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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND CONDOMINIUM
PLAN OF
BAY CREEK HOMEOWNERS ASSOCIATION

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DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS AND CONDOMINIUM
PLAN OF
BAY CREEK HOMEOWNERS ASSOCIATION

THIS DECLARATION is made on the date hereinafter set forth by FRESNO-MORRO BAY INVESTORS, a general partnership, with reference to the following facts and intentions:

RECITALS

A. Declarant owns the real property located in the City of Morro Bay, County of San Luis Obispo, State of California, and described as follows:

Lot 1 of Tract No. 1288, according to the map thereof recorded October 29, 1987 in Book 14, at Page 19 of Maps, San Luis County Records.

B. Declarant intends to improve the property by constructing and establishing condominiums consisting of separate interests in units and undivided interests in all of the remaining common areas.

C. Declarant intends by this document to impose upon the property mutually beneficial covenants, conditions and restrictions under a general plan of improvement.

NOW, THEREFORE, Declarant hereby declares that the property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold and improved subject to the following declarations, limitations, covenants, conditions, restrictions and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of, and which shall run with, the property and its division into Units and a common area. All of the limitations, covenants, conditions, restrictions and easements shall be binding upon Declarant and its successors and assigns, and on all parties having any right, title or interest in or to the property or any part thereof, and their heirs, successors, and assigns

ARTICLE I

DEFINITIONS

Section 1.01. "Articles" shall mean and refer to the Articles of the Association as the same may be amended from time to time.

Section 1.02. "Association" shall mean and refer to the Bay Creek Village Homeowners Association, a California nonprofit corporation, and its successors and assigns.

Section 1.03. "Association Rules" shall mean the rules and regulations of the Board for use and operation of the Common Area.

Section 1.04. "Board" or "Board of Directors" shall mean the Board of Directors of the Association.

Section 1.05. "By-laws" shall mean the By-laws of the Association, as such By-laws may be amended from time to time.

Section 1.06. "Common Area" shall mean and refer to all of the property excepting the individual condominium units, title to which is held by all of the owners in common. The Common Area includes, without limitation, driveways, parking areas, landscaping, irrigation facilities, lighting, drainage facilities, and sidewalks.

Section 1.07. "Common Expenses" means and includes the actual and estimated expenses of operating and/or maintaining and/or improving the Common Area and any reasonable reserve for such purposes as found and determined necessary by the Board and all sums designated Common Expenses by or pursuant to the Articles, By-laws, Association Rules or this Declaration.

Section 1.08. "Declarant" means and refers to FRESNO-MORRO BAY INVESTORS, a general partnership.

Section 1.09. "Lot" shall mean Lot 1 of Tract 1288 in the City of Morro Bay, County of San Luis Obispo, State of California, as recorded October 29, 1987, in Book 14, Page 19 of Maps in the Office of the County Recorder of said County. The term "Lot" shall refer to that one lot subdivision, as more fully described in the Tract 1288 BAY CREEK VILLAGE CONDOMINIUM PLAN, a true copy of which is attached hereto and marked as Exhibit "A".

Section 1.10. "Member" shall mean and refer to a member of the Association.

Section 1.11. "Mortgage" shall mean and refer to any duly recorded Mortgage or Deed of Trust encumbering a Unit. A "First Mortgage" shall mean and refer to a Mortgage or Deed of Trust which has priority over any other Mortgage or Deed of Trust encumbering a specific Unit.

Section 1.12. "Mortgagee" shall mean and refer to the holder or beneficiary of any duly recorded Mortgage. "First Mortgagee" shall mean and refer to the holder or beneficiary of any First Mortgage.

Section 1.13. "Owner" or "Owners" shall mean and refer to the record holder or holders of title (if more than one), of a Unit in the Project. This shall include any person having a beneficial fee simple title to any Unit but shall not include those persons or entities having any interest merely as security for the performance of any obligation.

Section 1.14. "Project" means and refers to all of the Real Property and all structures and improvements thereon, comprising the 9-Unit condominium development contemplated herein.

Section 1.15. "Real Property" shall mean and refer to that certain Real Property described in and according to the Subdivision Map, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 1.16. "Restricted Common Area" shall mean and refer to those portions of the Common Areas, if any, set aside for exclusive use of a Unit Owner or Owners, and shall constitute "exclusive use common area" pursuant to Civil Code Section 1351(i).

Section 1.17. "Subdivision Map" shall mean and refer to that Subdivision Map entitled "Tract 1288 recorded the 29th day of October, 1987, in Book 14 of Maps, Page 19 in the Official Records of the County of San Luis Obispo.

Section 1.18. "Unit" or "Residential Unit" shall mean and refer to any residential structure located upon the Lot. As used herein, the term "Unit" or "Residential Unit" shall refer to any one of Units 1 through 9, which are shown and identified as such, inclusive, in the Tract 1288 Bay Creek Village Condominium Plan, a true copy of which is attached hereto and marked as Exhibit "A".

ARTICLE II

DESCRIPTION OF PROJECT, DIVISION OF PROPERTY, AND TRANSFER OF COMMON AREA

Section 2.01. Description of Project. The Project is a condominium project consisting of the land, condominiums and all other improvements located thereon. Declarant will construct upon the premises, being the property more accurately set forth in Paragraph A above, nine condominium units to be individually owned together with the common area to be owned by all individual owners in common, together with all structures and improvements located thereon.

Section 2.02. Division of Property. The property is divided as follows:

(a) Units. Each of the units as separately shown, numbered and designated in the Condominium Plan consists of the space bounded by and contained within the interior unfinished surfaces of the perimeter walls, floors, ceilings, windows, window frames, doors and door frames and trim, of each unit, each of such space is being defined and referred to herein as a "unit". Bearing walls located within the interior of the unit or common area, are not part of the unit, except for the finished surfaces thereof. Each unit includes both the portions of the building so described and the airspace so encompassed. Each unit is subject to such encroachments as are contained in the building, whether the same now exists or may be later caused or created in any manner referred to herein. Each unit shall have appurtenant to it a non-exclusive right for ingress, egress and support through the common area subject to the rights of each owner in any restricted common area appurtenant to that owner's condominium. If title to a condominium unit is conveyed prior to completion of construction of that unit, the boundaries of that unit shall be the boundaries shown on the Plan.

(b) Common Areas. The remainder of the property constitutes and shall be referred to herein as "common area" and includes, without limitation, all of the elements set forth in Section 1.06. Each owner shall have, as appurtenant to the owner's unit, an equal undivided interest in

the common area. Each includes a unit in such undivided interest in the common area. The common interest appurtenant to each unit is permanent in character and cannot be altered without the consent of all the owners affected, as expressed in an amended Declaration. Such undivided common interest cannot be separated from the unit to which it is appurtenant, and any conveyance or transfer of the unit includes the undivided common interest, the owner's membership in the Association, and any other benefits or burdens appurtenant to that owner's condominium. Each owner may use the common area in accordance with the purposes for which intended without hindering the exercise of or encroaching on the rights of any other condominium owners, subject to the rights of each owner in any restricted common area appurtenant to that owner's condominium.

ARTICLE III

CREATION OF PROPERTY RIGHTS

Section 3.01. Owner Easements and Rights of Ingress and Egress. As referred to in Section 2.02(a) every Owner shall have a non-exclusive right and easement of ingress and egress for use and enjoyment in and to the Common Area, and such easement shall be appurtenant to and shall pass with title to every Unit in the Project.

Section 3.02. Reservation of Limited Rights. The rights and easements of use and enjoyment created hereby shall be subject to the following:

(a) The right of the Association, in accordance with its Articles and By-laws, and by a sixty-six and

two-thirds percent (66 2/3%) vote of the Owners other than the subdivider, to borrow money for the purpose of maintaining and improving the Common Area and its facilities and to secure any loan by mortgage or deed of trust to the Common Area; provided, however, that the rights of the Mortgagee shall be subordinate to the rights of the Members of the Association.

(b) The right of the Association to take steps as are reasonably necessary to protect the Common Area against foreclosure.

(c) The right of the Association as provided in its By-laws to suspend the voting rights of any Member for any period during which any assessment against his or her Lot remains unpaid and delinquent, and for any reasonable period for any infraction of its published rules and regulations.

(d) The right of the Association to cause to be dedicated or transferred all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed upon by the Members, as owners in common of the common area provided that no such dedication or transfer shall be effective unless approved by vote or written consent of members entitled to exercise not less than three-fourths (3/4ths) of the voting power of Owners other than the subdivider and an instrument in writing recorded and signed by the secretary of the Association certifying that such dedication or transfer has been approved by the required vote.

(e) The right of the Association to establish uniform rules and regulations pertaining to the use of the Common Area and the facilities thereon.

The Common Area appurtenant to each Unit is declared to be permanent in character and cannot be altered without the consent of all of the Unit Owners affected, and the first mortgagees of such Unit Owners, as expressed in an amended Declaration. Such common interests cannot be separated from the Unit to which it is appurtenant. Each Unit Owner may use the Common Area in accordance with the purpose for which it is intended as long as that does not encroach upon the rights of any other Unit Owners or hinder the exercise of their rights to the Common Area.

ARTICLE IV
ASSOCIATION, ADMINISTRATION,
MEMBERSHIP AND VOTING RIGHTS

Section 4.01. Association to Manage Common Area.

The management of the Common Area shall be vested in the Association in accordance with its By-laws. The Owners of all of the Units covenant and agree that the administration of the Project shall be in accordance with the provisions of this Declaration, By-laws and Association Rules.

Section 4.02. Membership. Every person or entity who is a record Owner of a fee or undivided fee interest in any Unit which is subject by covenants of record to assessment by the Association, including an Owner by virtue of a contract of sale, and including Declarant as to each Unit owned, shall be a Member of the Association. If a Unit is sold under a recorded contract of sale to a purchaser who

resides in the Unit the resident purchaser, rather than the fee Owner, shall be considered Owner. Membership shall be appurtenant to and may not be separated from ownership of any Unit.

Section 4.03. Transferred Membership. Membership in the Association shall not be transferred, pledged or alienated in any way, except upon the sale or encumbrance of the Unit to which it is appurtenant, and then only to the purchaser, in the case of a sale. A Mortgagee does not have membership rights until it becomes an Owner by foreclosure or deed in lieu thereof. Any attempt to make a prohibited transfer shall be void.

Section 4.04. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A: Class A Members shall be all Owners with the exception of the Declarant and shall be entitled to one (1) vote for each Unit owned. When more than one person holds an interest in any Unit all such persons shall be Members. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Unit. Any Member shall have the right to delegate his or her vote by written notice to the Association.

Class B: The Class B member shall be the Declarant which shall be entitled to three (3) votes for each Unit owned by it. The Class B membership shall cease and be converted to Class A membership upon the happening of either of the following events, whichever occurs earlier:

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

(b) On the second anniversary of the original issuance of the final public report for the Project.

Whenever a specified percentage of the voting power of the Association is required by the terms of this Declaration, the percentage so required shall be the percentage of the total number of votes which could be cast in the absence of any suspension of voting power of any Owner.

At the first organizational meeting, the Members shall elect a Board of Directors to serve until the first annual meeting and at each annual meeting thereafter the members shall elect directors to the Board for terms of one (1) year. All Directors shall be an Owner or agent of an Owner of a unit. Every Owner shall be entitled to vote at any election of the Board and each Owner may accumulate votes and give one candidate a number of votes equal to the number of Directors to be elected, or may distribute such votes on the same principal among as many candidates as the Owner desires. An Owner shall further have separate voting rights for each unit owned. Vacancies on the Board caused by any reason other than removal of a Director by a vote of the association shall be filled by a majority vote of the remaining Directors, even though they may constitute less than a quorum.

As long as there is a Class B Member, Class A Members shall have the right to elect at least twenty

percent (20%) of the Board solely by the votes of Class A Members at any election at which the Class A do not have a sufficient percentage of voting power of the Association to elect at least twenty percent (20%) of the Board through the cumulating of all their votes. Such election by the Class A Members shall take place at the same time of, but separate from, any regular Board election or at any election to fill a vacancy for a Board position that had previously been filled by such a vote of the Class A Members.

All voting rights pertaining to a Unit shall vest at such time as assessments on that Unit have been levied by the Association.

With the exception of provisions relating to enforcement of bonded obligations under Article X, no action which requires the approval of the majority of the voting power of Members of the Association other than Declarant for action to be taken by the Association is intended to preclude Declarant from casting votes attributable to Units which Declarant owns. In those cases where these restrictions or other governing instruments specify a vote or written assent of Members other than Declarant, such vote or written assent shall require the following:

(a) When Class A and Class B voting memberships are in effect, the vote or written assent of a majority of the Class A voting power and the Class B voting power; and

(b) Upon conversion to a single class voting membership, the vote or written assent of a majority of the total voting power of the Association, as well as the vote

or written assent of a majority of the total voting power of Members other than Declarant.

Section 4.05. Liability of Directors and Managers. No Director of the Association, nor any agent, representative, or employee of the Association, shall be personally liable to any Owner or to any other party for any damage, loss or prejudice suffered or claimed on account of any act or omission of the Association that occurs or fails to occur while such Director or person is acting in a representative capacity on behalf of the Association; provided, however, that such Director or other person has, upon the basis of such information as may be possessed by him or her, acted in good faith.

ARTICLE V

MAINTENANCE AND ASSESSMENTS

Section 5.01. Creation of Lien and Personal Obligation of Assessments. The Declarant, for each Unit owned, hereby covenants, and each Owner of any Unit by acceptance of a deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agree to contribute towards Common Expenses by payment of assessments to the Association, as follows: (a) annual assessments or charges, and (b) special assessments, such assessments to be established and collected as hereinafter provided. The annual and special assessments, together with interest, costs, and reasonable attorneys' fees incurred in any collection effort, shall be a charge on the Unit and shall be

a continuing lien upon the property against which each such assessment is made.

Each such assessment, together with interest, costs, and reasonable attorneys' fees incurred in any collection effort, shall also be the personal obligation of the person who was the Owner of such Unit at the time when the assessment fell due. No owner of a Unit may exempt himself or herself from liability for his or her contribution towards the Common Expenses by waiver of the use or enjoyment of any of the Common Area or by the abandonment of his or her Unit.

Any condominium/residential unit 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 expenses and reserves directly attributable to the existence and use of the structural improvement. The exemption may include: (1) Roof replacement; (2) Exterior maintenance; (3) Walkway and carport lighting; (4) Refuse disposal, if any; (5) Cable television; (6) Domestic water supplied to living units, if any; (7) Insurance on uncompleted units. The foregoing exemptions shall be in effect until the earliest of the following events: (1) A notice of completion of the structural improvements has been recorded; (2) Occupation or use of the condominium; or (3) Completion of all elements of the residential structure which the Association is obligated to maintain.

The Declarant and any other owner of a condominium/residential unit are exempt from the payment of that portion of any assessment which is for the purpose of defraying expenses and reserves directly attributable to the existence and use of the common facility that is not complete at the time assessments commence. This exemption from the payment of assessments shall be in effect until the earliest of the following events: (1) A notice of completion of the common facility has been recorded; or (2) The common facility has been placed into use.

