any of the subdivisions referred to in Section 11004.5 of the Business and Professions Code as to the amount of any delinquent assessments and information relating to penalties, attorney's fees, and other charges therein as provided by the declaration of restrictions of the subdivision or the management documents of the governing body on the lot or unit as of the date the statement is issued, and a copy of the most current financial statements, as defined in Section 1730, which have already been distributed to the owner of such a unit.

(b) Upon written request, the governing body of any of the subdivisions referred to in subdivision (a) shall,

86-1292408

75

within 10 days of the mailing or delivery of such request, provide the owner of a lot or unit in such subdivision with a copy of the declarations of restrictions, bylaws, and articles of incorporation applicable to that subdivision, together with a true statement in writing as to the amount of any delinquent assessments, penalties, attorney's fees, and other charges therein as provided by the declaration of restrictions of the subdivision or the management documents of the governing body on the lot or unit as of the date of the request. The governing body may impose a fee for providing such documents and statement, but in no event shall the fee exceed the reasonable cost to prepare and reproduce the requested documents.

(c) The provisions of this section, except those provisions relating to a written statement of delinquent assessments and such other charges as may be authorized by the declaration of restrictions or management documents, shall not apply to the transfer of a lot or unit the transfer of which is required to be preceded by the furnishing to a prospective purchaser of a copy of a public report pursuant to Section 11018.1 of the Business and Professions Code.

(d) Any person or entity who willfully violates the provisions of this section shall be liable to the purchaser of a lot, or unit which is subject to the provisions of this section for the actual damages and in addition thereto shall

86-1292408

pay a penal sum in an amount not to exceed five hundred dollars (\$500), and in an action to enforce such liability, the prevailing party shall be awarded reasonable attorney's fees.

(e) Nothing in this section shall affect the validity of title to real property transferred in violation of the provisions of this section.

86-1292408

3

CORPORATIONS CODE

Section 7513. Acts without meeting; written ballot; number of ballots and approvals; solicitation revocation of ballots; election of directors

(a) Subject to subdivision (e), and unless prohibited in the articles or bylaws, any action which may be taken at any regular or special meeting of members may be taken without a meeting if the corporation distributes a written ballot to every member entitled to vote on the matter. Such ballot shall set forth the proposed action, provide an opportunity to specify approval or disapproval of any proposal, and provide a reasonable time within which to return the ballot to the corporation.

(b) Approval by written ballot pursuant to this section shall be valid only when the number of votes cast by ballot within the time period specified equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

(c) Ballots shall be solicited in a manner consistent with the requirements of subdivision (b) of Section 7511 and Section 7514. All such solicitations shall indicate the number of responses needed to meet the quorum requirement

86-1292408

78
and, with respect to ballots other than for the election of directors, shall state the percentage of approvals necessary to pass the measure submitted. The solicitation must specify the time by which the ballot must be received in order to be counted.

(d) Unless otherwise provided in the articles or bylaws, a written ballot may not be revoked.

(e) Directors may be elected by written ballot under this section, where authorized by the articles or bylaws, except that election by written ballot may not be authorized where the directors are elected by cumulative voting pursuant to Section 7615.

(f) When directors are to be elected by written ballot and the articles or bylaws prescribe a nomination procedure, the procedure may provide for a date for the close of nominations prior to the printing and distributing of the written ballots.

86-1292408

2

79

CORPORATIONS CODE

Section 7237. Agent proceeding; expenses; indemnification;
insurance; exclusion of employee benefit
plan fiduciary

(a) For the purposes of this section, "agent" means any person who is or was a director, officer, employee or other agent of the corporation, or is or was serving at the request of the corporation as a director, officer, employee or agent of another foreign or domestic corporation, partnership joint venture, trust or other enterprise, or was a director, officer, employee or agent of a foreign or domestic corporation which was a predecessor corporation of the corporation or of another enterprise at the request of such predecessor corporation; "proceeding" means any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative; and "expenses" includes without limitation attorneys' fees and any expenses of establishing a right to indemnification under subdivision (d) or paragraph (3) of subdivision (e).

(b) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any proceeding (other than an action by or in the right of the corporation to procure a judgment in its favor, an action brought under Section 5233 of Part 2 (commencing with Section 5110) made applicable pursuant to Section 7238, or an action brought by the Attorney General or a person

86-1292408

1

80

granted relator status by the Attorney General for any breach of duty relating to assest held in charitable trust) by reason of the fact that such person is or was an agent of the corporation, against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the corporation and, in the case of a criminal proceeding, had no reasonable cause to believe the conduct of such person was unlawful. The termination of any proceeding by judgment, order, settlement, conviction or upon a plea of nolo contendere or its equivalent shall not, of itself, create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in the best interests of the corporation or that the person had reasonable cause to believe that the person's conduct was unlawful.

