DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS

AND RESERVATION OF EASEMENTS FOR

CAMPUS VIEW II
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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS FOR
CAMPUS VIEW II

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND
RESERVATION OF EASEMENTS FOR CAMPUS VIEW II is made this 24th day
of December, 2004, by PEPPERDINE UNIVERSITY, a California
nonprofit corporation ("Declarant").

WITNESSETH

A. Declarant owns that certain real property located generally in
the vicinity of the intersection of Pacific Coast Highway and
Malibu Canyon Road in the Malibu District of the unincorporated
area of Los Angeles County, State of California, more particularly
described on Exhibit "A" attached hereto and incorporated herein by
reference (which real property exclusive of any buildings or other
Improvements thereon is sometimes referred to herein as the "Land"
and which together with all buildings and other Improvements
presently or hereafter constructed thereon is hereinafter referred
to for convenience as the "Property" or "Project").

B. Declarant desires to subdivide Tract 49767, into
"condominiums," as defined in Section 783 of the California Civil
Code, and to develop the Property as a common interest development
as defined in Sections 1351(f) and (1)(2) of the California Civil
Code as a "condominium project" which is more particularly
described below.

C. Declarant deems it desirable to impose a general plan for the
development, maintenance, improvement, protection, use, occupancy
and enjoyment of the Project, and to establish, adopt and impose
limitations, covenants, conditions, restrictions, rights, easements, equitable servitudes, liens and charges (hereinafter
referred to as the "Protective Covenants") upon the Project for the
purpose of enforcing, protecting and preserving the value,
desirability and attractiveness of the Project, and for the purpose
of restricting the use, occupancy and transfer thereof, all as more
fully provided herein.

D. Declarant deems it desirable for the efficient enforcement,
protection and preservation of the value, desirability and
attractiveness of the Project to create a corporation that shall be
delegated and assigned certain powers of administering and
enforcing the Protective Covenants.

E. Campus View II Maintenance Corporation, a California
nonprofit, mutual benefit corporation ("Association"), has been or
will be incorporated under the laws of the State of California for
the purpose of exercising the aforesaid powers.
F. Declarant desires and intends to sell, lease and convey interests in the Property to various individuals subject to the Protective Covenants as herein set forth.

G. Each membership in the Association, all easements conveyed therewith and fee title to the respective Unit conveyed therewith shall not be separated or separately conveyed, and each such membership and easement shall be deemed to be conveyed or encumbered with its respective Unit even though the description in the instrument of conveyance or encumbrance may refer only to the Unit; provided, however, that this restriction upon the severability of the component interests of the Condominiums shall not extend beyond the period for which the right to partition the Property is suspended in accordance with Section 1359 of the California Civil Code and the provisions herein. Any conveyance by an Owner of a Condominium, or any portion thereof, shall be presumed to convey the entire Condominium, together with the easements and membership in the Association.

NOW THEREFORE, pursuant to Sections 1350 et seq., of the California Civil Code, Declarant declares that it does hereby establish a general plan for the development, maintenance, care, improvement, protection, use, occupancy, management and enjoyment of the Project, and that all or any portion of the Project shall be held, sold, conveyed, hypothecated, encumbered, leased, rented, used, occupied and improved subject to the covenants set forth herein ("Protective Covenants"), all of which are declared and agreed to be in furtherance of a plan for the subdivision, maintenance, improvement and sale of the Property for the purpose of enhancing and protecting the value, desirability and attractiveness of the Project and for the purpose of restricting the use, occupancy and transfer thereof, all as more fully provided herein. Each and all of the Protective Covenants shall run with the Project, and shall be binding upon all persons having any right, title or interest in the Project or any portion thereof whether as joint owners, lessees, tenants, occupants, or otherwise, their heirs, successors, and assigns, and shall inure to the benefit of and be binding upon Declarant, its successors and assigns and all subsequent owners of all or any portion of the Project, together with their grantees, heirs, executors, administrators, devisees, successors and assigns. All provisions of this Declaration, including without limitation the easements, uses, obligations, covenants, conditions and restrictions hereof, are hereby imposed as equitable servitudes upon the Property, enforceable by Declarant, Association and by any of the Owners of any of said individual Condominiums or any interest in the Property and such other parties and agencies as are specifically designated herein as being entitled to enforce certain of such limitations and restrictions against any Owner or Owners of any such Condominiums.
ARTICLE I
DEFINITIONS

Whenever used in this Declaration, the following terms shall have the following meanings:

Section 1. "Architectural Review Committee" shall mean and refer to the committee created, if any, pursuant to this Declaration and/or the By-laws in a manner approved by the Board.

Section 2. "Architectural Guidelines" shall, if used herein, mean and refer to those certain architectural standards, landscape standards and other general policies, procedures and criteria which may be adopted by the Board pursuant to this Declaration for use by the Architectural Review Committee, if any, in reviewing plans and specifications for proposed Improvements to an Owner’s Condominium (e.g., Exclusive Use Association Property - Owners may not modify the exterior portions of the condominium buildings). The Architectural Guidelines are general guidelines and may be amended from time to time by a majority vote of the Board.

Section 3. "Articles" shall mean and refer to the Articles of Incorporation of Campus View II Maintenance Corporation, as filed in the Office of the Secretary of State of the State of California, as such Articles may be amended, from time to time.

Section 4. "Assessment" shall be used as a generic term, which shall mean and refer to the following:

(a) "Regular Assessment" shall mean and refer to the annual charge against each Owner and his respective Condominium representing a portion of the Common Expenses of the Association.

(b) "General Assessment Component." The General Assessment Component (or base assessment component as may be referred to in the DRE approved Budget) consists of the Common Expenses of the Association. The General Assessment Component shall be allocated equally among the Owners and their respective Condominiums based upon the number of Condominiums owned; and

(b) "Variable Assessment Component." The Variable Expenses consists of Common Expenses budgeted exclusively to a Variable Element ("Variable Assessment Component") and shall be assessed solely to the Owners of Condominiums to which the exclusive or disproportionate maintenance of such Variable Element has been allocated (e.g., the Condominiums with those elements identified in the budget approved by the DRE or Board - fire sprinkler and monitoring systems, etc.). It is anticipated that the Variable Assessment Component will be allocated on a pro-rata basis among those Condominiums which are subject
thereto (e.g., the cost of maintaining the fire sprinkler system shall be allocated on a pro-rata basis among those Condominiums which have such systems or require the monitoring of same), as set forth in the approved Association budget.

(b) "Compliance Assessment" shall mean and refer to the personal charge against an Owner representing the costs incurred by the Association to repair any damage to the Common Property (as defined below) for which such Owner (or any member of his family, or his guests, invitees, tenants or lessees) was responsible, the costs incurred by the Association to bring such Owner and his Condominium into compliance with this Declaration (including, but not limited to Rules and Regulations adopted by the Board), and/or any amount due the Association based upon disciplinary proceedings against an Owner in accordance with this Declaration, the Rules and Regulations, and/or the By-Laws of the Association, or any amount due the Association to reimburse the Association for administrative costs attributable to an Owner as provided herein.

(c) "Special Assessment" shall mean and refer to the charge against an Owner and his respective Condominium representing a portion of the cost of reconstructing any damaged or destroyed portion or portions of the Common Property, of constructing or installing any capital improvements to the Common Property, or of taking any extraordinary action for the benefit of the Common Property or the membership of the Association or any Owner, pursuant to the provisions of this Declaration and/or as authorized by Civil Code Section 1366, as same may be amended from time to time. In addition, Special Assessment shall mean and refer to a reasonable fine or penalty assessed by the Board, plus interest, and other charges on such Special Assessment as provided for herein.

(d) "Ground Rent Assessment" shall mean and refer to the rent levied against the Association under the Association’s Lease.

(e) "Special Benefit Assessment" shall mean and refer to a charge levied by the Association against an Owner and his respective Condominium to cover the expenses incurred by the Association in the operation, maintenance, repair and/or funding of reserves for a portion of the Project designated by Declarant or the Board as a "Special Benefit Area," which expenses are allocable only to the Owners and their Condominium within such Special Benefit Area. Currently, no Special Benefit Areas are contemplated by the Declarant or the Board.

Section 5. "Association" shall mean and refer to "Campus View II Maintenance Corporation," a California non-profit, mutual benefit corporation, its successors and assigns.
Section 6. "Association Property" shall mean and refer to all personal property now or hereafter owned by the Association, all those portions of the Property which are leased to the Association (i.e., the entire Project, excepting therefrom the Condominium Units) or real property owned by or over which the Association has an easement for the use, care, maintenance or other purpose for the common use, benefit and enjoyment of all Members in the Project. The Association Property shall include, without limitation, the condominium buildings located thereon (excepting therefrom the Condominium Units), together with all Improvements including metal awnings, bearing walls, columns, beams, floors, roofs, slabs, foundations, chimneys, fences, exterior stairs and landings, reservoirs, tanks, pumps, private on-site main sewer lines, if any, common mailbox structures, irrigation equipment, fire sprinklers, including sprinkler heads which protrude into the airspace of the Condominium Unit, if any, fire standpipes, fire alarm systems, fire extinguishers, and other fire prevention equipment and/or facilities servicing the Project, if any, and other central services, pipes, ducts, flues, chutes, conduits, wires, exterior lighting and other utility installations wherever located (except all utility lines, installations and/or outlets thereof when located within or exclusively serving one Condominium Unit, including the internal and external telephone wiring designed to exclusively serve a Condominium Unit), sound walls, retaining walls, perimeter walls (e.g., see Exhibit "B" attached hereto and incorporated herein by reference), private streets, poles, signs, Project monument signs, pool, spa, arbors, benches, and landscaping located on the Association Property, excepting therefrom landscaping and improvements located in the Exclusive Use Association Property.

Section 7. "Beneficiary" shall mean with respect to an intervivos gift or testamentary succession, the donee of an Owner's gift or an Owner's devisee or heir; or, with respect to any marital settlement proceeding, agreement or decree, the spouse or former spouse of any Owner.

Section 8. "Board" shall mean and refer to the Board of Directors of the Association.

Section 9. "Bylaws" shall mean and refer to the duly adopted Bylaws of the Association as the same may be amended, changed, modified or restated from time to time.

Section 10. "Campus View I Condominiums" shall mean and refer to any Condominium located in the first and second phases of Pepperdine University's faculty and staff housing subdivisions located on Baxter Drive and Tiner Court of the Malibu campus, and currently managed by Campus View Condominiums Homeowners Association (the legal description of which is generally as described on Exhibit "C" attached hereto).
Section 11. "Common Area" shall mean and refer to Module "A," excepting those portions thereof, described and/or depicted on the Condominium Plan noted below.

Section 12. "Common Expenses" shall mean and refer to the actual and estimated costs to be paid by the Association for the common benefit of all Owners of Condominiums in the Project. Except as otherwise provided in this Declaration, the Common Expenses shall include, but not be limited to, all costs and expenses incurred by the Association in connection with the following: (a) owning, leasing, maintaining, managing, operating, repairing and replacing the Association Property; (b) managing and administering the Association, including, but not limited to, compensation paid by the Association to managers, accountants, attorneys, budget preparers, and any Association employees; (c) providing utilities and other services to the Association Property, and, if not separately metered, to the Condominium Units; (d) providing insurance (and paying deductibles) as provided for herein; (e) paying that portion of any Assessment attributable to Common Expenses not paid by the Owner responsible for payment; (f) paying taxes for the Association; and (g) paying for all other goods and services as reasonably required by the Association to perform its powers and duties as set forth herein. Additionally, the Common Expenses shall include adequate reserves, as the Board shall determine to be appropriate, for the repair and replacement of those elements of the Association Property which must be repaired or replaced on a periodic basis, rather than on a regular annual basis.

Section 13. "Common Property" as used herein shall mean and refer collectively to all Common Area and all Association Property in the Project.

Section 14. "Condominium" shall mean and refer to a Condominium as defined in Sections 783 and 1351(f) and (1)(2) of the California Civil Code, as the same may be amended from time to time, and shall be an estate in real property consisting of (i) an exclusive fee interest (subject to defeasance and reversion to Declarant upon termination of the Lease associated with Association Property) in the Condominium Unit; (ii) an undivided percentage fee interest in the Common Area (e.g., Module "A"); (iii) all exclusive and nonexclusive easements appurtenant thereto (e.g., easements over the Association Property [except for those portions appurtenant to another Unit as Exclusive Use Association Property] as noted in this Declaration). Each Owner of a Condominium shall receive a membership in the Association.

Section 15. "Condominium Plan" shall mean and refer to each of those instruments entitled "Condominium Plan," prepared in accordance with Section 1351(e) of the California Civil Code, as the same may be amended, from time to time, and recorded in the Office of the County Recorder, consisting of (a) a description or survey map of the Project, which shall refer to or show monumentation on the ground; (b) a three-dimensional description of
the Project, one or more dimensions of which may extend for an
indefinite distance upwards or downwards, in sufficient detail to
identify the Common Area, each Condominium Unit, and the
Association Property; and (c) a certificate consenting to the
recordation of the Condominium Plan signed and acknowledged by the
record owner of fee title to the Property included in the
Condominium Plan, and by either the trustee or the beneficiary of
each recorded deed of trust and the Mortgagee of each recorded
Mortgage encumbering property included in the Condominium Plan, if
any.

Section 16. "Declarant" shall mean and refer to Pepperdine
University, a California nonprofit corporation, its successors and
assigns.

Section 17. "Declaration" shall mean and refer to this
Declaration, as the same may be amended, changed, modified or
restated from time to time.

Section 18. "DRE" shall mean and refer to the Department of Real
Estate of the State of California, which administers the sale of
subdivided lands pursuant to Section 11000, et seq., of the
California Business and Professions Code, or any similar California
statute hereinafter enacted.

Section 19. "Drescher Units" shall mean and refer to Units 49
and 50, which shall, in the sole discretion of Declarant for so
long as the Declarant deems that it is desirable to do so, be owned
by Declarant for purposes of, including but not limited to,
providing temporary or long term lodging or leasing to visitors,
guests, invitees, students, and/or members of Declarant's
administration, staff and/or faculty.

Section 20. "Exclusive Use Association Property" shall mean and
refer to a portion of the Property designated by the Declarant for
the exclusive use of one or more, but fewer than all, of the Owners
of the Condominiums in the Project and which is or will be
appurtenant to the separate interest or interests of specific
Condominiums and described and/or depicted on the Condominium Plan.

Section 21. "Governing Documents" shall mean and refer to the
Declaration, the By-Laws, the Rules and Regulations, Articles of
Incorporation, and Lease, as each may be amended from time to time,
which govern the operation of the Association.

Section 22. "Grant Deed" shall mean and refer to the instrument
of conveyance under which an exclusive ownership interest in a
Unit, together with an undivided percentage ownership interest as
tenant in common in the Common Area, and certain easements, are
colonyed to each Owner.
Section 23. "Ground Rent" shall mean and refer to the amount of Ground Rent due from the Association to the Ground Lessor under the Lease.

Section 24. "Ground Lessor" shall mean and refer to Pepperdine University, in its capacity as Ground Lessor.

Section 25. "Improvements" shall mean and refer to all structures and appurtenances thereto of every kind on or at the Project, including, but not limited to, Condominium Units, the pool, spas, meeting room, restrooms, private streets, street lights, pavement, sidewalks, driveways, walls, fences, ironworks, decorative or informative signs, retaining walls, mail kiosks, playground equipment, trellises, television and radio cabling, common trash receptacles, screens, private utility line connections, poles, and all Common Property landscaping and irrigation systems. Improvements shall also mean and refer to all additions and/or modifications to the exterior of any Condominium building, including, but not limited to (a) painting the exterior of any Condominium building or other structure, (b) changing the roofing material on any Condominium building, and/or (c) building, constructing, installing, altering or planting, as the case may be, any spas, patio covers, patio slabs, balcony covers, decks, gazebos, stairs, fences, shades, awnings, screen doors, exterior doors, skylights, solar heating panels, air conditioning, and all landscaping which lies within its natural condition will grow to a height in excess of twenty feet (20').

Section 26. "Institutional Holder" shall mean and refer to a Mortgagee or deed of trust beneficiary which is a bank or savings and loan association or established mortgage company or other entity chartered under federal and state laws, any corporation or insurance company, or any federal or state agency.

Section 27. "Lease" or "Ground Lease" shall mean the lease by which the Association obtains from the Declarant an interest in all the Property (excepting therefrom the Condominium Units).

Section 28. "Lot" shall mean and refer to a plot of land that is separately described and numbered or lettered on a recorded subdivision or parcel map.

Section 29. "Maintenance Guidelines; Maintenance Manual; Maintenance Recommendations" shall mean and refer to any current written guidelines, setting forth procedures and standards for the maintenance and operation of Association Property Improvements that may be provided to the Association by Declarant for the maintenance thereof and to an Owner for the maintenance of a Condominium which Declarant has constructed or caused to be constructed in the Project. Maintenance Guidelines include any Maintenance Manual initially prepared at Declarant’s direction, and recommended inspections and maintenance activities for components of the
Association Property and any Maintenance Recommendations prepared by Declarant pertaining to a Condominium.

Section 30. "Manager" shall mean and refer to 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 Property.

Section 31. "Member" shall mean and refer to every person or entity that holds membership in the Association, including without limitation Declarant in its capacities as a Class A and/or Class B Member.

Section 32. "Module" shall mean and refer to a separate three-dimensional volume of land and/or airspace shown and designated as a "Module" on a Condominium Plan. A Module may include Condominiums within its boundaries, however, the Condominiums are not and do not constitute Modules in and of themselves.

Section 33. "Mortgage," "Mortgagor," and "Mortgagor" "Mortgage" shall mean and refer to a deed of trust or equivalent security interest. "Mortgagor" shall mean and refer to the trustor of a deed of trust. "Mortgagor" shall mean and refer to a trust deed beneficiary or guarantor of any loan secured by a trust deed on a Condominium in the Project.

Section 34. "Notice and Hearing" shall mean and refer to written notice and the opportunity for a hearing before the Board or the Architectural Review Committee of the Association, as applicable, or other tribunal appointed by the Board in the manner provided in the By-Laws, at which the affected Owner shall have an opportunity to be heard in the manner provided herein and in the By-Laws.

Section 35. "Organization Meeting" shall mean and refer to the first meeting of the Owners as provided for herein or in the By-Laws.

Section 36. "Owner" shall mean and refer to one or more persons or entities who alone or collectively are the record owner, or owners, of fee simple title to a Condominium, excluding those persons or entities having any such interest merely as security for the performance of an obligation, but including Declarant, so long as any Condominiums remain unsold, reacquired, or owned (e.g., the Drescher Units) by Declarant. If a Condominium has been sold under a real property sales contract (as described in Sections 2985 et seq. of the California Civil Code, as same may be amended, from time to time), in which the State of California is the vendor, then the vendee shall be deemed to be the Owner of such Condominium. If a Condominium is leased by Declarant for a term of ten (10) or more years, including renewal periods, and the lease or memorandum thereof is recorded, the lessee or transferee of the leasehold interest and not the Declarant shall be deemed the Owner. If fee title to a Condominium is owned other than by Declarant, the Owner
of the fee title and not the lessee of such Condominium shall be
deemed the Owner regardless of the term of the lease.

Section 37. "Property" or "Project" shall mean and refer to the
real property described on Exhibit "A", to be divided into
Condominiums, including buildings, streets, and other Improvements
presently or hereafter located thereon, which Property or Project,
shall be commonly known as "Campus View II Condominiums."

Section 38. "Protective Covenants" shall mean and refer to the
limitations, covenants, conditions, restrictions, rights,
easements, equitable servitudes, liens and charges that are hereby
established, adopted and imposed by Declarant by the recordation of
this Declaration in furtherance of a plan for the subdivision,
maintenance, improvement and sale of the Property for the purpose
of enforcing, protecting and preserving the value, desirability and
attractiveness of the Project and for the purpose of restricting
the use, occupancy, and transfer thereof, all as more fully set
forth herein.

Section 39. "Rules and Regulations" shall mean and refer to the
Rules and Regulations adopted by the Declarant or Board pursuant to
the By-Laws or this Declaration, as they may be amended from time
to time.

Section 40. "Total Voting Power" shall mean and refer to the
total number of votes residing in all Class A and Class B members
(until such time as the Class B membership shall cease to exist),
subject to the provisions herein and in the By-Laws.

Section 41. "Unit" or "Condominium Unit" shall mean and refer to
all elements of a Condominium that are not owned in common with the
other Owners of other Condominiums. The boundaries of a Unit shall
be as shown and defined on the Condominium Plan for Tract 49767
that has or will be prepared and recorded in the Office of the
County Recorder of Los Angeles County. The Unit shall include both
the portions of the building so described and the airspace so
encompassed. In interpreting this Declaration, the Condominium
Plan, all instruments of conveyance, the existing physical
boundaries of a Unit or of a Unit reconstructed in substantial
accordance with the original Condominium Plan, shall be
conclusively presumed to be its boundaries, rather than metes and
bounds, or other description, expressed in this Declaration, the
Condominium Plan, or instrument of conveyance, regardless of
settling or lateral movement of condominium buildings and
regardless of minor variance between boundaries shown on the
Condominium Plan or in the deed or in this Declaration. For
purposes of this Declaration, the term "Unit" or "Condominium Unit"
is deemed to be a "separate interest," as defined in Sections
1351(f) and (1)(2) of the California Civil Code, as same may be
amended from time to time.
Section 42. "Variable Element" shall mean one (1) or more improvements or maintenance areas, including, but not limited to, exterior building maintenance, termite inspections, insurance, fire sprinkler systems, designated by the Declarant, Board, or described in the budget approved by the DRE or Board, and which the maintenance cost for such improvements or maintenance areas is restricted to certain Owners of Condominiums specified and/or described in this Declaration, or a budget approved by the DRE or the Board, and where the expense of operating, maintaining, repairing, and replacing such improvements or maintenance areas is borne solely or disproportionately (e.g., a variable/pro rata allocation based on square footage of the affected Condominium) by such specified Owners.

Section 43. "Variable Expenses" shall mean current expenses attributable to a Variable Element which are subject to maintenance by the Association and reserves for said Variable Element.

Section 44. Application of Definitions. The aforesaid definitions shall be applicable throughout this Declaration, and, unless otherwise stated herein, to any supplements or amendments hereto filed or recorded pursuant to the provisions of this Declaration.

ARTICLE II

INTRODUCTION TO CAMPUS VIEW II

Section 1. General Plan of Development. The Project is presently planned as a single phase condominium project, as defined in Section 1351(f) of the California Civil Code, designed exclusively for ownership by persons determined eligible in accordance with the policy and criteria of Pepperdine University, as such policy and criteria may be amended from time to time, it being understood that the Project is intended and dedicated to provide principal residence housing for certain eligible faculty members, administrators, staff members and employees of Pepperdine University for the purpose of enhancing and encouraging the development of relationships among students, faculty, administrators and other members of the Pepperdine University community which transcend purely academic classroom activities. Pepperdine University, as Declarant, hereby reserves all of its rights now and in the future to: (i) restrict eligibility of ownership of the Condominiums to faculty members, administrators, staff members and employees of Pepperdine University; (ii) establish priorities among those deemed eligible and (iii) reserve and/or restrict certain Units in the Project to certain groups among those deemed eligible, such group determinations to be made on the basis of factors relating to service to Pepperdine University. If completed as planned, the Project will consist of approximately fifty-six (56) Condominiums and various amenities. Such amenities may include pool and spa recreation facilities,
passive recreation facilities, and open space landscaping. Except as otherwise set forth herein, the Project will be developed in accordance with California Civil Code, Sections 1350 et seq., and in substantial conformance with the development plan and plans submitted to and approved by the County of Los Angeles and/or the DRE. Except as otherwise set forth herein, the Association will maintain the Common Property and will be the management body for the Project as provided herein.

(a) As presently planned, each Condominium Unit will be completed prior to the close of escrow for the sale of such Condominium. As more fully set forth herein, the Owners will receive fee title to their respective Condominium Units (subject to defeasance and reversion to Declarant), various easements (exclusive and nonexclusive, as set forth in this Declaration), an undivided one/fifty-sixth (1/56th) interest in the Common Area, and a membership in the Association.

Section 2. Membership in Association. As more particularly set forth in this Declaration, each Owner of a Condominium in the Project shall automatically become a Member of the Association, and shall be obligated for the payment of Assessments to the Association. In addition, except as otherwise provided herein, each Owner, his family members, lessees, tenants, guests and invitees, will be entitled to the use and enjoyment of the Common Property within the Project, in accordance with this Declaration and the By-Laws and Rules and Regulations adopted by Declarant and/or the Board.

Section 3. Annexation of Campus View I Condominiums. At such time as deemed appropriate, if at all, by the Declarant, but in no case earlier than ten (10) years from the date this Declaration is recorded in the Official Records of the Los Angeles County Recorder’s Office, Declarant may, with the prior written approval of a majority of the Total Voting Power of the Association, annex the faculty staff housing tract commonly known as Campus View Condominiums, including Tracts 37842, 37843, and 50810 and all Improvements thereon ("Campus View I Condominiums") into the Project pursuant to the terms and conditions set forth herein, including but not limited to the Article herein entitled "Annexation of Additional Property." In addition to the approval of a majority of the Total Voting Power of the Association, the Annexation of Campus View I shall also require the approval of a majority of the total voting power residing in the owners of Campus View I Condominiums. If Declarant elects to annex Campus View I, and the required number of votes for approval of such annexation are obtained from the Members of the Association and the members of the Campus View I Condominiums, a Notice of Annexation shall be recorded, which shall serve to impose the Protective Covenants set forth herein upon Campus View I Condominiums and to subject Campus View I Condominiums to the jurisdiction of the Association. Upon any such annexation, the voting rights in the Association and the
Assessments levied by the Association shall be adjusted as set forth in such Notice of Annexation.

Section 4. Post Tension Slabs. Each Owner hereby acknowledges that the concrete slab for Owner's Condominium Unit may be reinforced with a grid of steel cables that were installed in the concrete and then tightened to create very high tension. This type of slab is commonly known as a "Post Tension Slab." Each Owner further acknowledges cutting into a Post Tension Slab for any reason (e.g., to install a floor safe, to remodel plumbing, etc.) is very hazardous and may result in serious damage to the Condominium Unit and/or personal injury. By accepting a Grant Deed to the Condominium, each Owner hereby specifically covenants and agrees that:

(a) He shall not cut into or otherwise tamper with the Post Tension Slab.

(b) He shall not knowingly permit any other person to cut into or tamper with the Post Tension Slab so long as Owner owns any interest in the Condominium.

(c) He shall disclose the existence of the Post Tension Slab to any tenant, lessee, purchaser, or grantee of the Condominium.

(d) He and she shall indemnify and hold Declarant, and its respective officers, trustees, employees, attorneys, contractors, insurers and agents, free and harmless from and against any claims, damages, losses, or other liability (including attorney's fees) arising from any breach of this Section.

Section 5. Development Control. Nothing in this Article or elsewhere in this Declaration shall limit, restrict, abridge or control, in any manner whatsoever, Declarant's right to complete the planning, development, grading, construction, advertising, marketing, leasing and sales of the Condominiums, and all other property within the Project, including, without limitation, the following specific rights which may be exercised by Declarant, or by its agents and employees, in conjunction with such development and marketing of Condominiums in the Project. Therefore, Declarant shall have the right to: (a) complete construction of any Improvements in the Project; (b) redesign or otherwise alter the style, size, color appearance of any Improvements in any portion of Tract 49767 owned by Declarant and implement an Assessment schedule thereon consistent with such development; (c) construct additional Improvements on any portion of Tract 49767 owned by Declarant; (d) subdivide, resubdivide, adjust Lot lines and/or Condominium boundaries, grade or re-grade any portion of Tract 49767 owned by Declarant; and (e) otherwise control all aspects of designing and constructing of the Improvements in Tract 49767, and of marketing and conveying Condominiums in Tract 49767. In furtherance thereof,
Declarant hereby reserves, unto itself and its successors and assigns for so long as Declarant owns any interest in Tract 49767:

(a) A nonexclusive easement for ingress and egress on, over and across the Project as necessary to construct the Condominium Units and other Improvements.

(b) The exclusive right to maintain a sales office, model Units, if applicable, and parking areas for employees, agents and prospective buyers.

(c) The exclusive right to place reasonable signs, flags, banners, billboards or other forms of advertising on any portion of the Project owned or controlled by Declarant (specifically including the Project entry area), as Declarant deems necessary, irrespective of size, color, shape or materials of such items.

(d) The right to install, place, replace, construct, reconstruct, modify or remove any Improvement from any Lot and/or Condominium owned by Declarant as Declarant may, in its sole discretion, deem appropriate.

(e) The right to conduct any commercial activity upon any Lot or Condominium owned by Declarant which reasonably relates to the development, marketing, leasing or sale of the Condominiums or other property in the Project.

Each Owner hereby grants, upon acceptance of his deed to his Condominium Unit, an irrevocable limited power of attorney to Declarant to execute and record all documents, condominium plans and maps necessary to allow Declarant to exercise its rights under this Declaration.

Section 6. Irrevocable Limited Power of Attorney. Each Owner of a Condominium in the Project, by accepting a deed to a Condominium, hereby irrevocably appoints Declarant as his attorney-in-fact, for himself and each of his Mortgagees, optionees, grantees, licensees, trustees, receivers, lessees, tenants, judgment creditors, heirs, legatees, devisees, administrators, executors, legal representatives, successors and assigns, whether voluntary or involuntary, and hereby grants to Declarant an irrevocable limited power of attorney coupled with an interest for Declarant to act as his attorney-in-fact in connection with any modification to the development plans of all or any portion of the Project. Each Owner hereby acknowledges and agrees that this irrevocable limited power of attorney is: (a) retained for the benefit of the Declarant and not the Owner; and (b) created by Owner's acceptance of a deed to a Condominium and as part of the consideration for the purchase and sale of a Condominium. Based on the foregoing, each Owner further acknowledges and agrees that this irrevocable limited power of attorney is "coupled with an interest" and, pursuant to Section 2356 of the California Civil Code, as same
may be amended, from time to time, may not be terminated by: (a) the Owner's revocation of such limited power of attorney; (b) the Owner's death; or (c) the Owner's incapacity to contract. In furtherance thereof and subject to the limitations and restrictions set forth in this Article, Declarant shall have the right and power as a duly authorized attorney-in-fact to perform any of the following actions:

(a) To prepare, execute, acknowledge and record any map or record of survey affecting the Project required or permitted by the provisions of the Subdivision Map Act of the State of California in effect on the date of the recording of this Declaration, and as thereafter amended, and any ordinances, rules or regulations of the County, and any other governmental entities and authorities having jurisdiction over the Project, in effect on the date of the recording of this Declaration, and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, State and local governmental entities and authorities; to appear before any such governmental entities and authorities; and to execute, acknowledge and deliver any improvement agreements and bonds; and post deposits securing the performance of any such conditions and obligations;

(b) To prepare, execute, acknowledge and record any amendment to a Condominium Plan, including, without limitation, any amendments necessary to cause such Condominium Plan to conform with the Improvements as actually built, which may be required or permitted by the laws of the State of California as in effect on the date of the recording of this Declaration, as thereafter enacted or amended, and any ordinances, rules and regulations of the County, and any other governmental entities and authorities having jurisdiction over the Project, as in effect on the date of the recording of this Declaration, and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, State and local governmental entities and authorities; and to execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

(c) To prepare, execute, acknowledge and file for approval any application for zoning or setback changes or lot line adjustments, or variance or conditional use permits, or any other permits or reports required or permitted by the laws of the State of California as in effect on the date of the recording of this Declaration, as thereafter enacted or amended, and any ordinances, rules and regulations of the
County, and any other governmental entities and authorities having jurisdiction over the Project, as in effect on the date of the recording of this Declaration, and as thereafter enacted or amended, or which may be required or permitted by any title insurer, and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, State and local governmental entities and authorities; and to execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

(d) To make applications for any property reports or public reports, or amendments thereto, or exemption from the requirements therefor required or permitted by federal and State statutes, rules and regulations relating to the sale, lease, transfer or other disposition of subdivided lands, and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by any federal, State and local governmental entities and authorities; and to execute, acknowledge and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations;

(e) To deliver any public reports or property reports, or amendments thereto, obtain receipts and offer and administer rescission rights required by law;

(f) To prepare, execute, acknowledge and file for approval any registration or application for any permit, approval, exemption, ruling or entitlement, which registration or application is required or permitted pursuant to any law or regulation in effect as of the date of the recording of this Declaration, and as hereafter enacted or amended by any federal, State and local governmental entities and authorities, and, in connection therewith, to perform all conditions, undertake any obligations and execute all agreements and documentation required or permitted by such governmental body, and by any such laws and regulations, to appear before any such governmental bodies, and to execute and deliver any improvement agreements and bonds, and post deposits securing the performance of any such conditions and obligations; and do all other things now or thereafter permitted or required by any such governmental body and any such laws and regulations;

(g) To prepare, execute, acknowledge and record any deeds or waivers which may be permitted or required to clear title to any constructed or unconstructed Condominium Units in the Project; and
(h) To do any and all things necessary or desirable under the circumstances to effect and accomplish development of the Project.