Section 5.02. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the health, safety, and welfare of all residents of the Project, and for the improvement and maintenance of the Common Area for the common good of the Project, and to carry out the obligations of the Association as stated in this Declaration.

Section 5.03. Assessments.

(a) Annual Assessments. The Board shall establish and levy annual assessments in an amount that the Board estimates will be sufficient to raise the funds needed to perform the duties of the Association during each fiscal year.

The annual assessment shall include a portion for reserves in such amounts as the Board in its discretion considers appropriate to meet the costs of the future repair, replacement or additions to the major improvements and fixtures that the Association is obligated to maintain

and repair. Reserve funds shall be deposited in a separate account and the signatures of at least two (2) persons who shall either be members of the Board or one officer who is not a member of the Board and a member of the Board shall be required to withdraw monies from the reserve account. Reserve funds may not be expended for any purpose other than repairing, replacing or adding to the major improvements or fixtures that the Association is obligated to maintain without the consent of owners holding a majority of the voting power either at a duly held meeting or by written ballot.

(b) Special Assessments. The Board, at any time, may levy a special assessment in order to raise funds for unexpected operating or other costs, insufficient operating or reserve funds, or such other purposes as the Board in its discretion considers appropriate. Special assessments shall be allocated among the units in the same manner as regular assessments provided that any special assessments against owners to raise funds for the repair, replacement or addition of that portion of the common area that contains the units shall be levied 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 of all the units to be assessed. This provision does not apply to an assessment levied against a member to reimburse the Association for costs incurred in bringing the member and his subdivision interest into compliance with the provisions of the governing instruments of this subdivision. Any such

assessment shall be subject to the provisions of Section 5.01.

Section 5.04. Restrictions on Annual or Special Assessments. The Board may not impose an annual assessment on any condominium which is more than twenty percent (20%) greater than the annual assessment for the immediately preceding fiscal year or levy a special assessment to defray the cost of any action or undertaking on behalf of the Association which in the aggregated exceeds five percent (5%) of the budgeted gross expenses of the Association without the vote or written consent of members casting a majority of the votes at a meeting or election of the association at which a quorum is present. For purposes of this section 5.04, a "quorum" means more than fifty percent (50%) of the members of the Association. Any meeting of the Association for purposes of complying with this section 5.4 shall be conducted in accordance with Chapter 5 (commencing with §7510) of Part 3, Division 2 of Title 1 of the Corporations Code and §7613 of the Corporations Code.

Notwithstanding the foregoing, the Board, without membership approval, may increase annual assessments or levy special assessments necessary for an emergency situation. For purposes of this section, an emergency situation is one of the following:

- (1) an extraordinary expense required by an order of a court,
- (2) an extraordinary expense necessary to repair or maintain the property or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered, or

(3) an extraordinary expense necessary to repair or maintain the property or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the proforma operating budget, provided, however that prior to the imposition or collection of the assessment, the Board shall pass a resolution containing written finding 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 the assessment.

This section 5.4 incorporates the statutory requirements of Civil Code §1366(b). If this section of the Civil Code is amended in any manner, this section 5.04 automatically shall be amended in the same manner without the necessity of amending this Declaration.

Section 5.05. Notice and Quorum for Any Action Authorized Under Sections 5.03 and 5.04. Any action authorized under Sections 5.03 and 5.04, which requires a vote of the membership, shall be taken at a meeting called for that purpose, written notice of which shall be personally delivered or sent to all members not less than ten (10) days nor more than ninety (90) days in advance of the meeting specifying the place, day, and hour of the meeting and, in the case of a special meeting, the nature of the business to be undertaken. The action may also be taken without a meeting pursuant to the provisions of California Corporations Code §7513.

Section 5.06. Allocation of Assessments. All assessments, both annual and special, shall be levied equally among the condominiums except as provided in sections 5.03 and 5.04. Annual assessments shall be collected on a monthly basis unless the Board directs otherwise. Special assessments may be collected in one (1) payment or periodically as the Board shall direct.

Section 5.07. Date of Commencement of Annual Assessments: Due Dates. The regular annual assessments provided for herein shall commence as to all Units on the first day of the month following the first conveyance of a condominium/residential unit to an individual owner under authority or a public report. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. Subject to the provisions of Section 5.03, the Board of Directors shall determine and fix the amount of the annual assessment against each Unit and send written notice thereof to every Owner at least sixty (60) days in advance of each annual assessment period. The annual assessments shall be payable on a monthly basis on due dates established by the Board of Directors. The Association shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the assessments on a specified Unit have been paid. Such a certificate, duly executed, shall be conclusive evidence of such payment.

Section 5.08. Enforcement of Assessments.

(a) Delinquency. Any assessment provided for in

this Declaration which is not paid when due shall be delinquent. With respect to each assessment not paid within thirty (30) days after its due date, the Association may at its election require the Owner to pay a "late charge" in the sum to be determined by the Association, and not to exceed the maximum permitted by Civil Code Section 1725 or other applicable laws. In any action to enforce payment of a delinquent assessment, the delinquent Owner shall pay reasonable attorneys' fees incurred by the Association.

(b) Assessment Lien. Any delinquent assessment or assessments, together with interest and late charges in accordance with Section 5.08(a), shall be a lien upon the Unit against which such delinquent assessment or assessments were levied, upon the recording in the San Luis Obispo County Recorder's Office of a notice of assessment as provided in Section 1356 of the Civil Code of California. A notice of assessment shall not be recorded until fifteen (15) days after the delivery to the delinquent Owner of a written notice of default and demand to cure such default that has not been cured within such fifteen (15) day period.

(c) Enforcement of Liens. The Association or its agent may enforce any lien established pursuant to Section 5.08(b) by sale, such sale to be conducted in accordance with the provisions of Section 2924, 2924(b) and 2924(c) of the Civil Code as applicable to the exercise of powers of sale on mortgages and deeds of trust, or in any other manner permitted by law. In the event the enforcement of such lien is by action in court, reasonable attorneys' fees shall be

allowed to the extent permitted by law. In the event of enforcement in the manner provided by law from the exercise of powers of sale and mortgages and deeds of trust, the Association shall be entitled to actual expenses and fees incurred. If any such default is cured prior to sale or other enforcement of such lien, the Board shall cause to be recorded a certificate setting forth the satisfaction and release of such lien, upon payment by the delinquent Owner of actual expenses incurred by the Association, including reasonable attorneys' fees.

Notwithstanding the foregoing, a monetary penalty imposed by the Association as a disciplinary measure for failure of a Member to comply with the governing instruments of the Association or as a means of reimbursing the Association for costs incurred by the Association in the repair of damaged Common Areas and facilities for which the Member was allegedly responsible or in bringing the Member and the Member's subdivision interest into compliance with this Declaration or the By-laws of the Association, may not be characterized nor treated as an assessment which may become a lien against the Member's subdivision interest enforceable by a sale of the interest in accordance with the above-referenced provisions of the Civil Code. However, the provisions of this paragraph do not apply to charges imposed against an Owner consisting of reasonable late payment penalties for delinquent assessments and/or charges to reimburse the Association for the loss of interest and for

costs reasonably incurred (including attorney's fees) in its effort to collect delinquent assessments.

The Association, acting on its own behalf, shall have the power to bid for a Unit at a foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. During the period a Unit is owned by the Association following foreclosure, (1) no right to vote shall be exercised on behalf of the Unit; (2) no assessment shall be assessed or levied on the Unit; and (3) each Unit shall be charged, in addition to its usual assessment, its proportionate share of the assessment that would have been charged to such Unit if it had not been acquired by the Association as a result of foreclosure. After acquiring title to a Unit at a foreclosure sale following notice of publication, the Association may also execute, acknowledge and record a deed conveying title to the Unit which deed shall be binding upon the Owners, successors and all other parties.

(d) Legal Action. In addition to the right of lien herein set forth, the Association may bring a suit of law against a delinquent Owner to enforce his or her assessment obligation. Any judgment rendered in such an action shall include a sum for reasonable attorneys' fees and such amount as the court may adjudge against the delinquent Owner.

(e) Transfer of Unit by Sale or Foreclosure. Sale or transfer of any Unit shall not affect an assessment lien; provided, however, that the sale or transfer of any Unit pursuant to foreclosure of a First Mortgage shall

extinguish any lien as to assessments or other payments to the Association which became due prior to such sale or transfer, with the exception of assessment liens recorded prior to the Mortgage. No sale or transfer shall relieve such Unit from liability for any assessment thereafter becoming due or from the lien for those assessments. In a voluntary conveyance of a Unit the grantee shall be jointly and severally liable with the grantor for all unpaid assessments by the Association against the latter party for his or her share of Common Expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amount paid by the grantee therefor. However, any such grantee shall be entitled to a statement from the Association setting forth the amount of the unpaid assessments against the grantor due the Association and such grantee shall not be liable for, nor shall the Unit conveyed be subject to, a lien for any unpaid assessments made by the Association against the grantor in excess of the amount set forth in the statement; provided, however, the grantee shall be liable for any assessments becoming due after the date of any such statement.

(f) Voting Rights. Subject to Article VIII of the By-laws, the Board may temporarily suspend the voting rights of a Member who is in default in payment of any assessment, after notice and hearing as prescribed in Corporations Code Section 7341. In any such action, the member shall be entitled to fifteen (15) days' prior written notice of the suspension and the reasons therefor, and a

hearing before the Board on such suspension at least five (5) days prior thereto.

ARTICLE VI

INSURANCE

Section 6.01. General. In the event of damage to or destruction of any Unit the Owner shall reconstruct the same as soon as reasonably practicable, and substantially in accord with the original plans and specifications therefor, including such modifications thereof as may be adopted from time to time.

The Association shall obtain and maintain the following insurance.

(a) A casualty policy insuring all improvements and fixtures on the property;

(b) A comprehensive public liability insuring the Association, its agents, the Declarant, and the owners and occupants of the condominiums and their respective family members, guests, invitees, and agents against any liability incident to the ownership or use of the common area or any other association owned or maintained real or personal property;

(c) Worker's Compensation insurance to the extent required by law;

(d) Fidelity bonds for insurance covering officers, directors, and employees that have access to any Association funds;

(e) Flood insurance if the project is located in an area designated by an appropriate governmental agency as a special flood hazard area;

(f) Officers' and directors' liability insurance;
and

(g) Such other insurance as the Board in its discretion considers necessary or advisable.

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

ARTICLE VII

DUTIES AND POWERS OF THE ASSOCIATION

Section 7.01. Duties. In addition the duties enumerated in its By-laws or elsewhere provided for in this Declaration, and without limiting the generality thereof, the Association shall perform the following duties:

(a) Property Acceptance. The Association shall accept delivery and take possession of all personal property in the Common Area subject to its rights and duties as contained herein.

(b) Maintenance. The Association shall maintain, repair, replace, restore, operate and manage all of the Common Area and facilities, equipment and landscaping thereon, all property that may be acquired by the Asso-

ciation, and all buildings on the Units. Maintenance shall include, without limitation, the following:

(1) Repairing and maintaining all of the Common Area exterior surfaces, landscaping, improvements, and driveway areas; and

(2) The exteriors and roofs of each such building on each Unit (excluding window glass).

The responsibility of the Association for maintenance and repairs shall not extend to repairs or replacements arising out of or caused by the willful or negligent act or neglect of an Owner, or his or her guests, tenants, or invitees, the cost of which is not covered by insurance. The Association shall also maintain the landscaping in front of each Unit and the walkways in front of the Unit.

(c) Insurance. The Association shall maintain such policy or policies of insurance as are required by Article VI of this Declaration.

(d) Discharge of Liens. The Association shall discharge by payment, if necessary, any lien against the Common Area, and assess the costs thereof to the Lot Owner or Owners responsible for the existence of said lien.

(e) Assessments. The Association shall fix, levy, collect, and enforce assessments as set forth in Article V hereof.

(f) Payment of Expenses. The Association shall pay all expenses and obligations incurred by the Association in the conduct of its business including, without limita-

tion, all licenses, taxes or governmental charges levied or imposed against the property of the Association.

(g) Financial Statements. The Association shall cause financial statements for the Association to be prepared and copies shall be distributed to Owners as prescribed in the By-laws.

(h) Enforcement. The Association shall enforce this Declaration.

Section 7.02. Powers. In addition to the powers enumerated in its Articles and By-laws, or elsewhere provided for herein, and without limiting the generality thereof, the Association shall have the following powers:

(a) Utility Service. The Association shall have the authority to obtain, for the benefit of the Project, all water, gas, and electric service and garbage collection, and janitorial or window cleaning service for the entire Project including the Common Areas.

(b) Easements. The Association shall cause its members, as tenants in common, to grant easements where necessary for utilities and sewer facilities over the Common Area to serve the Common Area and the Lots.

(c) Management Contract. The Association shall have the authority to employ a manager or other persons and to contract with independent contractors or managing agents to perform all or any part of the duties and responsibilities of the Association, provided that any contract with a firm or person appointed as a manager or managing agent shall not exceed a one-year term, shall provide for the

right of the Association to terminate the same at the first annual meeting of the Members of the Association, and shall provide for termination of the same for cause on five (5) days' written notice.

(d) Adoption of Rules. The Association may adopt reasonable rules not inconsistent with this Declaration relating to the use of the Common Area and all facilities thereon, and the conduct of the Owners and their tenants and guests with respect to the property and other Owners.

(e) Access. For the purpose of performing the maintenance authorized herein or for any other purpose reasonably related to the performance by the Association or the Board of Directors of their respective responsibilities, the Association's agents or employees shall have the right, after reasonable notice to the Owner thereof, to enter at reasonable hours any individual Unit or any portion of the Common Area.

(f) Assessments, Liens and Fines. The Association shall have the power to fix, levy and collect assessments in accordance with the provisions of Article V hereof. The Association may impose fines or take disciplinary action against any Owner for failure to pay assessments or for violation of any provision of this Declaration. Penalties may include, but are not limited to: fines, temporary suspension of voting rights or other appropriate discipline, provided that the accused member is given notice and given the opportunity to be heard with respect to the alleged violation in accordance with and as provided below,

prior to the imposition of any fine or disciplinary action. The Board, maintaining the power to levy and collect assessments as herein provided, may enforce the provisions of this Declaration provided that at least fifteen (15) days prior to notice of any charges (other than assessments) or potential discipline or fine and the reasons therefor are given to the member affected, and that an opportunity is provided for the member to be heard, orally or in writing, no less than five (5) days before the effective date of the discipline or fine, said hearing to be before the Board. A notice required under this Section may be given by any method reasonably calculated to provide actual notice, and otherwise as required by Corporations Code §7341.

(g) Enforcement. The Association shall have the authority to enforce this Declaration as provided in Section 9.01 hereof.