(c) A corporation shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action by or in the right of the corporation, or brought under Section 5233 of Part 2 (commencing with Section 5110) made applicable pursuant to Section 7238, or brought by the Attorney General or a person granted relator status by the Attorney General for breach of duty relating to assets held in charitable trust, to procure a judgment in its favor by reason of the fact that such person is or was an agent of the

86-1292408

2

81

corporation, against expenses actually and reasonably incurred by such person in connection with the defense or settlement of such action if such person acted in good faith, in a manner such person believed to be in the best interest of the corporation and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. No indemnification shall be made under this subdivision:

(1) In respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation in the performance of such person's duty to the corporation, unless and only to the extent that the court in which such proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for the expenses which such court shall determine;

(2) Of amounts paid in settling or otherwise disposing of a threatened or pending action, with or without court approval; or

(3) Of expenses incurred in defending a threatened or pending action which is settled or otherwise disposed of without court approval unless such action concerns assets held in charitable trust and is settled with the approval of the Attorney General.

86-1292408

3

(d) To the extent that an agent of a corporation has been successful on the merits in defense of any proceeding referred to in subdivision (b) or (c) or in defense of any claim, issue or matter therein, the agent shall be indemnified against expenses actually and reasonably incurred by the agent in connection therewith.

(e) Except as provided in subdivision (d), any indemnification under this section shall be made by the corporation only if authorized in the specific case, upon a determination that indemnification of the agent is proper in the circumstances because the agent has met the applicable standard of conduct set forth in subdivision (b) or (c), by:

(1) A majority vote of a quorum consisting of directors who are not parties to such proceeding;

(2) Approval of the members (Section 5034), with the persons to be indemnified not being entitled to vote thereon; or

(3) The court in which such proceeding is or was pending upon application made by the corporation or the agent or the attorney or other person rendering services in connection with the defense, whether or not such application by the agent, attorney or other person is opposed by the corporation.

86-1292408

(f) Expenses incurred in defending any proceeding may be advanced by the corporation prior to the final disposition of such proceeding upon receipt of an undertaking by or on behalf of the agent to repay such amount unless it shall be determined ultimately that the agent is entitled to be indemnified as authorized in this section.

(g) No provision made by a corporation to indemnify its or its subsidiary's directors or officers for the defense or any proceeding, whether contained in the articles, bylaws, a resolution of members or directors, an agreement or otherwise, shall be valid unless consistent with this section. Nothing contained in this section shall affect any right to indemnification to which persons other than such directors and officers may be entitled by contract or otherwise.

(h) No indemnification or advance shall be made under this section, except as provided in subdivision (d) or paragraph (3) of subdivision (e), in any circumstances where it appears:

(1) That it would be inconsistent with a provision of the articles, bylaws, a resolution of the members or an agreement in effect at the time of the accrual of the alleged cause of action asserted in the proceeding in which the expenses were incurred or other amounts were paid, which prohibits or otherwise limits indemnification; or

86-1292408

(2) That it would be inconsistent with any condition expressly imposed by a court in approving a settlement

(1) A corporation shall have power to purchase and maintain insurance on behalf of any agent of the corporation 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 corporation would have the power to indemnify the agent against such liability under the provisions of this section.

(j) This section does not apply to any proceeding against any trustee, investment manager or other fiduciary of an employee benefit plan in such person's capacity as such, even though such person may also be an agent as defined in subdivision (a) of the employer corporation. A corporation shall have power to indemnify such trustee, investment manager or other fiduciary to the extent permitted by subdivision (f) of Section 207.

86-1292408

EXHIBIT C

NEWCASTLE MANOR

PROPERTY TAX ASSESSMENT SCHEDULE

<u>Square Footage</u>	<u>#of Plan</u>	<u>Plan Sales Price</u>	<u>Total Plan Sales Price</u>	<u>Tax Yearly Assessment</u>	<u>Tax Unit Mo. Assessment</u>	<u>% Per Plan</u>
440	8	48,000	384,000	4,800.00	50.00	.002319
486	4	48,000	192,000	2,400.00	50.00	.002319
648	16	59,000	944,000	11,800.00	61.46	.002851
692	40	62,000	2,480,000	31,000.00	64.58	.002996
726	12	65,000	780,000	9,750.00	67.71	.003141
752	6	73,000	438,000	5,475.00	76.04	.003528
735	6	73,000	438,000	5,475.00	76.04	.003528
854	8	75,000	600,000	7,500.00	78.13	.003625
864	12	75,000	900,000	11,250.00	78.13	.003625
902	48	75,000	3,600,000	45,000.00	78.13	.003625
938	28	76,000	2,128,000	26,600.00	79.17	.003673
955	28	76,000	2,128,000	26,600.00	79.17	.003673
1030	16	85,000	1,360,000	17,000.00	88.54	.004108
1058	8	86,000	688,000	8,600.00	89.58	.004156
1109	4	83,000	332,000	4,150.00	86.46	.004011
1110	8	90,000	720,000	9,000.00	93.75	.004350
1128	6	95,000	570,000	7,125.00	98.96	.004591
1130	16	90,000	1,440,000	18,000.00	93.75	.004350
1145	6	95,000	570,000	7,125.00	98.96	.004591