Section 7. Mortgage Interest and Other Encumbrances to Take Subject to Power of Attorney. The acceptance or creation of any Mortgage (whether or not such Mortgage has been approved by Declarant) or other encumbrance, whether or not voluntarily created in good faith or given for value, shall be deemed to be accepted or created subject to each of the terms and conditions of the power of attorney described hereinabove.

ARTICLE III

MEMBERSHIP

Section 1. Membership. By acquiring a Condominium in the Project, an Owner shall automatically become a member in the Association, irrespective of the number of persons or entities that comprise the ownership of said Condominium and shall be obligated for the payment of Assessments to the Association. The foregoing is not intended to include persons or entities that hold an interest merely as a security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from the ownership of any Condominium that is subject to assessment by the Association. Ownership of such Condominium shall be the sole qualification for membership; provided, however, that membership shall be limited to persons acquiring title in accordance with the provisions of this Declaration. In addition, except as otherwise provided herein or in the Lease, each Owner, his family members, guests, and invitees, will be entitled to the use and enjoyment of the Association Property within the Project, in accordance with this Declaration, the By-Laws, and Rules and Regulations adopted by the Board.

Section 2. Transfer. The membership held by an Owner of a Condominium shall not be transferred, pledged or alienated in any way, except upon the sale, transfer or encumbrance of such Condominium, and then only to the purchaser, grantee or Mortgagee of such Condominium. Any attempt to make a prohibited transfer shall be null and void and will not be reflected upon the books and records of the Association. If the Owner of any Condominium should fail or refuse to transfer the membership registered in his name to the purchaser of such Condominium, the Association shall have the right at its option upon the basis of evidence satisfactory to the Association that such membership has been so transferred to record the transfer upon the books of the Association and if the Association shall so record such transfer and if a Certificate of Membership shall then be outstanding, the Association shall issue a new Certificate to the purchaser, and thereupon the old certificate, if any, outstanding in the name of the transferor shall be null and void as though the same had been surrendered.

Order: ed Comment:
ARTICLE IV

VOTING RIGHTS

Section 1. Voting Classes. The Association shall have two classes of voting membership, as follows:

Class A. Class A Members initially shall be all those Owners, with the initial exception of the Declarant until the conversion of the Class B Members to Class A Members, and shall be entitled to one (1) vote for each Condominium owned. When more than one (1) person holds an interest in any Condominium, all such persons shall be Members, subject to the provisions of Article V, Section 2(e) hereof. The vote for such Condominiums shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Condominium.

Class B. The Class B Member shall be the Declarant who shall be entitled to three (3) votes for each Condominium owned in the Project upon which Declarant is then paying Assessments as provided for herein. The Class B membership shall cease and be converted to Class A membership upon the first to occur of the following events:

(a) the total outstanding votes held by Class A Members equal the total outstanding votes held by the Class B Member; or

(b) the second anniversary of the first close of escrow for the sale of a Condominium pursuant to the original issuance by the DRE of the Final Subdivision Public Report for the Project.

Section 2. Voting Rights. Each Condominium owned, other than by Declarant, regardless of the number of Owners thereof, shall be represented in the Association by only one (1) vote which may be cast only as a unit by the Owner or Owners thereof. However, upon the conversion of the Class B membership to Class A membership as specified in Section 1 above, each Condominium owned by the Declarant shall be represented in the Association by one (1) vote and except as otherwise specifically provided in this Declaration, the Declarant, as a Class A Member, shall have the same right to cast its votes under this Section as other Owners and Members. Except as otherwise provided in this Declaration, whenever this Declaration, the Bylaws or the Articles require the vote, assent or presence of a stated number of Owners or Members entitled to vote on a matter or at a meeting with regard to the taking of any action or any other matter whatsoever, the provisions of this Declaration shall govern as to the total number of available votes, the number of votes an Owner is entitled to cast at the meeting, and the manner in which the vote attributable to a Condominium having more than one Owner shall be cast. Any action by the Association which must have the approval of the membership of the Association before being undertaken shall require the vote or written assent of a
majority of each class of membership including, Class A and Class B (until such time as the Class B membership ceases to exist), so long as there are at least two (2) outstanding classes of membership, unless a specific provision of this Declaration or the By-Laws or Articles of the Association requires the approval of a greater percentage of the voting membership, or a specific approval percentage of all the Members.

Section 3. Special Voting Procedures for Appointment to the Board. The Declarant shall be entitled to solely appoint a majority of the Members of the Board initially. In addition, at the first meeting of the Members of the Association at which Board Members are elected, the Declarant may appoint one Board Member for a term of two years. Thereafter, and continuing so long as Declarant is Ground Lessor of the Association Property, and/or the Owner of one or more of the Condominiums in the Project (e.g., Drescher Units), Declarant shall be entitled to solely appoint one Member of the Board (the "University Representative Board Member") who may be an employee or authorized agent of Declarant and who shall have the same authority and voting power of any other Member of the Board. Notwithstanding the foregoing, from the first election of the Board by the Members, and thereafter for so long as there is Class B membership, not less than 20% of the members on the Board shall have been elected solely by the votes of Owners other than Declarant.

Section 4. Joint Owner Disputes. The Class A vote for each such Condominium may be cast only as a Unit, and fractional votes shall not be allowed. In the event that joint Owners are unable to agree among themselves as to how their vote or votes shall be cast, they shall lose their right to vote on the matter in question except as may be provided elsewhere in this Declaration, if at all. If any Owner or Owners cast(s) a vote representing a certain Condominium, it will thereafter be conclusively presumed for all purposes that he, she or they were acting with the authority and consent of all other Owners of the same Condominium. In the event more than one vote is cast for a particular Condominium, none of said votes shall be counted and all of said votes shall be deemed void unless all of such votes cast for a particular Condominium are identical, in which event all of said votes shall constitute one and the same vote.

Section 5. Cumulative Voting Rights. Subject to the provisions of Section 7615(b) of the California Corporations Code, in any election in which more than two positions on the Board of Directors are to be filled, every Owner (including Declarant) entitled to vote at such an election shall be entitled to cast a number of votes equal to the number of vacancies being filled on the Board during such election multiplied by the number of Units owned by such Owner (also referred to as "cumulative voting"). Any vacancy in the University Representative Board Member seat shall be filled by appointment solely by Pepperdine University.
Section 6. **Vesting of Voting Rights.** The voting rights attributable to any given Condominium in the Project, as provided for herein, shall not vest until the Assessments provided for herein have been levied by the Association against said Condominium.

Section 7. **Suspension of Voting Rights.** As more particularly set forth herein, the Board shall have the authority, among other things, to suspend the voting rights of any Member to vote at any meeting of the Members for any period during which such Owner is delinquent in payment of any Assessment, regardless of type, it being understood that any suspension for nonpayment of any Assessment shall not constitute a waiver or discharge of the Member’s obligation to pay the Assessments provided for in this Declaration.

Section 8. **Removal of Directors.** A member of the Board who has been elected to office solely by the votes of members of the Association other than Declarant may be removed from office prior to the expiration of his term of office only by the vote of at least a simple majority of the voting power residing in members other than Declarant. Unless the entire Board of Directors is removed from office by the vote of the Members of the Association, no individual Director shall be removed prior to the expiration of his term of office if the votes cast against removal would be sufficient to elect the 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 Directors were then being elected. The University Representative Board Member may be removed from office and his vacancy filled prior to the expiration of his term of office only by action of Pepperdine University. No provision in this Declaration or in the By-Laws regarding the University Representative Board Member shall be modified without the prior consent of the Declarant, which consent may be withheld in its sole and absolute discretion.

Section 9. **Proxies.** Votes may be cast in person or by proxy. Proxies must be filed with the Secretary of the Board before the appointed time for each meeting. Every proxy shall be revocable and shall automatically terminate upon the earliest of the following: (a) the conveyance by the Owner of his Condominium; (b) the date of automatic termination, if any, specified in the proxy, but not to exceed three (3) years from the date of issuance of the proxy; or (c) eleven (11) months from the date of issuance of the proxy, if no automatic termination date is specified in the proxy. Any form of proxy or written ballot distributed to the membership of the Association shall afford an Owner the opportunity to specify a choice between approval and disapproval of each matter or group of matters to be acted upon at the meeting for which said proxy was distributed, except it shall not be mandatory that a candidate for election to the Board be named in the proxy. A proxy or written ballot shall be cast in accordance with that choice. In addition,
the proxy shall also identify the person or persons authorized to exercise the proxy and the length of time it shall be valid.

ARTICLE V

RIGHTS IN THE COMMON PROPERTY

Section 1. Percentage of Undivided Interest. An undivided one/fifty-sixth (1/56th) fractional fee interest in the Common Area shall be conveyed with each respective Condominium. The respective undivided interests cannot be changed, and Declarant, its successors and assigns and grantees, covenant and agree that the undivided interests in the Common Area and the exclusive rights to the respective Condominium Units conveyed therewith shall not be separated or separately conveyed or encumbered and all such interests, including easements pertaining thereto, which shall comprise a Condominium as defined herein shall be deemed to be conveyed or encumbered as an indivisible estate even though the description in the instrument of purported conveyance or encumbrance may not specifically refer to all such interests.

Section 2. Easements of Access and Enjoyment. Declarant expressly creates, establishes and grants to each Unit Owner in the Project, nonexclusive easements of access to, use and enjoyment of, and ingress and egress through and over (i) all of the Association Property in the Project, (ii) the roads, private streets, private driveways and firelanes as shown on the recorded map for Tract 49767, (iii) the roads, private streets, private driveways and firelanes as shown on the Maps for Tract 37842 recorded in Book 947, Pages 21 to 23, inclusive, (also recorded as Tract 40497) and Tract 37843 in Book 950, Pages 22 to 24, inclusive, (also recorded as Tract 40498) and Tract 50810 recorded in Book 1187, Pages 93 to 95 (also recorded as Tract 39936), but subject to all easements and dedications shown on said Maps, or recorded in the Official Records of Los Angeles County (iv) the roads, private streets, private driveways and firelanes on the Malibu Campus of Pepperdine University as shown on the Map for Tract No.33464, recorded in Book 882, Pages 42-48, inclusive, of Official Records of the Los Angeles County, California, and designated thereon as John Tyler Drive, Old Reservoir Road (renamed Baxter Drive), Huntsinger Circle and Seaver Drive, but subject to all easements and dedications shown on said Map for Tract No. 33464. Such easements may be used by Declarant, its successors and assigns, and all Owners and the members of their families, their guests, invitees, lessees, and sublessees, for utilities, pedestrian walkways, vehicular access and such other purposes reasonably necessary to the use and enjoyment of the Condominium Units and the Association Property of the Project, including without limitation all recreational facilities in the Association Property and to provide access for Declarant and its successors and assigns to other property presently owned or hereafter acquired by Declarant. Such easements shall be
appurtenant to and shall pass with the interest in every
Condominium conveyed, subject to the following provisions:

(a) The right of the Board to establish uniform Rules and
Regulations on behalf of the Association pertaining to the use
of the Common Property and Units that are consistent with the
provisions of this Declaration, and the right of the Board to
designate and allocate parking spaces as provided herein.

(b) The right of Declarant to record one (1) or more Notices
of Annexation, pursuant to the provisions herein, including
but not limited to the Article entitled "Annexation of
Additional Property."

(c) The right of the Association to reasonably limit the
number of guests of Owners.

(d) The right of the Board in accordance with the Articles
and By-Laws, to borrow money for the purpose of improving the
Common Property and facilities thereon, subject to the prior
written consent of Declarant.

(e) The right of the Board to suspend the voting rights and
use rights and easements of any Owner or Owners to use and
enjoy any amenities located on the Common Property (except for
reasonable rights of access to such Owner's Condominium) for
the period during which any Assessment against such Owner's
Condominium remains unpaid and delinquent. The Board shall
also have the right, after Notice and Hearing, in accordance
with the By-laws to impose monetary penalties, suspend the
voting rights of every Owner of a given Condominium, and/or
suspend such use rights and easements for a period not to
exceed thirty (30) days for any infraction of this
Declaration, the By-Laws or the Rules and Regulations of the
Association, committed by any Owner of the particular
Condominium as to which such rights are being suspended, his
family members, his guests, invitees, lessees, and sublessees,
it being understood that any suspension for either nonpayment
of any Assessment(s) or breach of such Declaration, By-Laws or
Rules and Regulations, shall not constitute a waiver or
discharge of the Member's obligation to pay Assessments as
provided herein.

(f) The right of Declarant (and its sales agents and
representatives), without limiting the rights of Declarant
under any other provision hereof, to the nonexclusive use of
the Common Property and the facilities thereof, for display
and exhibit purposes in connection with the sale of the
Condominiums within the Project or functions and activities
associated with or approved by Pepperdine University, which
rights Declarant hereby reserves; provided, however, that such
use shall not be for a period beyond the initial sale by the
Declarant of all of the Condominiums in the Project, or a
period of three (3) years from and after the date of recordation of this Declaration, whichever first occurs; provided, further, that no such use by Declarant or its sales agents or representatives shall otherwise interfere with or restrict any Owner's use or enjoyment of the Common Property or the facilities thereon.

(g) The right of the Association to perform or exercise its duties and powers as set forth herein.

(h) The right of the Association, acting through the Board, to reasonably restrict access to roofs, maintenance and landscape areas, and other areas of the Common Property.

(i) Other rights of the Association, Board, Owners and Declarant with respect to the Common Property as may be provided in this Declaration or the Lease.

Section 3. Waiver of Use. No Owner may waive or otherwise escape or limit liability for the Assessments provided for by this Declaration or otherwise duly and properly levied by the Board in accordance with this Declaration or California law, nor release the Condominium owned by him from the liens and charges hereof, by non-use of the Common Property and the facilities thereon or any part thereof, or by abandonment of his Condominium.

Section 4. Easements for Installation and Maintenance of the Common Property. There is hereby created, granted, and reserved nonexclusive easements in favor of the Association, Owners, and Declarant for ingress, egress and access on, over and across all portions of the Project (including but not limited to the Condominiums), as reasonably required by the Association, Owner, and/or Declarant to install and maintain irrigation, electric, telephone, water, gas, cable television, telecommunication systems, other utilities as needed, sewer lines and facilities for access to adjoining property, and to perform their maintenance and other obligations set forth in this Declaration, the Lease, or as determined necessary by the Board (Declarant reserves unto itself, without creating any specific obligation, all necessary easements to ensure compliance with the Declaration and Lease effecting the Project, including without limitation public safety services). In the event it becomes necessary for either Declarant or the Association to enter upon any Condominium Unit or Exclusive Use Association Property for purposes of: (i) performing maintenance obligations set forth in the Declaration and/or Lease; or (ii) bringing an Owner and/or his Condominium into compliance with this Declaration, in accordance with the provisions set forth herein and/or the Lease, the Declarant, Association, and its/duly authorized agents and employees, shall have the right, after reasonable notice to the Owner and at a reasonable hour of the day, to enter upon or within such Owner's Condominium Unit for the performance of such work. Such entry shall be made with as little inconvenience to the Owner as is reasonably practicable, and in the
event that any damage shall be proximately caused by a lack of due
care by the Association or Declarant during such entry, the
Association and Declarant shall repair the same at its/their own
expense. Notwithstanding the foregoing, in the event of an
emergency, such right of entry shall be immediate.

Section 5. Easements for Clustered Mailboxes. In order to
comply with the various requirements of the County and the United
States Postal Service, clustered mailboxes may be installed within
the Project. Easements are hereby created on and over the affected
portions of the Project and granted in favor of all Owners and the
United States Postal Service for delivery, deposit and retrieval of
mail. The Association shall maintain mailboxes in the Project not
otherwise maintained by the United States Postal Service.

Section 6. Easements Over Sidewalks. There are hereby created
and reserved nonexclusive reciprocal appurtenant easements, granted
in favor of all Owners, Declarant, the members of their families,
their lessees and tenants and/or their respective guests and
invitees, for pedestrian access, use and enjoyment on, over and
across all sidewalks, if any, located immediately adjacent to
private streets within the Project.

Section 7. Easements for Drainage. There are hereby created,
granted and reserved over the Common Property and the Condominiums,
easements for drainage according to the established patterns for
drainage created by the as-built conditions for the Project by
Declarant, as well as according to the actual, natural and existing
patterns for drainage (including, but not limited to, easements to
accommodate any "cross-condominium drainage," whereby water runoff
from one (1) or more Condominiums drains across another Owner's
Condominium on the surface or in a pipe as originally installed by
Declarant). Each Owner shall maintain his respective Condominium
in such a manner to ensure that no water collects or ponds in any
location adjacent to any walls or fences, if any, of his own
Condominium (e.g., patios, porches, balconies) and of any
immediately adjacent or nearby Condominium. Without limiting the
potential liability as a result of other activities or actions,
each Owner shall be liable for any damage that occurs in the
Project or to an adjacent or nearby Condominium Unit as a result of
such Owner's authorized or unauthorized use of or modification to
the Common Property and /or such Owner's Condominium. Each Owner
covenants and agrees that he shall not obstruct or otherwise
interfere with the drainage patterns of waters over the yard, if
any, second story balcony, or first story patio area of his
Condominium, or in the Common Property, and that in the event it is
necessary and essential to alter said drainage patterns, he will
make and pay for adequate provisions for proper drainage and must
obtain prior written approval for such actions by the Board and
Declarant.

Section 8. Easements for Area Drains. Declarant hereby
establishes, reserves, and grants to itself, the Association and
Owners, nonexclusive reciprocal easements over the Condominiums and Common Property for drainage purposes to accommodate the drainage system, including, but not limited to area drains and pipes, originally installed by Declarant. The Association shall be responsible to maintain and preserve said system in operating condition to ensure proper drainage on, over, under, across and through the Common Property in accordance with the established drainage patterns created by the as-built condition (by Declarant) for the Project, and shall bear the cost of the maintenance, repair or replacement associated with the drainage system. Notwithstanding the foregoing, if any portion of the drainage system is damaged, clogged or destroyed as a proximate result of any act or omission of any Owner, or any member of his family, guests, tenants, lessees and/or invitees (without regard to fault), such Owner shall bear all of the repair and replacement costs thereof, including any cost and/or expense related to personal injury to any person or property damage to any Condominium Unit (including without limitation the Owner's own Condominium Unit) and/or the Common Property in the Project. No Owner shall alter in any manner whatsoever, or remove the drainage system (including, but not limited to, the roof and second story balcony gutters), second story balcony drains, and/or any area drains located in the Common Property (including Exclusive Use Association Property) in the Project without the express written consent of Declarant and the Board.

Section 9. *Easements for Telephone Systems, Telecommunication Systems and Cable Television*. There are hereby reserved for the benefit of Declarant, and its successors and assigns, nonexclusive easements of access, ingress and egress to the Project for purposes of installation, operation, maintenance, repair, inspection, replacement and removal of telephone systems, telecommunication systems, and cable television cabling or wiring and all related facilities and equipment. Such easements shall be freely transferable to any other person or entity for the purpose of providing such services. All such telephone systems, telecommunication systems, and cable television cabling or wiring service lines shall remain the property of Declarant or its successors or assigns. The exercise of all rights hereunder shall not unreasonably interfere with any Member's reasonable use and enjoyment of the Project. Declarant, or its successors and assigns, shall be responsible for any damage in any way arising out of, or in connection with, the rights and activities reserved hereunder.

Section 10. *Easements for Public Services Uses*. In addition to the foregoing easements over the Common Property, there are hereby created, established and granted easements for public services, including, but not limited to, the right of police, fire, ambulance, and other public services to enter upon any part of the Common Property for purposes of serving the health and welfare of all Owners in the Project.
Section 11. Additional Provisions Relating to the Common Property. The Declarant, its successors and assigns, and all future Owners of the Condominiums, by acceptance of their respective Grant Deeds, covenant and agree as follows:

(a) That the Common Property shall remain undivided; and no Owner shall bring any action for partition except as provided in this Declaration, it being agreed that this restriction is necessary in order to preserve the rights of the Owners with respect to the operation and management of the Project.

(b) In the event the improved part of the Project is partially or totally destroyed, and then rebuilt, the Owners agree that minor encroachments of parts of the Common Property due to construction shall be permitted and that valid easements for said encroachments and the maintenance thereof shall exist.

(c) That a nonexclusive easement for support through the Common Property is appurtenant to each Unit and that the Common Property is subject to such easements.

(d) Unless otherwise deemed necessary by Pepperdine University, the Association shall have the responsibility to manage and maintain all said roadways in the Project (including without limitation street lighting and irrigation within the right of way for said roadways).

(e) That as between the individual Owners and the Association, the Association shall have the responsibility to manage and maintain all of the Common Property, including but not limited to, the common walkways, common driveways, recreational facilities, landscaping, the private driveways, and the exterior of each building located within the Project, and such maintenance shall be of a nature and quality so as to keep the entire Project in good condition and in a good state of repair.

(f) That, in order to adjust for planning, drafting and construction errors and oversights and for earth settlement and lateral movement, each Condominium Unit and the Common Property are subject to an easement for reasonable encroachment of other improvements, as constructed by Declarant, including roofs, eaves, walls and footings, and for the necessary maintenance of such encroachments.
ARTICLE VI
DUTIES AND POWERS OF THE ASSOCIATION

Section 1. Management Body. The Association is hereby designated as the management body of the Project. The Members of the Association shall be the Owners in the Project as provided herein, and the affairs of the Association shall be managed by a Board of Directors, as more particularly set forth in the By-Laws. The initial Board shall be appointed by the Declarant. Promptly or after the Board is appointed, the Board shall adopt By-Laws. Thereafter, the Directors shall be elected or appointed (i.e., one Board member is and shall always be a representative of the Declarant), as provided in the By-Laws and this Declaration.

Section 2. General Authority. In general, the Board, for and on behalf of the Association, shall have authority to conduct all business affairs related to the Project and of common interest to all Owners. The powers of the Board shall include, but shall not be limited to, authority to: prepare budgets and financial statements for the Association, collect Assessments from the Owners; contract for and pay for utilities, repairs, janitor services, gardening, trash and garbage removal, legal and accounting services, and such other services and expenses as shall be reasonably required for the repair, replacement and maintenance of the Common Property; purchase and pay for insurance as hereinafter provided; purchase and pay for fidelity bonds for its officers and employees; purchase and pay for necessary supplies and personal property for the Common Property; pay taxes and special assessments which are or would become a lien upon the entire Project or the Association Property, and to discharge any lien or encumbrance levied against the entire Project or the Association Property (provided, however, that it shall be the obligation of each Owner to pay his respective share of the tax assessment levied on the Project prior to separate assessments by the tax assessor pursuant to Section 2188.6 of the California Revenue and Taxation Code, as same may be amended, from time to time); and establish a reserve for replacements for the various Improvements, components and elements of the Common Property. In addition, the Board, for and on behalf of the Association, shall have the authority to perform the following:

(a) Employ and retain a professional manager, management company and/or Declarant to perform all or any portion of the duties and responsibilities of the Board and engage such other personnel (including without limitation attorneys, budget preparers and accountants) as necessary for the operation of the Project and administration of the Association;

(b) Delegate its powers;

(c) Adopt reasonable Rules and Regulations concerning the maintenance, improvement, use and/or occupancy of the Project that are consistent with the provisions of this Declaration;
(d) Enter into any Condominium when necessary in connection with maintenance, repair or construction for which the Association is responsible;

(e) Levy and collect Assessments on all Condominiums in the Project for which Assessments have commenced, and enforce payment of such Assessments in accordance with California law and the terms and provisions set forth herein;

(f) Subject to compliance with Sections 895 through 945.5, 1354 and 1375 through 1375.1 of the California Civil Code, as applicable, and as the same may be amended from time to time, to institute, defend, settle or intervene on behalf of the Association in litigation, arbitration, mediation, or administrative proceedings in matters pertaining to (i) enforcement of the Declaration, Rules and Regulations, Architectural Guidelines (if any) and By-Laws; (ii) damage to the Common Area or Association Property; (iii) damage to the Condominium Units which arises out of, or is integrally related to, damage to the Common Property that the Association is obligated to maintain or repair; or (iv) any claim for defects in the design or construction of the Project;

(g) Without any limitation of the foregoing powers, (1) operate, maintain, and inspect the Common Property and its various components in conformance with any Maintenance Guidelines and any Maintenance Manual, and (2) review any Maintenance Manual for necessary or appropriate revisions as deemed necessary by the Board (Declarant recommends at least an annual review); and

(h) Perform any and all other acts and things that a nonprofit, mutual benefit corporation organized under the laws of the State of California is empowered to do, which may be necessary, convenient or appropriate in the administration of its affairs for the specific purposes of meeting its duties as set forth in this Declaration.

Section 3. Duties. The Board shall perform and execute the following duties for and on behalf of the Association:

(a) Utilities. Provide water, sewer, gas, electricity, garbage and trash collection, regular periodic drainage device clearing and other necessary utility services for the Common Property and if not separately metered, for the Condominium Units;

(b) Insurance. Provide insurance for the Association and its Members in accordance with the provisions herein, including but not limited to the Article entitled "Insurance" and distribute an annual notice as may be required by law;

(c) Maintenance and Repair. Maintain, repair and replace, on behalf of the Association, all portions of the Common Property

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(including all Improvements located thereon) other than the applicable Owner's maintenance responsibilities of his Exclusive Use Association Property (e.g., balconies and patios) in a reasonably neat, clean, safe, attractive, sanitary, and orderly condition in order to comply with its obligations set forth in the Declaration and Lease. Without limiting the generality, such maintenance shall include, but shall not be limited to, painting, maintaining, repairing, restoring, replacing, and landscaping (as the case may be) the following:

(1) The exterior surfaces of all Condominium buildings in the Project (e.g., see Exhibit "F"), including the walls and roofs, doors (all repairs to exterior doors and garage doors, including the structural maintenance and replacement of any or all of the component parts thereof), shall be at the expense of the respective Owner unless otherwise agreed to by the Board), the walls, fences, and/or railings (including those enclosing the balcony areas), the exterior stairways, if any, any air conditioner or forced air heating unit pads located outside the Condominium Unit (the equipment shall be maintained and serviced by the Owner of the Condominium Unit).

(2) The fire sprinkler system within the Condominium buildings (including any and all sprinkler heads which protrude into individual Condominium Units).

(3) Retaining walls and Project perimeter fences and walls, located outside the Condominium, as generally depicted on Exhibit "B" hereto. Project perimeter fences and walls shall mean and refer to those certain walls and fences which were originally constructed by Declarant on the Association Property or other portion of the Project, which are designated by the Board or the Declarant to constitute Project perimeter fences and walls and which will be maintained by the Association as provided herein. The Declarant shall have the final right to interpret the depictions on Exhibit "B" and the Association's corresponding maintenance obligations of the walls and fences.

(4) Unless maintained by the University, the private streets (together with any private common street lights, open and assigned parking areas and sidewalks).

(5) To the extent any of its activities affects the storm drain system, the Association shall comply with all best management practices relating to the storm drains set forth in the Storm Water Pollution Prevention Plan, if any, approved for the Project; provided, however, that the University shall maintain the storm drain system servicing the Project.
(6) All common landscaped areas (see Exhibit "D").

(7) All common amenities and mailbox structures servicing multiple Condominiums.

(8) All above-ground utilities applicable to the Association Property.

(9) All amenities and all furnishings, equipment and other personal property owned by the Association.

(10) All Association Property lighting facilities (except street lighting which shall be maintained by the University).

(11) An inspection and preventive program for the prevention and eradication of infestation by wood destroying pests and organisms in the Association Property. In connection with the inspection and prevention program for the prevention and eradication of infestation by wood destroying pests and organisms, the Association, upon reasonable notice (which shall be given no less than fifteen [15] days nor more than thirty [30] days before the date of temporary relocation) to each Owner and the occupants of his Condominium Unit, may require such Owner and occupants to temporarily relocate from such Condominium Unit in order to accommodate efforts by the Association to eradicate such infestation. The notice shall state the reason for the temporary relocation, the date and time of beginning of treatment, the anticipated date and time of termination of treatment, and that the occupants will be responsible for their own accommodations during the temporary relocation. Any damage caused to a Condominium Unit by such entry by the Board or by any person authorized by the Board shall be repaired by the Board as a Common Expense of the Association. All costs involved in maintaining the inspection and preventive program as well as repairing and replacing the Association Property and Improvements thereon when the need for such maintenance, repair or replacement is the result of wood destroying pests or organisms shall be a Common Expense subject to the restrictions applicable to Special Assessments.

(12) Monument signs, if any, located on the Association Property.

(13) All other areas, facilities, furnishings and Improvements of whatever nature as may, from time to time, be requested by the vote or written consent of three-fourths (3/4) of the voting power of the Members.
(14) Maintaining everything that the Association is obligated to maintain in a clean, sanitary and attractive condition reasonably consistent with the level of maintenance set forth in the Lease, this Declaration, and in conformance with any Maintenance Guidelines. Unless specifically provided in any Maintenance Guidelines, or as commonly accepted maintenance practices may govern, or as may be required by the Declarant or as set forth in the Lease, the Board shall determine, in its sole discretion, the levy and frequency of maintenance of the Common Property and Improvements thereon (each Owner shall maintain everything that the Owner is obligated to maintain at his sole cost and expense in a clean, sanitary and attractive condition and in conformance with any Maintenance Guidelines and Maintenance Recommendations, as well as commonly accepted maintenance practices).

Except as otherwise provided herein, all costs and expenses for such maintenance above shall be a Common Expense, and shall be paid out of the general operating fund of the Association. The Declarant may accept, but is not obligated to accept, a delegation of any of the foregoing duties by written agreement.

(d) Financial and Other Statements. Comply with the provisions of Civil Code Section 1365, as the same may be amended from time to time, by causing the following financial and other statements for the Association to be regularly prepared and copies distributed to each Member:

(1) Budget. A pro forma operating statement (budget) for the immediately preceding fiscal year shall be distributed not less than forty-five (45) days nor more than sixty (60) days prior to the beginning of the fiscal year, and shall contain the following information:

(A) the Association's estimated revenue and expenses on an accrual basis;

(B) a summary of the Association's reserves based upon the most recent review or study conducted pursuant to Civil Code Section 1365.5 ("Study"), as may be amended from time to time, setting forth the following:

(i) the current estimated replacement costs, estimated remaining life and the estimated useful life of each major component of the Common Property;

(ii) as of the end of the fiscal year for which the Study was prepared, the current
estimate of the amount of cash reserves necessary to repair, replace, restore or maintain the major components of the Common Property;

(iii) as of the end of the fiscal year for which the Study was prepared, the current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain such major components of the Common Property;

(iv) as of the end of the fiscal year for which the Study was prepared, if applicable, the amount of funds received from either a compensatory damage award or settlement to the Association from any person or entity for injuries to property, real or personal, arising out of any construction or design defect, and the expenditure or disposition of funds, including the amounts expended for the direct and indirect costs of repair of construction or design defects. These amounts shall be reported at the end of the fiscal year for which the study is prepared as separate line items under cash reserves pursuant to clause (iii) above. In lieu of complying with the requirements set forth in this clause, if the Association issues a review of their financial statement pursuant to Section 4(d)(2) below, the Association may include in the review a statement containing all of the information required by this clause;

(v) the percentage that the current amount of accumulated cash reserves which have been set aside is of the current estimated amount of cash reserves which will be necessary.