(h) Acquisition and Disposition of Property. The Association shall have the power, subject to approval by at least sixty-six and two-thirds percent (66-2/3%) of the Owners other than the subdivider, to acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, or otherwise dispose of real or personal property.

(i) Loans. The Association shall have the power to borrow money, and only with the assent (by vote or written consent) of three-quarters of the Members of the Association other than the subdivider, to mortgage, pledge, deed in trust, or hypothecate any or all of its real or

personal property as security for money borrowed or debts incurred.

(j) Dedication. The Association shall have the power to cause its members, as tenants in common, to dedicate, sell or transfer all or any part of the Common Area to any agency, authority, or utility, for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication, sale or transfer has been signed by two-thirds (2/3rds) of the voting power of the Association residing in Members other than Declarant, and has been recorded in the records of the San Luis Obispo County Recorder's Office.

(k) Contracts. The Association shall have the power to contract for goods and/or services for the Common Area, facilities and interests of the Association, subject to limitations elsewhere set forth in this Declaration or in the By-laws.

(l) Delegation. The Association shall have the power to delegate its authority and powers to committees, officers, or employees of the Association.

(m) Limitations on Contracts. No contract by the Association with a manager or managing agent, or for materials or services for the Common Area or the Association, shall be for a period in excess of one (1) year , except for:

(1) A management contract approved by the Federal Housing Administration or the Veterans Administration;

(2) A contract with a utility company whose rates are regulated by the Public Utilities Commission;

(3) A prepaid casualty or liability policy not exceeding three (3) years duration as long as the policy permits short rate cancellation by the insured;

(4) A contract approved by the vote or written assent of a majority of the voting power of the Association residing in the Members others than the Declarant, subject to Section 4.04.

ARTICLE VIII

USE RESTRICTIONS

Section 8.01. Residential Use. No Unit shall be occupied or used except for single family residential purposes by the Owners, their tenants and social guests, and no trade or business shall be conducted therein, except that Declarant and the successors or assigns of Declarant, may use any Unit or Units in the Project owned by Declarant for a model home site or sites or sales office until the last Unit is sold by Declarant; provided, however, that Declarant shall not unreasonably interfere with the other Owners' rights enjoyment of their Unit and the Common Area, and that Declarant's rights under this exception shall automatically expire eighteen (18) months from original issuance of the public report on the Project. No tent, shack, trailer, garage, outbuilding or structure of a temporary character

shall be used at any time as a residence, either temporarily or permanently.

Section 8.02. Private Open Space Each residential unit shall have reserved for the exclusive use of the occupants of that unit, a private open space of not less than 200 square feet per unit.

Section 8.03. Common Area. No modification or alteration of, or addition to any portion of the Common Area or common facilities shall be made by any Owner or occupant without the written permission of the Board of Directors.

Section 8.04. Maintenance. All Units and structures, including private landscaping not otherwise maintained by the Association, shall at all times be maintained by the Owner or occupant in good condition and repair, and in a clean, neat and orderly condition.

Section 8.05. Mineral Exploration. No property shall be used in any manner to explore for or to remove any water, oil or other hydrocarbons, gravel, earth or any earth substance or other mineral of any kind. No machinery or equipment of any kind shall be placed, operated or maintained upon any Lot, except such machinery or equipment as is usual and customary with the use and maintenance of a Lot.

Section 8.06. Nuisances. No obnoxious, illegal or offensive activity shall be transacted or conducted in any Unit or in any part of the Project, nor shall anything be done thereon which may be or may become an annoyance or a nuisance to or which may in any way interfere with the quiet

enjoyment of an Owner or his or her respective Unit, or which shall in any way increase the rate of insurance for the Project, or cause any insurance policy to be cancelled or to cause a refusal to renew the same or which will impair the structural integrity of any building.

Section 8.07. Signs. No signs shall be displayed to the public view on any Units or any portion of the property except signs as are approved by the Board. "For Sale" or "For Rent" signs shall be allowed provided that they do not exceed six (6) square feet in size.

Section 8.08. Radio and Television Antennas. Unless approved by seventy-five percent (75%) of the Owners other than the subdivider, no alteration to or modification of a central radio antenna or television antenna system or cable television system, if any, as developed by Declarant and as maintained by the Association, shall be permitted, and no Owner may be permitted to construct and/or use and operate his or her own external radio and/or television antenna without the consent of the Board.

Section 8.09. Prohibited Permanent Structures. All permanent structures, except for fences not exceeding six foot six inches in height, within an area of 25 feet North of the Southern property line of said Lot, as generally illustrated on Exhibit "A" attached, shall be prohibited. This restriction shall run with and be appurtenant to the land.

Section 8.10. Architectural Control. No building, fence, wall obstruction, balcony, screen, patio, patio

cover, tent, awning, improvement or structure of any kind shall be commenced, erected, painted or maintained upon the property nor shall any alteration, or improvement of any kind be made thereto until the same has been approved in writing by the Board. Plans and specifications showing the nature, kind, shape, color, size, materials and location of such improvements, alterations, etc., shall be submitted to the Board for approval as to quality of workmanship and design and harmony of external design with existing structures and as to location in relation to surrounding structures. In the event the Board fails to approve or disapprove plans and specifications within sixty (60) days after the same have been submitted to it, approval shall not be required and the related covenant shall be deemed to have been satisfied.

Notwithstanding any provision of this Article, all Units shall be entitled to construct on or upon the exterior thereof solar energy devices for the purposes of furnishing heat and/or energy to a structure on that Unit without prior approval from the Association, as long as the same is designed, constructed and installed in accordance with accepted architectural and engineering principles.

No landscaping of yards visible from the street or from the Common Area which do not involve the use of natural plants, grass, trees or shrubs, but which do involve the use of synthetic materials, or concrete, rock or similar materials, shall be undertaken by any Owner until plans and specifications showing the nature, kind, shape and location

of materials have been submitted to and approved in writing by the Board or by an architectural control committee appointed by the Board.

Neither Declarant, the Association nor any architectural committee, nor the members thereof, shall be liable in damages to anyone submitting plans and specifications to them for approval, or to any Owner of property affected by these restrictions by reason of mistaken judgment, negligence, or non-feasance arising out of or in connection with the approval or disapproval or failure to approve or disapprove any such plans or specifications which have been submitted for their approval. Every person who submits plans or specifications for approval agrees, by submission of such plans and specification, and every Owner of the property or any Unit therein agrees that he or she shall not bring an action or suit against Declarant, the Association, the architectural committee, or any members thereof to recover any such damages.

All drapes, curtains and other window coverings visible from the street or Common Area shall be subject to approval by the Board or its authorized committee.

No fences, awnings, ornamental screen doors, sunshades or walls of any nature shall be erected or maintained on or around any portion of any structure or elsewhere within the Project except those that are installed in accordance with the original construction of the Project, and their replacements, or as are authorized and approved by the Board. No exterior clotheslines shall be erected or

maintained and there shall be no exterior drying or laundering of clothes on balconies, patios, porches or other areas.

Section 8.11. Party Walls. Each wall and fence which is built as a part of the original construction of any structure and which is placed on any dividing line between Units shall constitute a party wall, and to the extent consistent with this Declaration, the rules of law regarding party walls and liability for property damage due to negligent or willful acts or omissions shall apply thereto. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the Owners who make use thereof.

Section 8.12. Damage to Common Area. Each Owner shall be liable to the Association for any damage to the Common Area or any improvements, landscaping or equipment thereon which may be sustained by reason of the negligence or willful misconduct of the Owner and his or her family, guests, tenants, servants or invitees. The Board shall levy any special assessment, subject to the notice and opportunities to be heard provision of Article V of this Declaration, for the cost of the repair or replacement thereof, together with costs and attorneys' fees.

Section 8.13. Vehicles and Parking. Each Residential Unit shall be assigned an exclusive parking area, for the sole and exclusive use of the Unit Owner or Owners, each said parking area being denoted as P, followed by the Unit number, and the Condominium Plan attached hereto and marked as Exhibit "A". No trailer, camper, mobile home,

recreational vehicle, commercial vehicle, truck (other than standard size pick-up truck), inoperable automobile, boat or similar equipment shall be permitted to remain upon any area within the Project, other than temporarily, without prior permission from the Board. Commercial vehicles shall not include sedans or standard size pick-up trucks which are used both for business and personal use, provided that any signs or markings of a commercial nature on such vehicles shall be unobtrusive and inoffensive as determined by the Board. No noisy or smokey vehicles shall not be operated within the Project.

Section 8.14. Equipment. No power equipment, hobby shops, or carpenter shops shall be maintained within the Project, except with the prior approval of the Board. No automobile overhaul or maintenance work, other than emergency work, shall be permitted within the Project.

Section 8.15. Lease of Unit. All leases or tenancies of a Unit must be in writing and must provide that the lease or tenancy is subject in all respects to the provisions of this Declaration, the By-laws and the Articles, and that the failure of a lessee to comply with any of the terms and provisions of said documents shall constitute a default under the lease or tenancy. No Unit Owner may lease less than the entire Unit.

Section 8.16. Animals. The raising, breeding or keeping of animals, poultry, birds, or reptiles for pleasure or commercial game, is prohibited on any portion of the property, except that two small household pets (no larger

than fifty (50) pounds each) may be kept in a Unit for pleasure. Notwithstanding the foregoing, no pets may be kept on the property which result in an annoyance or are obnoxious to other Unit Owners. No pets shall be allowed in the Common Area except while on a lease which is held by a person capable of controlling it. Any Owner may cause any unleashed dog found within the Common Area to be removed to a pound or animal shelter under the jurisdiction of the City of Morro Bay or County of San Luis Obispo, by calling the appropriate authorities, whereupon the Owner may, upon payment of all expenses connected therewith, repossess the dog. No dog whose barking disturbs other Owners shall be permitted to remain within the Project. Owners shall prevent their pets from soiling any portion of the Common Area or where other persons customarily walk.

ARTICLE IX

GENERAL PROVISIONS

Section 9.01. Enforcement. The Association, or any Owner, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens, and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 9.02. Severability. Invalidation of any one of these covenants or restrictions by judgment or court

order shall in no way affect any other provisions which shall remain in full force and effect.

Section 9.03. Encroachment Easements. Each Unit within the Project is hereby declared to have an easement over all adjoining Units and the Common Area for the purpose of accommodating any encroachment due to engineering errors, errors in original construction, settling or shifting of the building, or any other cause. There shall be valid easements for the maintenance of such encroachments as long as they shall exist, and the rights and obligations of the Owners shall not be altered in any way by such encroachment, settlement or shifting; provided, however, that in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if such encroachment occurred due to willful misconduct of such Owner or Owners. In the event that a structure is partially or totally destroyed, and subsequently repaired or rebuilt, the Owners of each Unit agree that minor encroachments over adjoining Units or Common Area shall be permitted and that there shall be valid easements for the maintenance of such encroachments so long as they shall exist.

Section 9.04. Fair Housing. No Owner shall, either directly or indirectly, forbid or restrict the conveyance, encumbrance, leasing or mortgaging or occupancy of his or her Unit to any person of a specified race, color, religion, ancestry, or national origin.

Section 9.05. Term. The covenants and restrictions of this Declaration shall run with and bind the

property and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any property subject to this Declaration, or their respective legal representatives, heirs, successors and assigns, for a term of thirty (30) years from the date this Declaration is recorded, after which time they shall be automatically extended for successive periods of ten (10) years, unless an instrument in writing, signed by seventy-five percent (75%) of the voting power of the Association has been recorded within the year preceding the beginning of each successive period of ten (10) years, agreeing to change these covenants and restrictions in whole or in part, or to terminate the same. Any such amendment shall be done in conformance with Article XI of this Declaration.

Section 9.06. Mortgage Protection. No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provision herein, shall render invalid the lien of any Mortgage on any Lot made in good faith and for value; all these covenants, conditions and restrictions shall be binding upon and effective against any Owner whose title is derived through foreclosure or trustee's sale, or otherwise.

Except upon the prior written approval of at least fifty-one percent (51%) of all First Mortgagees that have in writing previously requested to participate in the voting process (based on one vote per Unit), neither the Association nor the members shall be entitled to do any of the following:

(a) Dissolve the Association;

(b) Amend a material provision of this Declaration, or the By-laws or the Articles. For purposes of determining what provisions are material in this Declaration and in the By-laws or the Articles, such terms shall include provisions relating to: (1) residential use of the Project; (2) voting; (3) assessments and liens; (4) reserves for repair and replacement of common area facilities; (5) property maintenance obligations; (6) insurance; (7) reconstruction in the event of damage; (8) rights to use common elements; (9) annexation; and (10) amendments to this section.

(c) Abandon, partition, alienate, subdivide, release, transfer, hypothecate or otherwise encumber the Common Area; provided, however, the granting of easements for public utilities and other public purposes consistent with the intended use of the Common Area shall not require such approval.

Any First Mortgagee of any unit or the Common Area, upon written request to the Association, is entitled to:

(a) Inspect the books and records of the Association pertaining to the Unit during normal business hours.

(b) Receive the annual audited financial statements of the Association ninety (90) days following the end of the Association's fiscal year.

(c) Receive written notice of all annual and special meetings of the Members or of the Board. First

Mortgagees shall further be entitled to designate a representative to attend all such meetings in order to, among other things, draw attention to violations of this Declaration which have not been corrected or made the subject of remedial action by the Association; provided, however, that nothing contained in this Section shall give a First Mortgagee the right to call a meeting of the Board or of the Members for any purpose or to vote at any such meeting.

Any First Mortgagee on any Unit shall be entitled to written notification from the Association of any default in the performance of the obligations imposed by this Declaration by the Owner whose Unit is encumbered by such Mortgagee's Mortgage, which default has not been cured within sixty (60) days of a request therefor by the Association; provided, however, the Association shall only be obligated to provide such notice to a First Mortgagee who have previously requested such notice in writing.

In the event this Declaration is amended to provided for any right of first refusal in the Association, a First Mortgagee who comes into possession of a Unit pursuant to a judicial foreclosure or a trustee's sale shall be exempt from this provisions.

In the event of any conflict between any of the provisions of this Section 9.06 and any of the other provisions of this Declaration, the provisions of this Section shall control.

First Mortgagees may, jointly or singly, pay taxes or other charges which are in default and which may become a

charge against the Common Area, and also may pay overdue premiums on hazard insurance policies. Any such payments shall be immediately reimbursed from the Association.

In the event that the Common Area or any portion thereof is substantially damaged or is made the subject of any condemnation proceeding in eminent domain or is otherwise sought to be acquired by a condemning authority, the Board shall promptly notify any First Mortgagee affected by such destruction, taking or threatened taking. As used herein, "substantially damaged" shall mean damage exceeding Ten Thousand Dollars (\$10,000.00). If requested in writing by a First Mortgagee, the Association shall evidence its obligations under the section in a written agreement in favor of such First Mortgagee.

A First Mortgagee, upon delivery to the Board of a written notice stating that such First Mortgagee is the holder of a First Mortgage encumbering a Unit, shall be entitled to receive notice of which this Section 9.06 requires the Association to deliver to First Mortgagees.

