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DECLARATION OF RESTRICTIONS



This Declaration of Covenants, Conditions and Restrictions made on the date hereinafter set forth by DERRWOOD INVESTMENT CO. and ALESTER CORPORATION, a joint venture ("Declarant" herein) is based upon the following facts:

A. DESCRIPTION OF PROPERTY

Declarant is the present owner of real property in the City of Monterey Park, County of Los Angeles, State of California, described as:

Lots 1 through 15, inclusive, of Tract Number 24885, City of Monterey Park, County of Los Angeles, State of California, as per map recorded in Book 864, Pages 62 and 63 of Maps, in the office of the County Recorder of said County.

B. OBJECTIVES AND PURPOSES.

Declarant desires to subject all of the project to the following restrictions for the protection and benefit of Declarant, Declarant's successors in interest and all future owners of interests in the property.

There will be an unincorporated association comprising the owners of lots for the purpose of enforcing this declaration as hereinafter set forth, the name of which shall be "DERRWOOD ESTATES NUMBER 2."

C. DEFINITIONS.

1. "Project" means the entire parcel of real property divided, or to be divided into lots, including all structures thereon.

2. "Declaration" means this declaration of covenants, conditions and restrictions executed by DERRWOOD INVESTMENT CO. and ALESTER CORPORATION, a joint venture.

3. "Declarant" means DERRWOOD INVESTMENT CO. and ALESTER CORPORATION, a joint venture.

4. "Association" means the unincorporated association organized in the State of California having as members the respective owners of lots in the project. The name of said association is "DERRWOOD ESTATES NUMBER 2."

5. "Lot" means and refers to any plot of land shown upon any recorded subdivision map of the Project upon which there has been or will be constructed a single family residence.

6. "Common Area" means all real property owned by the Association for the common use and enjoyment of the owners. The Common Area to be owned by the Association at the time of the conveyance of the first Lot is described as Lot 15 of the Project.

7. "Owner" means and refers to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of the Project including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

D. NON-SEVERABILITY OF INTEREST CONVEYED AND ACQUIRED.

Each Lot and the membership in the Association which shall accompany each Lot shall be non-severable, and the grantor, its successors and assigns, and the grantees, covenant and

agree that the memberships in the Association and the fee titles to the respective Lots shall not be separated or separately conveyed or transferred, and each said membership shall be deemed to be conveyed, transferred or encumbered with its respective Lot.

DECLARATION

In consideration of the above, Declarant hereby establishes the following general plan for the protection and benefit of all of the Project and has fixed and does hereby fix the following protective restrictions upon each and every ownership interest in the Project, under which restrictions each ownership interest in the Project shall be hereafter held, used, occupied, leased, sold and conveyed. Each and all of said restrictions shall inure to the benefit of, be binding upon and pass with the Project, and each and every ownership interest therein, and shall inure to the benefit of, apply to and bind the respective successors in title or interest of Declarant.

SAID RESTRICTIONS ARE AS FOLLOWS:

1. GENERAL. The covenants, conditions and restrictions herein set forth shall be supervised by Declarant until control is passed to and administered by DERRWOOD ESTATES NUMBER 2, an unincorporated association, herein referred to as the "Association."
2. USE OF LOTS AND COMMON AREA OF THE PROJECT BY THE OWNERS.

(a) Each Lot shall be improved, used and occupied for private single-family dwelling purposes only.

(b) There shall be no storage of any item in or upon a Lot except in an enclosed area not visible from adjoining streets, the common area or other Lots. Each garage shall be used only for the storage of craft and vehicles for passenger use and for enclosed storage of family effects, and for no other purpose, without the prior approval of the Board of Directors of the Association. Garage doors shall not be opened except for the movement of vehicles and goods. No item of any kind may be stored by any of the owners in the Common Area. There shall be no installation of wiring for electrical or telephone installation, television antennae, machines or air conditioning units, etc., on the exterior of the residential structures or that protrude through the walls or the roof of said structures except as authorized by the Board of Directors of the Association.