(C) A general statement setting forth the procedures utilized by the Association to calculate and establish reserves to defray the costs of future repairs, replacements or additions to the major components of the Common Property that the Association is obligated to maintain; and

(D) A statement as to whether the Board has determined or anticipates that the levy of one (1) or more Special Assessments will be required to repair, replace or restore any major component of the Common Property, or to provide adequate reserves therefore.
Notwithstanding the foregoing, in lieu of distributing the pro forma budget required hereinabove, the Board may elect to distribute a summary of the pro forma operating budget to all Members with a written notice, in at least 10-point bold type on the front page, that the pro forma budget is available at the business office of the Association, or at another suitable location within the Project, and that copies will be provided upon request and at the expense of the Association. If any Member requests that a copy of the pro forma budget required herein be mailed to said Member, the Association shall provide the copy to the member by first class United States mail at the expense of the Association and delivered within five (5) days of the receipt of said request;

(2) Financial Statement Review. A review of the financial statement of the Association shall be prepared in accordance with generally accepted accounting principles by a licensee of the California Board of Accountancy for any fiscal year in which the gross income to the Association exceeds seventy-five thousand dollars ($75,000.00). A copy of the review of the financial statement shall be distributed within 120 days after the close of each fiscal year.

(3) Policy Statement. A statement describing the Association’s policies and practices in enforcing lien rights or other legal remedies for default in payment of Assessments against the Members shall be annually delivered to the Members during the 60-day period immediately preceding the beginning of the Association’s fiscal year.

(4) Balance Sheet and Operating Statement. A balance sheet as of an accounting date which is the last day of the month closest in time to six (6) months from the date of the close of escrow for the first sale of a Condominium, and an operating statement for the period from the date of the first close of escrow to the said accounting date shall be distributed within sixty (60) days after the accounting date. The operating statement shall include a schedule of Assessments received, and receivable, identified by the number of Condominiums assessed.

(5) Annual Report. An annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year:

(A) A balance sheet as of the last day of the Association’s fiscal year;
(B) An operating income statement for the fiscal year;

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

(D) Any information regarding any "insider transaction" or indemnification required to be reported pursuant to Section 8322 of the California Corporations Code, as each may be amended from time to time.

This annual report shall ordinarily be prepared by a licensee of the California Board of Accountancy, in accordance with generally accepted accounting principles, for any fiscal year in which the gross income of the Association exceeds Seventy-Five Thousand Dollars ($75,000.00). However, if for any reason the report is not prepared by a licensee of the California Board of Accountancy, said report shall be accompanied by a certificate from an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association;

(6) **Insurance.** Within sixty (60) days preceding the beginning of the Association's fiscal year, a summary of the Association's general liability, and earthquake and flood (if one has been obtained) and fidelity insurance policy shall be distributed to the Members, which includes statements, a summary, and information required under California Civil Code Section 1355(e) as same may be amended from time to time. Currently, such items of disclosure include the following:

(A) the name of the insurer for each policy;

(B) the type of insurance for each policy;

(C) the policy limits of each policy of insurance; and

(D) the insurance deductible(s) applicable, if any, to each policy.

The Association shall, as soon as reasonably practical, notify its Members by first-class mail if any of the policies described above (and which were obtained) have lapsed, been cancelled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits, or an increase in the deductible, as to any of those policies. If the Association receives any notice of nonrenewal of a policy described above, the Association shall immediately notify its Members if
replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent the information noted above is specified in the insurance policy declarations page, the Association may meet its obligation to disclose that information by making copies of that page and distributing it to all of its Members. Notification regarding cancellation or policy renewals must comply with Civil Code Section 1365(e)(2), as same may be amended from time to time. The summary to be distributed pursuant to Section 4(d)(6) above shall contain in at least 10-point boldface type, the following statement:

"This summary of the Association's policies of insurance provides only certain information, as required by Subdivision (e) of Section 1365 of the California Civil Code, and should not be considered a substitute for the complete policy terms and conditions contained in the actual policies of insurance. Any Association Member may, upon request and provision of reasonable notice, review the Association's insurance policies and, upon request and payment of reasonable duplication charges, obtain copies of those policies. Although the Association maintains the policies of insurance specified in this summary, the Association's policies of insurance may not cover your property, including personal property or real property improvements to or around your dwelling, or personal injuries or other losses that occur within or around your dwelling. Even if a loss is covered, you may nevertheless be responsible for paying all or a portion of any deductible that applies. Association Members should consult with their individual insurance broker or agent for appropriate additional coverage."

(e) **Financial Review.** The Board shall comply with Civil Code Section 1365.5, as the same may be amended from time to time, by doing all of the following:

(1) Review a current reconciliation of the Association's operating accounts on at least a quarterly basis;

(2) Review a current reconciliation of the Association's reserve accounts on at least a quarterly basis;

(3) Review, on at least a quarterly basis, the current year's actual reserve revenues and expenses compared to the current year's budget;

(4) Review the latest account statements prepared by the financial institutions where the Association has its operating and reserve accounts; and

(5) Review an income and expense statement for the Association's operating and reserve accounts on at least a quarterly basis.
Withdrawal of funds from the Association's reserve account shall require the signature of either: (i) two (2) members of the Board; or (ii) one (1) member of the Board and an officer of the Association who is not also a member of its Board.

As used in this Section, "reserve account" means both of the following: (i) monies that the Board has identified from its annual budget for use to defray the future repair or replacement of, or additions to, those major components of the Common Property that the Association is obligated to maintain; and (ii) the funds received and not yet expended or disposed from either a compensatory damage award or settlement to the Association from any person or entity for injuries to property, real or personal, arising from any construction or design defects. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components of the Common Property which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. Notwithstanding the foregoing, the Board may authorize the temporary transfer of money from a reserve fund in accordance with the provisions of Civil Code Section 1365.5(d), as the same may be amended from time to time. In the event reserve funds are temporarily transferred to pay for litigation, the Board shall comply with the disclosure and notification requirements set forth herein, if any and, as set forth in Civil Code Section 1365.5(e), as may be amended from time to time.

(f) Reserve Study. At least once every three (3) years, cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore, or maintain as part of a study of the reserve account requirements of the Project if the current replacement value of the major components is equal to or greater than one-half of the gross budget of the Association which excludes the Association's reserve account for that period. The Board shall review this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of such review. The reserve study shall consider and include, at a minimum, the requirements set forth in Section 1365.5(e) of the California Civil Code, as the same may be amended, from time to time;

(g) Payment of Financial Obligations. Pay out of the Assessments provided for herein below all costs and expenses incurred by the Association in connection with the performance and execution of all of the aforesaid powers and duties, and
any other powers and duties the Association may assume as provided for herein below;

(h) Rules and Regulations. Formulate, adopt, enforce and repeal such Rules and Regulations as it may deem reasonable concerning the maintenance, improvement, use and/or occupancy of the Project, which may include the establishment of a system of fines and penalties enforceable as Compliance Assessments. The Rules and Regulations shall govern such matters in furtherance of the purposes of the Association, including without limitation, the use and maintenance of the Project, signs, parking restrictions and enforcement, trash collection, minimum standards for maintenance of Condominiums consistent with such standards as may be set forth in this Declaration, the Lease, adopted by the Board, or established by Pepperdine University and any other matter which is within the jurisdiction of the Association; provided however, that the Rules and Regulations may not discriminate among Owners and shall not be inconsistent with this Declaration, the Lease, the Articles or the By-laws. Notwithstanding the foregoing, if Pepperdine University establishes minimum standards for maintenance of Condominiums in the Project, the Association shall ensure such standards are properly maintained. A copy of the Rules and Regulations as they may, from time to time, be adopted, amended or repealed, or a notice setting forth the adoption, amendment or repeal of specific portions of the Rules and Regulations, shall be delivered to each Owner and may be placed on file in the principal office of the Association. In the event of any conflict between such Rules and Regulations and any provision of this Declaration, or the Articles or By-laws, the provisions of the Rules and Regulations shall be deemed to be superseded. The Rules and Regulations shall have the same force and effect as if they were set forth in and were a part of this Declaration, and shall be binding on the Owners and their successors in interest, whether or not actually received thereby.

(i) Minutes. Comply with the provisions of California Civil Code Section 1365.1, as may be amended from time to time, by notifying all Members in writing of their right to have copies of the minutes of the Board meetings, and how and where those minutes may be obtained. Such notice shall occur at the same time the pro forma budget required by California Civil Code Section 1365 and Section 3(d)(1) above is distributed or at the time of any general mailing to all of the Members.

(j) Enforcement. Enforce all applicable provisions of this Declaration, the Articles, By-Laws, Rules and Regulations of the Association, Architectural Guidelines (if any) and of all other documents pertaining to the ownership, use, management and control of the Project. Pursuant to California Civil Code Section 1363(g), as the same may be amended from time to time,
if the Association adopts a policy imposing any monetary penalty, including any fee, on any Member for a violation of the Governing Documents, including any monetary penalty relating to the activities of a guest or invitee of a Member, the Board shall comply with the provisions of California Civil Code Section 1363(g), as may be amended from time to time, by adopting and distributing to each Member, by personal delivery or first-class mail, a schedule of the monetary penalties that may be assessed for those violations, which shall be in accordance with authorization for Member discipline contained in the Governing Documents. The Board shall not be required to distribute any additional schedules of monetary penalties unless there are changes to the schedule that was adopted and distributed to the Members.

(k) Disclosure Documents. Comply with California Civil Code Section 1368, as may be amended from time to time, by providing to any Member within ten (10) days of the delivery of the Owner’s written request:

(1) a copy of the Governing Documents;

(2) a copy of the most recent documents distributed pursuant to Section 3(d) of this Article VI;

(3) a true statement prepared by an authorized agent of the Association as to the amount of the Association’s current regular and special Assessments and fees, any unpaid Assessments levied upon the Owner’s Condominium, and any unpaid fines or penalties levied against the Owner’s Condominium. This statement shall also include information regarding any late charges, interest, and costs of collection which, as of the date of the statement, are or may become a lien upon the Owner’s Condominium pursuant to California Civil Code Section 1367 or 1357.1, as each may be amended from time to time;

(4) a copy or summary of any notice previously sent to an Owner that sets forth any alleged violation of the Governing Documents that remains unresolved at the time of the request;

(5) a copy of the preliminary list of defects, if any, provided to the Members by the Association pursuant to California Civil Code Section 1375, unless the Association and the builder have resolved the claims, and the Association has complied with California Civil Code Section 1375.1. The preliminary list of defects shall also include a statement that a final determination as to whether the list of defects is accurate and complete has not been made;
(6) a copy of the latest information provided for in California Civil Code Section 1375.1;

(7) any change in the Association’s current Regular and Special Assessments and fees that have been approved by the Association or Board but have not yet become due and payable as of the date of the disclosure.

The Owners shall also, as soon as reasonably practicable before transfer of title to his Condominium Unit, provide to the prospective purchaser the items identified in Section (1)-(7) above. The Association may charge a fee for providing items (1)-(7) to the Owner that shall not exceed the Association’s reasonable cost to prepare and reproduce the requested items. The Association may also impose or collect a reasonable transfer fee from an Owner for costs incurred by the Association associated with the Association’s change of records.

(1) **Elections.** Elect the officers of the Association and fill any vacancies on the Board (except a University Representative Board Member), unless such vacancy is created by the removal of a Board Member.

(m) **Committees.** Appoint the Members to the various Committees formed by the Board, if any (e.g., the Nominating Committee, the Architectural Review Committee, etc.), as more particularly set forth herein or in the By-Laws. Such Committee members may also be Board members.

(n) **Alternative Dispute Resolution Requirements.** Cause a summary of the provisions of Section 1354 of the California Civil Code, as same may be amended from time to time, regarding alternative dispute resolution prefiling requirements and which specifically reference Section 1354, to be prepared and annually distributed to each Member of the Association. The summary shall be provided either at the time the pro forma operating budget is distributed herein or in the manner specified in Section 5016 of the California Corporations Code, as same may be amended from time to time;

(o) **Maintenance Guidelines.** Periodically review and revise the Maintenance Guidelines, if any, as the Board may deem reasonable and prudent to adjust to the changing needs of the Project and as may be required pursuant to the Lease or instructions from Pepperdine University; and

(p) **Litigation.** Except as otherwise allowed under Sections 895-945.5, 1354 and 1375 of the California Civil Code, as applicable, and as same may be amended from time to time, obtain approval from a majority of the Total Voting Power of the Association prior to incurring litigation expenses, including without limitation attorneys’ fees, where the
Association initiates legal proceedings or is joined as a plaintiff in legal proceedings. Such approval shall not be necessary if the legal proceedings are initiated to: (i) enforce use restrictions contained herein, (ii) enforce architectural control provisions contained herein; or (iii) collect any unpaid Assessments levied pursuant to this Declaration.

Section 4. Discretionary Powers. The Board, at its option, may assume, perform and execute the following powers and duties for and on behalf of the Association:

(a) Management. Retain the services of a manager for the Project and provide such other personnel as the Association deems necessary and proper to assist in the operation of the Association and/or management of the Project, regardless of whether such other personnel are employed directly by the Association, Declarant or otherwise;

(b) Liabilities. Incur any liability or pay any costs or expenses for a single Condominium or Owner thereof; provided, however, that in the event the Association does incur any such liability or pay any such costs or expenses, the amount thereof shall be specially assessed against the Owner of such Condominium as a Compliance Assessment or Special Assessment, as appropriate; provided further, however, that nothing herein shall permit the Association to assess the Owners for any new Improvements to the Common Property except as otherwise provided in this Declaration;

(c) Contract. Subject to the limitations set forth herein, contract for any other material, furniture, labor, services, maintenance, repairs, structural alterations or insurance, or pay any taxes or assessments which, in the opinion of the Board shall be necessary or proper for the operation of the Project and/or Association for the benefit of the Owners or for the enforcement of this Declaration;

(d) Temporary Subsidy Agreement. Enter into a temporary or permanent maintenance or subsidy agreement with Declarant to reduce the financial obligations of the Owners for Assessments.

Section 5. Notification by Association and Owners of Defects. The Board and Owners agree that in the event of any alleged defect in any improved portion of the Common Property, or Condominium Unit, which the Association and/or Owner(s) believe the Declarant may be responsible, the Board and/or Owner(s) shall comply with the alternative dispute resolution requirements of Civil Code Sections 895-945.5 (the "Fix It Law") and 1375 through 1375.1 (the "Calderon Act"), as applicable, and as the same may be amended from time to time, and among other things, provide Declarant with written notice of such defect(s) in accordance with such statutes (the "Claim
"Notice"), as the same may be amended from time to time. Commencing on the date the Claim Notice is delivered and continuing until the dispute is resolved as between Declarant, the Association, and/or Owner(s), the Declarant and its representatives shall have the right to (i) meet with the party alleging the dispute at a reasonable time and place to discuss the dispute, (ii) enter the Project to inspect any areas that are subject to the dispute, and (iii) conduct inspections and testing (including destructive or invasive testing) in a manner deemed appropriate by the Declarant and in accordance with the Fix It Law and the Calderon Act, as applicable. Within a reasonable period after receipt of the Claim Notice, which period shall not exceed sixty (60) days, Declarant and the claimant shall meet at a mutually acceptable place within or near the Project to discuss the alleged defect(s) and the Declarant and Declarant’s representatives, as noted above, shall have full access to the property that is subject to the alleged defect claim and shall have the right to conduct inspections, testing and/or destructive or invasive testing of the same in a manner deemed appropriate by Declarant, which rights shall continue until such time as the alleged defect is resolved as set forth herein. The right to inspect and correct granted in this Section is in addition to the rights granted in the Fix It Law and the Calderon Act, as the same may be amended from time to time. The procedures established in the Fix It Law and the Calderon Act may be implemented, as applicable, before, during or after the procedure in this Section is implemented. If the Declarant elects to take any corrective action, Declarant and Declarant’s representatives and agents shall be provided full access to the Project to take and complete corrective action. If Declarant agrees that a defect exists or otherwise elects to perform the work to repair, replace or otherwise cure any defect in workmanship and/or material, the claimant and/or the Association acknowledges and agrees that Declarant and Declarant’s representatives shall be entitled at its/their sole discretion to determine the material and methods to be used in affecting such repair, replacement or cure. Nothing set forth in this Section imposes any obligation on Declarant to inspect, repair or replace any items or alleged defects for which Declarant is not otherwise obligated under applicable State and/or Federal law.

Section 6. Delegation of Duties. In the event that the Association shall delegate any or all of its duties, powers or functions to any person, corporation (including Declarant) or firm to act as manager, neither the Association nor the members of its Board shall be liable for any omission or improper exercise by the manager of any such duty, power or function so delegated.

Section 7. Right of Entry for Emergency. Declarant, the Board (or any person authorized by Declarant or the Board) or any Owner may enter any Condominium in the event of an emergency involving illness or potential danger to life or property. Such entry shall be made with as little inconvenience to the Owner of the Condominium entered as is practicable, and in the event that any
damage shall be proximately caused by or as a result from said entry, the party making such entry shall repair the same at its expense, unless the emergency requiring such entry occurred by reason of an act or omission on the part of the Owner of the Condominium entered (or his family members, guests, invitees, tenants or lessees), in which case the Owner of such Condominium shall be responsible to pay for such repairs.

Section 8. Right of Entry for Repairs. Declarant, the Board (or any person authorized by Declarant or the Board) shall have the right to enter, upon reasonable notice, any Condominium to effect necessary repairs which the Owner has failed to perform or which are necessary in connection with repairs to the Common Property or an adjoining or nearby Condominium. Such entry shall be made with as little inconvenience to the Owner as is practicable, and in the event that any damage shall be proximately caused by or result from said entry, the party making such entry shall repair the same at its expense unless the entry was required by reason of an act or omission on the part of the Owner of the Condominium entered (or his family members, guests, invitees, tenants or lessees), in which case the Owner of such Condominium shall be responsible to pay for such repairs.

Section 9. Limitation on Board Action. The Board shall be prohibited from taking any of the following actions, except with the vote or written assent of a majority of the Members constituting a quorum consisting of at least fifty one percent (51%) of the Total Voting Power of the Association residing in the Members (including Declarant):

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

(1) A management contract with Declarant which may be for a term longer than one (1) year, the terms of which are consistent with provisions herein;

(2) 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 for which the supplier will contract at the regulated rate and provided further that Declarant's prior written approval of any such contract shall also be required;

(3) Prepaid casualty and/or liability insurance policies which do not exceed three (3) years duration, provided that the policy permits for short-rate cancellation by the insured;
(4) Agreements for cable television services and equipment or satellite dish television services and equipment which do not exceed five (5) years duration; provided, however, that Declarant's prior written approval of any such contract shall also be required;

(5) Agreements for sale or lease of burglar alarm and fire alarm equipment installation and services not to exceed five (5) years duration; and

(6) Any contract with Declarant of a term not to exceed five (5) years for Declarant to provide either directly or through a third party service provider (unless the service provider also provides the applicable service to Pepperdine University, in which case the term may exceed five (5) years if approved by the Board), any of the following services: regular maintenance of some or all of the Common Property and/or Improvements, landscaping maintenance, cable television, computer networking/Internet, telephone, burglar alarm and security patrol.

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

(c) 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;

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

(e) Filling a vacancy on the Board created by the removal of a Director (neither the Board nor the Members may remove or replace the University Representative Board Member); or

(f) Incuring litigation expenses, including without limitation attorney's fees, where the Association initiates legal proceedings or is joined as a plaintiff in legal proceedings. Such approval shall not be necessary if the legal proceedings are initiated to (i) enforce the use restrictions contained herein; (ii) enforce any architectural control provisions implemented by the Board and Declarant pursuant to this Declaration; or (iii) collect any unpaid Assessments levied pursuant to this Declaration.
Section 10. Enforcement. The Association, Declarant or any Owner, and such other parties or agencies as are specifically designated herein as being entitled to enforce certain of such limitations and restrictions, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges (or as to such specifically designated parties or agencies, such certain limitations or restrictions) now or hereafter imposed by the provisions of this Declaration or any amendment thereto; provided, however, that with respect to assessment liens, the Association shall have the exclusive right to the enforcement thereof. Failure by the Association, Declarant or by any Owner, or such other party or agency, to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 11. Contracts. The Board shall have the authority to contract with qualified persons or corporations for the professional handling of all or any part of the services required for the maintenance of the Project and/or the handling of the financial affairs thereof; provided, however, that the Board shall not, except with the vote or written consent of a majority of the Total Voting Power of the Association, enter into any such contract with a term in excess of one (1) year unless it is terminable by any party thereto without cause or payment of a termination fee upon ninety (90) days written notice thereof except as otherwise provided in the Bylaws and in this Declaration. If the Board enters into a contract with a qualified person or corporation pursuant to the requirements of this Section, said person or corporation may further be authorized to file any notice and to take any legal action on behalf of the Owners, which is within the power and authority of the Board and within the scope of such contract.

Section 12. Enforcement of Bonded Obligations. The Board shall consider and vote on the question of action by the Association to enforce the obligations of Declarant and the surety named therein under any bond provided by Declarant naming the Association as an obligee to secure performance of the commitment by Declarant to complete the Common Property improvements (including without limitation, any RE Form 611 Bond) provided by Declarant in connection with the Project), if any, if a Notice of Completion pertaining to any such work of improvement is not filed within thirty (30) days after the date specified in the Planned Construction Statement appended to such bond for completion of any such improvement. If the Association has given an extension in writing for the completion of any Common Property improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion pertaining to such has not been filed within thirty (30) days after the expiration of the extension. A special meeting of the Members of the Association for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations of such bond, or on the failure of the Board to
consider and vote on the question, shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such a meeting signed by Members representing not less than 5% of the Total Voting Power of the Association. Such vote to override said decision by the Board (or the failure of the Board to consider or vote on the question) shall be made only by Members of the Association other than Declarant at the special meeting called for the purpose set forth immediately above. A vote of a majority of the Total Voting Power of the Association residing in Members other than Declarant to take action to enforce the obligations under such bond shall be deemed to be the decision of the Association and the Board shall thereafter implement such decision by initiating and pursuing appropriate action in the name of the Association.

Section 13. Quorum. At all meetings of the Members, fifty-one percent (51%) of the Total Voting Power of the Association through presence in person or by proxy shall be necessary to constitute a quorum. If any meeting cannot be held because a quorum is not present, the Owners present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which time the quorum requirement shall be reduced to twenty-five percent (25%) of the Total Voting Power of the Association. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting, or if for any reason a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to Members in the manner prescribed for regular meetings. Except as provided below, if there is a quorum present (by person or proxy), a fifty-one percent (51%) vote of the Members present either in person or by proxy and entitled to vote shall be sufficient for the passage of any motion or the adoption of any resolution. Where the Owner of any Condominium is a corporation, partnership, trust or other entity, the nominee of such entity shall have the voting rights and the right to be elected to serve on the Board.

(a) Subject to the provisions of this Declaration, the following matters shall require a vote of approval of at least sixty-seven percent (67%) of the quorum of Owners present, either in person or by proxy, and entitled to vote:

(1) The determination not to rebuild improvements or Common Property after partial or total destruction; and

(2) Amendment or repeal of this Declaration or the By-Laws; provided, however, that no purported amendment to or repeal of any provision of this Declaration shall be valid or effective without the prior written consent of Declarant.
Section 14. **Special Meetings.** Special meetings of the Members of the Association may be called by the President of the Association or by the Board, or by any two or more members of the Board, or by not less than 5% of the Total Voting Power of the Association, by written notice signed by those desiring to meet and sent by them to Declarant and all of the Owners at least ten (10) days and not more than ninety (90) days before the special meeting. Notice of all meetings shall specify the place, date and hour of the meetings and, in the case of a special meeting, the general nature of the business to be transacted. At any meeting Declarant shall be deemed to be the Owner of any and all Condominium Units within the Property unsold at the time, and whether or not the Owner of any Condominium Unit, Declarant shall be given notice of and shall be entitled to attend all meetings of the Association.

Section 15. **Board Meetings.** The Board shall conduct its organization meeting immediately upon the adjournment of the organization meeting of the Owners, and shall at such time elect from the members of the Association such officers as shall be designated in the By-Laws. The powers and duties of such officers shall be as set forth in the By-Laws. A meeting of the Board shall be held immediately upon adjournment of the annual meeting of the Owners. Declarant shall be given notice of, and shall be entitled to attend, all regular and special meetings of the Board.

Section 16. **Collections.** The Board of Directors may, with the approval of at least fifty-one percent (51%) of the Owners present at any duly constituted meeting, delegate to Declarant, a bank or other qualified individual or financial, accounting or management firm the collection of maintenance charges, the disbursement thereof, and the preparation of said annual financial statements. But in such event, the Board of Directors shall be responsible to the Owners for the accurate handling and accounting of such funds.

Section 17. **Documentation.** Any action to be taken by the Board of Directors as required herein that must be evidenced by a written document shall be executed by the President or Vice President and one (1) other member of the Board of Directors or other duly authorized agent or representative of the Board.

Section 18. **Acquisition of Personal Property.** The Board may acquire and hold, for the benefit of the Owners, tangible and intangible personal property (e.g., Association Property) and may dispose of the same by sale or otherwise. Title to said personal property shall be taken in the name of the Association.

Section 19. **General Maintenance.** The Association shall (except as provided herein) have the duty and power to maintain in a good condition and in a good state of repair, and otherwise manage, all of the Common Property (with the exception of Exclusive Use Association Property components that are specifically stated herein to be the maintenance obligation of the Owners) and its facilities, including the pool and recreation facilities, exterior walls (but
not exterior glass surfaces), exterior door surfaces (but not doorknobs, locks, or latches, or any portion of the sliding glass doors), fencing, railings, roofs, Common Property stairways, walkways, landscaping (but not landscaping installed by any Owner in the Exclusive Use Association Property), front porch trellises, private underground sewer system (except those portions of the sewer system which only serve one Condominium Unit, which shall be the responsibility of the Owner to maintain) and all other property that may be acquired by the Association (e.g., see Exhibit "F"). The Association shall have the authority to obtain and pay for water, gas and electric service for the entire Project, unless the Condominium Units are separately metered, in which case, such authority shall be limited to the Common Property, and for the Common Property refuse collection, electric service, lighting facilities, fire extinguishers, maintenance and repair of the underground sewer lines in the Project, gardening and janitorial service, and may grant easements where necessary for utilities and sewer facilities over the Common Property to serve the common and open space areas and the Condominiums. Without limiting the generality or effect of the foregoing, at such time or times as repair or maintenance of any part of the private underground sewer system located within the Common Property shall become necessary (including any portion that is the maintenance responsibility of any Owner), the responsibility for securing the repair or maintenance services and paying for such services shall rest with the Association.

Section 20. Owner Maintenance. Except as otherwise provided herein regarding the Association’s maintenance obligations, every Owner shall have the duty to maintain, repair and replace, at his sole cost and expense, all Improvements within such Owner’s Condominium or which represent an integral part thereof (including, but not limited to, lines, wires, pipes, utility lines, outlets, sewer laterals and water lines, which provide service to only one Condominium, including the internal and external telephone wiring designed to exclusively serve a Condominium Unit, showers, baths, tiling, plumbing, sinks, toilets, electrical sockets, switches, wiring, air conditioners, heating units [including any solar water heating apparatus installed with the approval of the Board], fans, windows [interior and exterior], sliding glass doors [interior and exterior], window and sliding glass door screens, garage doors, ceiling plaster, interior wall surfaces, interior floor surfaces, lighting installations, electrical appliances, and telephone equipment), in a neat, clean, safe, sanitary, attractive and orderly condition at all times. Owners shall pay for their own water, gas, electricity, telephone and cable service, whether or not such is separately metered. Without limiting the generality of the foregoing, and by way of example only, and except as otherwise provided herein regarding the Association’s maintenance obligations, every Owner shall:

(a) Paint, maintain, repair, replace, restore, decorate, tile, finish, plaster, and/or landscape or cause to so
maintained, repaired, replaced, restored, decorated, tiled, finished, plastered, and/or landscaped (as the case may be) the following:

(1) The interior surfaces of the walls, ceilings, and floors of his Condominium Unit. However, no bearing walls, ceilings, floors or other structural or utility bearing portions of the buildings housing the Units shall be pierced or otherwise altered or repaired, without the prior written approval of the Board and Declarant;

(2) All window glass, frames, tracks, screens, if any, and all interior and exterior doors and garage doors, and their component parts including locks, latches, weatherstripping, frames, tracks, motors and thresholds; provided, however, that:

(A) The Association may contract for the replacement of windows, in which event the Owner will be required to reimburse the Association for the cost thereof.

(B) The Association may contract for the cleaning of the exterior of some or all windows within the Project. In the event that the Association contracts for the cleaning of the exterior of all windows within the Project, the costs thereof shall be deemed a Common Expense. In the event that the Association contracts for the cleaning of only certain windows within the Project, the costs thereof shall be assessed only against the Owners of the Condominiums whose windows were or are to be cleaned by the Association.

(C) The Association may contract for the painting of the exterior doors and garage doors. The costs thereof shall be deemed a Common Expense unless the Association contracts for less than all of the door or garage doors in which event the costs thereof shall be assessed only against the Owners whose doors or garage doors were painted.

(3) All interior lighting fixtures, all exterior light bulbs controlled by a switch inside the Condominium Unit and all interior plumbing fixtures, including bathtubs, shower stalls, toilets, and sinks, heating, cooling, cable television, and electric equipment/system, and other utilities (e.g., sewer and water lines) which are located within or which exclusively serve said Owner’s Condominium Unit;

(4) All internal and external telephone wiring designed to serve his Condominium Unit;
(5) All kitchen and other appliances (whether built-in or freestanding), forced air heating units, the air conditioning unit, the hot water heater, and the garage door opener which are located within or service his Condominium Unit; and

(6) The Exclusive Use Association Property as noted below (i.e., see Exhibit "E").

(b) In the event any Owner shall fail to perform his maintenance obligations as set forth herein, the Association shall have the right, but not the duty, to cause such maintenance to be performed. If the Board elects to cause such maintenance work to be performed, the cost thereof shall be assessed against said Owner as a Compliance Assessment or Special Assessment, as appropriate.

(c) Each Owner shall maintain everything that the Owner is obligated to maintain in a clean, sanitary and attractive condition and in conformance with any Maintenance Guidelines and Maintenance Recommendations, as well as commonly accepted maintenance practices.

Any Owner shall not be obligated for maintenance and repair costs for the malfunctioning of any system or component that is part of the Common Property or a Condominium Unit and the problem necessitating work or service is caused by a malfunction or defect originating within the Common Property and under the maintenance responsibility of the Association or another Owner. In such case, the Owner shall immediately, but in no case later than six months from the date the malfunction or defect is discovered or reasonably should have been discovered by the Owner, notify the Board of such malfunction or defect so that the Board may take appropriate steps to correct the malfunction or defect, and to mitigate damages of the Owner and Association. If the Owner unreasonably delays notice of any such malfunction or defect (even though the Owner may notify the Board of such defect or malfunction within the six month period), the Board may, in its reasonable discretion, decline to compensate the Owner for any damage sustained by the Owner or his Condominium that could have been avoided or mitigated had the Owner earlier notified the Board of such defect or malfunction. Unless otherwise determined by Pepperdine University, an Owner shall not be reimbursed for loss or damage to his Condominium Unit that could have been covered by the Association's policy of insurance, if such coverage is no longer available by reason of unreasonable delay on the part of the Owner in submitting his claim to the Board for such damage or loss. With respect to damage occurring to the Common Property as a result of a malfunction or defect in or attributable to a Condominium, an Owner shall reimburse the Association for any expenditures incurred in repairing or replacing any property, including property that
is a part of the Common Property or other Condominium(s), that is damaged as a result of a malfunction of any system or component that is part of the Owner’s Condominium and subject to the maintenance responsibility of the Owner or that is damaged through the fault of the Owner or through the fault of any of his family, guests, invitees, tenants, subtenants or other occupants of said Owner’s Condominium. Nothing contained in this section shall be deemed to permit any external installations, construction or connections by an Owner without the prior approval of the Board, Declarant, and Pepperdine University as otherwise provided herein and to the extent any such external installation, construction or connection is authorized by the Board, Declarant, and Pepperdine University, the Owner shall maintain, repair and keep in good condition such installation, construction or connection and shall immediately repair any damage to the Common Property or any portion of the Project caused by such installation, construction or connection.