Section 9.07. Damage or Destruction of Common Area. If the Common Area is damaged in whole or in part by fire or other casualty, and the cost of rebuilding or repairing does not exceed by more than Five Thousand Dollars (\$5,000.00) the available insurance proceeds initially offered or paid by insurance, the Board shall contract to repair or rebuild the damaged portions of the Common Area in accordance with original plans and specifications. If any insurance proceeds are insufficient to pay all of the cost

of repairing and rebuilding, the Board shall levy a special assessment on the Owners in accordance with Section 5.04 of this declaration to make up any deficiency between total insurance proceeds and the contract price for repairing or rebuilding.

If the cost of rebuilding or repairing damage to the Common Area exceeds the available insurance proceeds initially offered or paid by more than Five Thousand Dollars (\$5,000.00), the Board shall obtain bids, including the obligation to obtain a performance bond, from two (2) or more licensed contractors to repair or rebuild the damaged portions of the Common Area in accordance with original plans and specifications and shall, as soon as possible thereafter, call a special meeting of the Members to consider these bids. If the Board fails to obtain such bids within sixty (60) days after a casualty occurs to the Common Area, any Owner may obtain the requisite bids, and call and conduct a special meeting as herein provided. Failure to call the special meeting, or to repair the casualty damage, within six (6) months from the date the damage occurs shall constitute for all purposes the decision not to rebuild or repair the damage portions of the Common Area. At a special meeting of the Members, a sixty-six and two-thirds percent (66-2/3%) vote of the membership of the Association may reject any and all bids and elect not to repair or rebuild. If the Members fail to reject all of the bids, the Board shall have the authority to accept the unrejected bid it considers more favorable. If all original bids are reject-

ed, the Board may prepare and present to the Members various alternative plans for repair and reconstruction; provided, however, that before presenting such plans to the Members, the Board shall obtain bids from two (2) or more licensed contractors to perform the work of repair or reconstruction in accordance with the alternative plans. The requisite bids shall be considered at a meeting of the Members as soon as possible but in no event more than six (6) months from the date the damage to the common area occurred. Members may, by a sixty-six and two-thirds percent (66-2/3%) vote, reject any and all bids and/or elect not to repair and rebuild or fail to elect not to repair or rebuild. Failure to reject all bids or failure to elect not to repair or rebuild shall authorize the Board to accept the bid it considers more favorable. If a bid is accepted, the Board shall levy a special assessment on the Owners in accordance with Section 5.04 hereof to make up any deficiency between the total insurance proceeds and the contract price for repair or rebuilding.

If a bid is accepted within six (6) months after the date damage or destruction occurs to the Common Area, the Board shall use any insurance proceeds to demolish and remove all damaged or destroyed structures or improvements from the Common Area and level and landscape the site. In the event that all of the insurance proceeds are not required to perform this work, the excess shall be deposited in the repair and maintenance trust account held by the Association. In the event the insurance proceeds are not

sufficient to accomplish a demolish, removal and site finishing, the Board shall levy a special assessment on the Owners in accordance with Section 5.04 hereof to offset the deficiency.

If the improvements are not repaid or reconstructed in accordance with the foregoing, all available insurance proceeds shall be disbursed among all owners and their respective mortgagees in proportion to the respective fair market values of their condominiums as of the date immediately preceding the date of damage or destruction as determined by a qualified independent appraiser selected by the Board, after first applying the proceeds to the cost of mitigating hazardous conditions on the property, making provision for the continuance of public liability insurance to protect the interests of the owners until the property can be sold, and complying with all other applicable requirements of governmental agencies. In the event of a failure to agree on an appraiser, the appraiser shall be appointed by the then President of the San Luis Obispo County Bar Association.

If the failure to repair or reconstruct results in a material alteration of the use of the project from its use immediately preceding the damage or destruction as determined by the Board (a material alteration shall be conclusively presumed if repair or reconstruction costs exceed twenty-five percent (25%) of the current replacement costs of all project improvements), the project shall be sold in its entirety under such terms and conditions as the

Board deems appropriate. If any owner or first lender disputes the Board's determinations as to a material alteration, the dispute shall be submitted to arbitration pursuant to the rules of the American Arbitration Association, and the decision of the arbitrator shall be conclusive and binding on all owners and their mortgagees.

If the project is sold, the sales proceeds shall be distributed to all owners and their respective mortgagees in proportion to their respective fair market values of their condominiums as of the date immediately preceding the date of damage or destruction as determined by the independent appraisal procedure described above. For the purpose of effecting a sale under this Section 9.07, each owner grants to the Association an irrevocable power of attorney to sell the entire project for the benefit of the owners, to terminate the Declaration and to dissolve the Association. In the event the Association fails to take the necessary steps to sell the entire project as required hereunder within sixty (60) days following the date of a determination by the board or arbitrator of a material alteration, or within one hundred twenty (120) days following the date of damage or destruction if the Board has failed to make a determination as to a material alteration, any owner may file a partition action as to the entire project under Civil Code §1359, or any successor statute, and the court shall order partition by sale of the entire project and distribution of the sale proceeds as provided herein.

Notwithstanding anything herein to the contrary, any owner or group of owners shall have a right of first refusal to match the terms and conditions of any offer made to the Association in the event of a sale of the project under this Section 9.07, provided this right is exercised within ten (10) days of receipt within ten (10) days of receipt by the owners of a notice from the Association containing the terms and conditions of any offer it has received. If the owner or group of owners subsequently default on their offer to purchase, they shall be liable to the other owners and their respective mortgagees for any damages resulting from the default. If more than one (1) owner or group elects to exercise this right, the Board shall accept the offer that in its determination is the best offer.

Section 9.08. Owner's Right and Obligation to Maintain and Repair. Except for those portions of the Project which the Association is required to maintain and repair, each Unit Owner shall, at his or her sole cost and expense, maintain and repair his or her Unit, keeping the same in good condition.

Section 9.09. Entry for Repairs. The Board or its agents may enter any Unit when necessary in connection with any maintenance, landscaping or construction for which the Association is responsible or has acted to undertake in accordance with this Declaration. Such entry shall be made with as little inconvenience to the Owner as practicable and any damage caused thereby shall be repaired by the Board at

the expense of the Association. Except in the case of an emergency, forty-eight (48) hours notice shall be given to the Owner or occupant.

Section 9.10. Condemnation. The Association shall represent the condominium owners in any condemnation proceedings or in negotiations, settlements, and agreements with the condemning authority for acquisition of the common area, or part thereof. In the event of a taking or acquisition of part or all of the common area by a condemning authority, the award or proceeds of settlement shall be payable to the Association, or any trustee appointed by the Association, for the use and benefit of the condominium owners and their mortgagees as their interests may appear. In the event of an award for the taking of any condominium in the project by eminent domain, the owner of such condominium shall be entitled to receive the award for such taking, and after acceptance thereof he and his mortgagee shall be divested of all interest in the project if such owner shall vacate his condominium as a result of such taking. The remaining owners shall decide by majority vote whether to rebuild or repair the project, or take other action. The remaining portion of the project shall be resurveyed, if necessary, and the Declaration shall be amended to reflect such taking and to readjust proportionately the percentages of undivided interest of the remaining owners in the project. In the event of a taking by eminent domain of any part of the common area, the Association shall participate in the negotiations, and shall propose the

method of division of the proceeds of condemnation, where condominiums are not valued separately by the condemning authority or by the court. Proceeds of condemnation shall be distributed among owners of condominiums and their respective mortgagees according to the relative values of the condominiums affected by the condemnation, said values to be determined by the method provided in Section 9.07.

If there is a substantial taking of the project's property (more than fifty percent (50%)), the owners may terminate the legal status of the project and, if necessary, bring a partition action under Civil Code §1359 or any successor statute, on the election to terminate by fifty-one percent (51%) of the total voting power of the Association residing in members other than Declarant and the approval of eligible mortgage holders holding mortgages on condominiums which have at least fifty-one percent (51%) of the votes of condominiums subject to eligible holder mortgages. The proceeds from the partition sale shall be distributed to the owners and their respective mortgagees in proportion to the fair market values of their condominiums as determined under the method described in Section 9.07.

Section 9.11. Owners' Compliance. Each Owner, tenant, or occupant of a Unit shall comply with the provisions of this Declaration, and to the extent they are not in conflict with the Declaration, the Articles, the By-laws, decisions and resolutions of the Association or its duly authorized representative, as lawfully amended from time to time. Failure to comply with any such provisions, decisions

or resolutions, shall be grounds for an action to recover sums due, for damages and/or for injunctive relief.

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

Section 9.12. Notices. Any notice permitted or required by the Declaration, Articles or By-laws may be delivered either personally or by mail. If delivery is by mail, it shall be deemed to have been delivered seventy-two (72) hours after a copy of the same has been deposited in the United States mail, postage prepaid, addressed to each person at the current address given by such person to the Secretary of the Association, addressed to the Lot of such person, if no address has been given to the Secretary.

Section 9.13. Violations and Nuisance. Every act or omission whereby any provision of this Declaration is violated in whole or in part is hereby declared to be a nuisance and may be enjoined or abated, whether or not the relief sought is for negative or affirmative action by Declarant or the Association or any Owners of Lots.

Section 9.14. Violation of Law. Any violation of any state, municipal or local law, ordinance or regulation pertaining to the ownership, occupation, or use of any property within the Project is hereby declared to be a violation of these restrictions and subject to any or all of the enforcement procedures set forth in these restrictions.

Section 9.15. No Forfeiture of Rights. There shall be no power in the Association to cause any forfeiture or abridgment of an Owner's rights to the full use and enjoyment of his or her individually owned Unit on account of a failure by the Owner to comply with provisions of the governing instruments or the duly-enacted rules of operation for Common Area, except a forfeiture or abridgment is the result of a court judgment, or a decision arising out of arbitration, or on account of a foreclosure or sale under power of sale, or for failure of the Owner to pay assessments levied by the Association.

Section 9.16. Captions. All captions and titles used in this Declaration are intended solely for convenience or reference and shall not affect that which is set forth in any of the provisions hereof.

Section 9.17. Termination of Responsibility of Declarant. In the event Declarant conveys all of its right, title and interest in and to the Project, or any portion thereof, to any partnership, individual or individuals, corporation or corporations, Declarant shall be relieved of the performance of any further duty or obligation hereunder as to that portion of the Project conveyed. The acquiring partnership, individual or individuals, corporation or corporations, or any other successor of Declarant shall be obligated to perform all duties and obligations relinquished by Declarant, as specifically included in this Declaration, specifically including Declarant's responsibility to fulfill any and all requirements imposed by Resolution No. 25-85,

CONDITIONS OF APPROVAL, entered by the City Council of the City of Morro Bay, California, or any amendments or further resolutions pertaining thereto.

Section 9.18. No Right Given to the Public. Nothing contained in this Declaration shall be deemed to be a gift or dedication of any portion of the Project to the general public or for any public use or purpose.

Section 9.19. Interpretation. The provisions of this Declaration shall be liberally construed to effectuate their purpose of creating a uniform plan for the development and operation of the Project. This Declaration shall be construed and governed under the laws of the State of California.

ARTICLE X

SPECIAL PROVISION FOR ENFORCEMENT OF BONDED OBLIGATIONS

Section 10.01. Existing Bond Obligations. Declarant hereby acknowledges its obligation to provide certain facilities, offsite and onsite, pursuant to improvement agreements, municipal or otherwise.

Section 10.02. Completion Bonds. Should the Association become an obligee under any bond or other arrangement, separate and apart from the obligations described in Section 10.01, to secure performance of a commitment of the Declarant or its successors or assigns to complete the Common Area or any part of the project not completed at the time the California Commissioner of Real Estate issues a final subdivision report for the project,

the following provisions shall apply with respect to the Association initiating action to enforce the obligations of the Declarant, its successors or assigns, and the surety under the bond or other arrangement:

(a) The Board shall be directed to consider and vote on the question of action by the Association to enforce the obligations under the bond or other arrangement with respect to any improvement for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for that improvement in any planned construction statement appended to the bond or other arrangement. If the Association has given an extension in writing for the completion of any common-area improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of the extension.

(b) A special meeting of Members may be called for the purpose of voting to override a decision by the Board not to initiate action to enforce the obligations under the bond or other arrangement or on the failure of the Board to consider and vote on the question. The meeting shall be required to 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 five percent (5%) or more of the total voting power of the Association. A vote of a majority of the voting power of the Association residing in Members other than the Declarant to take action to enforce the obligations

under the bond or other arrangement shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

ARTICLE XI

AMENDMENT TO DECLARATION

Section 11.01. Procedure. After the sale of the first Unit, this Declaration may be amended by the vote or written consent of two-thirds (2/3rds) of the voting power of the Association and at least a majority of Members other than the Declarant, or, if a two-class structure still exists, seventy-five percent (75%) of the voting power of each class of membership; provided, the Association receives prior written consent of the Real Estate Commissioner required by Section 11018.7 of the California Business and Professions Code.

Notwithstanding anything herein contained to the contrary, no such amendment shall be effective for any purpose unless and until the same has been reduced to writing, signed by two officers of the Association who shall certify that said amendment was made in compliance with this Article, and recorded in the Office of the County Recorder of San Luis Obispo County, California. Furthermore, the percentage of a quorum or the voting power of the Association or of Members other than the subdivider necessary to amend a specific clause or provision in these Restrictions shall not be less than the prescribed percentage of affirma-

tive votes required for action to be taken under that clause or provision.

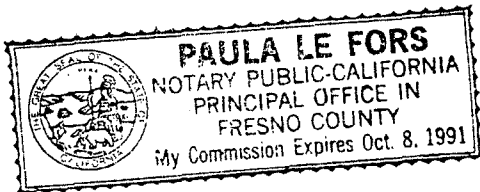
Section 11.02. Amendment by Declarant. Prior to the sale of the first Unit, Declarant shall have the right to amend this Declaration at any time by recording a copy of such amendment in the Office of the County Recorder of San Luis Obispo County, California; provided that any prior written consent of the Real Estate Commissioner required by Section 11081.7 of the California Business and Professions Code is first obtained.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this 28th day of December, 1988.

DECLARANT:

FRESNO-MORRO BAY INVESTORS
A General Partnership

By Walter Joseph Machock
WALTER JOSEPH MACHOCK, PNTR
By Abe Paregia
ABE PAREGIA, PNTR.



STATE OF CALIFORNIA
COUNTY OF Fresno | ss.
On this the 28th day of December 19 88, before me, the undersigned, a Notary Public in and for said State, personally appeared Walter Joesh Machock and Abe Paregia

_____, personally known to me or proved to me on the basis of satisfactory evidence to be the person S who executed the within instrument as two of partners of the partnership that executed the within instrument, and acknowledged to me that such partnership executed the same.
WITNESS my hand and official seal.