(c) No Lot shall be occupied or used for any purpose or in any manner which shall cause such improvements to be uninsurable against loss by fire or the perils of the extended coverage endorsement to the California Standard Fire Policy form, or cause any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof.

(d) Not exceeding two (2) usual and ordinary household pets (exclusive of caged birds) may be kept on any

Lot, provided that such pets shall not be allowed on the Common Area except as may be permitted by rules made by the Board of Directors of the Association. Except as hereinabove provided, no animals, livestock, birds, or poultry shall be brought within the Project or kept in or on any Lot thereof.

(e) No Lot shall be used in such manner as to obstruct or interfere with the enjoyment of occupants of other Lots or annoy them by unreasonable noises or otherwise, nor shall any nuisance, or immoral or illegal activity be committed or permitted to occur on any Lot.

(f) No noxious or offensive activity shall be carried on in any Lot or in the Common Area, nor shall anything be done therein which may be or become an annoyance or nuisance to the owners. Nothing shall be done in any Lot or in, on, or to the Common Area which will impair the structural integrity of any building or which would structurally chance any building within the project. Nothing shall be altered or constructed in or removed from the Common Area, except upon the written consent of the Board of Directors of the Association. All equipment, trash cans, wood piles, or storage piles shall be kept screened and concealed from view of neighboring Lots, streets and Common Area. All rubbish, trash, or garbage shall be regularly removed from each Lot and shall not be allowed to accumulate thereon or on the adjacent Common Area. Except within enclosed patios, no fences, hedges, or walls shall be erected or maintained upon said Lots, except such as are installed in accordance with Delcarant's landscaping plans, or

as provided by the Board of Directors of the Association. No exterior clothes line shall be erected or maintained and there shall be no outside drying or laundering of clothes.

(g) No power equipment, hobby ships, or carpenter shops shall be maintained on the project except with the prior approval of the Board of Directors of the Association. No automobile overhaul or maintenance work, other than emergency work, shall be permitted on the Project.

(h) The Common Area, except the buildings and those areas in which there exists an exclusive right to use in one of the owners, shall be improved and used only for the following purposes:

(i) Affording vehicular, equestrian and pedestrian movement within the Project, including access to the Lots by private driveways.

(ii) Beautification of the Common Area and providing privacy to the residents thereof through landscaping and such other means as the Board of Directors of the Association shall deem appropriate.

(iii) No part of the Common Area shall be obstructed so as to interfere with its use for the purposes hereinabove permitted, nor shall any part of the Common Area be used for storage purposes (except as incidental to one of such permitted uses, or for storage of maintenance equipment used exclusively to maintain the Common Area), or in any manner which shall increase the rate at which insurance

against loss by fire or bodily injury or property damage liability insurance, covering the Common Area and improvements situated thereon, may be obtained, or cause such premises to be uninsurable against such risks, or any policy or policies representing such insurance to be cancelled or suspended or the company issuing the same to refuse renewal thereof.

(i) The owners of the Lots shall not make any alteration or improvements to the Common Area or remove any planting, structure, furnishing or other object therefrom, except with the written consent of the Board of Directors of the Association.

(j) The owner of each of the Lots shall be legally liable to said Association for all damages to the Common Area or to any improvements and landscaping thereon, including but not limited to the buildings and landscaping, caused by such owner or any occupancy of such owner's Lot.

### 3. MANAGEMENT OF PROJECT.

(a) At no time shall Declarant or its agents enter into any management or operating contract or exercise its voting power in the Association so as to cause the directors of said Association to enter into any management or operating contract, which binds said Association for a period in excess of one year.