(d) Exclusive Use Association Property. Each Owner shall keep his respective Exclusive Use Association Property (i.e., second story balconies, first story patio areas, private driveways, etc., see Exhibit "P") in a neat and clean condition in accordance with the Association Rules and Regulations (e.g., daily routine maintenance, including, but not limited to sweeping). The Association shall be responsible for painting and performing all routine maintenance and replacing of all structural components of the Exclusive Use Association Property, including, but not limited to, painting the patio and balcony railings (if any), and for making all structural repairs to the Exclusive Use Association Property, as required; provided, however, if any maintenance or repairs are required due to the willful or negligent acts or omissions (e.g., oil drips on the driveways) of any Owner, his family, lessees, tenants, guests, or invitees, the Association shall levy a Compliance Assessment or Special Assessment, as appropriate, against the Owner for such costs. It shall be the obligation of the Association to provide regular resurfacing (i.e., that particular surface as originally installed by the Declarant) of the second story balcony decks on a scheduled basis, as deemed appropriate by the Board. If, however, the Board determines that an Owner (or any of his family members, guests, invitees, tenants or lessees) has misused, damaged or failed to adequately maintain his second story balcony in a manner that has caused more than normal wear and tear to the second story balcony, any resurfacing required by such misuse, damage or lack of maintenance of the second story balcony deck shall be at the expense of the Owner. Upon a determination that an Owner (or any of his family members, guests, invitees, tenants, or lessees) has misused, damaged or failed to adequately maintain all or any portion of his second story balcony decks, the Board shall have the right (but not the obligation), after not less than
thirty (30) days notice to the Owner, to enter the Condominium (if necessary) or any other portion of the Project and provide such maintenance or make such repairs or replacements to the second story balcony, as the Board may deem necessary, to restore the second story balcony to good condition and to prevent further deterioration to the second story balcony and/or damage to the Condominium building or other Units. The cost for such repair or replacement shall be assessed as a Compliance Assessment or Special Assessment, as appropriate, chargeable to such Condominium and shall be payable to the Association by the Owner of such Condominium. In order to implement the foregoing procedures, ensure proper maintenance of the Common Property, to monitor the condition of the Exclusive Use Association Property (e.g., second story balcony decks), and enforce the provisions of the Declaration, the Board is authorized (but is not under any obligation) to schedule annual inspections of the Exclusive Use Association Property (e.g., second story balcony decks), Common Property, and Condominiums. Upon reasonable notice by the Board of such inspections, each Owner shall fully cooperate with such inspections and provide the Board and/or its authorized representatives reasonable access to his Condominium for purposes of facilitating the scheduled inspections and any repairs, maintenance or replacement work deemed necessary by the Board, Declarant, and/or Pepperdine University.

Section 21. Exterior Maintenance of Condominiums. The Association shall provide exterior maintenance of each Condominium building as follows: paint, maintain, repair and replace (if required because of normal wear, tear or deterioration) roofs, skylights, cable TV and telephone systems (except those portions of the lines and/or equipment which serve only individual Units), front porch wood trellises (installed by Declarant, if at all, as part of the original construction of the Project) rain gutters, downspouts, exterior building surfaces (but not garage doors, windows, sliding glass doors, and window and sliding glass door screens), walkways, and exterior staircases and landings, the landscaping (including the trees, shrubs, grass and walks), and all of the Common Property. Such Association maintenance shall not include: the structural integrity of garage doors [or the component parts thereof], windows, sliding glass doors, glass surfaces (other than skylights installed by Declarant as part of the original construction), screens, or entry areas of the Condominiums, patio covers or other additions built or maintained by the Owner (if allowed), external installations or components (including without limitation, telephone, computer/Internet, and television wiring or cable systems, air conditioning and solar heating devices and elements) which serve individual Condominiums exclusively, rather than the Project, or portions thereof; provided, however, that repairs or replacements arising out of or caused by the willful or negligent act of the Owner, his family, guests, invitees, tenants, subtenants or other occupants of said Owner’s Condominium shall be the responsibility of the Owner. If an Owner shall fail to
maintain or make the repairs or replacements which are the responsibility of such Owner as provided above, then, upon a vote of a majority of the Board of Directors, and after not less than thirty (30) days notice to the Owner, the Association shall have the right (but not the obligation) to enter the Condominium (if necessary) or any other portion of the Project and provide such maintenance or make such repairs or replacements, and the cost thereof shall be assessed as a Compliance Assessment or Special Assessment, as appropriate, chargeable to such Condominium and shall be payable to the Association by the Owner of such Condominium.

Section 22. Right of Entry. Each Owner, hereby grants the right of entry to Pepperdine University, management agent or to any other person authorized by the Board in case of emergency originating in or threatening his Unit whether the Owner is present at the time or not. Similarly, an Owner shall permit other Owners, the Association, Pepperdine University, or their representatives, when so required, to enter his Unit for the purpose of installations, alterations, or repairs to the mechanical, plumbing, gas, electrical or other utility services, provided that requests for entry are made in advance and that such entry is at a time convenient to the Owner. In case of an emergency, such right of entry shall be immediate.

Section 23. Personal Liability Limitation. The personal liability of volunteer Board members or volunteer Association officers to any person who suffers injury, including, but not limited to, bodily injury, emotional distress, wrongful death, or property damage or loss as a result of the tortious act or omission of such volunteer Board member or volunteer Association officer when such act or omission was performed within the scope of the officer’s or director’s association duties shall be limited as proscribed in California Civil Code Section 1365.7, as same may be amended from time to time. The foregoing limitation of liability is applicable to a volunteer Board member or volunteer Association officer only as explicitly set forth in said Section 1365.7 and does not necessarily apply to all volunteer Board members or volunteer Association officers.

(a) Indemnification. The Association shall pay all expenses incurred by and satisfy any judgment or fine levied against, any volunteer Board member or volunteer Association officer as a result of any action or threatened action against such person to impose liability on such person for his act(s) or omission(s) performed within the scope of such person’s association duties, provided that:

(1) The Board determines that such person acted in good faith and in the manner such person reasonably believed to be in the interests of the Association; and
(2) In the case of an action or threatened action by or in the right of the Association, the Board determines that such person acted with such care, including reasonable inquiry, as an ordinary prudent person in a like position would use under similar circumstances.

Any determination of the Board required under this Section must be approved by a majority vote of a quorum of the Board members who are not parties to the action or threatened action giving rise to the indemnification. If the Board fails or refuses to make any such determination, such determination may be made by the vote or written consent of a majority of a quorum of the Members (including Declarant) of the Association, provided that the person to be indemnified shall not be entitled to vote. The entitlement to indemnification hereunder shall inure to the benefit of the estate, executor, administrator, heirs or devisees of any person entitled to such indemnification.

Section 24. Licenses, Easements and Rights-of-Way. The Board, for and on behalf of the Association, is empowered to approve such licenses, easements and rights-of-way proposed by Declarant for, among other items, sewer lines, water lines, underground conduits, storm drains, roadways, and other public utility or Pepperdine University purposes over those portions of the Common Property upon which no building or other structure has been erected as may be necessary and appropriate for the orderly maintenance, preservation and enjoyment of the Common Property or for the preservation of the health, safety, convenience and welfare of the Owners.

Section 25. New Improvements. Except as otherwise provided in this Declaration, the Association may, only with the written approval and authorization of Declarant, construct new Improvements or additions to the Common Property, or demolish existing Improvements, provided that in the case of any Improvement, addition or demolition involving a total expenditure in excess of five percent (5%) of the budgeted gross expenses of the Association for that fiscal year, the written consent or vote of a majority of the Total Voting Power of the Owners in the Project as to the maximum total cost therefore shall first be obtained, and provided that no Condominium shall be altered or damaged by any such demolition or construction without the consent of the Owner thereof. The Board shall levy a Special Assessment against all Owners in the Project for the cost of such work.

ARTICLE VII

COVENANT FOR MAINTENANCE ASSESSMENTS; REMEDIES OF THE ASSOCIATION

Section 1. Creation of Lien and Personal Obligation of Assessments. The Declarant, for each Condominium owned within the Project, hereby covenants, and each Owner of any Condominium
subject to the jurisdiction of the Association, is deemed to covenant and agree to pay to the Association: (1) Regular Assessments; (2) Special Assessments or charges; (3) Compliance Assessments; (4) Ground Rent Assessments; (5) property tax and improvement bond assessments; and (6) such other assessments that the Association may periodically establish from time to time as hereinafter provided. The Regular and Special Assessments, together with a reasonable late charge as may, from time to time be established by the Board in accordance with California law, interest, costs and reasonable attorneys' fees for the collection thereof, shall be a charge against and a continuing lien upon the Condominium against which each such assessment is levied, and shall also be the personal obligation of the Owner of such property at the time when the Assessment became due. Each Compliance Assessment levied against a Condominium, together with interest, costs, reasonable late charges and reasonable attorneys' fees for the collection thereof, shall be the personal obligation of the Owner of the property at the time of the Assessment. The personal obligation for delinquent Assessments shall not pass to the successors in title unless expressly assumed by them.

Section 2. Purpose of Regular Assessments: Levy and Collection. The Regular Assessments levied by the Association shall be used exclusively to promote the health, safety and welfare of the residents in the Project and, except as otherwise provided in this Declaration, to maintain, repair, replace and improve the Common Property, and any other Improvements or areas which the Association is obligated to maintain, as provided herein or in a Notice of Annexation, or as determined by the Board or as set forth in the Lease. The Association, by and through its Board, shall levy and collect Assessments from the Owner of each Condominium in the Project in an amount sufficient to cover all of the Common Expenses incurred by the Association in connection with the performance and execution of the powers and duties set forth in this Declaration, the Lease, the By-laws and the Articles. In connection therewith, the Association shall not impose or collect Assessments, penalties or fees that exceed the amount reasonably necessary for the purpose or purposes for which they were levied. Nothing in this Declaration shall be construed in such a way as to prohibit the use of Association Assessments or funds to abate any annoyance or nuisance emanating from outside the boundaries of the Project.

(a) Maintenance Fund. Operating, maintenance and repair charges collected by the Board or the Manager, as the case may be, shall be properly deposited in a commercial bank account in a bank to be selected by the Board. The Board, or Manager, as the case may be, shall have control of said account, and shall be responsible to the Owners for the maintenance of accurate records thereof at all times. No withdrawal shall be made from said account except to pay charges and expenses for the common benefit of all Owners, to refund overpayments if any, or to transfer funds to other accounts of the Association.
Section 3. Regular Assessments - Basis. Regular Assessments payable to the Association shall be variable (i.e., Variable Expenses and the Variable Assessment Component) and assessed as appropriate against all Owners of the Condominiums. Each Owner's proportionate share of the Common Expenses for any fiscal year of the Association shall be as set forth in the budget prepared by the Declarant and approved by the DRE (an allocation based on the square footage of the Condominiums), or in such budget approved by unanimous vote of the Board. Until the first day of the fiscal year of the Association immediately following the first close of escrow for the sale of a Condominium in the Project to an Owner, the maximum Regular Assessment shall be as set forth in the budget approved by the DRE. Notwithstanding the commencement of payment for Regular Assessments, or any other provisions of this Declaration, Declarant and any other Owner of a Condominium which does not include a structural Improvement for human occupancy shall be exempt from the payment of that portion of any Assessment which is for the purpose of defraying operating expenses and reserves directly attributable to the existence and/or use of such structural Improvements. This exemption shall include, but shall not necessarily be limited to, that portion of any Assessment attributable to roof replacement, exterior maintenance, exterior walkway lighting, refuse disposal, cable television and domestic water supplied to Condominiums. This exemption shall be in effect only until the earliest to occur of: (i) the recordation of a notice of completion for the structural Improvements; (ii) the occupation or use of the Condominium; or (iii) the completion of all elements of the Condominium which the Association is obligated to maintain, if any. Declarant and any Owner shall be exempted from the payment of that portion of any Assessment that is for the purpose of defraying expenses and reserves directly attributable to the existence and use of any Common Area facilities that are not complete at the time Assessments commence. This latter exemption shall only be in effect as to a particular Common Property facility until the earlier of: (i) the recordation of a notice of completion for such Common Property facility; or (ii) the placement into use of the particular Common Property facility. Subject to the limitations of California Civil Code Section 1366, as same may be amended, from time to time, from and after the first day of the fiscal year immediately following the conveyance of the first Condominium to an Owner, the maximum Regular Assessment may be increased subject to the following limitations:

(a) Regular Assessment Increases of Twenty Percent (20%) or Less. Increases in Regular Assessment for any fiscal year that are less than or equal to twenty percent (20%) above the maximum Regular Assessment for the immediately preceding fiscal year may be approved by the Board, provided that the Board shall: (i) comply with the provisions set forth in Section 1365(a) of the California Civil Code, as same may be amended from time to time, with respect to the distribution of the pro forma operating budget of the Association for the forthcoming fiscal year; or (ii) obtain the approval of
Members (including Declarant), constituting a quorum, casting a majority of affirmative votes at a meeting or an election of the Association conducted in accordance with California Corporations Code Sections 7510, et seq., and Sections 7613, et seq. For purposes of this entire Section 3, a quorum means more than fifty percent (50%) of the Members of the Association;

(b) Regular Assessment Increases Greater Than Twenty Percent (20%). Increases in Regular Assessments for any fiscal year that are greater than twenty percent (20%) above Regular Assessments for the immediately preceding fiscal year may be approved by the Board only after the Board obtains the approval of Members (including Declarant), constituting a quorum, casting a majority of affirmative votes at a meeting or election of the Association, conducted in accordance with Sections 7510, et seq., and Section 7613, et seq. of the California Corporations Code; and

(c) Regular Assessment Increases Due to Emergency. The Assessment increase limitation set forth in Subsection (b) above does not apply to increases in Assessments related to emergency situations, which shall be deemed to include the following:

1. Extraordinary expenses required by an order by a court of competent jurisdiction.

2. Extraordinary expenses for the maintenance or repair of the Project or any part of it for which the Association is responsible where a threat to personal safety on the Project is discovered.

3. Extraordinary expenses necessary to repair or maintain the Project, or any part of it, for which the Association is responsible that could not have been reasonably anticipated by the Board in preparing and distributing the pro forma operating budget under California Civil Code Section 1365, as the same may be amended from time to time.

Prior to the imposition or collection of an assessment under this Subparagraph (c), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process, and the resolution shall be distributed to the members with the notice of increase in assessment. For the purpose of calculating whether an increase to Regular Assessments exceeds twenty percent (20%), the term "Regular Assessment" shall be deemed to include the amount assessed against each Condominium by the Association as a Regular Assessment, plus any amount paid by the Declarant as a subsidy.
or pursuant to any subsidy or maintenance agreements, to the extent such subsidy or payments offset an amount which would otherwise be paid by Owners as Regular Assessments.

The Board may fix the Regular Assessment at an amount not in excess of the maximum Regular Assessment. So long as Declarant is offering Condominiums for sale pursuant to a Final Subdivision Public Report, the Regular Assessment may not be decreased by ten percent (10%) or more without the express prior written consent of the DRE and Declarant. The Association may, upon ratification by a majority of the Board, enter into an agreement with Declarant, its successors or assigns, to reduce or abate Assessments, upon such terms and conditions as may be agreed to by the parties.

(d) Reductions in Regular Assessments. Following the close of escrow on the last Condominium to be sold by Declarant pursuant to a Final Subdivision Public Report, the Regular Assessment may be decreased only after (1) the Board has obtained the approval of the Members (including Declarant), constituting a quorum (meaning fifty percent (50%) of the Members of the Association must be present to vote and vote in person or by proxy), casting two thirds (2/3) or sixty six percent (66%) affirmative votes in favor of such decrease at a meeting or an election of the Association conducted in accordance with California Corporations Code Sections 7510, et seq., and Sections 7513 et seq., provided, however, that the notice of the location, date and time of the meeting and the purpose for which it is being held must be given not earlier than ninety (90) days nor later than thirty (30) days prior to the date of the meeting to all persons or entities holding an obligation of the Owner of any Condominium Unit in this Project secured by a mortgage or deed of trust which is a first lien on the Condominium or interest of such Owner and which was made in good faith and for value; and (2) the Board has obtained the express written consent of the Declarant, which said consent shall not be unreasonably withheld. In determining whether to approve the proposed reduction of Regular Assessments, Declarant shall take into consideration whether: (i) the Association has sufficiently funded and, following implementation of the proposed reduction, will be able to continue to sufficiently fund the Association reserve account for the future periodic maintenance, repair and replacement of all or a portion of the Common Property according to the most recent reserve study completed by the Association in compliance with Section 1365.5; and (ii) the Association has and, following implementation of the proposed reduction, will continue to be able to meet its financial and other obligations, including, but not limited to, payment of current maintenance costs as set forth in this Declaration, in a manner contemplated by the provisions of this Declaration. Declarant shall either approve or disapprove any proposed reduction in Regular Assessments that has been approved by the
Members as set forth herein within thirty (30) days following the submission of a written proposal by the Board of Directors or the Association to reduce Regular Assessments, and supporting documentation showing that the Association’s financial position is such that the elements of Subparagraph (d) (2) (i) and (ii) set forth hereinabove are satisfied.

Section 4. Special Assessments for Capital Improvements.

(a) In addition to the Regular Assessments authorized above, the Board may not, subject to the limitations of California Civil Code Section 1366, without the vote or written approval of Members (including Declarant) constituting a quorum (which shall mean more than fifty percent (50%) of Owners of the Association) casting a majority of affirmative votes at a meeting or election of the Association, conducted in accordance with Section 7510, et seq. and 7613 of the Corporations Code, levy Special Assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Association for that fiscal year. The five percent (5%) limitation shall not apply to increases in Special Assessments related to an emergency situation that shall be deemed to include the following:

(1) Extraordinary Expenses Imposed by Court Order. Extraordinary expenses required by an order by a court of competent jurisdiction;

(2) Extraordinary Expenses for Dangerous Condition. Extraordinary expenses for the maintenance or repair of the Common Property or any part of the Project for which the Association is responsible where a threat of damage or injury to any person or property on the Project is discovered; and

(3) Unanticipated Extraordinary Expenses. Extraordinary expenses necessary to repair or maintain the Common Property, or any part of it, for which the Association is responsible that could not have been reasonably anticipated by the Board in preparing and distributing the pro forma operating budget under California Civil Code Section 1365, as the same may be amended from time to time.

Notwithstanding the foregoing, in the event the Board levies any Special Assessment that exceeds the five percent (5%) limitation pursuant to this Subparagraph, the Board shall distribute written notice concerning said Special Assessment to all Owners and a copy of a resolution adopted by the Board setting forth: (i) the necessity of said Special Assessment; and (ii) the justification why said Special Assessment was not reasonably foreseeable at the time the most recent budget was...
prepared. Except as provided in Subsection (b) below, every Special Assessment shall be levied upon the same basis as that prescribed for the levying of Regular Assessments.

(b) A Special Assessment levied against Owners to raise funds for the reconstruction or major repair of the Condominium Units, if applicable, in the Project shall be levied on the same basis of the ratio of the square footage of the floor area of the Condominium Unit to be assessed to the square footage area of all Condominium Units to be assessed.

Section 5. Compliance Assessments. A Compliance Assessment may not be characterized nor treated as an assessment which may become a lien against the Owner’s Condominium enforceable by a sale in accordance with the provisions of Sections 2924 et seq. of the Civil Code; provided, however, at such time as the sale of Condominiums is not governed by the DRE, the foregoing shall not apply to any Compliance Assessment imposed against an Owner consisting of a reasonable late payment penalty for delinquent Assessments and/or charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys’ fees) in its efforts to collect delinquent Assessments or imposed for costs incurred by the Association in the repair of damage to Common Property and facilities for which the Member or Member’s family, guest or tenants were responsible.

Section 6. Notice of Increase in Assessments. The Board shall provide to the Owners, by first class mail to the address on file with the Association, notice of any increase in Regular or Special Assessments not less than thirty (30) nor more than sixty (60) days prior to such increase becoming due.

Section 7. Variable Assessment. A Variable Assessment Component shall be assessed solely to the Owners of Condominiums to which the exclusive or disproportionate maintenance obligation of a Variable Element has been allocated. As a result of the varied square footages for Condominiums subject to the levy of a Variable Assessment Component, the levy of such cost will be allocated on a pro-rata basis as set forth in the Association budget.

Section 8. Special Benefit Assessments. If not otherwise allocated by the Association as a Variable Assessment Component of the Regular Assessment, Special Benefit Assessments shall mean and refer to a charge levied by the Association against an Owner and his respective Condominium to cover the expenses incurred by the Association in the operation, maintenance, repair, and/or funding of reserves as to a portion of the Project designated herein or in a Notice of Annexation or by the Declarant or by the Board as a "Special Benefit Area" or which is identified or referred to as an area or facility benefitting only the Owners within such an Area. The expenses chargeable to Owners in a Special Benefit Area may include, without limitation, the following:

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(a) Maintenance, management, operation, repair and replacement of particular Improvements within the Special Benefit Area;

(b) Utilities or services for the benefit of Owners within the Special Benefit Area;

(c) Reasonable reserves, as deemed appropriate by the Board, for repair and replacement of any Improvements maintained by the Association within a Special Benefit Area; and

(d) Unpaid Special Benefit Assessments.

The Association shall distribute to Owners within any Special Benefit Area a pro forma operating statement and budget for the upcoming fiscal year which shall estimate the expenses attributable to the Special Benefit Area, and shall set forth the amount and payment schedule of the Special Benefit Assessments. Increases in Special Benefit Area Assessments for any fiscal year which are less than or equal to twenty percent (20%) above the maximum Special Benefit Area Assessment for the immediately preceding fiscal year may be approved by the Board, provided that the Board shall obtain the approval of Members affected by such Assessment, constituting a quorum, casting a majority of affirmative votes. For purposes of this Section, a quorum means more than fifty percent (50%) of the Members of the Association affected by the Special Benefit Area Assessment, if however, only two or less Condominiums are affected by the Special Benefit Area, such increases by twenty percent (20%) or more shall be allowed if approved by a unanimous vote of the Board. The Assessment increase limitation set forth hereinabove does not apply to increases in Special Benefit Area Assessments related to emergency situations that could not have been reasonably anticipated by the Board at the time the most recent Association budget was prepared which determined the amount of the Special Benefit Area Assessments. As noted earlier, currently, no Special Benefit Areas are identified or anticipated.

Section 9. Date of Commencement of Regular Assessments; Due Dates. The Regular Assessments provided for herein shall commence as to all Condominiums covered by this Declaration, except as provided below, on the first day of the first month following the first close of escrow for the first sale of a Condominium. The Declarant shall pay his full pro rata share of Regular Assessments and Special Assessments (if any) on all unsold Condominiums. An assessment period shall be deemed to be for the twelve (12) months of each fiscal year beginning on January 1 and ending on December 31 of the same year, provided that if the month of the commencement of the initial Regular Assessments shall be a month other than January, the assessment period for the first fractional year shall be deemed to end on December 31. Regular Assessments may be collected on a monthly installment basis. The payments shall be due in advance on the first day of each succeeding month. The first Regular Assessments shall be adjusted according to the number
of months remaining in the fiscal year, as set forth in the By-Laws. The Board shall fix the amount of the Regular Assessment in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period, against each Condominium at least thirty (30) days in advance of each Regular Assessment period. Written notice of the Regular Assessment shall be sent to every Owner subject to the provisions hereinabove. Notwithstanding any other provisions of this Declaration and as set forth hereinabove, until the earlier to occur of: (i) the recollection of a Notice of Completion of an Improvement to the Common Property; or (ii) the placement into use of the Common Property, each Owner (including Declarant) may be declared by the Board to be exempt from paying that portion of the Regular Assessment which is directly attributable to expenses and reserves to be incurred by the Association in the maintenance, operation and repair of such Common Property.

Section 10. Collection of Assessments. Except as otherwise provided above (e.g., Variable Assessments) or in any subsequent Notice of Annexation, Regular and Special Assessments shall be levied at a the appropriate rate for all Condominiums and may be collected on a monthly basis. If any installment of a Regular Assessment is less than the amount assessed and the payment does not specify the Association funds or fund into which it should be deposited, the receipt thereof by the Association from that Member shall be credited in order of priority, first to the operating fund, until that portion of the Regular Assessment has been satisfied, and second to the reserve fund. Compliance Assessments shall be due thirty (30) days after such Compliance Assessments have been levied.

Section 11. Payment of Assessments Under Protest. The exception for disputes related to Assessments in Subdivision (b) of Section 1354 of the California Civil Code shall not apply if, in a dispute between the Owner of a Condominium and the Association regarding the Assessments imposed by the Association, the Owner of the Condominium chooses to pay in full to the Association all of the charges listed as follows:

(a) The amount of the Assessment in dispute.

(b) Late charges.

(c) Interest.

(d) All fees and costs associated with the preparation and filing of a "Notice of Delinquent Assessment," including all mailing costs and including attorneys' fees not to exceed Four Hundred Twenty-Five Dollars ($425.00), unless otherwise allowed by law and approved by the Board.

In addition to paying the above-referenced charges, the Owner must state by written notice that the amount is paid under protest,
and the written notice must be mailed by certified mail not more than thirty (30) days from the recording of a Notice of Delinquent Assessment in accordance with Section 1367 or 1367.1 of the California Civil Code. In those instances, the Association shall inform the Owner that the Owner may resolve the dispute through alternative dispute resolution procedures, as set forth in Section 1354 of the California Civil Code, civil action, and any other dispute resolution procedures to resolve the dispute that may be available through the Association. The right of any Owner of a Condominium to utilize alternative dispute resolution under Section 1366.3 of the California Civil Code may not be exercised more than two (2) times in any single calendar year, and no more than three (3) times within any five (5) calendar years. Nothing within Section 1366.3 of the California Civil Code shall preclude any Owner of a Condominium and the Association, upon mutual agreement, from entering into alternative dispute resolution for a number of times in excess of the limits set forth in this subsection. An Owner of a Condominium may request to be paid by the Association reasonable interest on the total amount paid under subparagraphs (a) to (d) set forth above, inclusive, if it is determined through the appropriate resolution procedure that the assessment levied by the Association was not correctly levied.

Section 12. Certification of Payment. The Association shall, upon demand and for a reasonable charge, furnish a certificate signed by an officer or agent of the Association setting forth whether the Assessments on a specified Condominium have been paid. If a certificate states that Assessments have been paid, such certificate shall be conclusive evidence of such payment.

Section 13. Delivery by Owner. In compliance with California Civil Code Section 1368, as same may be amended from time to time, each Owner of a Condominium shall, as soon as practicable prior to the transfer of title to the Condominium or the execution of a real property sales contract to sell the Owner’s Condominium, give to the prospective purchaser:

(a) A copy of this Declaration and copies of the By-laws and Articles of the Association.

(b) A copy of the most recent documents distributed by the Association to the Owners in compliance with California Civil Code Section 1365, as the same may be amended from time to time.

(c) A true statement, in writing, from the Board or other authorized representative of the Association, as to the amount of the Association’s current Regular and Special Assessments and fees, as well as any delinquent Assessments and information relating to any monetary fines or penalties, attorneys’ fees and other charges authorized by this Declaration and levied on the Condominium as of the date the statement is issued. This statement shall also include true
information on late charges, interest and costs of collection which, as of the date of the statement, are or may be made a lien upon the Owner's Condominium pursuant to California Civil Code Section 1367 or 1367.1, as same may be amended from time to time.

(d) A copy or summary of any notice previously sent to the Owner by the Board or Association regarding any alleged violation of the Governing Documents that remains unresolved as of the date the Owner provides the notice to the prospective purchaser.

(e) A copy of any preliminary list of defects provided by the Association to the Members of the Association pursuant to California Civil Code Section 1375, unless the Association and Declarant or the builder subsequently enter into a settlement agreement or otherwise resolve the matter and the Association complies with California Civil Code Section 1375.1. Disclosure of the preliminary list of defects pursuant to this subparagraph (e) shall not waive any privilege attached to the document. The preliminary list of defects shall include a statement that a final determination as to whether the list of defects is accurate and complete has not been made.

(f) A copy of the latest information provided by the Association to the Members of the Association pursuant to California Civil Code Section 1375.1, if any.

(g) Any change in the Association's current Regular and Special Assessments and fees that have been approved by the Board, but have not become due and payable as of the date the disclosure is provided pursuant to the requirements herein.

Section 14. Delivery of Statement. Upon written request, the Board or the Association's managing agent, shall, within ten (10) days of the mailing or delivery of such request, respectively, provide the Owner of a Condominium with a copy of the items listed in Section 13(a)-(g), inclusive, set forth above. The Association may impose a fee for providing such documents and statement but in no event shall the fee exceed the reasonable costs to prepare and reproduce the requested documents.

Section 15. Delivery by Declarant. Within ninety (90) days following the first close of escrow for the sale of a Condominium in the Project, or as soon as reasonably obtainable, the Declarant shall provide the Association with copies of the (1) recorded tract map for the Project; (2) Association Property Ground Lease; (3) this Declaration; (4) filed Articles of Incorporation; (5) the Association's By-Laws; (6) Rules and Regulations; (7) architectural guidelines adopted by the Declarant or Association, if any; (8) notice of completion certificates for the Association Property, if any; (9) completion bond(s) naming the Association as a beneficiary, if any; (10) warranties for Association Property
equipment or fixtures; if any; (11) insurance policies obtained for the Association; and (12) membership register, to the extent it is available and if required by law.

Section 16.  **Reserves.** So long as the current replacement value of the major components of the Common Property and any other area of the Project that the Association is obligated to maintain is equal to or greater than one-half of the gross annual budget of the Association (excluding the Association’s reserve account for that period), the Board shall, at least once every three years, cause to be conducted a reserve study of the reserve account requirements of the Project which shall include a reasonably competent and diligent visual inspection and evaluation of the accessible areas of the major components of the Common Property and any other area of the Project that the Association is obligated to repair, replace, restore, or maintain. Regular Assessments shall include reasonable amounts collected as reserves for the future periodic repair, replacement, restoration or maintenance of the major components of the Common Property and any other area of the Project that the Association is obligated to maintain, as reasonably determined by the Board based upon the most recent reserve study. All amounts collected as reserves shall be deposited by the Board in a separate bank account for the purposes for which they were collected, segregated from and not commingled with any other funds of the Association, and the expenditure of such funds shall be made in accordance with California Civil Code Section 1365.5, as the same may be amended from time to time.

Section 17.  **Offsets and Waivers Prohibited.** No Owner may waive or otherwise avoid liability for the Assessments provided for herein for any reason whatsoever, including, but not limited to, non-use of the Common Property or abandonment of his Condominium, nor shall any Owner be entitled to any offset against any Assessment provided for herein for any reason whatsoever, including, but not limited to, any expenditure made by such Owner for or on behalf of the Association.

Section 18.  **Ground Rent Assessment.** Included within the Regular Assessments authorized herein, shall be the Ground Rent Assessment.