Signature

Paula Le Fors

FOR NOTARY SEAL OR STAMP

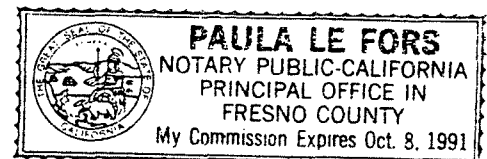


EXHIBIT "A"

TRACT 1288 BAY CREEK VILLAGE
CONDOMINIUM PLAN

LEGAL DESCRIPTION

Lot 1 of Tract 1288 in the City of Morro Bay, County of San Luis Obispo, State of California, as recorded Oct 29, 1987, in Book 14 at Page 19 of maps in the office of the County Recorder of said County.

CONTENTS

SHEET NO.

I	Owner's Certificate and Acknowledgement	2
III	Engineer's Certificate, Horizontal and Vertical Datum Basis	4
IV	Definitions	5
V	General Notes	5
VI	Unit Location Map	8
VII	Diagrammatic Floor Plans	10
VIII	Table 1 (Schedule of Vertical Elevations)	19

OWNER'S CERTIFICATE

We, the undersigned, being the owners of, and the record holder of a security interest in the real property herein described do hereby certify that:

We hereby consent to the recordation of this condominium plan pursuant to the provisions of Chapter 1, Title 6, Part 4, Division Second, CALIFORNIA CIVIL CODE, consisting of:

- (1) The description or survey map of the surface of the land included within this project as such description and survey map is set forth herein:
- (2) The diagrammatic floor plans of the buildings constructed on said land as said diagrammatic floor plans set forth herein; and,
- (3) This certificate.

RECORD OWNERS:

FRESNO-MORRO BAY INVESTORS,
a General Partnership
BY: W. JOE MACHOCK, - GENERAL PARTNER

ing: Elvera Marsh
WITNESS

STATE OF CALIFORNIA

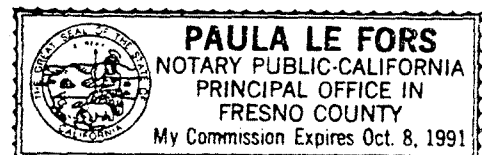
COUNTY OF FRESNO

On this 12th day of JANUARY 1989 before me, the undersigned, a Notary Public in and for said County and State, personally appeared ELVERA MARSH, personally known to me to be the person whose name is subscribed to the within instrument as a witness thereto, who being by me duly sworn, deposed and said that: That she resides at FRESNO COUNTY; that she was present and saw W. JOE MACHOCK personally known to her to be one of the general partners of FRESNO-MORRO BAY INVESTORS the partnership described in, and whose name is subscribed to the within and annexed instrument, execute the same; and that affiant subscribed her name thereto as a witness to said execution.

Signature Paula LeFors

Paula LeFors

Name (Typed or Printed)



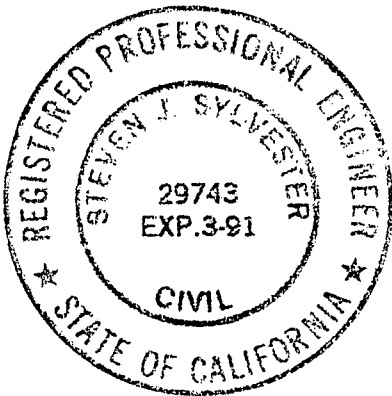
2258-617

CIVIL ENGINEER'S CERTIFICATE

I, Steven J. Sylvester, hereby state that I am a licensed Civil Engineer in the State of California, and that this condominium plan consisting of nineteen (19) sheets was prepared under my supervision and is based upon architectural plans and this plan truly represents the units as constructed and their common area. I also state that the survey made under my direction during the month of July, 1988 is true and complete as shown and that the monuments are of the character shown and occupy the position indicated and are sufficient to enable the survey to be retraced.

Date: 1-12-89

Steven J. Sylvester
R.C.E. 29743



BASIS OF BEARINGS:

The bearings of this document are based on the centerline of Tide Avenue (formerly 'L' Street) Between Yerba Buena Street (formerly 4th Street) and Vashon Avenue (formerly 6th Street), as recorded in Book 2, Page 15 of Maps of San Luis Obispo County, Noted as N 43° 44' 30" W.

BASIS OF ELEVATIONS:

The elevations of this document are based upon the City of Morro Bay Benchmark No. A-123, located at the intersection of Main Street and Vashon Street, said elevation = 50.421.

DEFINITIONS:

1. PROJECT means the entire parcel of real property described above divided or to be divided into CONDOMINIUMS, including all structures thereon.
2. COMMON AREA means the entire PROJECT excepting all UNITS therein granted or reserved.
3. CONDOMINIUM means an estate in real property consisting of an undivided interest in the COMMON AREA together with a separate interest in space (a UNIT).
4. UNIT means the element of a CONDOMINIUM which is not owned in common with the owners of other CONDOMINIUMS in the PROJECT.
5. RESTRICTED COMMON AREA means those portions of the common area set aside for exclusive use of a unit owner or owners, and shall constitute "exclusive use common area" within the meaning of Civil Code Section 1351(i)C.

GENERAL NOTES

1. This CONDOMINIUM PROJECT is composed of a COMMON AREA and nine (9) UNITS of air space, which are shown and identified herein as UNITS 1 thru 9, inclusive.
2. The COMMON AREA of the PROJECT is the land and real property included within the boundaries of Lot 1 of Tract 1288, as shown on a map recorded in Book , Page of Maps, recorded in San Luis Obispo County, California, including all structures and improvements thereon, EXCEPTING therefrom UNITS 1 thru 9, inclusive.
3. Each of Units 1 thru 9 may be composed of the following elements, with the alphabetical designation indicating the use for which the element is intended:

(L) denotes living area.

(S) denotes storage area.

Wherever reference is made to UNIT, such reference is made to the UNIT as a whole, including each of its elements.

4. The following are not a part of the UNIT:

Bearing walls, fences, columns, vertical supports, roofs, exposed beams, horizontal supports, foundations, central

heating, central refrigeration and air conditioning equipment, reservoir tanks, pumps and other central services, pipes, ducts, flues, conduits, wires and other utility installations wherever located, except the outlets thereof when located within the UNIT.

5. The boundaries of each living area (Element L) are the interior surfaces of the perimeter walls, floors, ceilings, exposed beams abutting therein, windows and doors thereof, the portions of the building and improvements lying within said boundaries, (except as stated in Note 4 above) and the air spaces so encompassed.
 - (a) The lateral dimensions of each living area are shown on the UNIT plans herein.
 - (b) The elevations at the vertical boundaries of each living area are shown in Table 1 herein.
6. The boundaries of each storage area - (Element S) - are as follows
 - (a) The lateral boundaries are the exterior finished surfaces of the perimeter walls windows and doors where such surfaces adjoin the storage area, otherwise the lateral boundaries are vertical planes at the limits of the horizontal dimensions shown for each such storage area on the Typical Floor Plans herein.
 - (b) The lower and upper vertical boundary elevations shall be as shown on the section view of the Typical Floor Plan.
7. The following are defined as restricted common areas:
 - (a) Parking areas (denoted as P, followed by the unit number), the boundaries of which are described as follows:
 - 1) The lateral boundaries are the exterior finished surfaces of the perimeter walls, windows and doors where such surfaces adjoin the parking area, otherwise the lateral boundaries are vertical planes at the limits of the horizontal dimensions shown for each such parking area on the Typical Floor Plans herein.
 - 2) The lower vertical boundary is the finished floor thereof, the elevation of which is shown in Table 1 herein.
 - 3) The upper vertical boundary is a horizontal plane, the elevation of which is shown on in Table 1 herein.

Each such parking area includes only the air space encompassed by such boundaries.

(b) Balcony areas (denoted as B. followed by the unit number), the boundaries of which are described as follows:

- 1) The lateral boundaries are the exterior finished surfaces of the perimeter walls, windows and doors where such surfaces adjoin the balcony, otherwise the lateral boundaries are vertical planes at the limits of the horizontal dimensions shown for each such balcony on the Typical Floor Plans herein.
- 2) The lower vertical boundary is the finished floor thereof, the elevation of which is shown in Table 1 herein.
- 3) The upper vertical boundary is a horizontal plane the elevation of which is shown on in Table 1 herein.

Each such balcony includes only the air space encompassed by such boundaries.

8. ALL UNIT boundaries intersect at right angles unless otherwise indicated.
9. In interpreting the Deeds and Plans, the existing physical boundaries of the UNIT, shall be presumed to be its boundaries rather than the metes and bounds expressed in a Deed or Plan, regardless of settling or lateral movement of building, and regardless of minor variance between boundaries shown on this Plan or in the said Deed and those of any building.
10. This plan and the dimensions shown hereon are to conform to Civil Code Section 1351 which requires diagrammatic floor plans of the building built or to be built thereon in sufficient detail to identify each unit, its relative location and approximate dimensions. The dimensions shown hereon are not intended to be sufficiently accurate to use for computation of floor area or airspace volume in any or all of the units.
11. These diagrammatic plans intentionally omit detailed information of internal partitioning within individual units. Likewise, such details as protrusions of vents, beams, columns, window casings, and other such features are not intended to be reflected on this plan.

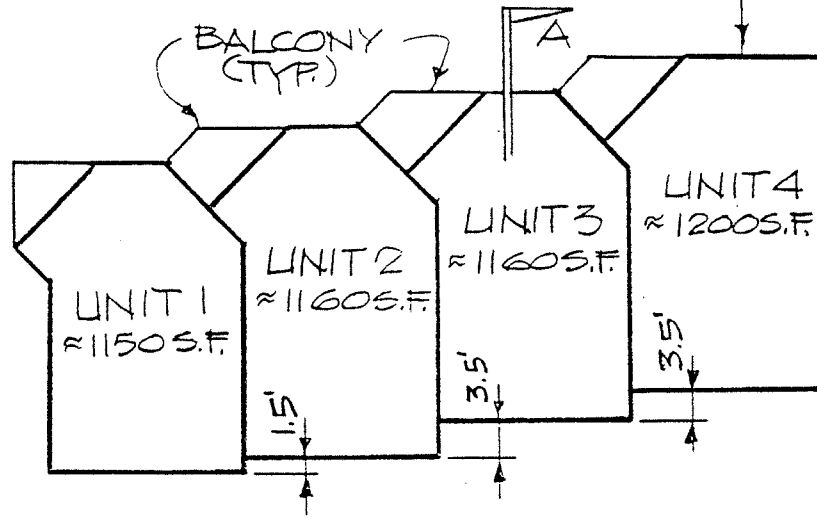
YERBA BUENA (4TH STREET)

N46°16'57"E 104.90'

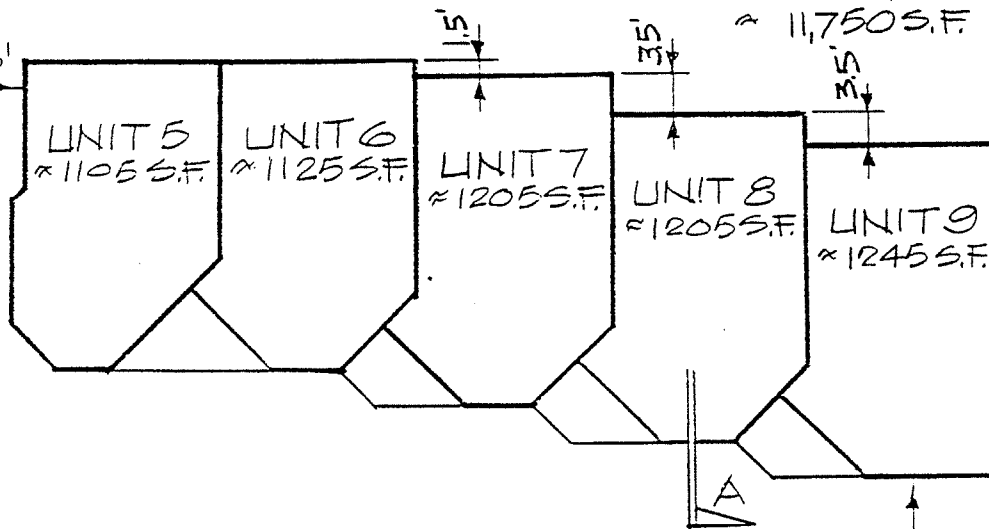
MAIN STREET (FRONTAGE ROAD)

N43°39'13"W 130.00'

N01°20'47"E
21.20'



LOT 1
COMMON AREA
≈ 11,750 S.F.



N43°41'52"W 144.99'

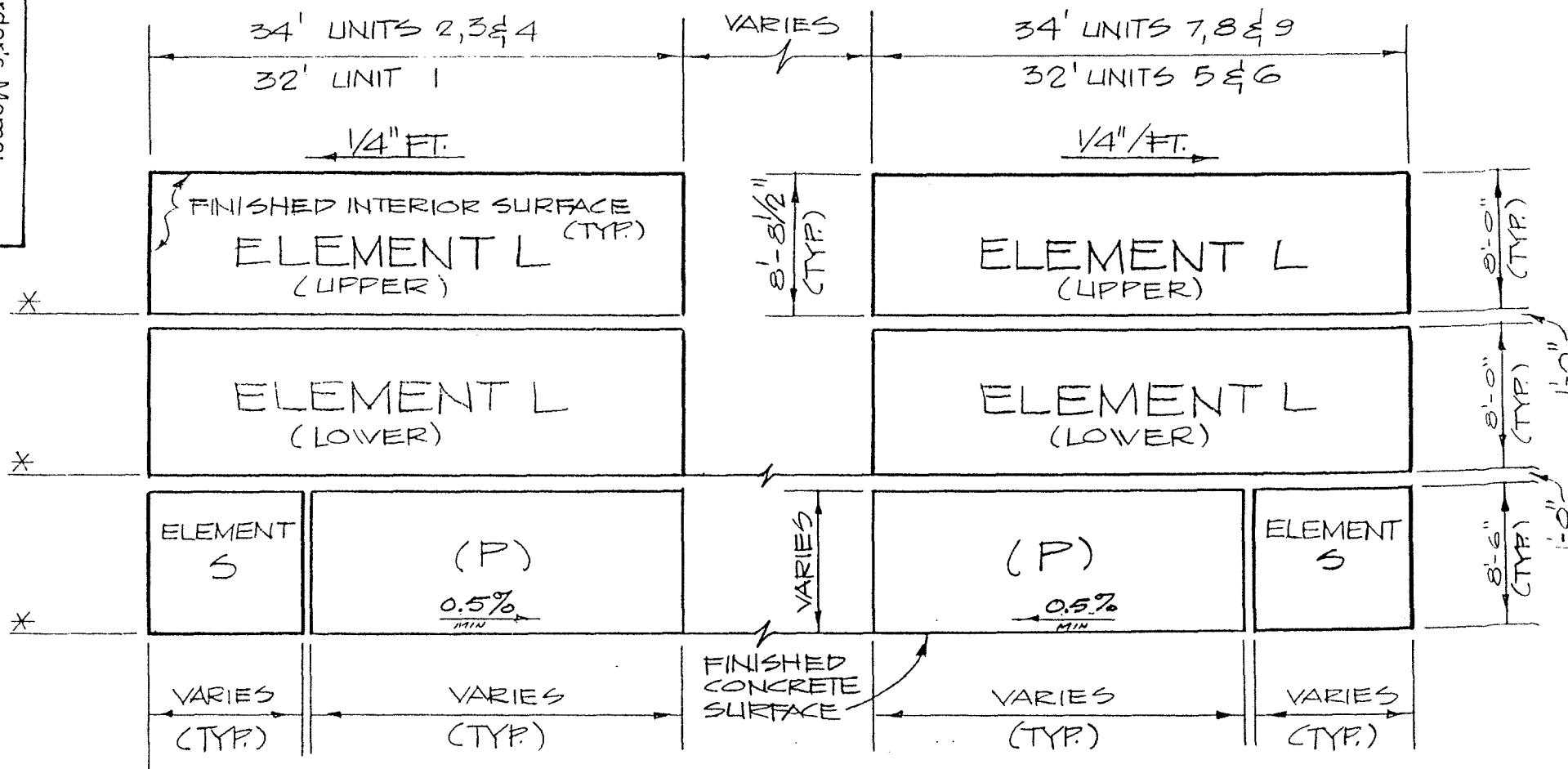
N46°17'34"E 119.98'