86-1292408

86

EXHIBIT D

REVISED: DECEMBER 30, 1985

NEWCASTLE MANOR

ASSESSMENT SCHEDULE

I. Variable Costs:

Insurance	\$28,880
Water	22,752
Painting Reserve	9,338
Roofing Reserve	16,538
Water Heaters	8,138
Water Treatment/Sewer	13,788

\$99,354

II. Total square footage in all 280 units is 244,864 SF.

III. Variable Yearly Costs ÷ Square Footage ÷ 12 months = Variance
 $\$99,354 \div 244,864 \text{ SF} = .4057518 \div 12 \text{ months} = .0338127 \text{ Variance}$

IV. Base Assessment:

Total Yearly Budget	\$501,300
Less Variable Costs	99,354

Total yearly Base \$401,946

Total Yearly Base ÷ 12 months ÷ Number of Units = Monthly Base
 $\$401,946 \div 12 \text{ months} = \$33,496 \div 280 \text{ units} = \119.63 Base

V. Assessment Schedule:

Plan	Base	Square Footage x Variance	Total
440	\$119.63	440 x .0338127 = \$14.88	\$134.51
486	119.63	486 x .0338127 = 16.43	136.06
648	119.63	648 x .0338127 = 21.91	141.54
692	119.63	692 x .0338127 = 23.40	143.03
726	119.63	726 x .0338127 = 24.55	144.18
752	119.63	752 x .0338127 = 25.43	145.06
735	119.63	735 x .0338127 = 24.85	144.48
854	119.63	854 x .0338127 = 28.88	148.51
864	119.63	864 x .0338127 = 29.21	148.84
902	119.63	902 x .0338127 = 30.50	150.13
938	119.63	938 x .0338127 = 31.72	151.35
955	119.63	955 x .0338127 = 32.29	151.92
1030	119.63	1030 x .0338127 = 34.83	154.46
1058	119.63	1058 x .0338127 = 35.77	155.40
1109	119.63	1109 x .0338127 = 37.50	157.13
1110	119.63	1110 x .0338127 = 37.53	157.16
1128	119.63	1128 x .0338127 = 38.14	157.77
1130	119.63	1130 x .0338127 = 38.21	157.84
1145	119.63	1145 x .0338127 = 38.72	158.35

86-1292408

87

EXHIBIT D

NEWCASTLE MANOR

PERCENTAGE ASSIGNED

TO INDIVIDUAL UNIT OF VARIABLE EXPENSES

Monthly Variance Amount ÷ Monthly Variable Cost

<u>Square Footage</u>	<u>Percentage</u>
440	.0017972
486	.0019844
648	.0026463
692	.0028263
726	.0029652
752	.0030714
735	.0030014
854	.0034881
864	.0035280
902	.0036838
938	.0038311
955	.0039000
1030	.0042068
1058	.0043203
1109	.0045293
1110	.0045329
1128	.0046066
1130	.0046150
1145	.0046766

86-1292408

88

EXHIBIT D

NEWCASTLE MANOR

TOTAL MONTHLY ASSESSMENT SCHEDULE

<u>Square Footage</u>	<u>Property Tax Assessment</u>	+	<u>Maintenance Assessment</u>	=	<u>Total</u>
440	\$50.00	+	\$134.51	=	\$184.51
486	50.00	+	136.06	=	186.06
648	61.46	+	141.54	=	203.00
692	64.58	+	143.03	=	207.61
726	67.71	+	144.18	=	211.89
752	76.04	+	145.06	=	221.10
735	76.04	+	144.48	=	220.52
854	78.13	+	148.51	=	226.64
864	78.13	+	148.84	=	226.97
902	78.13	+	150.13	=	228.26
938	79.17	+	151.35	=	230.52
955	79.17	+	151.92	=	231.09
1030	88.54	+	154.46	=	243.00
1058	89.58	+	155.40	=	244.98
1109	86.46	+	157.13	=	243.59
1110	93.75	+	157.16	=	250.91
1128	98.96	+	157.77	=	256.73
1130	93.75	+	157.84	=	251.59
1145	98.96	+	158.35	=	257.31

86-1292408