Section 19.  **Effect of Nonpayment of Assessments: Remedies of Association.** Any Regular, Special, Compliance, or Special Benefit Assessment not paid within fifteen (15) days after the due date shall be deemed delinquent and the Owner shall be required to pay: (a) reasonable costs of collection, including reasonable attorneys’ fees; (b) a reasonable late charge not exceeding ten percent (10%) of the delinquent Assessment or Ten Dollars ($10.00), whichever is greater, or as may, from time to time, be established by the Board in accordance with California law; and (c) interest on all sums imposed under this Section at an annual percentage rate not to exceed ten percent (10%) commencing thirty (30) days after the Assessment was due. The Board, for and on behalf of the Association, may commence legal action against the Owner personally.
obligated to pay the same, or, in the case of a Regular or Special Assessment, and in some instances, a Compliance Assessment (subject to the limitations set forth above and in California Civil Code Section 1367.1(d) and (e), as the same may be amended from time to time), may foreclose the lien against his Condominium. Such lien may also be foreclosed by a power of sale or other nonjudicial procedure provided for by the laws of the State of California. In furtherance thereof, each Owner hereby vests in the Association, its successors or assigns, the right and power to bring all actions at law to pursue lien foreclosure against any Owner for purposes of collecting such delinquent Assessments. The Association need not accept any tender of a partial payment of an installment of an Assessment and all costs and attorney's fees attributable thereto, and any acceptance of any such tender shall not be deemed to be a waiver of the Association's right to demand and receive full payments thereafter. Payments for Assessments shall first be applied to the principal owed for the Assessments and only after such principal amount is paid in full, shall such payments be applied to interest, late fee, or collection expenses for such Assessments. If requested by an Owner, the Association shall provide the Owner with a receipt of payment of Assessments, indicating the date of the Owner's payment of Assessments and the person who received such payment on behalf of the Association. The Association shall establish a mailing address for the overnight payment of Assessments.

Section 20. Notice of Delinquent Assessment. The Association may not place any lien upon a Condominium to collect a debt which is past due, or bring an action to foreclose a lien for delinquent Assessments, or proceed under the power of sale herein, unless: (1) the Association notifies the Owner in writing by certified mail of all matters required by California Civil Code Section 1367.1(a), as the same may be amended from time to time (e.g., a general description of the collection and lien enforcement procedures of the Association and the method of calculation of the amount, a statement that the Owner has the right to inspect the Association records pursuant to Corporations Code Section 8333, a warning in 14-point boldface type that if the Owner's Condominium is placed in foreclosure because he is behind in the payment of Assessments, the Condominium may be sold without court action, an itemized statement of the charges owed by the Owner, including items on the statement which indicate the principal amount of delinquent Assessments owed, the fees and reasonable costs of collection, reasonable attorney's fees, any late charges, and interest, a statement that the Owner shall not be liable to pay the charges, interest, and costs of collection if it is determined the Assessments were paid on time to the Association, and the right to request a meeting with the Board of the Association concerning said notice, as provided in California Civil Code Section 1367.1(c), as the same may be amended from time to time); and (2) at least thirty (30) days following the delivery of the notice referenced above, a "Notice of Delinquent Assessments" is prepared and deposited in the United States mail, certified or registered, postage prepaid, to the Owner of said...
Condominium, and a copy of the Notice is recorded by the Association in the Office of the County Recorder, pursuant to California Civil Code Section 1367.1, as the same may be amended from time to time. Said Notice of Delinquent Assessments must recite or include the name and street address of the record Owner, a good and sufficient legal description of any such Condominium, an itemized statement of the amount claimed due and payable (including any reasonable late charges as may, from time to time, be established by the Board in accordance with California law and the method of calculation), interest on the unpaid Assessment, plus reasonable attorneys' fees and expenses of collection incurred in connection with the debt secured by said lien, and the name and address of the principal office of the Association, and, in the event of a nonjudicial foreclosure, as provided herein, the name and address of the trustee authorized by the Association to enforce the lien by sale. The Notice shall be signed and acknowledged by the President, or Vice President, and the Secretary, or assistant Secretary, of the Association, or the managing agent of the Board, and mailed in the manner set forth in California Civil Code Section 2924(b), as same may be amended from time to time, to all record Owners of the Owner's interest in the Project no later than ten (10) calendar days after recordation. The lien shall continue until fully paid or otherwise satisfied.

Section 21. Foreclosure Sale. Any foreclosure sale provided for above is to be conducted by the Board, its attorney or other persons authorized by the Board, in accordance with the provisions of Sections 2924, et seq., of the California Civil Code applicable to the exercise of powers of sale in Mortgages and deeds of trust, as same may be amended, from time to time, or in any other manner permitted by law. The Association, after a vote by at least two-thirds (2/3) of the voting power, may, through its duly authorized agents, have the power to bid on the Condominium at foreclosure sale, and to acquire and hold, lease, mortgage, and convey the same, subject to all of the restrictions and limitations set forth in Articles XIII and XIV of this Declaration.

Section 22. Curing of Default. Upon the timely curing of any default for which a Notice of Delinquent Assessment or lien was filed by the Association, the officers thereof are hereby authorized to file or record, as the case may be, appropriate release of such Notice upon receipt of payment from the defaulting Owner of a reasonable fee to be determined by the Association to cover the costs of preparing and filing or recording such release.

Section 23. Cumulative Remedies. The Association's remedies for nonpayment of Assessments, including, but not limited to, an action to recover a money judgment, Assessment lien and right of foreclosure and sale, are cumulative and in addition to and not in substitution of any other rights and remedies which the Association and its assigns may have hereunder or at law.
Section 24. Declarant’s Maintenance Authority. Prior to closing the first sale (and lease) of a Unit, at which time control and operation of the entire Property shall be turned over to the Association, the Declarant shall have the authority and responsibility for the management, supervision and control of all of the Common Property, and also of all unsold individual Units within the Property. During the period from the date of execution of a binding contract for the purchase of any Condominium until the date of recording of a conveyance (and lease) of said Condominium to the purchaser or purchasers thereof, the Declarant shall continue to have authority and responsibility for its individual maintenance and shall have the exclusive right of possession of the individual Unit contained therein, unless otherwise provided in the contract of sale; provided, however, that during such period, the Declarant shall have no authority to make any structural alteration to, or any extraordinary expenditure in connection with said Unit without the prior consent of the purchaser or purchasers. However, Declarant has the authority, but not the obligation, to maintain the Common Property, and assess the Members for such cost and expense if the Declarant determines in its sole and absolute discretion that the Association is not properly maintaining the Common Property.

Section 25. Declarant’s Disbursements and Collections. The Declarant shall have the authority to expend from the Maintenance Fund provided for in Section 2 above the necessary funds for required maintenance of the Common Property, including Exclusive Use Association Property or for the common benefit of all the Owners. No expenditure may be made from said account for the cost of any labor and/or materials required in connection with the construction of any part or portion of the Project or any of the Improvements on said land, which are part of the original plans and specifications therefor. Within thirty (30) days following the organization meeting, the Declarant shall be required to present to the Owners a written financial statement of the deposits and withdrawals from said account from the date of establishment thereof, and any surplus remaining in said account belonging to the Owners shall be turned over to the Association or to such officer or agent of the Association as shall be designated by the Board of Directors.

Section 26. Retention of Maintenance Funds. It is understood and agreed that the Association is primarily organized for the convenience of the Owners and as a conduit of the Owners for the payment of each Owner’s share of maintenance expenses as set forth above. The Association shall not carry on any business function of any kind or character for profit. Notwithstanding any other provision of this Declaration, the Board from time to time may designate and segregate appropriate portions of any Regular or Special Assessments for specific purposes, consistent with the approved maintenance budget and most recent reserve study for the Project, and may hold any funds so allocated to such specific purposes, separate and apart from any other funds then held by the
Association, subject to any applicable rules or regulations of the DRE and any other cognizant governmental authority.

Section 27. Treatment of Excess Assessments. It is intended, understood and agreed that the Association, as a California nonprofit corporation, shall be organized and operated in a manner consistent with the minimization of federal and state income taxation.

Section 28. Governmental Assessments. Non-delinquent governmental assessments, which will benefit the obligation of the new Owner upon sale and the Unit, shall be conveyed subject to the liens of said assessments.

ARTICLE VIII
UTILITIES

Section 1. Owners' Rights and Duties Respecting Utilities. Every Owner shall have a nonexclusive right and easement of access, use and enjoyment in and to the Association Property in the Project. Said right and easement shall be appurtenant to and shall pass with title to every Condominium, subject to the limitations set forth herein. The rights and duties of the Owners of the Condominiums with respect to sewer, water, electricity, gas, television cable and telephone lines and other facilities, shall be governed by the following (the following does not in any manner limit the right of Pepperdine University, Board or Declarant to access the Common Property and Condominiums as otherwise provided herein and/or in the Lease):

(a) Each respective utility company shall maintain all utility facilities and connections on the Project owned by such utility company; provided, however, that if any company shall fail to do so, it shall be the obligation of each Owner to maintain those facilities and connections located upon, within or servicing (e.g., sewer/water laterals) such Owner's Condominium, and it shall be the obligation of the Association to maintain those facilities and connections which provide service to more than one (1) Condominium (e.g., trunk/main line utilities). Notwithstanding the foregoing, internal and external telephone wiring designed to serve a single Condominium Unit, but located outside the boundaries of the Condominium Unit, shall be maintained by the Owner of said Condominium Unit.

(b) Wherever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project and it becomes necessary to gain access to said connections, cables and/or lines through a Condominium Unit owned by someone other than the Owner of the Condominium Unit served by said connections, cables and/or
lines, the Owner of the Condominium Unit served by said connections, cables and/or lines shall have the right, and is hereby granted an easement to the full extent necessary therefor, to enter upon such other Condominium Unit or to have the utility companies enter upon such other Condominium Unit to repair, replace and generally maintain said connections, cables and/or lines.

(c) Whenever sanitary sewer, water or gas connections, television cables, electricity or telephone lines are installed within the Project, and said connections, cables and/or lines serve more than one (1) Condominium Unit, the Owner of each Condominium Unit served by said connections, cables and/or lines shall be entitled to the full use and enjoyment of such portions of same as service his Condominium Unit.

(d) In the event of a dispute between Owners respecting the repair or rebuilding of the aforesaid connections, cables and/or lines, or the sharing of the cost thereof, upon written request of one (1) of such Owners addressed to the Association, the matter shall be submitted to the Board who shall decide the dispute, and the decision of the Board shall be final and conclusive on the Owners.

(e) Easements over the Project for the installation and maintenance of electric and telephone lines, water, gas, drainage and sanitary sewer connections and facilities, and television antenna cables and facilities, all as shown on the recorded map of the Project and as may be hereafter required or needed to service the Project, are hereby reserved by Declarant, together with the right to grant and transfer all or a portion of the same.

Section 2. Easements. Easements over the Project for the installation and maintenance of irrigation, electric, telephone, water, gas, cable television, computer/Internet wiring or cabling, and other utilities as needed, and sewer lines and facilities for access to adjoining property and for drainage facilities as shown on the recorded map of the Project and as may be hereafter required or needed to service the Project and/or adjacent property or other property of Declarant are hereby reserved by Declarant, together with the right to grant and transfer the same.

Section 3. Association's Duties and Rights Respecting Utilities. Except as otherwise specifically provided herein, the Association shall not provide or maintain facilities or provide utilities for its members. However, the Association may receive from the sewage district or other agency providing sewage services to the Project, a bill representing the total charges for sewage services for the Project. The Association shall bill the Owner of each Condominium for the Owner's share of the total bill as set forth in Article VII. Each Owner of a Condominium is deemed to
covenant and agree to pay such bill and if delinquent as defined in Article VII, is subject to the provisions of Article VII.

ARTICLE IX

SUSPENSION OF THE RIGHT OF PARTITION

Section 1. Suspension of the Right of Partition. Except upon the terms and conditions set forth in Section 2 below, the right of partition of the Common Area is hereby suspended, and the Common Area may not be partitioned. The suspension of the right of partition is subject to any applicable rule of law and shall in no event last later than June 30, 2102. Nothing herein shall be deemed to prevent partition of a co-tenancy in a Condominium; provided, however, that notwithstanding anything herein to the contrary, no Condominium in the Project shall be partitioned or subdivided without the prior written approval of the holder of any first mortgage lien on such Condominium.

Section 2. Judicial Partition of the Project. Subject to the provisions of Articles XV and XIX, those portions of the Project not owned by the Declarant may be partitioned and sold in part or as a whole (during or after the term of suspension of the right of partition as set forth in Section 1 above) pursuant to the provisions of Section 1359 of the California Civil Code, as the same may be amended from time to time, which currently provides in pertinent part that the court shall order partition under Subdivision (b) of Section 1359 only upon a showing of one of the following:

(a) 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.

(b) Three-fourths or more of the Project is destroyed or substantially damaged and Owners of the Condominiums holding in the aggregate more than a 50-percent interest in the Common Area oppose repair or restoration of the Project.

(c) The Project has been in existence more than 50 years, is obsolete and uneconomic, and the Owners of the Condominiums holding in the aggregate more than a 50-percent interest in the Common Area oppose repair or restoration of the Project.

(d) The conditions for such a sale as set forth in this Declaration and the Lease, have been met, including Declarant’s consent to such partition or sale.
ARTICLE X

INSURANCE

Section 1. Required Insurance Coverage. The Association, acting by and through the Board, shall obtain for the Association, and shall maintain and pay the premiums for the following insurance coverage:

(a) Property Insurance (Casualty and Fire Insurance). Unless otherwise maintained by the Declarant (at Declarant’s sole discretion), a policy or policies of casualty and fire insurance, in an amount equal to as near as possible one hundred percent (100%) of the current replacement cost (without deduction for depreciation or co-insurance) of the Association Property, together with all Improvements located therein (e.g., the condominium buildings, pool, spa, etc., except Improvements made by an Owner to the Exclusive Use Association Property) and including those portions of the Units consisting of fixtures, built-in or set-in appliances, cabinets and initial basic floor coverings as initially installed thereof in accordance with the original plans and specifications for the Project (specifically excluding upgrades [including initial upgrades installed by the Declarant at the request of the Owner] to any of the foregoing). Said policy or policies with respect to the Project and all Improvements located thereon and/or comprising a portion thereof, shall be primary and maintained for the benefit of the Declarant, Association, the Owners and the Mortgagees, as their interests shall appear. Such policy or policies shall be written in the name of and with the proceeds thereof payable to the Association and Declarant. If obtainable, the deductible shall be the lesser of Ten Thousand Dollars ($10,000) or one percent (1%) of the policy face amount. The coverage does not need to include land, foundations, excavations, or other items normally excluded from such coverage. Such policy or policies must contain, if required and if obtainable at a reasonable cost:

(1) A Replacement Cost and Inflation Guard Endorsement;

(2) Construction Code Endorsements (such as Demolition Cost Endorsement);

(3) Contingent Liability From Operation of Building Laws Endorsement;

(4) Increased Construction Endorsement if there is a construction code provision which would become operative and require changes to undamaged portions of the Association Property; and
(5) Any other special Condominium Endorsements that may be available or required.

(b) **Public Liability Insurance.** A policy or policies of comprehensive public liability insurance (with cross-liability endorsement, if obtainable) insuring the Association, the Board, Declarant, and the agents and employees of each of the foregoing, and the Owners, against any liability to the public or to any Owner, his family, tenants, lessees and their respective guests and invitees, arising from or incident to the ownership, occupation, use, maintenance and/or repair of the Common Property, and, if obtainable, from lawsuits related to employment contracts in which the Association is a party. The limits of liability shall not be less Two Million Dollars ($2,000,000) for bodily injury, including deaths of persons and property damage arising out of a single occurrence; provided further, that at all times the Association shall maintain the limits of liability required under California Civil Code Section 1365.9, as the same may be amended from time to time, for the purpose of securing civil liability protection for the Owners and Declarant.

(c) **Worker’s Compensation Insurance.** Worker’s compensation insurance to the extent necessary to comply with any applicable laws.

(d) **Directors’ and Officers’ Liability and Fidelity Bonds.** Directors’ and Officers’ errors and omissions insurance, and fidelity bonds naming all persons signing checks or otherwise possessing fiscal responsibilities on behalf of the Association, including but not limited to, officers, directors, the Board, trustees and employees of the Association, and officers, employees and agents of any management company employed by the Association who handle or are responsible for the administration of Association funds, if obtainable. Such coverage shall be in an amount deemed reasonably appropriate by the Association, but shall not be less than the estimated maximum funds in custody of the Association (or its management company), or twenty-five percent (25%) of the estimated annual operating expenses of the Project, plus reserves, whichever is greater. In addition, if the Association enters into an agreement for professional management of the Project, the Association shall require such company to submit evidence of its fidelity bond coverage to the same extent as the Association’s coverage. The Association shall be named as an additional obligee in the management agent’s bond and such fidelity bond coverage shall be primary and noncontributory with any fidelity bond coverage maintained by the Association.

**Section 2. Declarant as Additional Insured.** Pepperdine University shall be an additional insured under each of the foregoing insurance policies and any other policy of insurance.
maintained by the Association, and each such policy shall contain an additional insured endorsement for the benefit of Pepperdine University and shall be primary and noncontributory with any insurance maintained by Pepperdine University. Upon issuance or renewal of each of the foregoing policies, but in no case less than on an annual basis, Pepperdine University shall be provided by the agent or broker procuring such policies (or, if there is no agent or broker, the insurer(s) shall provide to Pepperdine University) an endorsement, certificate or certificates of insurance showing that the Association and Pepperdine University are or are not insured to the levels specified in Section 1 above.

Section 3. Optional Insurance Coverage. The Association, acting at its option and by and through the Board, may purchase such other insurance, indemnity and bond protection as it may deem necessary or appropriate, or as required by any applicable law, including, but not limited to, earthquake insurance and flood insurance. However, the Association shall be required to obtain any other insurance coverage required by the Lease.

Section 4. Waiver of Subrogation. Every policy of insurance obtained by the Association shall expressly waive any and all rights of subrogation by the insurer against Declarant, its representatives and employees, the Association, its officers, directors and employees, if such coverage is obtainable for a reasonable cost as determined by the Board.

Section 5. Notice of Cancellation of Insurance. All policies of insurance (including fidelity bonds) maintained by the Association, pursuant to this Article, shall contain a provision that coverage under said policies may not be cancelled, terminated, allowed to expire by their own terms or be substantially modified by any party without (a) at least thirty (30) days prior written notice to the Board, Declarant, each Owner, and such first Mortgagors (or servicers) who are named in the mortgage clause and/or have filed a written request with the Association for such notice; and (b) reasonable opportunity to cure any breach of the terms of the policy. A list of the Owners shall be made available by the Association to the insurance carrier upon request.

Section 6. Premiums, Proceeds and Settlement. The Association acting by and through the Board, and Declarant, jointly, shall have the exclusive right to adjust any loss under each of the foregoing policies. Insurance premiums for all blanket insurance coverage and any other insurance coverage which the Board has determined is necessary to protect the interests of the Declarant, Association and the Owners and their respective Mortgagors, shall be a Common Expense to be included in Regular Assessments levied by the Association. All insurance proceeds paid to the Association shall be disbursed as follows: (a) in the event of any damage or destruction to the Association Property, such proceeds shall be disbursed in accordance with the provisions of Article XV herein entitled "Destruction of the Property or Its Elements;" and (b) in
the event of any other loss, the proceeds shall be disbursed as Declarant and the Board shall deem appropriate, subject to the limitations set forth in Article XIX herein entitled "Lenders' Rights and Requirements." The Declarant and a majority of the Board must sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Association and its Members.

Section 7. Owners' Responsibility to Insure Personal Property and Unit Improvements and Fixtures. Each Owner shall obtain insurance coverage as separately agreed in writing between Declarant and Owners and as separately agreed in writing between any first Mortgagee and Owner, and shall be responsible for insurance on his personal property, improvements and fixtures not covered by the Association Master Policy, his personal property stored elsewhere on the Project, any additional living expenses and his personal liability to the extent not covered by the liability insurance for all the Owners obtained by the Association as provided above, in amounts not less than as agreed between Owner and Declarant, and Owner and any First Mortgagee. Nothing herein shall preclude any Owner from carrying any fire and casualty and public liability insurance as he may deem desirable to cover his individual liability for damage to person or property occurring on or within his individual Condominium Unit or elsewhere upon the Project. Such other policies shall not adversely affect or diminish any liability under insurance obtained by the Association. If any loss intended to be covered by insurance carried by the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Association to the extent of such reduction for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 8. Review of Coverage. The Board shall annually determine whether the amounts and types of insurance coverage that it has obtained pursuant to this Article and the Lease are adequate, and shall provide adequate coverage for the Project, based upon the then current construction costs, insurance practices in the area in which the Project is located, and all other factors which may indicate that either additional insurance coverage or increased coverage under existing policies is necessary or desirable to comply with the Lease and to protect the interests of the Association, Declarant, the Owners and their respective Mortgagees. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain the same.

Section 9. Waiver by Owners. As to all policies of insurance maintained by the Association which will not be voided or impaired thereby, each Owner hereby waives and releases all claims against the Association, the Board and the Declarant, and the agents and employees of each of the foregoing, and all other Owners with respect to any loss covered by such insurance, whether or not
caused by the negligence of, or breach of, any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss.

Section 10. **Trustees for Policies.** The Association and Declarant are hereby jointly appointed and shall be deemed trustees for the interests of all assureds under the policies of insurance maintained by the Association. All insurance proceeds under such policies shall be paid to the Declarant and Board, as joint trustees, and the Declarant and Board shall have full power to receive such funds on behalf of the Association, the Owners and their respective Mortgagees, and to deal therewith as provided for in this Declaration. The Declarant and the Board are authorized to negotiate and agree on the value and extent of any loss under any policy carried by the Association, including, but not limited to, the right and authority to compromise and settle any claim or enforce any claim by legal action or otherwise and to execute releases in favor of any insurer. Each Owner, by acceptance of a deed to a Unit irrevocably appoints the Association and Declarant as that Owner's attorney in fact for purposes of procuring, negotiating, accepting, compromising, releasing, settling, distributing, and taking other related actions in connection with any insurance policy maintained by the Association and any losses or claims related thereto and agrees to be bound by the actions so taken as if the Owner had personally taken the action.

Section 11. **Mortgage Clause.** To the extent available, all Association insurance policies should have the "standard mortgage clause," or equivalent endorsement, providing that coverage of a Mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the Mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Project is located. A mortgage clause in favor of Mortgagees holding Mortgages on Condominiums is not required on a policy insuring only the Association Property or property owned solely by the Association.

Section 12. **Required Waiver.** All policies of hazard and physical damage insurance obtained by the Association may provide, only if available at a reasonable cost to the Association as determined by the Board, in its sole discretion, for waiver of the following rights to the extent that the respective insurers would have the rights without such waivers:

(a) Any defense based on co-insurance;

(b) Any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;

(c) Any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Owner or any tenant of any Owner, or arising
from any act, neglect or omission of any named insured, or the respective agents, contractors and employees of any insured;

(d) Any right of the insurer to repair, rebuild or replace, and in the event the Condominium is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the improvements insured or the fair market value thereof;

(e) Notice of the assignment of any Owner of its interest in the insurance by virtue of a conveyance of any Condominium;

and

(f) Any right to require any assignment of any Mortgage to the insurer.

Section 13. Annual Notification of Insurance. The Association shall, upon issuance or renewal of insurance, but not less than annually, notify its Members and Declarant as to the amount and type of insurance carried by the Association. The Association shall further prepare and distribute to all its Members a summary of the Association’s insurance coverage pursuant to Section 1365 of the California Civil Code, as same may be amended from time to time.

ARTICLE XI

SUSPENSION OF THE RIGHT OF SEVERABILITY OF CONDOMINIUM

Section 1. Suspension. No Owner shall be entitled to sever his Unit from his undivided interest in the Common Area. Neither of such component interest may be severally sold, conveyed, encumbered, hypothecated or otherwise dealt with and any such attempt to do so in violation of this provision shall be void and of no effect. The suspension of this right of severability is subject to any applicable rules of law and shall in no event last beyond June 30, 2102. It is intended hereby to restrict severability in the manner provided in Section 1359 of the California Civil Code.

Section 2. Presumption of Entire Condominium Conveyance. Subsequent to the initial sales (grants of the Lease and Grant Deeds) of the Condominiums, any conveyance of a Condominium or any part or portions thereof or interest therein, by its Owner, shall be presumed to convey the entire Condominium, provided, however, that nothing contained in this Section shall be deemed to prohibit or restrict the creation, modification or transfer of leasehold interests permitted hereby or undivided interests in a Condominium, including without limitation, joint tenancies, tenancies in common and community property interests, but the creation, modification or transfer of any such undivided interest shall be and remain subject to the provisions of this Declaration.
ARTICLE XII

USE RESTRICTIONS

In addition to all other covenants, restrictions and limitations contained herein, the use of the Property and Condominium Units is subject to the following:

Section 1. **Private Dwelling.** Each Condominium Unit shall be used for residential purposes, except such temporary uses as shall be permitted by Declarant while the Project is being developed and Condominiums are being sold by Declarant; provided, however, that Declarant reserves unto itself, and its successors and assigns, together with the right to grant and transfer all or a portion of the same, for so long as Declarant owns any interest in the Project, the right to carry on normal sales activity on the Project, including the operation of models, sales office, design center, property management office, and parking area, provided Declarant shall not unreasonably interfere with any other Owner's use of the Common Property.

(a) **Drescher Units.** It is currently the intention of Declarant to retain ownership and title to two Units (i.e., Nos. 49 and 50), defined herein as the "Drescher Units," for so long as Declarant deems it desirable to do so. Declarant reserves unto itself, and its designated successors and assigns, the right to make the Drescher Units available to visitors, guests, invitees, students, and/or members of Declarant's administration, staff and/or faculty on a short term rental or lease basis on terms acceptable to Declarant (i.e., overnight lodging, short term rentals, or leases of any length acceptable to Declarant), provided that Declarant shall not unreasonably interfere with any other Owner's use of the Common Property. Except with respect to the rights of Declarant to continue to retain ownership and title to the Drescher Units, and to permit such lodging, rental or leasing of such Units to persons not necessarily qualified to own a Condominium at the Project for any length of time acceptable to Declarant, Declarant's use and ownership of the Drescher Units shall be subject to all of the other provisions of this Declaration, the Rules and Regulations and to any additional limitations imposed by any of the other Association management documents.

Section 2. **Common Property Use.** Use of the Common Property shall be subject to the provisions of this Declaration, the Rules and Regulations and to any additional limitations imposed by any of the other Association management documents, and to any additional limitations imposed by the Association.

Section 3. **Conduct Affecting Insurance.** Nothing shall be done or kept in any Condominium Unit or in the Common Property that will increase the rate of insurance on the Association Property without
the approval of the Association. No Owner shall permit anything to be done or kept in his Condominium Unit or in the Common Property which will result in the cancellation of insurance on the Association Property or which would be in violation of any law. If, by reason of the occupancy or use of said premises by the Owner, the rate of insurance to the Association Property shall be increased, the Owner shall become personally liable for the additional insurance premiums.

Section 4. **Accountability and Liability of Owners.** Each Owner shall be accountable to the Association, Declarant and all other Owners, their families, visitors, guests, and invitees, for the conduct and behavior of their children, any visiting children, and any invitees residing in or visiting his Unit. Each Owner shall also be liable to the Association, pursuant to the laws of the State of California, for any and all costs and expenses which may be incurred by the Association to repair any damage to the Common Property that may be sustained by reason of the negligent acts or omissions or the willful misconduct of said Owner or any member of his family, his guests, tenants, lessees, or their respective guests or invitees, whether minor or adult. Subject to Notice and Hearing and approval by a majority of the Board, any such costs and expenses shall be levied by the Board as a Compliance Assessment against such Owner.

Section 5. **Commercial Activity.** No business, commercial, manufacturing, mercantile, storage, vending or industrial operations of any kind shall be conducted in or upon any Condominium Unit or the Common Property, except such temporary uses as shall be permitted by Declarant while the Project is being constructed and Condominiums are being sold by the Declarant pursuant to a Final Subdivision Public Report. Notwithstanding the foregoing, this Section shall not preclude an Owner from maintaining a home-office and conducting business activities therefrom (excluding activities related to the Owners employment at Pepperdine University, which activities shall not be limited by this Section) so long as such Owner complies with the following conditions: (a) there is no external evidence of such activity; (b) such activities are conducted in conformance with all applicable government ordinances; (c) the patrons or clientele of such activities do not visit the Condominium Unit or park automobiles or other vehicles within the Project; (d) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside of the boundaries of the Condominium Unit; (e) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (f) such activities are consistent with the residential character of the Project and conform with the provisions of this Declaration. In no event, however, shall any Owner or the Association use a Condominium Unit as an office for the rental, resale or leasing of Condominiums without the prior written consent of Declarant.
Section 6. Signs. Subject to the provisions of California Civil Code Sections 712, 713, 1353.5 and 1353.6, and Government Code Section 434.5, as same may be amended from time to time, and except for the signs approved by the Board of Directors for the benefit of the entire Project, no sign of any kind shall be displayed in the public view on or from any Condominium Unit or the Common Property without the approval of the Board. The foregoing is not applicable to signs used by the Declarant or its agents in connection with the original construction and sale of the Condominium units.

Section 7. Exterior and Interior Installations and Structural Changes. No exterior installation of any kind, no structural alterations to the interior or exterior of any Unit, and no plumbing or electrical work within any bearing or party walls, shall be made by any Owner or occupant of the Project without the prior written consent of the Board and Declarant, except such works of construction by Declarant during the development and sale of the Project pursuant to a Final Subdivision Public Report. The Declarant, in its sole discretion, may determine that no exterior modification and/or interior structural alterations to any of the Condominium Units and/or the Condominium buildings shall be approved.

Section 8. Maintenance and Improvements. The Board, or its duly appointed agent, including the Manager, if any, shall have the exclusive right to paint, decorate, repair, maintain, alter or modify the exterior walls, balconies, railings, exterior door surfaces, roof, and all installations and improvements in the Common Property, and no Owner of a Condominium shall be permitted to do, or have done, any such work, except as otherwise specifically provided in this Declaration or allowed by written approval from the Board and Declarant. Notwithstanding the foregoing, neither the Board nor the Association shall have the right to alter or modify any exterior walls, balconies, railings, exterior door surfaces, roof, and all installations and improvements in the Common Property without the prior written consent of Declarant. No Owner shall install any temporary or permanent awnings, sunshades, screen doors, stationary play or gym equipment, antenna, wiring, cable, air conditioning equipment, solar heating apparatus or any other equipment, component, apparatus or structures in the Common Property and/or on the roof, wall, window, or any other external surface or portion of any building or other improvement constituting a portion of the Project, without the prior written approval of the Board and Declarant. Each Owner assumes all risks which may result from improvements he makes to his Condominium Unit, and each Owner indemnifies and holds harmless the Association, Declarant and each other Owner from any claim, demands, liabilities, judgments, attorneys’ fees and other obligations which arise out of or are incurred in connection with the installation, existence or removal of such improvements. This Section may not be amended, revoked or modified in any manner without the prior written approval of the
Declarant, which approval may be withheld in Declarant's sole and absolute discretion.

Section 9. Windows. No window in any Condominium Unit shall be covered in whole or in part, inside or outside, with aluminum foil, newspaper, paint, tint or any other material reasonably deemed inappropriate for such use by the Board; provided, however, an Owner may use plain white sheets to cover windows for a period not to exceed three (3) months after the close of escrow pending the installation of drapes, curtains, shutters or other appropriate interior window coverings. Subject to review and approval by the Board, an extension of three (3) months may be provided. The use and the covering of the interior surfaces of the glass doors and windows appurtenant to any Unit in the Property, whether by draperies, shades or other items visible from the exterior of the building, shall be subject to the Rules and Regulations of the Association; provided, however, that the exterior lining or surface of the draperies, shades or other covering items visible from the exterior shall be non-metallic and of white or other neutral color approved by the Board.

Section 10. Parking. All vehicles in the Project shall be parked in accordance with the following:

(a) All streets within the Project are private and subject to the Protective Covenants of this Declaration and the Lease, as well as all applicable laws, ordinances and regulations of all governmental agencies having jurisdiction over the Project. Any parking spaces in the Common Property (i.e., that are not included within or otherwise shown as part of a Unit on the Condominium Plan) including without limitation any streets within the Project, shall be used solely for parking of vehicles on a first-come, first-served basis to all guests, visitors and Owners. Notwithstanding the foregoing, no vehicle other than vehicles owned by Owners may be temporarily parked on any street or parking stall for more than twenty-four (24) hours. Parking in or obstructing any fire lanes, or along the streets in the Project, other than in designated parking areas, is strictly prohibited. The Board reserves the right to set reasonable rules and guidelines for the parking of vehicles owned by Owners and to assign, designate and allocate said parking spaces for the use of an Owner or Owners upon such terms and conditions and for such duration as the Board shall deem appropriate under the circumstances, but subject in each case to the written consent of Declarant as to the assignment, designation or allocation of such parking spaces.