WHIDBEY STREET (5TH STREET)

UNIT LOCATION MAP

SCALE: 1" = 20'

Recorder's Memo:
Poor Record is Due To
Quality of Original Document

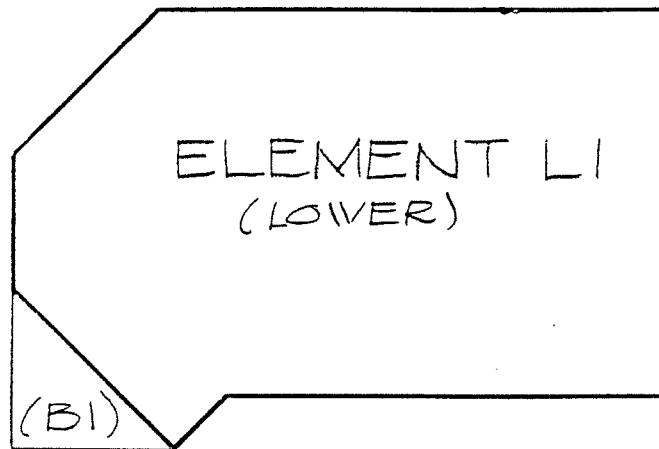
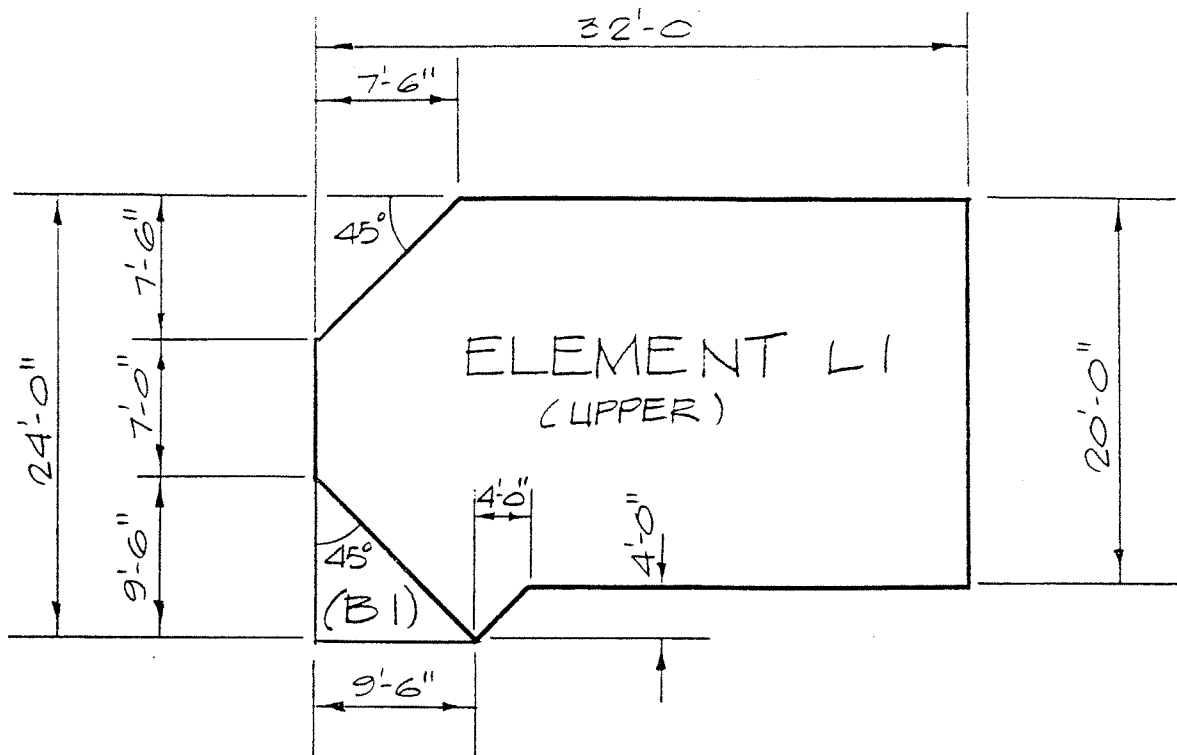


TYPICAL SECTION 'A-A' SCALE: 1" = 10'

NOTE:

BALCONIES (B) ARE NOT SHOWN
 FOR CLARITY.

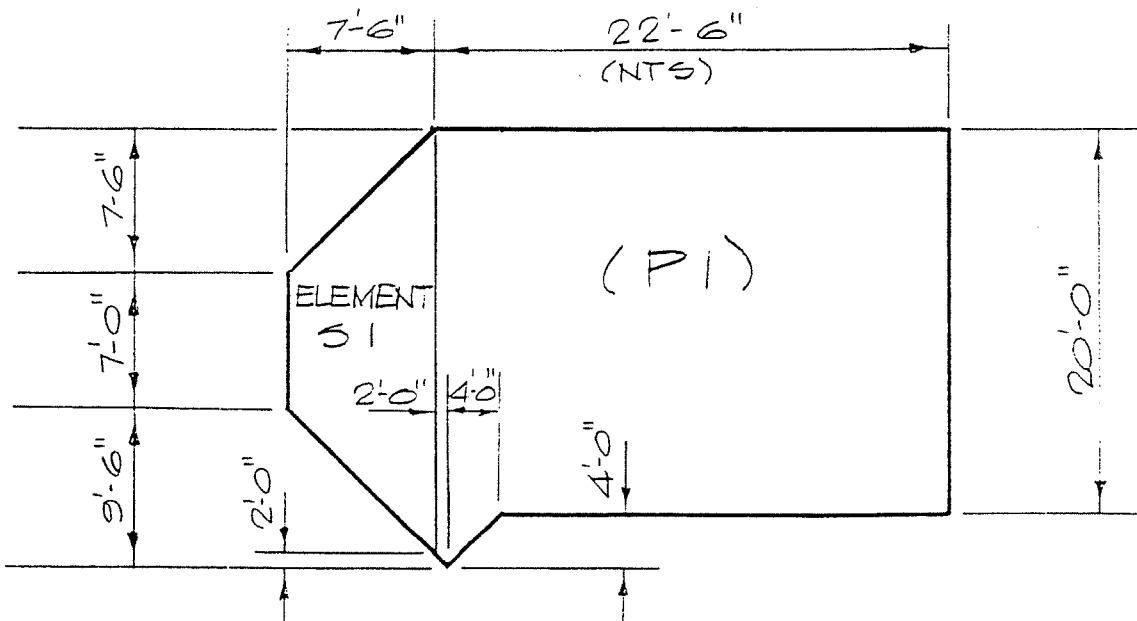
* SEE TABLE I
 (SCHEDULE OF VERTICAL ELEVATIONS)



NOTES:

1. DIMENSIONS FOR UPPER AND LOWER ELEMENT L1 ARE IDENTICAL.

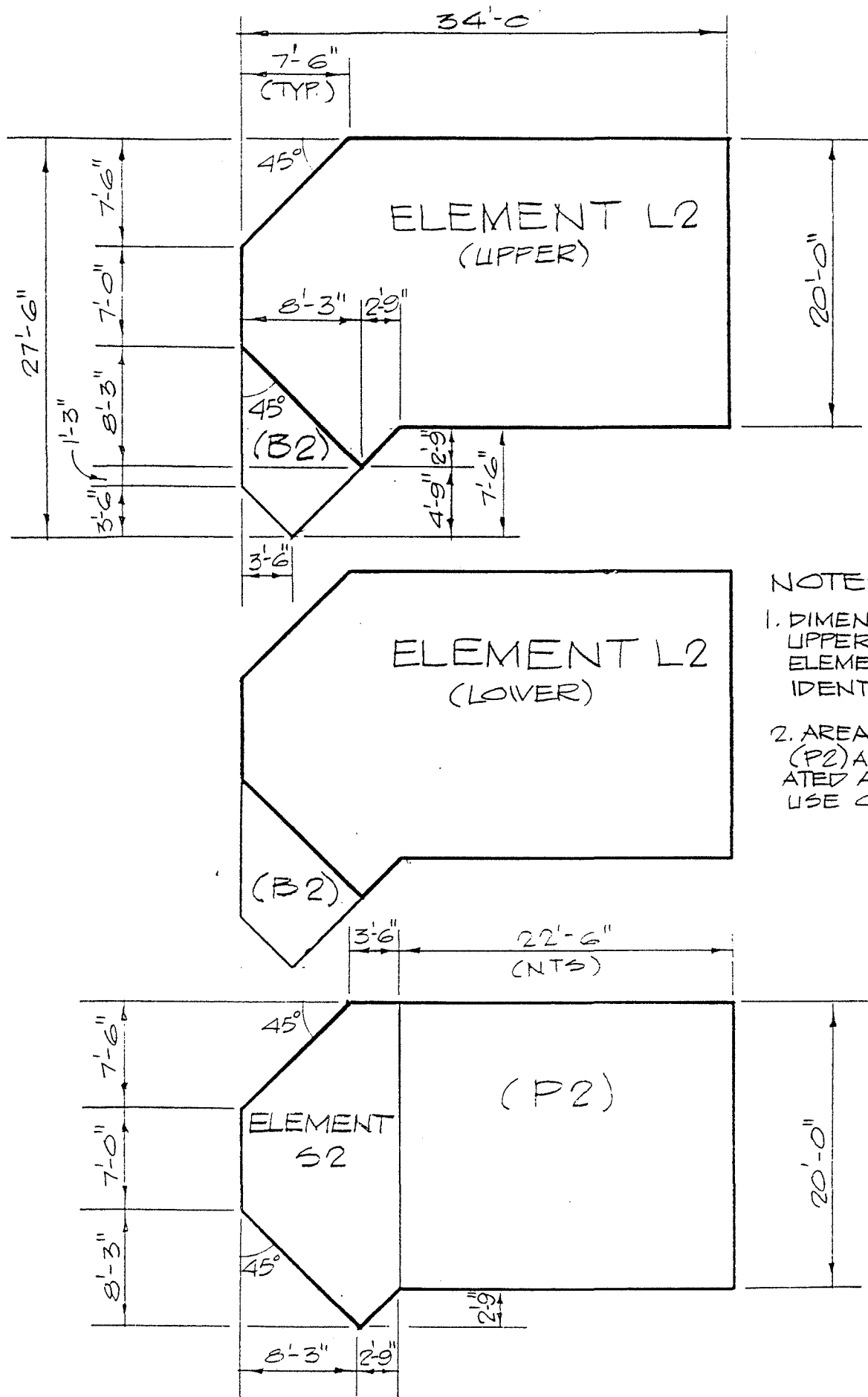
2. AREAS (B1) AND (P1) ARE DESIGNATED AS EXCLUSIVE USE COMMON AREA.



Recorder's Memo:
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Quality of Original Document

UNIT 1
SCALE: 1"=10'

10 2252 651



NOTES:

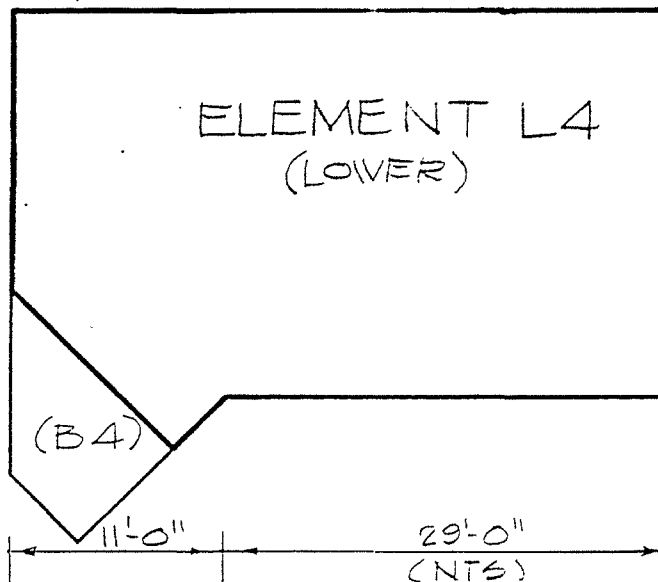
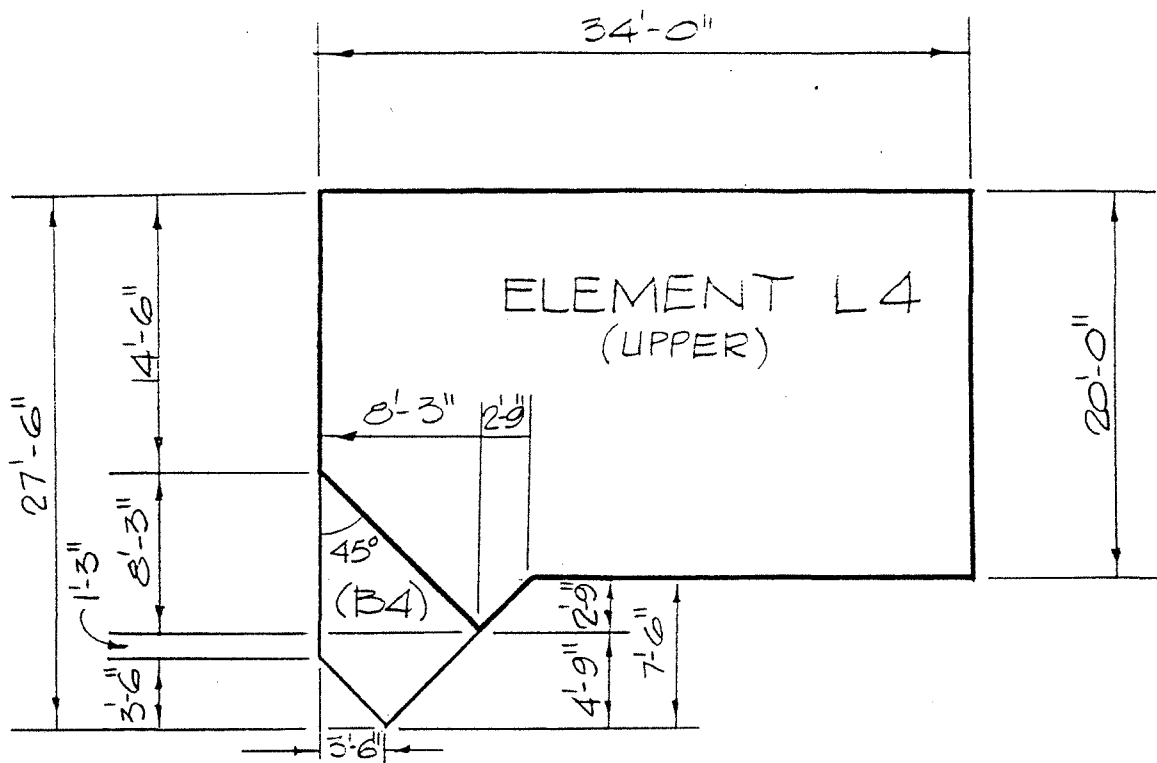
1. DIMENSIONS FOR UPPER AND LOWER ELEMENT L2 ARE IDENTICAL.
2. AREAS (B2) AND (P2) ARE DESIGNATED AS EXCLUSIVE USE COMMON AREA.

Recorder's Memo:
Poor Record is Due To
Quality of Original Document

UNIT 2

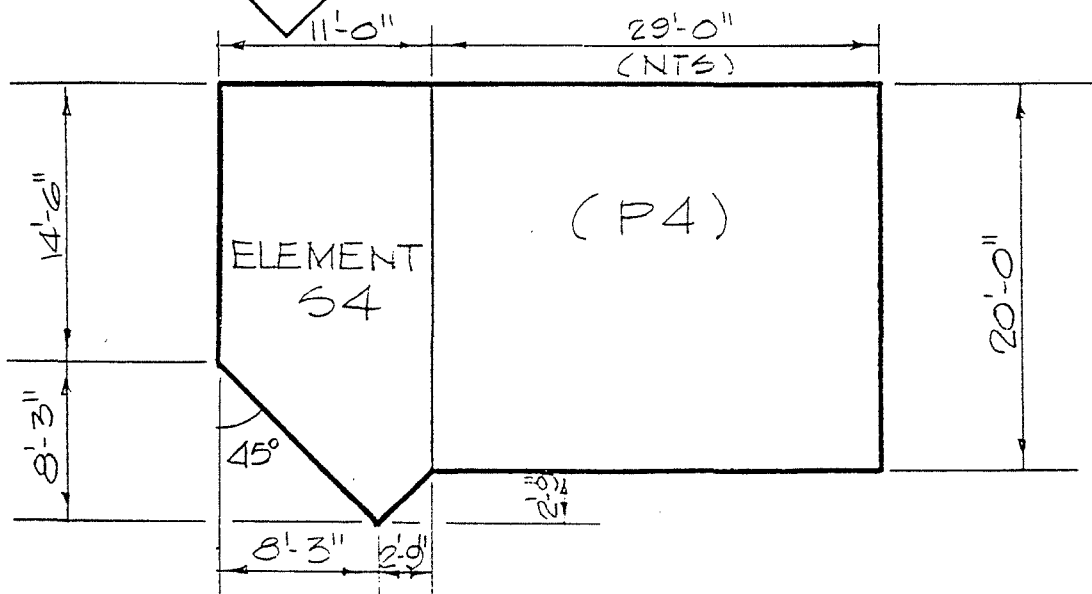
SCALE: 1"=10'

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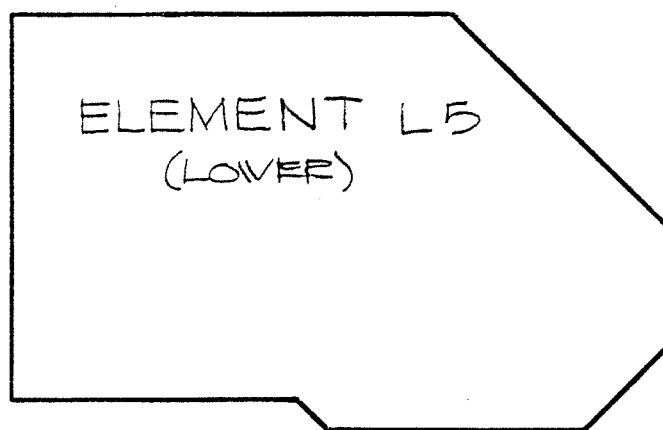
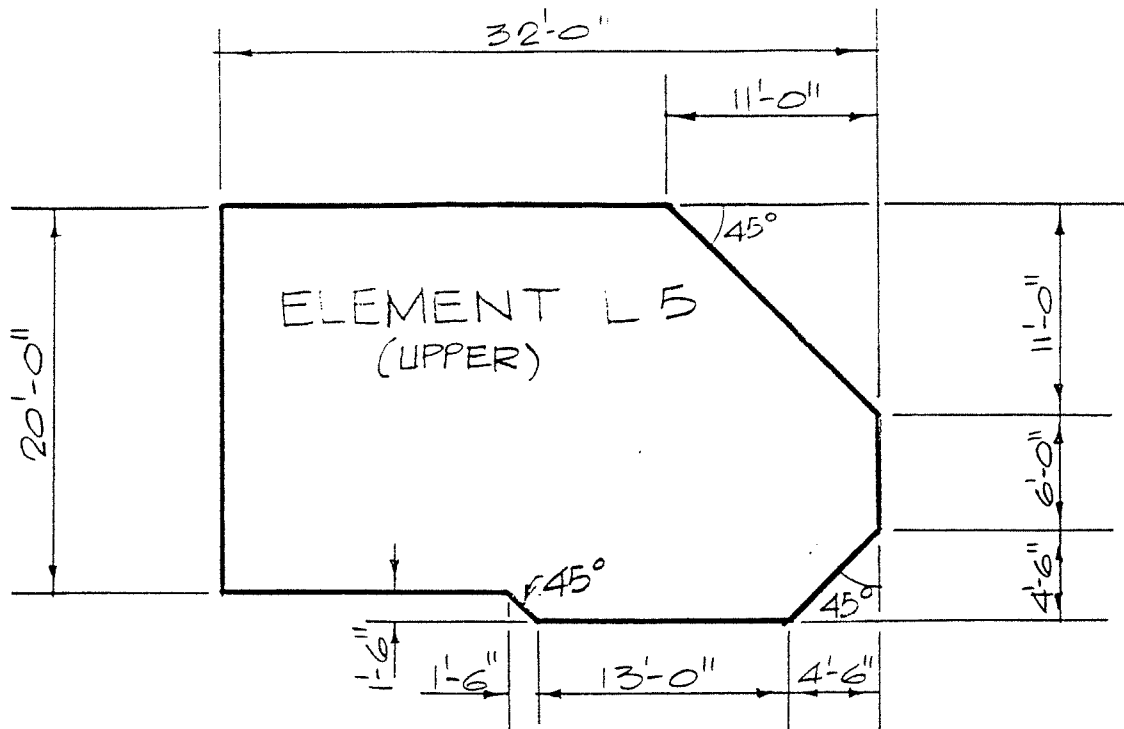
NOTES:

1. DIMENSIONS FOR UPPER AND LOWER ELEMENT L4 ARE IDENTICAL.
2. AREAS (B4) AND (P4) ARE DESIGNATED AS EXCLUSIVE USE COMMON AREA.



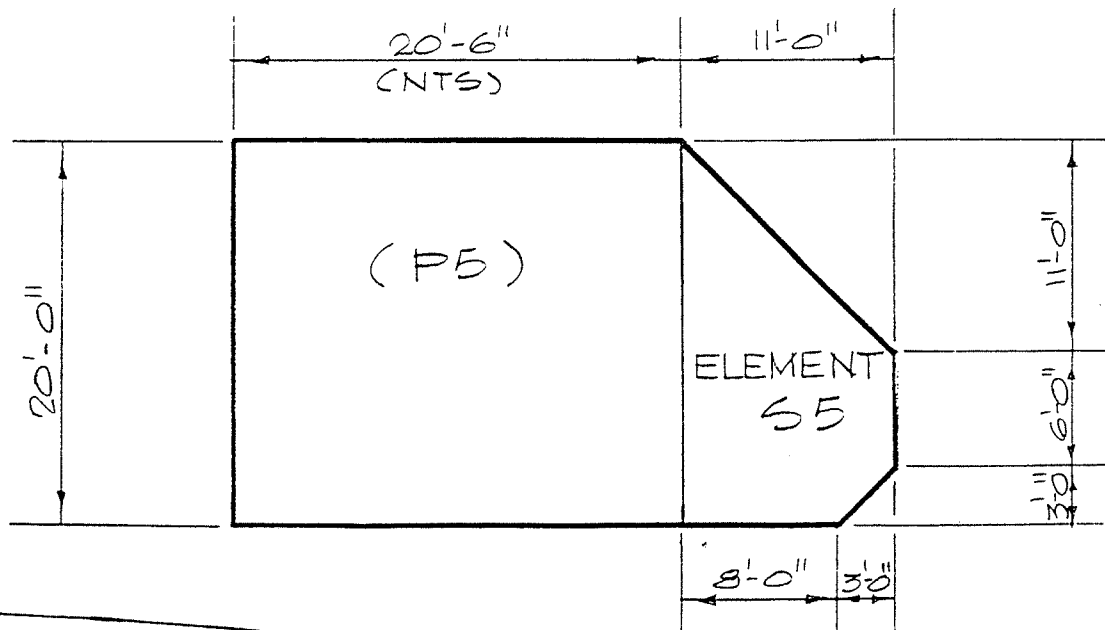
Recorder's Memo:
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Quality of Original Document

UNIT 4
SCALE: 1" = 10'



NOTES:

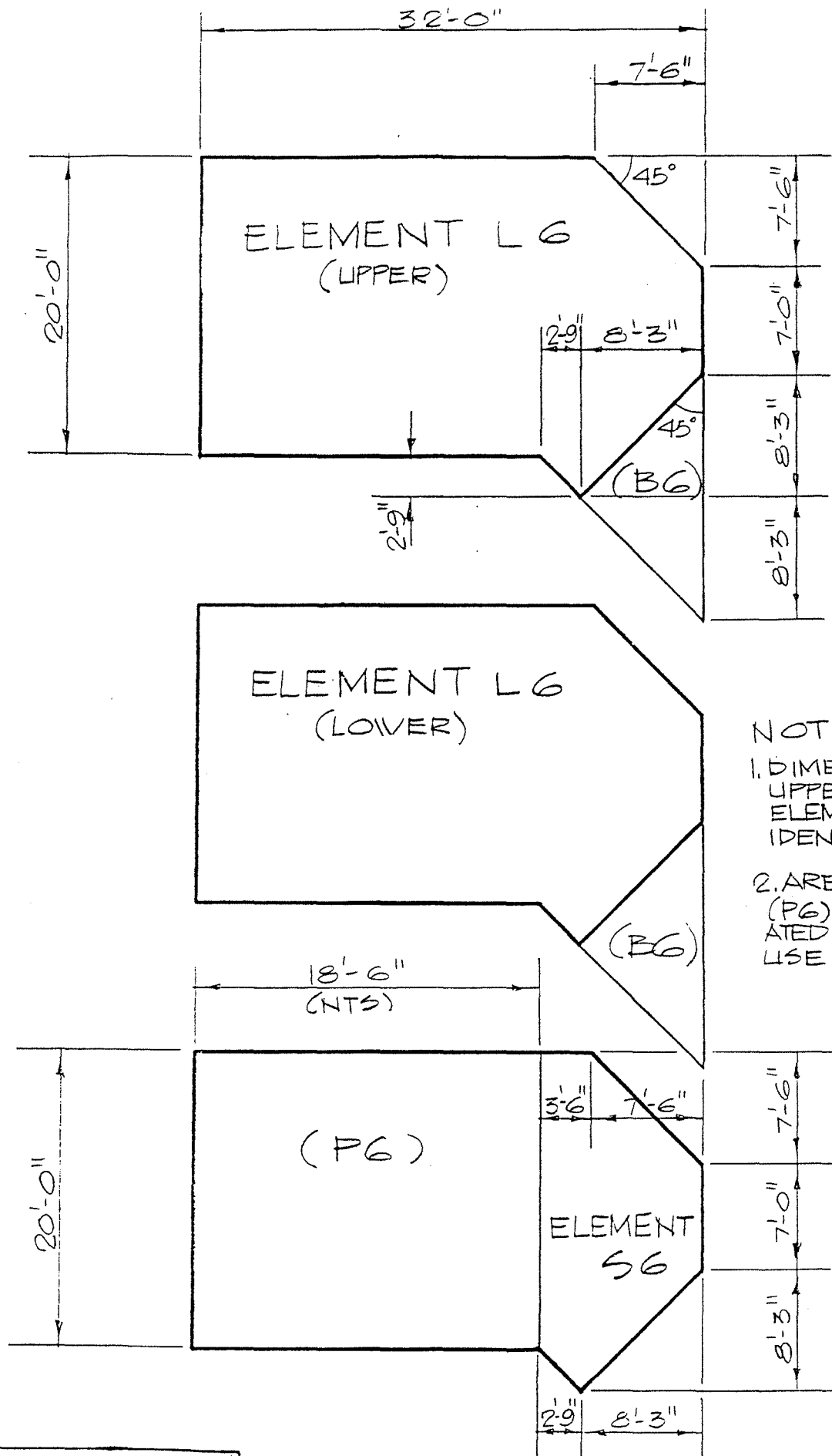
1. DIMENSIONS FOR UPPER AND LOWER ELEMENT L5 ARE IDENTICAL.
2. AREA (P5) IS DESIGNATED AS EXCLUSIVE USE COMMON AREA.