(b) No garage or driveway may be sold or assigned to, or retained in the ownership of, any person not an Owner, and no garage or driveway may be rented or leased to a non-Owner except in connection with the lease of the Condominium pursuant to this Declaration. Without limiting the generality...
of the foregoing, no Owner shall park any large commercial type vehicle or any recreational vehicle (including, but not limited to, campers, motorhomes, trailers, boat trailers, mobile homes or other similar vehicles) in the Project, (including, but not limited to, driveways), unless wholly enclosed within an Owner’s garage, provided, however, camper trucks and similar vehicles, up to and including three quarter (3/4) ton, may be allowed to be parked in a wholly enclosed garage when used for everyday transportation, subject to approval by the Board and the written consent of Declarant.

(c) Each Owner shall keep his garage readily available for parking of his respective vehicle(s), and shall not store any goods or materials therein, nor use any portion thereof for a workshop or other use, if such storage or use would prevent said Owner from parking in the Owner’s garage all of the Owner’s vehicles and those of his family members, tenants, lessees and any other occupant of the Owner’s Condominium. It is the intent of this Section to require Owners, to the extent such Owners have automobiles in the Project, to park such automobiles in the garage when in the Project. The Board shall have no authority without the prior written consent of Declarant to permit or authorize a use of any garage that would prevent an Owner from parking in the Owner’s garage all of the Owner’s vehicles and those of his family members, tenants, lessees and any other occupant of the Owner’s Condominium. Garage doors shall remain closed at all times, except as reasonably required for entry to and exit from the garage. Each Owner is responsible for repair and replacement of his garage door and shall ensure that his garage door opener is in proper working order at all times and that the garage door is a roll-up type door in style and color approved by the Board.

(d) No repair, maintenance or restoration of any vehicle may be conducted on the Project except within an enclosed garage when the garage door is closed, provided such activity is not undertaken as a business, and provided that such activity may be prohibited by the Board if the Board determines that it constitutes a nuisance or is or may be unsafe. If any such repair, maintenance or restoration of any vehicle cannot be performed within an enclosed garage or performed safely when the garage door is closed, such repair, maintenance or restoration shall not be performed or permitted by any Owner, or those of his family members, tenants, lessees or any other occupant of the Owner’s Condominium.

Section 11. Regulation of Parking. Subject to the rights of the Association, through its officers, committees and agents, the Board is hereby empowered to enforce the parking limitations set forth herein by all means lawful for such enforcement, including, but not limited to, the levying of fines and the citing and towing of vehicles; however, the Board may not approve installation of speed
bumps unless written approval is obtained from the Declarant. The Board shall have the authority to tow away and store any vehicle or similar equipment parked in violation of the above limitations whether the same shall belong to any Owner or a member of his family or to any tenant, lessee, guest or invitee of any Owner. Charges for such towing and storing shall be assessed against the Owner of the Condominium who is responsible (the Board may deem an Owner "responsible" for his tenant, lessee, guest or invitee) for the violation of such restrictions, and such assessment may be enforced as a Compliance Assessment.

Section 12. Maintenance of Animals. No animals of any kind shall be raised, bred or kept in any Condominium Unit or in the Common Property, except that common domesticated dogs, cats, birds or other household pets, may be kept in each Condominium Unit in reasonable numbers as may be permitted by the Rules and Regulations adopted by the Board; provided, however, that no animal shall be kept, bred or maintained for any commercial purpose and shall not exceed any weight limitations, if any, established by the Board. As used in this Declaration, "reasonable numbers" shall ordinarily mean two (2) total pets (excluding fish, birds and other small household pets) per Condominium; however the Board may determine that a reasonable number in any instance may be more or less than two (2). Each Owner shall be responsible for cleaning up any excrement or other unclean or unsanitary condition caused by said animal in the Project. While walking or exercising an animal in the Project, the owner thereof shall at all times have readily available means to clean up any excrement or other unclean or unsanitary conditions caused by said animal. All permissible pets belonging to Owners, tenants, lessees or guests must be kept in the Condominium Unit, or, if the pet is temporarily in the Common Property, on a leash being held by a person capable of controlling the animal. The Association, upon the approval of a majority of the Board, shall have the right to prohibit maintenance of any animal within the Project that a majority of the Board deems constitutes a private nuisance to any other person. Every person bringing an animal upon or keeping an animal in the Project shall be liable pursuant to the laws of the State of California to each and all persons for any injury or damage to persons or property caused by such animal.

Section 13. Offensive Activities. Notwithstanding any other provision of this Declaration, no Owner shall permit or suffer anything to be done in the Project or kept upon such Owner’s Condominium which will increase the rate of insurance thereon or obstruct or interfere with the rights of quiet enjoyment of the other occupants of the Project, or annoy them by unreasonable noises (e.g., inappropriate use of horns, excessively barking dogs), or otherwise, nor shall any Owner or his family, lessees, guests and/or invitees commit or permit any nuisance, noxious or offensive activity, or any immoral or illegal act to be committed thereon or therein. Each Owner shall comply with all of the requirements of the local or State Board of Health and with all
other governmental authorities with respect to the occupancy and use of said premises.

Section 14. Trash. All rubbish, trash, and garbage shall be regularly removed from the Units by the Owners thereof, and shall not be allowed to accumulate thereon. Clotheslines, refuse containers, wood piles, storage areas and machinery and equipment shall be prohibited upon or in the Project, unless obscured from view of adjoining Condominiums and streets, by a fence or appropriate screen approved by the Board and Declarant; provided, however, that Declarant in its sole discretion may determine that no fences or screens shall be permitted to be constructed in the Common Area other than those originally installed by Declarant.

Section 15. Antenna, Radio and Electronic Equipment. No radio station or short wave operators of any kind shall operate from the Project. Except as otherwise provided by law, no Owner shall install or cause to be installed, or maintain any television, radio, or "Citizens Band" (C.B.) antenna, satellite dish or other similar electronic receiving or broadcasting device (including without limitation those devices having a diameter or diagonal measurement of one meter or less) in the Project in such a manner as to be visible from the Common Property, unless (a) approved by the Board (which approval for a video or television antenna, including a satellite dish, shall not be unreasonably withheld or delayed but may include restrictions that do not significantly increase the cost of the installation, maintenance or use of the device or significantly decrease its efficiency or performance or preclude reception of an acceptable quality signal); and (b) in compliance with all applicable California statutes (e.g., Civil Code Section 1376) and Federal Regulations, as each may be amended or revised. No satellite dish with a diameter larger than 36 inches (36") shall be approved by the Board without the prior approval of Declarant. No alteration to or modification of the radio and/or television antenna system, including without limitation, any satellite dish, as installed by the Declarant shall be permitted without the prior written approval of the Board and Declarant. Unless approved in writing by the Declarant, no satellite dish, antenna, shall be attached to the exterior portion (including the roof of any Condominium building.

Section 16. Miscellaneous. No basketball backboard or other fixed sports apparatus may be erected, altered or maintained on any Condominium building or in the Common Property except with the prior written approval of the Board. No fence or wall may be erected, altered or maintained on any Condominium or in the Common Property without the prior written approval of the Board and Declarant, provided, however that Declarant in its sole discretion may determine that no fences or screens shall be permitted to be constructed in the Common Property other than those originally installed by Declarant. No patio cover, wiring or air conditioning fixture, water softener or other devices may be installed on the exterior of a Unit or be allowed to protrude through the walls or...
roof of the residential structure without the prior written approval of the Board and Declarant. Except as otherwise allowed by this Declaration or as authorized in writing by the Board, no roof-mounted mechanical equipment shall be permitted in the Project. Except for customary household use of small hand tools, no power equipment, hobby shops or carpenter shops that create a nuisance for the other tenants shall be maintained in the Project, except with the prior approval of the Board. No clothes, sheets, blankets, laundry of any kind or other articles shall be hung out or exposed on any part of the Common Property or any balconies or porches constituting Exclusive Use Association Property of any Unit.

Section 17. Common Area Waste or Obstruction. There shall be no obstruction of any portion of the Common Property nor shall anything be stored in the Common Property without the prior consent of the Board, except as otherwise expressly provided for herein. No waste shall be committed in the Common Property.

Section 18. Storage. There shall be no parking or storage of baby carriages, playpens, bicycles, wagons, toys, vehicles, benches, chairs or any other items on any part of the Common Property, except that baby carriages, bicycles and other personal property may be stored in the storage area(s), if any, that may be designated by the Association for that purpose, except that any balcony, patio, and other recreational areas, if any, may be used for their customary purposes subject to the Rules and Regulations of the Association.

Section 19. Personal Business Records Permitted. No restrictions contained in this Article XII shall be construed in such a manner as to prohibit any Owner from (a) maintaining and using his personal professional library therein; (b) keeping his personal business records or accounts therein; (c) handling his personal or professional telephone calls or correspondence therefrom; and (d) engaging in certain professional activities therein as described in Section 5 of this Article XII, from within his Unit. Such uses are expressly declared to be customarily incident to the principal residential use and not in violation of any provision of this Article XII.

Section 20. Exploration for Minerals. No oil drilling, oil development operations, oil refining, quarrying, or mining operations of any kind shall be permitted upon or in the Project or any portion thereof, nor shall oil wells, tanks, tunnels, or mineral excavations or shafts be permitted upon the surface of any portion of the Project or within five hundred (500) feet below the surface of the Property, and no derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted upon any portion of the Project, except that boring for and maintaining one or more water wells may be permitted with the prior approval of the Board and Declarant.
Section 21. **Restrictions Applicable to Guests, Etc.** The use of any Condominium Unit and/or the Common Property, or any portion thereof, by any guest, invitee, lessee, sublessee, etc., of any Owner shall be subject to all of the provisions of this Declaration, including without limitation all of the use restrictions imposed under this Article XII, the By-Laws, the Lease and the Rules and Regulations of the Association, and the Association may proceed directly against such guest, invitee, lessee, sublessee, etc., in the enforcement of the provisions of this Declaration, the By-Laws, the Lease and/or the Association’s Rules and Regulations in the same manner as against an Owner. Owners shall inform all guests, invitees, lessees, sublessees, etc. of all applicable provisions of this Declaration, the By-Laws, the Lease and the Association Rules and Regulations in a timely manner. Furthermore, the Association and Declarant are authorized to inform all guests, invitees, lessees, sublessees, etc. of all such applicable provisions. In any event, all such guests, invitees, lessees and sublessees shall be deemed to have knowledge of these provisions.

Section 22. **Prohibited Restrictions.** No Condominium Owner shall execute or file or record any instrument that imposes restrictions upon the sale, leasing or occupancy of his Condominium on the basis of sex, age, handicap, race, color, creed, religion or national origin.

Section 23. **No Easements for View Purposes; Disclaimer.** Each Owner acknowledges and agrees that Declarant and its representatives, employees and consultants, have made no representations whatsoever concerning the view, if any, that a particular Condominium or other Improvement located on the Project will enjoy. There are no rights and no express or implied easements whatsoever appurtenant to any Condominium for view purposes or for the passage of light and air across any other Condominium or any property not within the Project, regardless of whether such Condominium is owned by Declarant. Each Owner accepting a deed to a Condominium hereby expressly acknowledges and agrees that the Condominiums, walls and fences constructed by Declarant, and further construction by Declarant, and landscaping, both within the Project and in the vicinity of the Project, may impair the view from such Owner’s Condominium, and each Owner hereby expressly consents to any such impairment. Each Owner further acknowledges and understands that property surrounding the Project may be developed or redeveloped in accordance with applicable standards of Pepperdine University, the City of Malibu, County of Los Angeles, and/or other governmental entities or agencies having jurisdiction of such property. Notwithstanding the foregoing, no Owner may erect any structure or apparatus or modify any Condominium building or Unit in a manner that results in the obstruction of any ocean or hill view of another Condominium, as determined by the Board and Declarant in their sole and absolute discretion.
Section 24. Hazardous or Toxic Waste. Nothing other than natural rainwater may be discharged into the storm drains and storm drainage system located on private or public property. The National Pollutant Discharge Elimination System (NPDES) and Section 5650 of the California Fish and Game Code prohibit, among other things, discharging anything other than natural rainwater into storm drainage systems. Toxic chemicals or hydrocarbon compounds such as gasoline, motor oil, antifreeze, solvents, paints, paint thinners, wood preservatives and other such fluids shall not be discharged into any street, public or private, or into storm drains or storm water conveyance systems. The Association's and each Owner's use and disposal of pesticides, fungicides, herbicides, insecticides, fertilizers and other such chemical treatments shall meet Federal, State and County requirements as prescribed on their respective containers. The Association and all Owners within the Project are required to comply with such restrictions.

Section 25. Right of Handicapped. Subject to this Declaration (including, without limitation, Section 7 of Article XII which requires the prior approval of the Board and Declarant, but provided that with respect to such approval of a modification or alteration proposed pursuant to this Section 25 of Article XII the consent of the Board and Declarant shall not be unreasonably withheld), each Owner shall have the right to modify his Condominium Unit and the route over the Common Property leading to the front door of his Condominium Unit, at his sole cost and expense, in order to facilitate access to his Condominium Unit by persons who are blind, visually handicapped, deaf, or physically disabled, or to alter conditions which could be hazardous to such persons; but subject in each case to the written consent of Declarant which said consent shall not be unreasonably withheld.

Section 26. No Warranty of Enforceability. While Declarant has no reason to believe that the Protective Covenants contained in this Article or elsewhere in this Declaration are or may be invalid or unenforceable for any reason or to any extent, Declarant makes no warranty or representation as to the present or future validity or enforceability of any such Protective Covenant. Any Owner acquiring a Condominium in the Project in reliance on one or more of such Protective Covenants shall assume all risks of the validity and enforceability thereof, and, by acquiring the Condominium, agrees to hold Declarant and its consultants harmless from any injury or damage therefrom.

Section 27. Levy of Compliance Assessments. In the event the Association shall incur any costs or expenses due to the failure of any Owner to perform his maintenance obligations as set forth in this Declaration, or in order to repair any damage to the Common Property, Exclusive Use Association Property or property owned or leased by the Association and/or Declarant due to any negligent acts or omissions or willful misconduct on the part of an Owner, or any member of his family, his guests, invitees, tenants or lessees, or their guests or invitees, the Association and Declarant shall
have the right, but not the duty, to cause such maintenance or repairs to be performed. If the Board or Declarant elects to cause such maintenance or repair work to be performed, after Notice and Hearing as provided in the By-Laws, the cost thereof shall be assessed against said Owner as a Compliance Assessment.

ARTICLE XIII

SPECIAL RESTRICTIONS UPON POSSESSION, OCCUPANCY AND USE OF UNITS

Section 1. Restrictions. Possession, occupancy and use of a Unit in the Project shall be limited to:

(a) Eligibility Criteria. Persons determined eligible in accordance with the policy and criteria of Pepperdine University (also referred to herein as "Declarant"). Each Owner acknowledges and understands that the Project is intended and dedicated to further the purposes of Pepperdine University by enhancing and encouraging the development of relationships among students, faculty, administrators and other members of the Pepperdine University community which transcend purely academic classroom activities and in furtherance of such purposes Declarant will, in its sole discretion: (i) restrict eligibility to certain faculty members, administrators, staff members and employees of Pepperdine University (ii) establish priorities among those deemed eligible and (iii) reserve and/or restrict certain designated Condominiums in the Project to certain persons or groups among those deemed eligible, such individual and group determinations to be made on the basis of factors relating to service to Pepperdine University. Upon determining or amending the above eligibility criteria, Declarant shall publicize and make such eligibility criteria available to the Association and to all persons deemed eligible under such criteria.

(b) Approved Sublessees. A person who is a sublessee under a sublease which has been approved by Declarant under Section 6 of Article XIV shall be a qualified person until the expiration or termination of the original term of his sublease unless an extension of his sublease has been approved in writing by Declarant, in which case said person shall be a qualified person until the expiration or termination of the approved extension period of the sublease. The term "sublease" is used in this Declaration interchangeably with the term "lease" to mean any leasing arrangement whereby an Owner of a Condominium rents or leases all or a portion of his Condominium to a third party.

(c) Approved Retirees. Any qualified Owner shall continue to be a qualified person notwithstanding his retirement from
employment by Pepperdine University only if such qualified Owner meets all of the following qualifications at the time of his retirement: 1) a retired person over the age of sixty-two (62) who on the day of retirement is otherwise a qualified Owner; 2) with not less than twenty (20) years of service with Pepperdine University at the time of retirement; 3) who has owned and occupied as his principal residence a Campus View I Condominium and/or Campus View II Condominium for a combined period of at least five (5) years during the seven (7) years immediately preceding his retirement from employment with Pepperdine University; and 4) whose purchase agreement for his Condominium expressly provides that said Owner, at his option, may continue to own and reside in his Condominium as a qualified Owner following said Owner’s retirement from employment by Pepperdine University.

(d) Surviving Spouse. The surviving spouse of a qualified Owner, but only if such deceased qualified Owner at the time of his death met all of the retirement eligibility requirements set forth in Section 1(c) above of this Article XIII. Such surviving spouse’s eligibility to own a Condominium as a surviving spouse shall terminate upon remarriage (unless such marriage is to a qualified person), whereupon such surviving spouse shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant or Association pursuant to the provisions Section 1(b) of Article XIV.

(e) Others for Limited Time Periods. Persons described in Section 3 of this Article XIII, for the limited periods stated in said Section 3.

Section 2. Disqualified and Unqualified Owners. Any person meeting the qualifications set forth in Section 1 of this Article XIII shall be a "qualified" person or a "qualified" Owner, as the case may be; any other person is disqualified or unqualified and is herein referred to as a "disqualified" person or Owner, or an "unqualified" person or Owner, as the case may be. The terms "disqualified" and "unqualified" are used interchangeably in this Declaration.

(a) Event of Disqualification. A qualified person or qualified Owner shall become disqualified if an event occurs which prevents such person or Owner from continuing to meet such qualifications, and such event is hereby defined as an "event of disqualification;" provided, however, that a change in eligibility criteria in Section 1(a) above of this Article XIII during a period of occupancy or use by a person or Owner who is qualified immediately before such change shall not in itself be deemed an event of disqualification; and provided that a change of jobs within the continued employment of Pepperdine University shall not be deemed an event of disqualification even though the new job does not meet the
then effective eligibility criteria, unless the employee had actual knowledge at the time he purchased his Condominium that a change of jobs within the continued employment of Pepperdine University could or would constitute a disqualifying event for such Owner.

Section 3. **Possession or Occupancy.** In order to achieve the intended purpose of the Project as stated in Section 1(a) of this Article XIII, the Condominiums are intended to be owned and occupied as primary residences by qualified persons, except as set forth below.

(a) **Possession and Occupancy by Unqualified Persons.** Any person who is not a qualified Owner may possess, occupy and use any Condominium, but only if: (1) such Condominium is owned and physically occupied by a qualified Owner as his principal residence, or a qualified person has rightful possession of, and is physically occupying, the Condominium under an unexpired sublease that has been approved by Declarant, and (2) such unqualified person is either: (i) related by blood, marriage, guardianship, or foster care to such qualified Owner or person, (ii) a full-time student at Pepperdine University during at least two trimesters of the academic year, (iii) employed as a domestic or nurse by such qualified Owner or person, or (iv) a full-time employee of Pepperdine University; provided, however, that a qualified Owner may sublease or sublet his Condominium with the prior written approval of Declarant to the persons and pursuant to the procedures set forth herein (e.g., Article XIV).

(b) **Subsequent Disqualification.**

(1) **Owners.** Any qualified Owner who, after the date on which he became an Owner, becomes disqualified and/or any unqualified Owner, shall promptly notify the Association and Declarant in writing of such disqualification and shall within four months (defined herein as 120 days) of the event of disqualification either (1) sell and transfer, pursuant to and subject to the requirements of Section 1(a) of Article XIV, such Owner's entire ownership interest in his Condominium, or (2) make an Offer to Declarant and Association, pursuant to Section 1(b) of Article XIV, to sell Owner's Condominium.

(A) **Disqualification Upon Death of Qualified Owner.** If the disqualification is the result of the death of a qualified Owner, as to the surviving spouse only, the initial four-month period set forth in Sections 1(a) and 1(b) of Article XIV shall in each and every case in this Article XIII be replaced by one year from the date of the death of the qualified Owner; provided, however, that if the surviving spouse meets the eligibility criteria...
set forth in Section 1(d) of this Article XIII, such surviving spouse shall remain eligible to own a Condominium until remarriage as set forth in Section 1(d) of this Article XIII.

(B) Failure to Comply. The disqualification of any Owner who fails to take one of the foregoing acts within such four-month period, shall not be deemed waived. Association or Declarant may at any time after the event of disqualification, give to the Owner a written notice that such Owner is disqualified and is subject to the provisions of Article XIII and Article XIV. If, within sixty (60) days after the giving of such notice by Declarant or Association or within four months after the event of disqualification, whichever date is later, the Owner does not sell such ownership interest to another qualified person pursuant to the provisions of Section 1(a) of Article XIV, then on such later date such Owner shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant or Association pursuant to the provisions of Section 1(b) of Article XIV. However, the making of such Offer or the giving of any notice hereinafore described shall not be a prerequisite to the enforcement of the provisions of this Article by Declarant or Association. Declarant, in its discretion reasonably exercised, may determine to extend the four-month period described above for up to an additional 120 days if said extension is requested in writing by the disqualified Owner more than thirty (30) days before the end of the initial four-month term. Such extension shall not be obligatory.

(2) Sublessees or Other Occupants. Any qualified person who is a sublessee, or otherwise is in possession, occupancy or use of, a Condominium under or through an Owner, and who thereafter becomes a disqualified person under the standards set forth in this Article XIII shall within ninety (90) days after the event of disqualification surrender possession of the Condominium, and, on the earlier of the date of surrender or on the ninetieth (90th) day after the event of disqualification, any such sublease, subletting or right of possession or occupancy shall automatically terminate without act or liability of the Owner, Association or Declarant.

(3) Beneficiaries. If an Owner shall transfer, assign or pass title, ownership, possession, occupancy or use of his Condominium by gift or death to any unqualified person or entity, or to his spouse in any marital settlement, proceeding, agreement or decree, then such
beneficiary within four months of any such transfer, assignment or pass of title, shall: (i) provide to Declarant and the Association proof reasonably satisfactory to them that the beneficiary is a qualified person under this Article XIII, or (ii) sell the Condominium by following the procedures and requirements of Section 1(a) or 1(b) of Article XIV. If a beneficiary shall fail within the time allowed therefore to follow any one of the foregoing procedures, then Association or Declarant shall give to beneficiary notice of such failure to comply, whereupon such beneficiary shall be deemed to have made an irrevocable Offer to sell his Condominium to Declarant or Association pursuant to the provisions Section 1(b) of Article XIV, or if only possession, occupancy or use has been transferred to the beneficiary, the beneficiary shall immediately surrender possession, occupancy and use of the Condominium and any right of possession, occupancy or use shall automatically terminate without further act or liability of the Owner, Association or Declarant. However, the making of such irrevocable Offer or the giving of any notice hereinabove described shall not be a prerequisite to the enforcement of the provisions of this Article by Association, Declarant or any person. If, however, title, possession, occupancy or use is passed to a spouse as a result of the death of a qualified Owner, as to the surviving spouse only, the surviving spouse shall in each and every case be allowed a time period of one (1) year from the date of death of the qualified Owner to complete the sale of the Condominium and/or surrender possession, occupancy and use of such Condominium, unless such surviving spouse meets the retirement eligibility requirements set forth in Section 1(d) of this Article XIII, in which case such surviving spouse shall remain eligible to own a Condominium until remarriage as set forth in Section 1(d) of this Article XIII.

(4) Unqualified Owners. An Owner who is unqualified for any reason at the time he becomes an Owner (including without limitation, any Mortgagee, or Foreclosure Sale Purchaser [as defined herein]), shall within four months of the transfer of title to such unqualified Owner: (i) provide to Declarant and the Association proof reasonably satisfactory to them that the unqualified Owner is or has become a qualified Owner under this Article XIII, or (ii) sell the Condominium pursuant to the procedures and requirements of Section 1(a) or 1(b) of Article XIV. If an unqualified Owner shall fail within the time allowed to follow any one of the foregoing procedures, then Association or Declarant shall give to such unqualified Owner notice of such failure to comply, whereupon such unqualified Owner shall be deemed to have made an irrevocable Offer to sell his Condominium to
Declarant and/or Association pursuant to the provisions of Section 1(b) of Article XIV. However, the making of such Offer or the giving of any notice hereinabove described shall not be a prerequisite to the enforcement of the provisions of this Article by any person, the Association, or Declarant. Declarant may, in its discretion, temporarily waive the lack of qualified status of any Owner and such unqualified Owner may continue to own, possess, occupy and/or use the Condominium, but only until Declarant notifies such unqualified Owner in writing that Declarant's temporary waiver has been revoked, in which event the preceding provisions of this Section 3 of Article XIII shall immediately apply. It is the intent of this Section 3 of Article XIII to prohibit ownership, possession, or occupancy of any Condominium by an unqualified person or entity and, to the extent an unqualified person or entity becomes an Owner of a Condominium (regardless of the means or procedure by which such unqualified Owner acquired title to the Condominium), to require that such Owner promptly sell the Condominium to a qualified person, Association or Declarant according to the provisions and procedures set forth in Articles XII and XIV within the time parameters set forth in this Section 3 of Article XIII.

(5) Irrevocable Offers. Anytime an Owner is (i) disqualified upon purchase or acquisition of title to a Condominium, (ii) subsequently becomes disqualified following purchase or acquisition of title to a Condominium, or (iii) ceases to permanently occupy his Condominium as his principal residence, the Owner shall be deemed to have made an irrevocable Offer as of the date of disqualification or cessation of permanent occupancy. to sell his Condominium to Declarant or Association pursuant to the provisions of Section 1(b) of Article XIV.

Section 4. Possession, Occupancy and Use. No person shall be deemed to possess, occupy or use a Condominium for purposes of this Article if he does not reside in the Condominium or otherwise physically occupy or use it from time to time. A qualified Owner's failure to occupy his Condominium as a principal residence shall be deemed an event of disqualification, unless he has subleased the Condominium pursuant to a sublease approved in writing by Declarant.

Section 5. Enforcement of Article XIII. Declarant, as well as any Owner, the Association and any governmental agency which has authority with respect thereto under any permit or other authorization pertaining to the Project, may enforce the provisions of this Article by appropriate action, including but not limited to all remedies provided in Articles VI and VII of this Declaration.
Section 6. Amendment of Article XIII. The provisions of this Article XIII shall not be amended or repealed without both the written consent of Declarant and the vote of at least of two-thirds (2/3) of the Total Voting Power of the Owners of all Condominiums in the Project, and, as to any such provisions that are required under or by reason of any governmental permit or other governmental authority, any governmental agency that has authority to enforce such provisions of this Article XIII.

ARTICLE XIV

LIMITATIONS ON TRANSFER

Section 1. Limitations on Transfer. Transfer and/or acquisition of leasehold and fee interests in all of the Condominiums shall be subject to the following limitations, restrictions and obligations:

(a) Transfer Upon Bona Fide Offer from Third Party. In the event an Owner shall wish to sell and assign his interest in a Condominium and shall have received a bona fide offer consistent with the terms of subsection (c) hereof from a prospective qualified purchaser, Owner shall give both Declarant and the Association written notice of such bona fide offer, together with an executed copy of such bona fide offer. Such documents must be accompanied by written documents reasonably satisfactory to Declarant and the Association showing that the prospective purchaser is a qualified person under Article XIII. Any such notice given by the Owner shall constitute an irrevocable Offer to the Declarant and to the Association to sell Owner’s Condominium to the accepting party on the terms set forth in subsection (c) hereof.

(1) Acceptance by Declarant or Association. Declarant shall have the right to purchase the Condominium by giving a written acceptance notice to Owner, with a copy to the Association, within ten (10) business days after Declarant’s actual receipt of a complete copy of such bona fide offer and documents. If within such ten (10) day period Declarant fails to give such acceptance notice to Owner and the Association, then the Association shall have the right to purchase the Condominium by giving a written acceptance notice to Owner with a copy to Declarant, within fifteen (15) business days after the Association’s actual receipt of a complete copy of such bona fide offer and documents. Any such acceptance notice given by Declarant or Association shall constitute a binding acceptance of Owner’s irrevocable Offer to sell on the terms set forth in subsection (c) hereof.

(2) Right of First Refusal by Qualified Persons. In the event neither Declarant nor Association accept an
irrevocable Offer made by an Owner pursuant to this Section 1 within the time allowed, all qualified persons shall have the right of refusal to purchase a selling Owner’s Condominium in the order of their priority as determined in the sole discretion of Declarant on the terms set forth in subsection (c) hereof; provided, however, that such right of refusal shall not preempt or otherwise limit the right of Declarant or Association to purchase as described hereinabove. Declarant shall establish and publish appropriate rules for timely exercise of such rights of refusal.

(3) Purchase by Qualified Person. In the event that neither Declarant nor Association accept an irrevocable Offer made by an Owner pursuant to this Section 1 within the time allowed, and that none of the qualified persons who have priority over the prospective qualified purchaser exercise their right of refusal to purchase the Condominium, Owner may sell his Condominium to such prospective qualified purchaser upon the terms set forth in subsection (c) hereof. The failure of Declarant and Association to accept such irrevocable Offer and the subsequent sale of such Condominium to such qualified purchaser shall not constitute a waiver of the restrictions set forth in Article XIII, and the use, possession and occupancy of such sold Condominium shall continue to be subject to, among other things, the provisions of said Article XIII, and all other provisions of this Declaration. The failure of or refusal by the Declarant or Association to exercise the rights given by this subsection with respect to one bona fide offer shall not constitute or be deemed to be a waiver of such rights in the event of any subsequent bona fide offer.

(b) Transfer Upon Offer to Declarant or Association. In the event an Owner desires or is required under Article XIII or this Article XIV to sell and assign his Condominium but such Owner does not have a bona fide offer to submit in accordance with the procedures set forth in Section 1(a) above, then such Owner shall make or shall be deemed to have made, as the case may be, an irrevocable Offer to Declarant and to Association to sell Owner’s Condominium to the accepting party on the terms set forth in subsection (c) hereof.

(1) Acceptance by Declarant/Association. Declarant shall have the right to purchase the Condominium by giving an acceptance notice to Owner, with a copy to the Association within ten (10) business days after Declarant’s receipt of Owner’s written irrevocable Offer or within ten (10) business days after the Offer is deemed to have been made, as the case may be. If within such ten (10) business day period the Declarant fails to give such acceptance notice to Owner and the Association,
then the Association shall have the right to purchase the Condominium by giving an acceptance notice to Owner within fifteen (15) business days after the Association’s receipt of Owner’s irrevocable Offer or within fifteen (15) business days after the Offer is deemed to have been made, as the case may be. Any such acceptance notice given by Declarant or Association shall constitute a binding acceptance of Owner’s irrevocable Offer on the terms set forth in Section 1(c) hereof. In the event neither Declarant nor the Association timely accept an Offer required or deemed to have been made by an Owner as a result of an event of disqualification, the event of disqualification may be temporarily waived in writing by Declarant, and Owner shall not be required to sell and assign his Condominium until such temporary waiver is revoked in writing by Declarant or a subsequent event of disqualification occurs. Declarant may revoke such temporary waiver of a disqualified Owner at any time whether or not an additional event of disqualification has occurred. Upon a subsequent event of disqualification, or if Declarant revokes such temporary waiver, the disqualified Owner shall be subject to, and must follow the procedures set forth Article XIII and this Article XIV pertaining to the sale of Condominiums by disqualified or unqualified Owners.