Recorder's Memo:
Poor Record is Due To
Quality of Original Document

UNIT 5

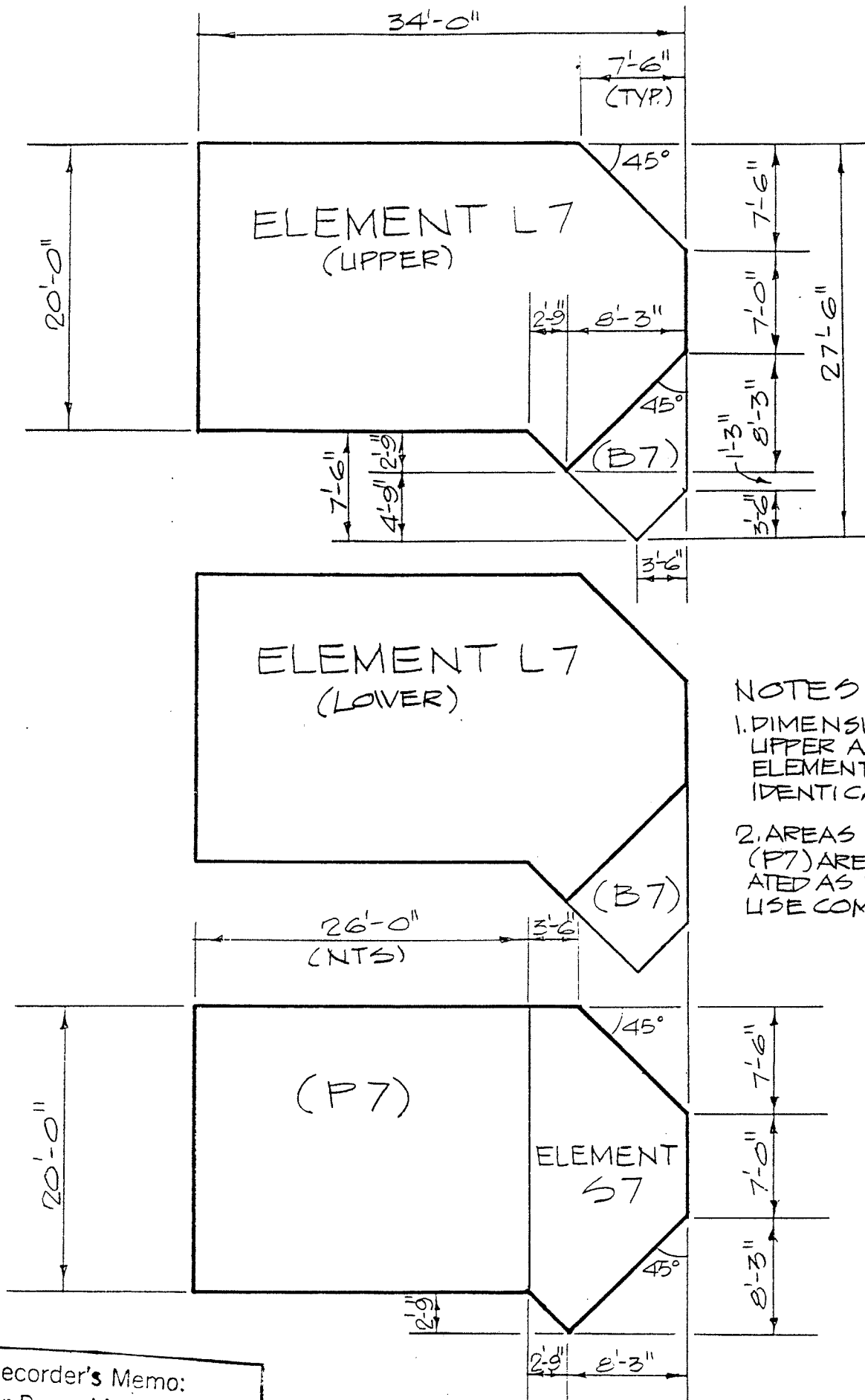
SCALE: 1" = 10'



Recorder's Memo:
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Quality of Original Document

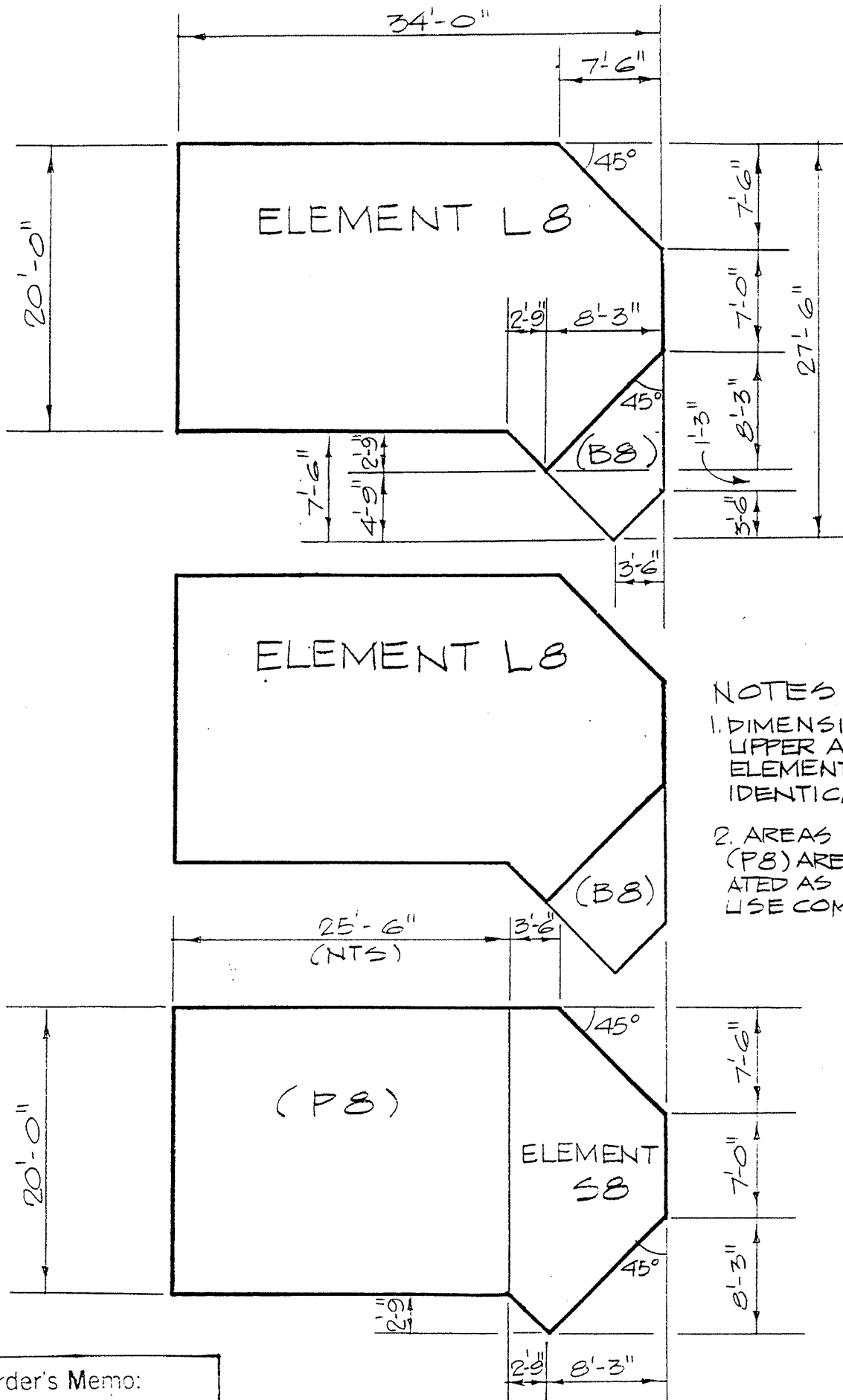
UNIT 6

SCALE: 1"=10'



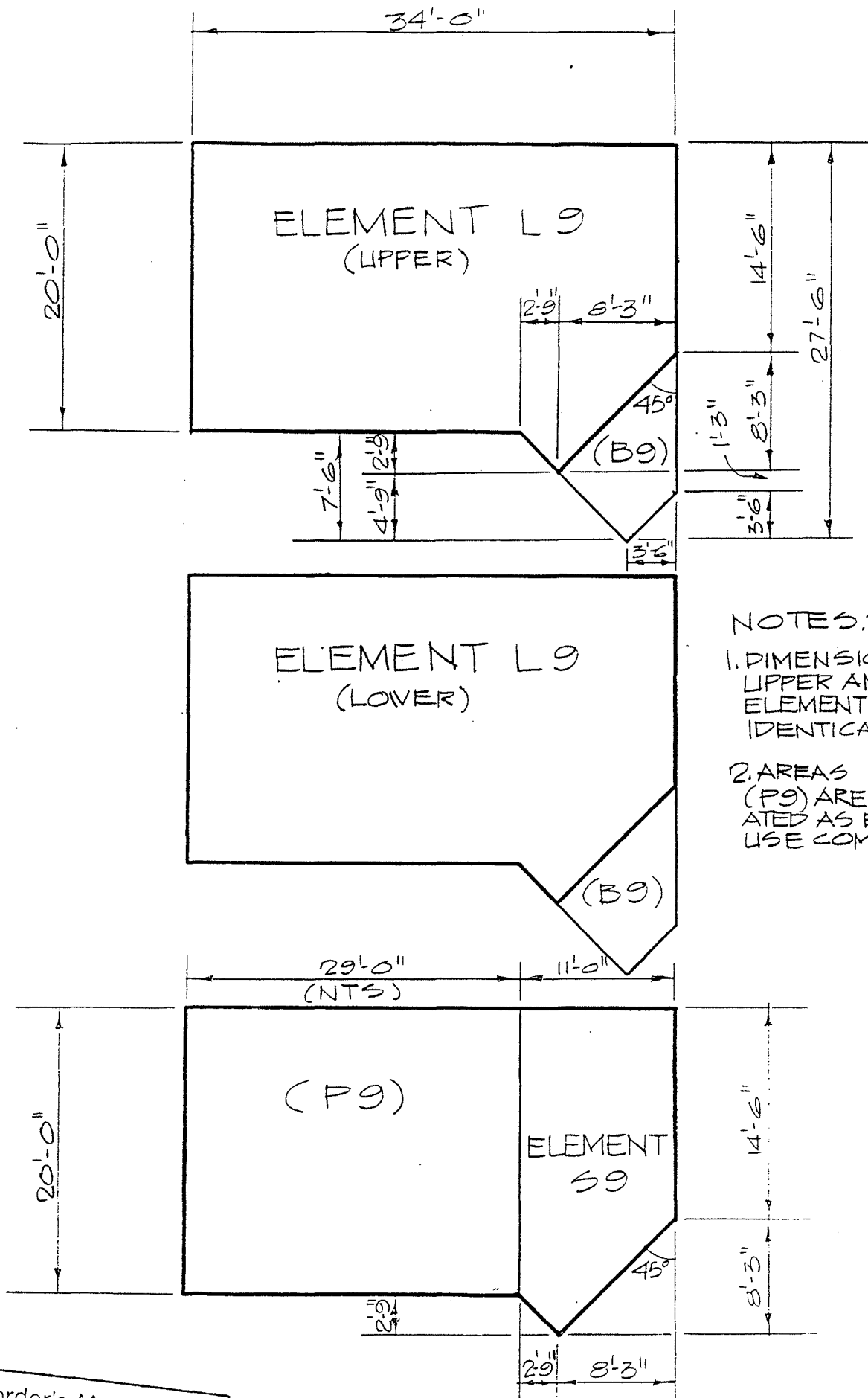
Recorder's Memo:
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Quality of Original Document

UNIT 7
SCALE: 1" = 10'



Recorder's Memo:
Poor Record is Due To
Quality of Original Document

UNIT 8
SCALE: 1" = 10'



Recorder's Memo:
Poor Record is Due To
Quality of Original Document

UNIT 9
SCALE: 1" = 10'

TABLE 1
SCHEDULE OF VERTICAL ELEVATIONS

UNIT NO.	ELEMENT 'L'		ELEMENT 'S'	AREA 'B'		AREA 'P'
	UPPER	LOWER		UPPER	LOWER	
1	65.66	56.66	47.16	65.66	56.66	47.00
2	65.66	56.66	47.16	65.66	56.66	47.00
3	65.66	56.66	47.16	65.66	56.66	47.00
4	65.66	56.66	47.16	65.66	56.66	47.00
5	65.66	56.66	47.16	65.66	56.66	47.00
6	65.66	56.66	47.16	65.66	56.66	47.00
7	65.66	56.66	47.16	65.66	56.66	47.00
8	65.66	56.66	47.16	65.66	56.66	47.00
9	65.66	56.66	47.16	65.66	56.66	47.00

SUBORDINATION

The undersigned as holder of the beneficial interest in
and under that certain deed of trust recorded on August 18,
1988, in the office of the San Luis ^{Obispo} County Recorder, as Document
No. 57454, of which the deed of trust is by and between _____
Fresno- Morro Bay Investors, a General Partnership, as
TRUSTOR, Verdugo Service Corporation, a California corporation as
TRUSTEE, and Guarantee Savings, a Division of Glendale Federal Savings, as
and Loan Association, as
BENEFICIARY, hereby expressly subordinates said deed of trust and
its beneficial interest thereto to the foregoing DECLARATION OF
RESTRICTIONS AND CONDOMINIUM PLAN

DATED: JANUARY 9, 1989

Guarantee Savings, a Division of Glendale
Federal Savings and Loan Association

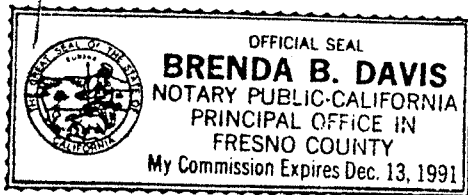
(Acknowledgement)

By: Norman Main
NORMAN MAIN, ASSISTANT VICE PRESIDENT

STATE OF CALIFORNIA

COUNTY OF FRESNO

} ss.



On this 9th day of JANUARY, in the year 1989,
before me, the undersigned, a Notary Public in and for said State, personally appeared
NORMAN MAIN, ASSISTANT VICE PRESIDENT

(or proved to me on the basis of satisfactory evidence) to be the person who executed the
within instrument on behalf of the Corporation therein named, and acknowledged to me that
the Corporation executed it.

WITNESS my hand and official seal.

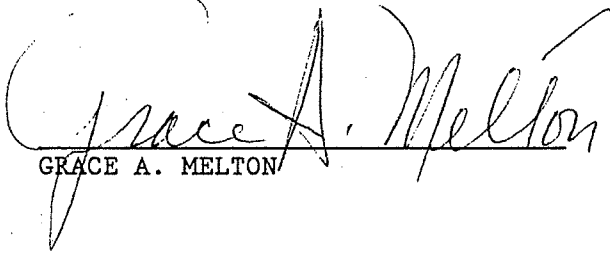
Brenda B. Davis

Notary Public in and for said State.

SUBORDINATION

The undersigned as holder of the beneficial interest in and under that certain deed of trust recorded on October 19, 1984, in the office of the County Recorder in Book 2645, Page 83 of Official Records, (Document No. 55976), and any amendments or modifications thereto, of which the deed of trust is by and between Fresno-Morro Bay Investors, a Limited Partnership, as Trustor, First American Title Insurance Company, as TRUSTEE, and Grace A. Melton, as BENEFICIARY, hereby expressly subordinates said deed of trust and its beneficial interest thereto to the foregoing Declaration of Covenants, Conditions and Restrictions, and Condominium Plan

Dated: Dec 27, 1988


GRACE A. MELTON

STATE OF CALIFORNIA)
)
COUNTY OF San Luis Obispo

On December 27, 1988, before me, the undersigned, a Notary Public in and for said State, personally appeared Grace A. Melton, personally known to me or proved on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged that she executed the same.