The failure of or refusal by the Declarant or Association to exercise the rights given by this Section 1(b) with respect to one such irrevocable Offer shall not constitute or be deemed to be a waiver of such rights under Section 1 of this Article XIV in the event of any subsequent irrevocable Offer.

(c) Terms of Transfer. If an Offer made pursuant to subsection (a) or (b) of this Section 1 is accepted, the terms of purchase and sale to Association or Declarant or any other purchaser permitted herein, as the case may be, shall be as follows: The purchase price shall be the value of the Condominium as determined under Section 3 of this Article XIV (the “Section 3 Price”). If sale is to the Association or Declarant, the closing of any such sale shall occur not less than 30 days nor more than 90 days from date of acceptance of Owner’s Offer or as mutually agreed. Proceeds of the purchase price due to Owner shall be applied as follows:

1. Prorated assessments to date of closing, shall be paid from the Owner and purchaser proceeds. All delinquent assessments, late fees and penalties assessed by the Association against the Owner shall be paid to the Association from the Owner proceeds prior to the closing.

2. Amounts due to Owner’s Mortgagees as their interests may appear, or by assumption of the mortgage(s), as
desired and arranged by the Purchaser and as agreed to by the Mortgagee.

(3) Amounts due to Owner's lien holders as their interests may appear.

(4) Closing costs customarily charged to sellers including by way of example but not limitation, title insurance premiums, documentary transfer tax, association transfer fees, and escrow fees unless mutually agreed otherwise in writing.

(5) A reasonable repair and cleaning allowance (the "Repair Allowance") shall be withheld by Declarant in order to ensure that the Unit and its component parts conform to a "high standard of habitability and maintenance" if the repairs and cleaning are to be performed by Declarant after the close of escrow. Declarant is authorized to use any such funds withheld to ensure that the Unit and component parts conform to such standard, and to pay itself a surcharge not to exceed twenty-five percent (25%) of the total costs incurred to bring the Unit to such standard if Declarant arranges, administers and/or oversees the work ("Repair Surcharge"). Declarant may from time to time publish written procedures and guidelines for implementation and enforcement of the Owner's obligation to maintain the Condominium in a "high standard of habitability and maintenance" throughout his ownership of the Condominium and to deliver the Condominium at the time of sale in a condition that meets such standard. When applying this standard, the age of the Unit and its component parts shall be taken into consideration. Such written procedures and guidelines shall include the following:

(i) an obligation on the part of the Declarant and Owner to inspect the Unit (such inspection to be conducted jointly, if possible) prior to closing escrow to determine the need for repairs and cleaning for purposes of giving the seller an opportunity to do any required cleaning or repairs; (ii) a final inspection to determine that the Unit conforms to the "high standard of habitability and maintenance;" (iii) a provision that Declarant return to seller within a reasonable time any portion of the Repair Allowance withheld that exceeds the amount necessary to bring the Unit within conformance with the foregoing standard, plus the Repair Surcharge. The foregoing policy and Repair Allowance provisions shall not preclude the Declarant from pursuing any remedy under law to recover damages that exceed the amount withheld. Any defects documented at or prior to purchase of a Unit will not be required to be repaired by the subsequent Owner, unless the parties to the transaction agree otherwise in writing. All Owners shall have thirty
(30) days from the close of escrow for their purchase of a Condominium to submit a list to Declarant of all verifiable defects existing at the time of their purchases, subject to approval of Declarant.

(6) Remainder to Owner.

Real property taxes and assessments are to be prorated to the date of the closing. The purchase, possession, occupancy and use of the Condominium shall be subject to all the terms and conditions herein.

Section 2. Exceptions to Limitations on Transfer. Except as provided below in subparagraphs 2(a) and (b), the provisions of Section 1(a) and (b) of this Article XIV shall not apply to a bank, insurance company, savings and loan association, credit union, pension trust, mortgage banker or other bona fide lender, mortgage insurer, or any guarantor or assignee of any of the foregoing (including Declarant), at the time it acquires its title to a Condominium in the Project as the result of owning a mortgage upon the Condominium Unit concerned, and this shall be so whether the title is acquired by deed from the mortgagor (or by his successor in title) or through foreclosure proceedings. The provisions of Section 1(a) and (b) of this Article XIV above shall also not apply, except as provided below in Section 2(a) and (b), to a purchaser (the “Foreclosure Sale Purchaser”) when such purchaser acquires title to a Condominium at a duly advertised public sale with open bidding which is provided by law, such as, but not limited to, execution sale, foreclosure sale, judicial sale or tax sale (the “Public Sale”). However, all provisions of the Governing Documents, including but not limited to Section 1(a) and (b) of this Article XIV shall apply to a subsequent sale or transfer by the Foreclosure Sale Purchaser or by a bank, insurance company, savings and loan association, credit union, pension trust, mortgage banker or other lender, or mortgage insurer or any guarantor or assignee of the foregoing, which acquires title as provided above.

Any Owner who obtains title to a Condominium, including a Foreclosure Sale Purchaser and/or any of its assignees or transferees, who is not a qualified Owner under Article XIII of this Declaration shall be subject to all of the provisions set forth in the Governing Documents, including, but not limited to, all provisions set forth in Articles XIII and XIV, relating to limitations and restrictions on ownership, transfer, pricing and resale of the Condominiums. Among other things, such unqualified Owner shall be obligated to sell the Condominium to a qualified Owner, the Declarant or the Association within one hundred and twenty (120) days of taking title to the Condominium pursuant to the provisions of Section 1(a) and (b) above at the indexed price set forth in Section 3 of this Article XIV.

(a) Public Sale. In addition, prior to any Public Sale of a Condominium, Declarant shall provide to the party conducting the Public Sale a written statement, upon which the party
conducting the Public Sale shall be entitled to rely without further investigation, containing the value of the Condominium being sold at the Public Sale, as determined pursuant to Section 3 of this Article XIV (defined herein as the "Section 3 Price") and the purchase priority of all qualified persons listed with Declarant pursuant to procedures to be established from time to time by Declarant in its sole discretion.

If, and when, the bidding at the Public Sale reaches the Section 3 Price, the party conducting the Public Sale shall sell the Condominium to the highest priority qualified person shown on the above-described written statement of the Declarant who shall bid the Section 3 Price; provided, however, that if the Section 3 Price is less than the maximum amount which the foreclosing lender would be entitled to bid as a credit bid at the Public Sale ("maximum credit bid"), the bidding shall continue as long as bidding continues up to and until the maximum credit bid is reached, at which point the highest priority qualified bidder, as described above, if any, shall be entitled to purchase the Condominium. If no qualified person bids the Section 3 Price, or the maximum credit bid, as described above, the Condominium shall be sold to the first unqualified person who bids the Section 3 Price, or if greater than the Section 3 price, the maximum credit bid; provided, however, that such purchaser shall acquire title to said Condominium subject to all of the Protective Covenants contained in this Declaration, including, but not limited to the restrictions and limitations on ownership and transfer of such Condominium set forth in Articles XIII and XIV herein, and shall be required to sell the Condominium to a qualified Owner, Association or Declarant within one hundred and twenty (120) days of obtaining title, pursuant to subparagraphs 1(a) and 1(b) of Article XIV and as provided in Section 3 of Article XIII. In the event the bidding does not reach the Section 3 Price, but one or more qualified persons and an unqualified person bid the same highest amount then the party conducting the Public Sale shall deliver the property to the qualified person having the highest purchase priority.

(b) Certification of Compliance. Upon written request of any prospective transferor, purchaser, tenant or an existing or prospective mortgagee, transferee, or beneficiary of any Condominium, the Association and Declarant shall within fifteen (15) days thereof issue a written and acknowledged certificate in recordable form, evidencing, if such be the case:

(1) With respect to the proposed sale under this Article, that proper Offer was made by the selling Owner and that the Association and Declarant did not elect to exercise their right to purchase;
(2) With respect to a transfer to a beneficiary, that proper notice was given by the beneficiary after his acquisition of title, and that the Association and Declarant did not elect to exercise their right to purchase; or

(3) That a deed in lieu of foreclosure was in fact given in lieu of foreclosure.

Section 3. Indexed Valuation of Condominium. The value of the Condominium shall be limited to the lesser of:

(a) Actual market value; or

(b) A value according to the following formula:

Base Price x Sales Index/Purchase Index = Adjusted Base Price (provided, however, that the Adjusted Base Price shall not exceed the Base Price by an amount that is more than six percent (6%) per annum, compounded annually, applicable to the period that begins when the Base Price is calculated and ends when the sales agreement is fully executed for the sale of the Condominium Unit from the faculty/staff member, as seller, to Pepperdine University, as buyer. For any period less than a full year, Pepperdine will prorate the rate of return monthly to the nearest full month prior to the date when the sales agreement is fully executed.

Adjusted Base Price + Approved Capital Improvements = Sales Price ("value of the Condominium")

1. Definition of Base Price. The "Base Price" shall be the purchase price less amounts included in the purchase price that represent Approved Capital Improvements and Upgrades (as defined below).

2. Definition of Sales Index. The Sales Index shall be the Price Adjustment Index (as defined below) calculated using the price data most recently received by Declarant as of the date the sales agreement is fully executed.

3. Definition of Purchase Index. The Purchase Index shall be the Price Adjustment Index (as defined below) calculated using the price data most recently received by Declarant as of the date the purchase agreement is fully executed.

4. Definition of Price Adjustment. The Price Adjustment Index shall be equal to the equally weighted (i.e., mean) average of (a) the "Housing Price Index," which, except as provided in clause (ii) below, is defined as the four-year rolling average of the combined mean average of the Median Sales Prices of Existing Homes
in both the "Los Angeles Area" and the "Ventura Area" as published monthly by the Planning, Research and Economics Division of the California Association of Realtors (the "Median Sales Prices"); and (b) the four-year rolling average of the Faculty Salary Index for four-year private universities and colleges as published annually in the March edition of the Bulletin of the American Association of University Professors (the "Faculty Salary Index"). The Faculty Salary Index shall be converted by Declarant to a monthly index in order to average it on a comparable basis with the Housing Price Index.

In the event the California Association of Realtors fails to publish the Median Sales Prices for a particular month or consecutive months, the missing price(s) will be determined by prorating on a straight-line basis the difference between the price immediately prior to the missing price(s) and the price immediately following the missing price(s).

In the event that either of the indices used to calculate the Price Adjustment Index is hereafter discontinued, ceases to be published regularly, is materially modified or otherwise in the judgment of Declarant becomes inappropriate for the purpose stated herein, Declarant shall from time to time select another comparable regularly published index or indices or other statistical indicator that will serve to fulfill the below stated intent.

(5) Definition of Approved Capital Improvements and Upgrades. The term Approved Capital Improvements and Upgrades shall mean and refer to the aggregate of the depreciated value of each capital improvement made by the Owner that Declarant approved in writing as an Approved Capital Improvement or Upgrade, not to exceed ten percent (10%) of the sale price of the Unit. Declarant, in its sole discretion, shall determine whether or not an improvement qualifies as a capital improvement and shall also determine its depreciable life. All depreciation shall be calculated on a straight-line basis. Such improvements and upgrades shall not be considered "approved" unless Declarant in its sole discretion determines in writing that the proposed capital improvement or upgrade enhances the marketability of the Unit and qualifies for credit under the Capital Improvement and Upgrade schedule established and maintained by Declarant. The Capital Improvement and Upgrade schedule shall set limits and controls as to the type, timing and availability of Capital Improvements and Upgrades credits available for each Condominium Unit for purposes of maintaining affordability of the Units. Declarant may modify such schedule from time to time in
its sole discretion. An Owner or prospective purchaser of a Unit may obtain a copy of the schedule from Declarant upon written request. In addition to all other approval requirements contained in the Declaration, for the purpose of determining whether an improvement or upgrade shall be an Approved Capital Improvement or Upgrade (for inclusion in the value of the Condominium), each capital improvement or upgrade intended to be made by an Owner must be approved in writing by the Declarant prior to the commencement of construction or installation of such Approved Capital Improvement or Upgrade upon not less than thirty (30) days advance notice to the Declarant.

Section 4. Pricing Adjustments By The Declarant. Declarant shall be permitted to adjust the price of any Unit it owns, to its detriment or benefit, for the purposes of aligning the Base Prices and current value of Approved Capital Improvements and Upgrades on similar Units and/or generally reducing the prices of the Units to make them more affordable.

Section 5. Intent. It is the purpose of this resale price restriction and the selection of the above designated Price Adjustment Index to allow the initial and subsequent Owners of the Condominiums in the Project to maintain relative parity as to changes in the value of their Condominiums with housing of similar type in geographically and demographically similar residential real estate markets and yet to retain resale prices, if possible, in a range of affordability for members of the Pepperdine University community. In no event shall a purchaser pay any money, transfer any asset, or provide any service to a seller that is not fairly valued, paid through escrow, and considered part of the value of the Condominium as set forth in this Article XIV.

Section 6. Subleasing of Units. Since it is the primary purpose of these Restrictions to establish a residential community occupied by certain eligible faculty members, administrators, staff members and employees of Pepperdine University whose primary residence is the Condominium Unit, subleasing the Condominium Unit is permitted only with the prior written approval of Declarant; provided, however, that the provisions of this Section VI of Article XIV shall not apply to Declarant's leasing or rental of either of the Drescher Units, so long as Declarant owns such Units.

(a) Circumstances and Conditions of Permitted Subleases. Subleases of Condominiums may be permitted by Declarant in its discretion reasonably exercised subject to the following circumstances and conditions:

(1) A Condominium may be subleased by a qualified Owner to a qualified person(s) for a maximum of one year (including extensions and any successive subleases) from the date of leave of absence or the date temporary duty
at another location begins, or in any other circumstances, from the date in which said Owner ceases to occupy the Condominium as his principal place of residence.

(2) A Condominium may be subleased by a qualified Owner to a qualified person(s) for an initial and successive terms not to exceed one year each (including options to extend) who is/are required in their present positions (at the time of sublease or extension) to reside in Pepperdine University provided housing.

(3) A Condominium may be subleased by a qualified Owner to a qualified person(s) on a month-to-month basis during any period from the time the Condominium is initially offered to the Association or Declarant for purchase until the close of escrow on a sale to the Association or Declarant.

(4) A Condominium may be subleased by a qualified Owner to a qualified person(s) on terms different from those provided in (1), (2), and (3) above with the prior written consent of Declarant.

(5) A Condominium may be subleased for a period of one year or less by a qualified Owner to a person who otherwise would not be a qualified person only with the prior written consent of Declarant which said consent shall be subject to the provisions of Section 6(b) below.

(6) Declarant may sublease one or more units to full-time students at Pepperdine University.

(b) Consent of Declarant. In giving or withholding its consent to any sublease, Declarant's decision shall give due consideration to the policies reflected in the restrictions set forth in Article XIII hereof. Declarant shall not approve a sublease by a qualified Owner to an unqualified person unless: (i) the Owner satisfies the Declarant that the Owner's absence from the Project is not contemplated to be longer than one (1) year; (ii) the Owner provides satisfactory proof to Declarant that after reasonable notice no qualified person is available who is willing to sublease the Condominium for the same length of time; and (iii) the unqualified person who is the proposed sublessee is a student, employee, faculty or staff member of Pepperdine University. Nothing herein shall be construed to prevent Declarant from imposing different or additional requirements or prohibitions with respect to subleasing or subletting, or assignment or sale or other transfer of Owner's possession of occupancy or use of a Condominium. Any leases or subleases in violation of these provisions shall be null and void.

(c) Sublease Profit Restriction. In no event shall the monthly rental under any sublease provided for in Subparagraphs (a)(1) through (6) of Section 6 above exceed one percent (1%) of the Section 3 Price of the Unit being subleased at anytime during the sublease period, including
extensions. Any rent received under any sublease referred to hereinabove in excess of said one percent (1%) of such value shall be paid forthwith to Declarant.

(d) Submission of Sublease Documentation to Declarant. In the event any qualified Owner wishes to sublease his Condominium to a qualified person pursuant to Subparagraphs (a)(1) through (4) immediately above, the Owner shall first provide to Declarant proof reasonably satisfactory to them that the proposed sublessee is a qualified person under Article XIII. To be binding, leases for periods during which the qualified Owner is absent must be submitted to Declarant for approval in accordance with all the provisions of the restrictions set forth herein. The consent or denial of approval of such leases shall be granted or denied by Declarant within two weeks of receipt.

Section 7. Prohibited Transfers. In the event any Owner shall attempt to sell or assign or otherwise transfer, to any person other than a beneficiary, the Owner’s Condominium without making the offer described in Subparagraphs 1(a) and (b) of this Article XIV, and otherwise following the procedures set forth in this Article XIV, such attempted or purported sale, assignment or transfer shall be wholly null and void and shall confer no title or interest whatsoever upon the intended purchaser or transferee. In the event any Owner shall attempt to sublease or otherwise transfer a portion of his interest in or right to possession of his Condominium without following the appropriate procedure set forth herein, such sublease or other transfer of estate and right to possession shall be wholly null and void and shall confer no title or interest or right of possession or occupancy whatsoever upon the intended sublessee or transferee.

Section 8. Termination of Article XIV. This Article shall cease to have any effect or confer any power on any person with respect to a particular Condominium on or after June 30, 2102, except as may be specifically provided in any extensions by Declarant.

Section 9. Enforcement of Article XIV. Declarant, as well as any Owner, the Association and any governmental agency which has authority with respect thereto under any permit or other authorization pertaining to the Project, may enforce the provisions of this Article XIV by appropriate action, including but not limited to all remedies provided in Articles VI and VII of this Declaration.

Section 10. Amendment of Article XIV. The provisions of this Article XIV shall not be amended or repealed without the vote or written consent of Declarant and of two-thirds (2/3) or more of the Total Voting Power of the Owners of all Condominiums in the Project, and, as to any such provisions that are required under or by reason of any governmental permit or other governmental
authority, any governmental agency that has authority to enforce such provisions of this Article XIV.

Section 11. Effect of Article XIV. Nothing in this Article XIV, and no act or failure to act of any person under the provisions of this Article XIV, shall affect or work to limit, suspend, or abridge the provisions of Article XIII.

ARTICLE XV

DESTRUCTION OF THE ASSOCIATION PROPERTY OR ITS ELEMENTS

Section 1. Partial Destruction of Association Property. In the event of partial destruction of the Association Property, it shall be the duty of the Association to restore and repair the same to its former condition as promptly as practicable and in a lawful and workmanlike manner in accordance with the Lease and this Declaration. The proceeds of any insurance shall be made available for such purpose subject to prior rights of Pepperdine University, beneficiaries of deeds of trust, or mortgages whose interests 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 inadequate, the Association shall cause such reconstruction to be accomplished and the Board shall levy a Special Assessment against the Owners for their respective shares of the necessary funds for reconstruction, over and above the insurance proceeds available for such purpose, on the basis of the ratio of the square footage of the floor area of the Unit to be assessed to the total square footage of the floor area to be assessed, provided, that in the event of a determination by sixty-seven percent (67%) of the Total Voting Power of the Association and with the approval of Pepperdine University, which approval may be withheld in its sole and absolute discretion, that the cost of such reconstruction deficiency would be so substantial that it would not be in their best interests to proceed with the same, the Owners instead may, proceed as provided in Sections 5 and 6 of this Article. If such a meeting is called, the Association shall solicit and obtain bids from at least two (2) or more reputable contractors to repair and reconstruct the Association Property and Improvements in accordance with the original plans (unless modifications to such plans have previously been made and/or approved by Declarant) and shall present this information to the Owners, Pepperdine University, and first Mortgagors at the meeting, but only those first Mortgagors who hold mortgages or deeds of trust that were approved by Pepperdine University in writing prior to the creation of such mortgage or deed of trust ("Approved Mortgagors" as more specifically defined in Article XIX) are entitled to notice of such meeting.

Section 2. Total Destruction of Association Property. In the event of the total destruction of the Association Property ("total" being defined as that portion of the Condominium building constructed on the Property comprising sixty percent (60%) or more
of the aggregate floor area of all Condominium Units in the Project, or a lesser percentage if sixty-seven percent (67%) of the Total Voting Power of the Association agree by vote), the Owners, with the approval of Pepperdine University, which approval may be withheld in its sole and absolute discretion, and only as may be allowed in the Lease, shall have authority to determine whether said improvements shall be rebuilt. If such a meeting is called, the Association shall solicit and obtain bids from at least two (2) or more reputable contractors (who have been approved by Pepperdine University) to repair and reconstruct the Association Property and Improvements in accordance with the original plans (unless modifications to such plans have previously been made and/or approved by Declarant) and shall present this information to the Owners, Pepperdine University, and first Mortgagees at the meeting, but only Approved Mortgagees are entitled to notice of such meeting. In the event of a determination by a sixty seven percent (67%) vote of the Total Voting Power of the Association to rebuild, the necessary funds shall be raised as provided in Section 1 of this Article and the Association shall cause to be prepared the necessary plans, specifications and maps, and execute the necessary documents to effect such reconstruction as promptly as practicable, in a lawful and workmanlike manner. Notwithstanding the foregoing, any reconstruction of the Association Property must comply with the terms and provisions of the Lease.

Section 3. Damage and Destruction of Individual Unit: Duty to Rebuild. In the event of a total or partial destruction of any individual Condominium Unit not affecting any other Condominium Unit or any portion of the Common Property, it shall be the responsibility of the individual Condominium Owner to restore and rebuild the Condominium Unit (subject to the review and approval by Pepperdine University) using such insurance proceeds available and allocable for said purpose, and the same shall be done as promptly as practicable in a lawful and workmanlike manner. In the event that an Owner fails to comply with his obligation to rebuild or repair his Condominium Unit as set forth herein or if the available insurance proceeds are insufficient to complete the reconstruction of the Condominium or portions thereof so damaged or destroyed within a reasonably prompt period of time thereafter, the Association may determine to restore or rebuild such Condominium Unit or portions thereof in accordance with the provisions of Section 1 and 2 above and, if necessary, the Board shall levy a Special Assessment or Compliance Assessment, as appropriate, against such Owner to recoup all costs and fees incurred in connection with same that are properly chargeable to the Owner of the Condominium Unit and that were not covered by insurance proceeds actually received by the Association for such rebuilding or repair work.

Section 4. Lapse of Covenant Against Partition. The covenant against partition of the undivided fee interests, set forth in this Declaration shall terminate and be of no further force and effect if the prohibition against a partition action lapses under
subdivision (b) of Civil Code Section 1359, as the same may be amended from time to time.

Section 5. Determination Not to Rebuild. Subject to the provisions of this Declaration, including, but not limited to, approval by Pepperdine University and the limitations upon transfer set forth in Article XIV hereof, in the event of a determination not to rebuild after partial or total destruction as defined in this Article, the Association may bring an action for partition of the entire project as provided in California Civil Code Section 1359; provided, however, that Declarant shall have the right of first refusal to purchase any such interests not already owned by it at a price and on the terms determined by such sale for a period of 30 days following the conduct of such sale. For the purpose of implementing this Section, every Owner of a Condominium within the Project, whether he acquired title from Declarant or by a means conveyance, shall be deemed to have consented to, authorized, and granted to the Association his, her, or its respective irrevocable power of attorney upon the delivery to such Owner of his instrument of title.

Section 6. Distribution of Proceeds. Subject to the provisions of Section 5 of Article XIX herein below, the net proceeds of any sale ordered by decree of court or by decision of the Association and the proceeds, if any, of insurance carried by the Association as a whole on said Project, shall be divided or allocated as follows:

(a) With respect to net proceeds of any sale ordered by decree of court, as ordered by said court.

(b) In any other case, to the Owners and their respective Mortgagees according to the fair market values of the Units in the Project at the time of the destruction of the Common Areas, said values as determined by an independent appraisal as provided in Section 8 of this Article, but in no event shall said appraised values with respect to the individual Units exceed the Section 3 price set forth in Article XIV at the time of the destruction.

Section 7. New Map and Plan. If the Project is destroyed or razed, it may be rebuilt only in conformity with the original recorded plans (unless modifications to such plans have previously been made and/or approved by Declarant) otherwise, a new tract map and Condominium Plan shall be filed, approved and recorded. A new tract map and Condominium Plan may be filed, approved and recorded only upon prior written approval of Pepperdine University and sixty seven percent (67%) of the Total Voting Power of the Association.

Section 8. Independent Appraisal. Whenever required by the provisions of this Declaration, an independent appraisal shall be made and prepared at the request of the Board and at the Association’s expense by a qualified real estate appraiser not related directly or indirectly to any Owner or Mortgagee. Such
appraiser shall be selected by the Board and shall render such report, which shall be binding and conclusive with respect to the various interests and rights of Owners and their Mortgagees, as the Board shall require or direct.

Section 9. **Condemnation.** A condemnation award affecting all or part of the Common Area, which is not apportioned among the Owners by court judgment or by agreement between the condemning authority and each affected Owner, shall be distributed among the Owners and, as required under Section 5 of Article XIX hereinbelow, their respective Mortgagees according to the relative values of the affected units as determined by an independent appraisal as provided in Section 6 of this Article.

Section 10. **Excess Association Insurance Proceeds.** Subject to the provisions of Section 5 of Article XIX herein below, all insurance proceeds paid under any Association insurance policy shall be payable to the Association and Declarant for the benefit of the Declarant as Ground Lessor of the Project, the Owners (including the Declarant) and their respective Mortgagees. In the event any excess insurance proceeds remain after restoring or rebuilding the destroyed or damaged property, including any Condominium Units, Common Property and/or Improvements located on the Common Property, the Board shall retain such sums in the general fund of the Association. Any distribution of funds in connection with the termination of the Project shall be allocated among all of the Condominiums in the Project based on a variable amount consistent with the total square footage of the residential portions of the Condominium. Notwithstanding the foregoing, any distribution shall be subject to the prior rights of Mortgagees and the Declarant.

**ARTICLE XVI**

**EMINENT DOMAIN**

Section 1. **Definition of Taking.** The term "taking" as used in this Article shall mean condemnation by eminent domain, or by sale under threat thereof, of all or part of the Property.

Section 2. **Representation by Board in Condemnation Proceeding.** In the event of a taking, the Board shall represent all of the Owners in an action to recover all awards, subject to the right of the Ground Lessor of the Project and all Approved Mortgagees (as defined in Article XIX) to request the right to join and participate with the Board in the proceedings. No Owner shall challenge the good faith exercise of the discretion of the Board in fulfilling its duties under this Article, however, the Declarant and/or Approved Mortgagees may make such a challenge. The Board is further empowered, subject to the limitations herein, as the sole representative of the Owners, in all aspects of condemnation proceedings not specifically covered herein.
Section 3. **Procedure After a Taking.** In the event of a taking, the Board shall distribute the award forthcoming from the taking authority according to the provisions of this Section after deducting therefrom fees and expenses related to the condemnation proceeding including, without limitation, fees for attorneys and appraisers and court costs. In the event that the taking is by judgment of condemnation and said judgment apportions the award among the Ground Lessor of the Project, the Owners and their respective Approved Mortgagors, the Board shall distribute the amount remaining after such deductions among the Ground Lessor of the Project, the Owners and their respective Approved Mortgagors on the allocation basis set forth in such judgment. In the event that the taking is by sale under threat of condemnation, or if the judgment of condemnation fails to apportion the award, the Board shall determine that portion of the award to be distributed among the Owners and their respective Approved Mortgagors based upon the relative values of the Condominiums affected by such taking in accordance with the provisions of Sections 6 and 8 of Article XV. The remainder of the award shall be distributed to the Ground Lessor of the Project. Nothing herein contained shall entitle an Owner to priority over an Approved Mortgagor with respect to the distribution of a condemnation award.

Section 4. **Awards for Owners’ Personal Property and Relocation Expenses.** Where all or part of the Project is taken, each Owner shall have the exclusive right to claim all of the award made for his personal property, and any reallocation, moving expense or other allowance of a similar nature designed to facilitate relocation. Notwithstanding the foregoing provisions, the Board shall represent each Owner in an action to recover all awards with respect to such portion, if any, of Owners’ personal property as is at the time of any taking, as a matter of law, part of the real estate comprising any Condominium and shall allocate to such Owner so much of any awards as is attributable in the taking proceedings, or, failing such attribution, attributable by the Board to such portion of Owners’ personal property. The amount so allocated shall be paid to the Owner entitled thereto whether or not the Condominium in which such Owners’ personal property was located is to be restored by the Board, and notwithstanding restoration of the Condominium, the Board shall have no responsibility for restoration of such Owners’ personal property.

Section 5. **Notice.** The Board, immediately upon having knowledge of any taking or any threat thereof, with respect to the Project, or any portion thereof, shall notify the Ground Lessor of the Project, all Owners and all Approved Mortgagors.

Section 6. **Inverse Condemnation.** The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 7. **Compliance with Condominium Plan.** Reconstruction pursuant to this Article shall be permitted only so long as the structure containing the Condominiums taken can be and is built to
substantially conform to the Condominium Plan, taking into account the effects of the taking. Plans for such restoration shall be subject to the approval of the Board, which shall determine whether such plans substantially conform to the Condominium Plan. In addition, any reconstruction pursuant to this Article shall be subject to the provisions of this Declaration and to the Ground Lessor’s prior written approval. In determining whether the plans for a reconstructed Condominium are in substantial conformance with the Condominium Plan, the Board may take into consideration the availability and expense of the labor and materials in the original construction of the Project. If such labor or material is not available or is prohibitively expensive at the time of reconstruction, the Board may permit the substitution of other labor or material as it deems proper, subject to the Ground Lessor’s prior written approval.

Section 8. Change in Condominium Interest. In the event of a taking the Board may:

(a) amend this Declaration to reflect the change in each Owner’s undivided interest in common with other Owners in the Common Area caused by a taking; and

(b) amend the Condominium Plan to reflect the change in the Project brought about by a taking. In the event that the Board with the Ground Lessor’s prior written consent decides to record such amendment to the Condominium Plan, the Ground Lessor of the Project, all Owners of the Project and all record holders of all security interests in the Project shall execute and acknowledge said amendment so that it will comply with the definition of "Condominium Plan" set forth in Section 1351(e) of the California Civil Code or any similar statute then in effect. Said Ground Lessor, Owners and holders of security interests shall also execute such other documents or take such other actions as required to make such amendment effective. The Board shall cause a notice of the change in the Condominium interest to be sent to the Ground Lessor of the Project and each Owner within ten (10) days of the filing of such amendment in the County Recorder’s Office of Los Angeles County, California.

ARTICLE XVII
AMENDMENTS

Section 1. Amendment and Approval Process. Except as may be provided otherwise herein, each and all of the provisions of this Declaration may be modified, amended, added to or deleted by a further Declaration, amendment or agreement, in writing, properly executed and acknowledged by the Declarant and the president and secretary of the Association only upon a vote and written assent of the following:
(a) The Declarant.

(b) Not less than sixty-seven percent (67%) of the Total Voting Power of the Association; provided, however, that the percentage of the voting power necessary to amend a specific provision in this Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under said provision.

(c) The California Real Estate Commissioner or his delegate if such approval is required by Section 11018.7 of the California Business and Professions Code.

(d) The appropriate officer of the County of Los Angeles in the case of an amendment which would defeat (A) the obligation of the Association to maintain the Common Property in good condition, state or repair or (B) the assessment procedures to insure said maintenance, as may be required by law or any prior agreement of record.

(e) The appropriate governmental agency or entity which has authority to enforce, by reason of any issued governmental permit, the provision impacted by such further Declaration, amendment or agreement.

Section 2. Effective Date of Amendment. Said amendments shall be effective upon obtaining the required vote of the Owners and the written consent of the Declarant. All prior amendments not yet recorded are deemed to have been effective at the time of passage.

ARTICLE XVIII

TERM OF DECLARATION:

COMPLIANCE WITH THE RULE AGAINST PERPETUITIES
AND WITH THE RULE AGAINST RESTRAINT OF ALIENATION

Section 1. Covenants. The covenants contained herein shall run with the land and shall be binding on all parties and all persons claiming under them until the earlier of June 30, 2102, or 21 years after the death of the last to survive of all presently born and living children and grandchildren of all present members of the Faculty of Pepperdine University holding the rank of Professor, Assistant Professor, Associate Professor or Professor Emeritus. It is the intent of this provision to assure that this Declaration, and all provisions hereof, comply with Section 711 of the California Civil Code and any other applicable rules of law pertaining to restraints on alienation, remoteness of vesting or perpetuities.

Section 2. Vesting. Notwithstanding anything to the contrary herein contained, no interest or right in the foregoing real property, of any kind or character, shall vest in any person or persons later than the earlier of June 30, 2102 or 21 years after
the death of the last to survive of all presently born and living
children and grandchildren of all present members of the Faculty of
Pepperdine University holding the rank of Professor, Assistant
Professor, Associate Professor or Professor Emeritus. It is the
intent of this provision to assure that this Declaration complies
with any applicable California rules of law pertaining to
restraints on alienation, remoteness of vesting or perpetuities, if
any.

ARTICLE XIX
LENDERS' RIGHTS AND REQUIREMENTS

Section 1. Rights Specified Elsewhere. The rights granted to
lenders and holders of mortgages and deeds of trust by this Article
pertain only to those lenders and holders of mortgages and deeds of
trust that were approved in writing by Pepperdine University prior
to the time that the mortgage or deed of trust was created
(referred to interchangeably in this Article as "Approved Holder"
or "Approved Holders" or "Approved Mortgagees"). Such rights are
in addition to those granted and specified elsewhere in the
Governing Documents. Except as provided in this Declaration, the
right of first refusal contained in Article XIV of this Declaration
shall not impair the right of any such Approved Holder of a
mortgage or deed of trust on a Condominium in the Project to: (i)
foreclose or take title to the Condominium pursuant to the remedies
provided in the mortgage; (ii) accept a deed (or assignment) in
lieu of foreclosure in the event of default by the Owner of the
Unit; or (iii) sell the Condominium acquired by it; provided,
however, that such Approved Holder (and any transferee of such
Approved Holder), as an unqualified or disqualified Owner of a
Condominium, shall be subject to all of the provisions set forth in
the Governing Documents, including, but not limited to, all
provisions set forth in Articles XIII and XIV of this Declaration
relating to limitations and restrictions on ownership, transfer,
pricing and resale of the Condominiums.

Section 2. Prior Approval. Notwithstanding any other provision
of this Declaration or the By-Laws, unless at least sixty seven
percent (67%) of the Total Voting Power of the Association or sixty
seven percent (67%) of the Approved Holders of first mortgages or
first deeds of trust liens on the Condominiums (including
Declarant) in the Project (based upon one vote for each first
mortgage or first trust deed owned) have given their prior written
approval, the Association shall not be entitled to:

(a) by act or omission, seek to abandon or terminate the
Project;

(b) by act or omission, seek the abandonment, partition,
subdivision, encumbrance, sale or transfer of any portion of
the Association Property; provided, however, that the granting
of easements for public utilities or for other public
purposes, or purposes of Pepperdine University, consistent with the intended use of the Association Property shall not be deemed a transfer within the meaning of this clause;

(c) modify the pro rata interest or obligations of any Condominium for purposes of levying assessments and charges and determining shares of the Common Areas and hazard insurance or condemnation proceeds of the Project;

(d) use any hazard insurance proceeds for losses to any Association Property for purposes other than repair, replacement or reconstruction of such property, except as provided by statute and herein in case of substantial loss to the Association Property; or

(e) partition or subdivide any Condominium Unit.

Section 3. Liens Prior Under Local Law. All taxes, assessments and charges that may, under California law, become liens prior to a mortgage or deed of trust shall relate only to the relevant Condominium and not to the Project as a whole.

Section 4. Payment of Hazard Insurance. In the event premiums on any hazard insurance procured by the Association have not been paid by the Association when due, or in the event the Association allows any hazard insurance policy to lapse, the Declarant or Approved Holder of any first mortgage or first deed of trust (including Declarant) may pay such overdue premiums, or procure new hazard insurance policies to replace such lapsed policies. The Declarant or an Approved Holder of any first mortgage or first deed of trust that makes any payments pursuant to this Section 4 of Article XIX shall have the right to seek immediate reimbursement for such payments from the Association.

Section 5. Insurance and Condemnation Notice and Proceedings. In the event of substantial damage to or destruction of the Common Property or portion thereof or any complete Unit, or if any Unit or portion thereof or the Common Property portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired under threat of condemnation by a condemning authority, the Approved Holder of any first mortgage or first deed of trust on any Unit (including Declarant) shall be entitled to timely written notice of such damage, destruction, proceeding or proposed acquisition, and no provision of the Governing Documents shall entitle an Owner or other party to priority over such Approved Holder (including Declarant) with respect to the distribution to such Unit of any award, settlement or insurance proceeds.


(a) The right of an Owner to sell, transfer or otherwise convey his Condominium shall not be subject to any right of first refusal or any similar restriction in favor of the
Association, except as set forth in Articles XIII and XIV; and

(b) The lien of the Assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter recorded upon any Condominium. The sale or transfer of any Condominium shall not affect the Assessment lien; however, the sale or transfer of any Condominium pursuant to judicial or nonjudicial foreclosure of a first Mortgage or pursuant to any remedies provided for in the Mortgage shall extinguish the lien of such Assessments as to payments which became due prior thereto. No sale or transfer shall relieve such Condominium from liability for Assessments due thereafter. Any first Mortgagee who obtains title to a Condominium pursuant to the remedies provided in the Mortgage, or foreclosure of the Mortgage, or any purchaser at a foreclosure sale of a first Mortgage will not be liable for any unpaid Assessments or charges which occurred prior to the acquisition of title to such Condominium by the Mortgagee (except for claims for a share of such Assessments or charges resulting from a reallocation of such Assessments or charges to all Condominiums, including the mortgaged Condominium).

Section 7. Miscellaneous Rights. An Approved Holder of any first mortgage or first deed of trust on a Condominium in the Project shall, upon written request, be entitled to:

(a) inspect the books and records of the Association during normal business hours;

(b) receive the annual financial statement for the Association within ninety (90) days following the end of the fiscal year; and

(c) written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings.

ARTICLE XX

ANNEXATION OF ADDITIONAL PROPERTY

Section 1. Annexation Pursuant to Owners' Approval. Additional property or properties may be annexed to the Property and become subject to the duties, powers and jurisdiction of the Association and to the covenants, conditions and restrictions specified herein only upon the vote or written assent of at least sixty-seven percent (67%) of the Total Voting Power and the written consent of Pepperdine University, in its capacity as Ground Lessor.

Section 2. Procedure for Annexation. Such annexation shall be made by, and shall be effective upon, filing for record, in the Office of the County Recorder of Los Angeles County, a Declaration
of Annexation, or similar instrument, with respect to the additional property or properties to be annexed. Such Declaration of Annexation or similar instrument may contain such supplementary additions to or modifications of the covenants, conditions and restrictions contained in this Declaration as may be necessary or advisable to reflect the different character, if any, of the annexed property or properties.

Section 3. **Consequences of Annexation.** The recordation of any Declaration of Annexation as provided hereinabove shall constitute and effectuate the annexation of the real property described therein, making said real property subject to this Declaration, as amended, and subject to the functions, powers, duties and jurisdiction of the Association, and thereafter all Owners of lots, condominiums or parcels, within the annexed property shall automatically be Members of the Association.

Section 4. **Merger or Consolidation.** Any such annexation shall work a merger or consolidation of the Association and another association or similar organization, incorporated or unincorporated, if any, whose function and purposes are, with respect to the annexed property, substantially equivalent to those of the Association. The Association shall be the surviving successor organization, and such merger or consolidation shall work a transfer of the properties, rights and obligations from the other association to the successor Association.

Section 5. **Adjustment of Assessments.** Upon the occurrence of any such annexation, the Board shall have the power to make such equitable and reasonable adjustments in the Assessments of Owners as may be necessary because of annexation. Such adjustments shall be made to reflect both the increased Association membership obligated herein to pay assessments and the increased size (if any) of the Common Property subject to the Association’s management and control.

**ARTICLE XXI**

**MAINTENANCE AND SERVICES**

Section 1. **Services To Be Provided by Declarant as Ground Lessor At No Cost.** Pursuant to the terms and provisions more fully set forth in the Association’s Lease, Declarant as the Ground Lessor has agreed or will agree to provide certain services more fully described therein or by separate side agreement at no cost to the Association and its Members. All other maintenance and operation expenses and responsibilities for the Project shall be the responsibility of the Owner or Association as set forth herein.

Section 2. **Services to Be Provided by Declarant as Ground Lessor At Cost to the Association or Owners.** At the request of the Board, Ground Lessor may, but shall not be obligated to, agree to
provide additional services, such as management and maintenance services. If Ground Lessor agrees to provide such additional services, it may charge a reasonable fee for such services in an amount agreed upon in writing by the Board and Ground Lessor.

Section 3. Services Provided By Government Body, Utility or Supplier. At such time as any of the services referred to in Section 1 above may be provided by a governmental body, regulated public utility or other supplier, or undertaken by the Association with the agreement of Ground Lessor, such services shall be deemed excluded from those referred to in Section 1 above and Ground Lessor shall have no further responsibility to furnish same.

Section 4. Failure of Association and Owner to Maintain. In the event the Association and/or an Owner shall fail, refuse or neglect to perform its obligations under this Declaration, as is necessary to:

(a) maintain the Project or Condominium Unit or any part thereof in good and proper condition and free of all liens other than any mortgages and deeds of trust permitted by Pepperdine University on individual Condominiums; or

(b) otherwise comply with its duties and obligations under the Declaration including, without limitation, maintaining adequate reserve account funds as recommended in the latest reserve study performed for the Association in compliance with this Declaration; or

(c) otherwise assure compliance with the Lease, including doing or performing any act or thing therein provided by the Lease to be done or performed, and such failure, refusal or neglect shall continue for a period of ten (10) days, or such longer time as is reasonably required, after written notice from Ground Lessor specifying the nature of the act or thing to be done or performed, then Ground Lessor may, without obligation or liability for failure to do so, do or perform or cause to be done or performed such act or thing or such other acts or things as it deems necessary to achieve compliance with the terms of the Declaration or of the Lease (entering upon the Project for such purposes, if Ground Lessor shall so elect). In the event the Association or any Owner shall fail, refuse or neglect to perform its/his obligations under this Declaration including, but not limited to, maintaining his Condominium Unit according to the standard set forth herein and such failure, refusal or neglect shall continue for a period of ten days, or such longer time as is reasonably required, after written notice from Ground Lessor specifying the nature of the act or thing to be done or performed, then Ground Lessor may, without obligation or liability for failure to do so, do or perform or cause to be done or performed such act or thing or such other acts or things as it deems necessary to achieve compliance with the terms of the Declaration or of the Lease (entering upon or in the
Condominium with reasonable notice to such Owner, if Ground Lessor shall so elect, as applicable. Ground Lessor shall not be or held liable or in any way responsible for any loss, inconvenience or damage resulting to Association or Owners or the invitees, guests, licensees, contractors, Approved Mortgagees, sublessees or family thereof, except for Ground Lessor's own willful or grossly negligent acts. Any act or thing done by Ground Lessor pursuant to the provisions of this paragraph shall not be construed as a waiver by Ground Lessor of any such default by Association under the Lease, or as a waiver of any covenant, term or condition herein contained or of the performance thereof.

Section 5. **Assessments for Ground Lessor's Costs.** Pursuant to the terms of the Lease, Ground Lessor shall determine its costs incurred and to be incurred (including a twenty-five percent (25%) surcharge to cover Ground Lessor's administrative costs) in performing the acts or obligations of the Association or any Owner pursuant to Section 4 of this Article XXI. To the extent Ground Lessor performs such acts or obligations on behalf of the Association, the costs incurred by Ground Lessor in connection with the same shall be billed by Ground Lessor to the Association and the Association or Owner, as appropriate shall pay such bill promptly, but in no case later than thirty (30) days from presentation. To the extent Ground Lessor performs such acts or obligations on behalf of an Owner of a Condominium who has failed to do or perform such act or obligation, the costs incurred by Ground Lessor may be billed by Ground Lessor to the Association, and the Association shall, in turn, assess the Owner for such costs in the form of a Compliance Assessment. Alternatively, Ground Lessor may, at its sole option, bill the Owner directly for such costs rather than the Association. In the absence of fraud or gross error, the determination by Ground Lessor of the total amount of costs to be billed or allocated to the Association or any Owner pursuant to this Section shall be final and binding upon the Association and all Owners. Upon making the determinations and allocations aforesaid, Ground Lessor will provide a copy thereof to the Association and, if applicable to the Owner who is responsible to pay Ground Lessor.

Section 6. **Ground Rent Assessment.** The Ground Rent Assessments shall be included as a Common Expense.

Section 7. **Malibu Mesa Irrigation System.** Pursuant to Section 1 of this Article XXI, Ground Lessor shall retain the right and responsibility for maintenance and operation of the reclaimed water irrigation system (which obtains reclaimed water from, among other facilities, the Malibu Mesa Wastewater Treatment Facility), or for their relocation or additions thereto pursuant to the irrigation easement reserved by Declarant herein for such purposes.

Section 8. **Amendment to Article XXI.** The provisions of this Article XXI shall not be amended or repealed without the written consent of Ground Lessor.
ARTICLE XXII
GENERAL PROVISIONS

Section 1. Enforcement.

(a) The Association, Declarant and/or the Owner of any Condominium in the Project (including Declarant in its capacity as an Owner), shall have the right to enforce, by proceedings at law or in equity, all (unless otherwise limited herein) of the Protective Covenants now or hereafter imposed by this Declaration and the By-laws, respectively (and the Rules and Regulations duly adopted by the Association), including, without limitation, the right to prosecute a proceeding at law or in equity against the Association, Declarant, person or persons who have violated, or are attempting to violate, any of said Protective Covenants, to enjoin or prevent them from doing so, to record a notice of non-compliance (if allowed by law), to cause said violation to be remedied and/or to recover damages for said violation; provided, however, that with respect to Assessments liens the Association shall have the exclusive right to the enforcement thereof; and with respect to enforcement of the provisions of Articles XIII and XIV, Declarant and the Association shall have the right to enforcement thereof. Every person or entity who now or hereafter owns or acquires any right, title or interest in the Project is and shall be conclusively deemed to have consented and agreed to every Protective Covenant contained herein, whether or not any reference to this Declaration is contained in the instrument by which such person or entity acquired an interest in his Condominium. With respect to Assessment liens, only the Association and Declarant shall have the right to the enforcement thereof.

(b) The result of every act or omission whereby any of the Protective Covenants contained in this Declaration or the provisions of the By-Laws are violated, in whole or in part, is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance shall be applicable against every such result and may be exercised by any Owner, by the Association or by its successors in interest, and Declarant, except as may be otherwise provided herein.

(c) The remedies herein provided for breach of the Protective Covenants contained in this Declaration or the provisions of the By-laws or any Rules and Regulations shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(d) The failure of the Association, Declarant or any Owner to enforce any of the Protective Covenants contained in this Declaration, the provisions of the By-Laws or any Rules or
Regulations shall not constitute a waiver of the right to enforce the same thereafter.

(e) Prior to filing a civil action by either the Association or by an Owner solely for declaratory relief or injunctive relief, or for declaratory relief or injunctive relief in conjunction with a claim for monetary damages other than Association Assessments, related to the enforcement of the Association governing documents, the parties may be required to comply with Civil Code Section 1354, if applicable. Failure to comply with the prefiling requirements of Section 1354 of the Civil Code may result in the loss of the right to sue regarding enforcement of the Association governing documents. Upon motion by any party for attorneys' fees and costs as the prevailing party, the court, in determining the amount of the award may consider a party's refusal to participate in an alternative dispute resolution process prior to the filing of the action.

(f) The Board, for and on behalf of the Association, may assess monetary penalties against an Owner as a Compliance Assessment and/or temporarily suspend said Owner's voting rights and right to use the recreational facilities, if any, for the period during which any Assessment against said Owner's Condominium remains unpaid;

(g) The Board, for and on behalf of the Association, may temporarily suspend an Owner's voting rights and right to use the facilities within the Common Area, if any, for a period not to exceed thirty (30) days for any infraction of the Association's Rules and Regulations; provided, however, the requirements for Notice and Hearing set forth in the By-Laws shall be followed with respect to the accused Owner before a decision to impose discipline is reached.

Section 2. Construction of Declaration. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the operation and maintenance of the Project subject to the limitations on use, occupancy, transfer, and ownership set forth herein. The Article and Section headings have been inserted for convenience only and shall not be considered or referred to in resolving questions of interpretation or construction.

Section 3. Severability. The provisions hereof shall be deemed independent and severable, and the invalidity or partial invalidity or enforceability of any of the provisions hereof shall not affect the validity of the remaining provisions, which shall remain in full force and effect.

Section 4. Successors and Assigns. This Declaration shall inure to the benefit of and be binding upon the successors and assigns of Declarant, and on the heirs, personal representatives, grantees, lessees, successors and assigns of the Owners.
Section 5. **Conflicts.** To the extent that any provision of the Bylaws shall conflict with the provisions of this Declaration, the provisions of this Declaration shall control. In the case of any conflict between the Articles and the By-Laws, the Articles shall control.

Section 6. **Singular Includes Plural.** Whenever the context of this Declaration may so require, the singular shall include the plural, and the masculine shall include the feminine and neuter.

Section 7. **Encroachments.** None of the rights and obligations of the Owners created herein or by deed or lease shall be altered in any way by encroachments due to settlement or shifting of structures or any other cause. There shall be valid easements for the maintenance of said encroachments so long as they shall exist; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner if said encroachment occurred due to the willful conduct of said Owner.

Section 8. **Notices.** Any notice permitted or required to be delivered as provided herein shall be in writing and may be delivered either personally or by mail. If delivery is made by first class, registered or certified mail, it 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, postage prepaid, addressed to any person at the address given by such person to the Association for the purpose of service of such notice, or to the Condominium Unit of such person if no address has been given to the Association. If such notice is not sent by first class, regular or certified mail, it shall be deemed to have been delivered when received. Such address may be changed, from time to time, by notice in writing to the Association.

Section 9. **No Representations or Warranties.** No representations or warranties of any kind, express or implied, have been given or made by Declarant, or its agents or employees, in connection with the Project, or any portion thereof, its physical condition, zoning, compliance with applicable laws, fitness for intended use, or in connection with the subdivision, sale, operation, maintenance, cost of maintenance, taxes or regulation thereof as a condominium project, except as specifically and expressly set forth in this Declaration, and except as may be filed by Declarant, from time to time, with the DRE.

Section 10. **Notice Regarding Property Taxes.** By acceptance of a deed to a Unit, each Owner acknowledges and agrees that: (a) Declarant does not and cannot control the actions of the Los Angeles County Assessor’s Office; and (b) Declarant makes no representations, warranties, promises or guarantees concerning the current or future assessed value or real property tax liability of or associated with any Unit. In the past, the Assessor’s Office has considered the serious restrictions placed upon Unit ownership in assessing the value of Declarant’s campus housing. However, from time to time, the Assessor’s Office seeks to increase the
assessments. Although Declarant works with the Assessor’s Office in an effort to keep the assessments reasonable, Declarant ultimately has no ability to control the Assessor’s Office. Each Owner is responsible for any property taxes assessed against his Unit.

Section 11. Exhibits. The Exhibits attached hereto are incorporated by this reference. Notwithstanding any depiction thereon, the as-built condition by Declarant shall control. In addition, the Association’s maintenance obligation with respect to the Common Property depicted thereon shall commence when the Association levies Assessments applicable to said Improvements.

Section 12. Attorneys’ Fees. If any Owner defaults in making a payment of Assessments or in the performance or observance of any provision of this Declaration, and the Association has obtained the services of an attorney in connection therewith, the Owner covenants and agrees to pay to the Association any costs or fees incurred, including reasonable attorneys’ fees, regardless of whether legal proceedings are instituted. In the event legal action is commenced arising from or related to, or to enforce or interpret, or for breach of any provision of, this Declaration, the By-Laws, or the Rules and Regulations, the prevailing party shall be entitled to recover from the losing party costs and expenses incurred, not limited to taxable costs, and reasonable attorneys’ fees incurred by the prevailing party, including those incurred in connection with any dispute resolution procedure followed in compliance with California Civil Code Sections 895-945.5, 1354, 1375-1375.1, as applicable, and any appeal, in addition to all other relief and remedies to which the prevailing party may be entitled. If a claim or claims asserted by a third party against the Association arising from an action or omission by any Owner, the party responsible for the action or omission shall be the losing party, and the other party shall be the prevailing party, for purposes of the foregoing sentence.

[SIGNATURES TO FOLLOW]
IN WITNESS WHEREOF, Declarant has executed this instrument on the day and year first above written.

"DECLARANT"

PEPPERDINE UNIVERSITY, a California Nonprofit Corporation

By: 

Its: President

By: 

Its: Vice President for Finance and Administration

STATE OF CALIFORNIA )
COUNTY OF LOS ANGELES ) ss.

On DECEMBER 2, 2004, before me, the undersigned, a Notary Public in and for said State, personally appeared ANDREW K. BENTON and CHARLES J. PIPPIN, personally known to me (or proved to me on the basis of satisfactory evidence) to be the persons whose names are subscribed to the within instrument and acknowledged to me that they executed the same in their authorized capacities, and that by their signatures on the instrument, the persons or the entities upon behalf of which the persons acted, executed the instrument.

WITNESS my hand and official seal.

Signature of Notary Public

(SEAL)
APPROVED BY THE COASTAL COMMISSION
AS TO ARTICLES XIII AND XIV ONLY

By: Sandra Goldberg

Its: Staff Counsel

STATE OF CALIFORNIA )
COUNTY OF SAN FRANCISCO ) ss.

On 11.10.04, 2004, before me, Jeff G. Staben, a
Notary Public, personally appeared Sandra Goldberg, personally
known to me to be the person whose name is subscribed to the within
instrument and acknowledged to me that she executed the same in her
authorized capacity, and that by her signature on the instrument,
the person or the entity upon behalf of which the person acted,
executed the instrument.

WITNESS my hand and official seal.

Signature

[Stamp]

04 3374715
Exhibit "A"

Project

All that certain real property and Improvements located in the Malibu District of unincorporated area of Los Angeles county, State of California described as:

Lots 1, 10, 11 and 12 of Tract No. 49767, as per map filed in Book 1298, Pages 1 through 27, inclusive, of Maps, records of Los Angeles County.
Exhibit "C"
Campus View I Condominiums

All that certain real property and Improvements located in the Malibu District of unincorporated area of Los Angeles county, State of California described as:

Lot 1 of Tract No. 37842, as per map filed in Book 947, Pages 21 through 23, inclusive, of Maps in the Office of the Recorder of said county, which map was also recorded as Tract 40497 in Book 948, Pages 28 to 30, inclusive, of Maps in the Office of the Recorder of said county, and Lot 1 of Tract 37843 as per map recorded in Book 950, Pages 22 to 24, inclusive, of Maps in the Office of the Recorder of said county which map was also recorded as Tract 40498 in Book 950, Pages 71 to 73, inclusive, of Maps in the Office of the Recorder of said county, Lot 1 of Tract No. 50810, as per map filed in Book 1187, Pages 93 through 95, inclusive, of Maps in the office of the Recorder of said county, which map was also recorded as Tract 39936, in Book 1001, Pages 72 and 73 of Maps in the office of the Recorder of said county.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 1 & 21

LEGEND:

R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:

B = 70 +/- SQ. FT.
P = 70 +/- SQ. FT.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 2 & 22

LEGEND:

R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS

B = 70 +/- SQ. FT.
P = 70 +/- SQ. FT.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 3 & 23

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B1 = 78+/- SQ. FT.
B2 = 172+/- SQ. FT.
P = 172+/- SQ. FT.
EXHIBIT E
EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 4, 6, 13, 15, 17, 19, 24, 26, 28 & 33

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

THIRD LEVEL

AREAS:
B1 = 88 +/- SQ. FT.
B2 = 81 +/- SQ. FT.
P = 81 +/- SQ. FT.

SECOND LEVEL

FIRST LEVEL
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 5, 7, 14, 16, 18, 20, 25, 27, 29, & 34

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B1 = 89+/-. SQ. FT.
B2 = 81+/-. SQ. FT.
P = 81+/-. SQ. FT.

THIRD LEVEL

SECOND LEVEL

FIRST LEVEL

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B1 = 70+/- SQ. ST.
B2 = 172+/- SQ. ST.
P = 172+/- SQ. ST.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 9 & 31

LEGEND:

R – RESIDENTIAL AIRSPACE ELEMENT
G – GARAGE AIRSPACE ELEMENT
P – EXCLUSIVE USE ASSOCIATION PROPERTY
B – EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:

B = 70+/- SQ. ST.
P = 70+/- SQ. ST.

Description: Los Angeles, CA Document-Year: DocID 2004.3374715 Page: 144 of 164
Order: ed Comment:
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNIT 11

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

THIRD LEVEL

AREAS:
B1 = 78 +/- SQ. ST.
B2 = 78 +/- SQ. ST.
P = 72 +/- SQ. ST.

SECOND LEVEL

FIRST LEVEL

04 3574715 SHEET 9 OF 24 SHEETS

Description: Los Angeles, CA Document-Year DocID 2004.3374715 Page: 146 of 164
Order: ed Comment:
EXHIBIT E
EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNIT 12

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

LEGEND:
B1 = 78+/- SQ. FT.
B2 = 78+/- SQ. FT.
P = 72+/- SQ. FT.

04 3374715 FIRST LEVEL
04 3374715 SHEET 10 OF 24 SHEETS
EXHIBIT E
EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 43 & 45

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY
PCH - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B = 143+/- SQ. FT.
P = 295+/- SQ. FT.
PCH = 171+/- SQ. FT.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 44 & 46

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY
PCH - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B = 143+/- SQ. FT.
P = 295+/- SQ. FT.
PCH = 171+/- SQ. FT.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNIT 47

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B = 122+/- SQ. FT.
P = 264+/- SQ. FT.

SECOND LEVEL
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 49, 51 & 53

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
B = 133+/- SQ. FT.
P = 109+/- SQ. FT.
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNITS 50, 52 & 54

LEGEND:

R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY
B - EXCLUSIVE USE ASSOCIATION PROPERTY

THIRD LEVEL

SECOND LEVEL

FIRST LEVEL

Order: ed Comment:
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNIT 55

SECOND LEVEL

LEGEND:

R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:

P = 65 +/- SQ. FT.

04 3374715 FIRST LEVEL SHEET 19 OF 24 SHEETS
EXHIBIT E

EXCLUSIVE USE ASSOCIATION PROPERTY FOR UNIT 56

SECOND LEVEL

LEGEND:
R - RESIDENTIAL AIRSPACE ELEMENT
G - GARAGE AIRSPACE ELEMENT
P - EXCLUSIVE USE ASSOCIATION PROPERTY

AREAS:
P = 567 +/- SQ. FT.

04 3374715 FIRST LEVEL

SHEET 20 OF 24 SHEETS
<table>
<thead>
<tr>
<th>MAINTENANCE ITEM</th>
<th>RESPONSIBILITIES</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Living Element of Unit</td>
<td>The Owner maintains and replaces as necessary all interior doors and their hardware, interior wall surfaces, drywall, cabinets, floor coverings, ceilings, permanent fixtures, appliances, electrical outlets and switches, toilets, smoke detectors (including periodic testing and replacement of batteries) and washing machine water hoses.</td>
</tr>
<tr>
<td>Residential Living Element entry door</td>
<td>The Owner maintains and replaces as necessary the interior surfaces, the handle, locking mechanism, kick plates and the screen door and performs any touch up painting on the exterior surface if necessary before the Association's periodic painting.</td>
</tr>
<tr>
<td>Fireplace in the Residential Living Element</td>
<td>The Owner maintains the interior surface of the chimney and firebox, including periodically removing soot, maintains any gas pipes, logs and other contents of the firebox, and maintains the flue.</td>
</tr>
<tr>
<td>Sliding glass doors and screen doors serving the Unit</td>
<td>The Owner maintains and replaces as necessary all portions of these items, including the locking mechanism, weatherproofing, sheathing, frame and any glass. The Owner paints, stains, seals or otherwise weatherproofs the exterior surfaces.</td>
</tr>
<tr>
<td>Windows in the Unit</td>
<td>The Association is responsible for washing inaccessible windows specifically identified in an exhibit to the Declaration. Each Condominium Owner is responsible for cleaning and replacing as necessary all other windows in his Condominium and maintaining all portions of the windows including the frame, screens, locking mechanism for the screen, weather stripping, caulking, panes and sheathing.</td>
</tr>
<tr>
<td>Light Fixtures and Fans</td>
<td>The Owner maintains the light fixtures and fans actuated from switches controlled from, or separately metered to, the Owner’s Unit.</td>
</tr>
<tr>
<td><strong>Second Story Balconies and Patio Slabs</strong></td>
<td>The Association maintains the exterior painted surfaces of the second story balcony railings (if any), the exterior and the interior surfaces of open railings (e.g., iron or tubular steel railings), wood railings, stucco, and the structure. The Association is also responsible for re-surfacing the floor of the second story balconies originally installed by Declarant. The Owner maintains any surface on the balcony floor that he has installed (if permitted by the Board and Declarant). The Owner sweeps and cleans the second story Balcony regularly and keeps it free from debris and reasonably protected against damage. The Owner maintains any hose bibs, electrical outlets and switches.</td>
</tr>
<tr>
<td><strong>Patio</strong></td>
<td>The Association maintains and replaces as necessary the exterior surface and structural integrity of all walls surrounding the Patio and the structure. The Owner maintains any tile, paver or other surface material installed by Owner on the surface of the Patio (if permitted by the Board and Declarant). The Owner sweeps the Patio regularly and keeps it free from debris and reasonably protected against damage. The Owner maintains any hose bibs, electrical outlets and switches.</td>
</tr>
<tr>
<td>Water pressure regulator, plumbing outlets and fixtures, furnaces, ducts (HVAC, dryer, stove, oven) electrical wiring and circuit breakers.</td>
<td>The Owner maintains and replaces as necessary the portions within or which exclusively serve the Unit.</td>
</tr>
<tr>
<td><strong>Garage</strong></td>
<td>Each Owner is responsible.</td>
</tr>
<tr>
<td><strong>Garage Doors</strong></td>
<td>The Owner is responsible to maintain (including, but not limited to, touch up painting) and replace as necessary. The Association shall repaint the garage doors on a routine basis, if approved by the Board.</td>
</tr>
<tr>
<td><strong>Telephone wiring exclusively serving a Condominium</strong></td>
<td>The Owner maintains.</td>
</tr>
<tr>
<td>Utilities</td>
<td>The Association maintains the utilities serving the Common Property and all utilities which serve individual Condominiums but which are subject to a common meter (i.e., fire sprinkler, main sewer and water line, boiler). The Association shall, among other maintenance obligations, cause the sewer main lines and storm drain lines to be inspected and cleaned at least twice per year. For the storm drain line, it is suggested that this occur once immediately before the first of October (i.e., the beginning of the rainy season) and once in January, or more times per year if required by the applicable engineer (e.g., County). Owners maintain utilities serving the Units that are separately metered. This includes all gas lines serving the Condominiums that are not serviced by the gas company, all water lines serving the Condominium beginning at the water shutoff valve that is installed immediately adjacent to the Unit, and all individual Unit interior waste water drain lines that connect to the Common Property drain lines serving multiple Units.</td>
</tr>
<tr>
<td>Buildings</td>
<td>The Association maintains the structural components (including an inspection and preventive program for the prevention and eradication of infestation by wood destroying pests and organisms), liquid boot, exterior finished surfaces, exterior stucco walls, roofs, chimneys, and front doors (except interior finished surface).</td>
</tr>
<tr>
<td>Meeting rooms, stairways, handrails and gates that are not inside the Units</td>
<td>The Association maintains.</td>
</tr>
<tr>
<td>All potted plants placed on the Association Property by the Association.</td>
<td>The Association maintains.</td>
</tr>
</tbody>
</table>