(b) The Board of Directors of the Association shall have the right to adopt reasonable rules, not inconsistent with the covenants contained in this Declaration, and to

amend the same from time to time, relating to the use of the Common Area and the facilities situated thereon by owners of the Lots and by their tenants or guests, and the conduct of such persons with respect to automobile parking, bicycle and motorcycle use, control of pets, and other activities, which, if not so regulated, might detract from the appearance of the project or offend or be offensive to or cause inconvenience, noise or danger to persons residing or visiting therein.

(c) The Board of Directors of the Association shall be prohibited from taking any of the following actions except with the vote or written assent of the Association:

(i) Entering into a contract with a third person or entity providing for the furnishing of goods or services for the Common Area or the Association for a term longer than one year with the following exceptions: (1) A contract with a public utility company if the rates charged for the materials or services are regulated by the Public Utilities Commission provided, however, that the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate. (2) Prepaid casualty and/or liability insurance policies of three or fewer years duration, provided that said policy allows cancellation by the insured prior to the expiration of the policy period.

(ii) Incurring aggregate expenditures for common improvements to the Common Area in any fiscal year in excess of 5% of the budgeted gross expense of the Association for that fiscal year.



(iii) Selling during any fiscal year property of the Association having an aggregate fair market value greater than 5% of the budgeted gross expense of the Association for that fiscal year.

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

For purposes of this Paragraph (c) "the vote or written assent of the members of the Association" shall exclude voting power residing with DERRWOOD INVESTMENT CO. and ALFSTER CORPORATION, a joint venture.

4. RIGHT OF ENTRY. The Board of Directors of the Association shall have the right to enter upon any Lot to the extent such entry is necessary to carry out the repainting or repair of the exterior surfaces of the building, or to perform any work required in the maintenance and upkeep of the Common Area, or for any other purpose reasonably related to the performance by the Board of its responsibilities under the terms of this Declaration. Such right of entry shall be exercised in such manner as to interfere with the possession and the enjoyment of the occupany of such Lot as little as is reasonably possible, and shall be preceded by reasonable notice whenever the circumstances permit.

5. RESPONSIBILITIES OF OWNERS.

(a) Each owner of a Lot shall be responsible for the maintenance and repair of the glass doors and windows enclosing his lot and the interior of his Lot and shall also be responsible for the maintenance, replacement and repair of the plumbing and electrical systems servicing his Lot and located within, or underneath or above the outside perimeter of the exterior bearing walls of said Lot, and all appliances and equipment located in said Lot. Each owner shall maintain, replace and repair heating and air-conditioning equipment servicing his Lot wherever said equipment may be located. Each owner shall have the right, at his sole cost and expense, to maintain, repair, paint, paper, panel, plaster, tile and finish the interior surfaces of the ceiling, floors, window frames, door frames, trim, and perimeter walls of the Lot and the surfaces of the bearing walls and partitions located within said Lot. Said owners shall have the right to substitute new finished surfaces in place of those existing on said ceiling, floors and walls. In the event an owner fails to maintain the interior of his Lot, and the plumbing, electrical, air-conditioning, and heating systems thereof, or make repairs thereto in such a manner as shall be deemed necessary in the judgment of the Board of Directors of the Association to preserve the attractive appearance thereof and protect the value thereof, the Board shall give written notice to such owner stating with particularity the work of maintenance or repair

which the Board finds to be required, and requesting that the same be carried out within a period of sixty (60) days from the giving of such notice. In the event such owner fails to carry out such maintenance or repair within the period specified by the notice, the Board shall cause such work to be done and shall assess the cost thereof to such owner. Prior to commencement of any work described above for which a building or special permit is required by the County of Los Angeles, or any municipality having jurisdiction, the owner of the respective Lot shall apply for and obtain such permit.

6. PROPERTY RIGHTS. Every owner shall have a right and easement of enjoyment in and to the Common Area which shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

(a) The right of the Association to charge reasonable admission and other fees for the use of any recreational facility situated upon the Common Area;

(b) The right of the Association to suspend the voting rights and right to use of the recreational facilities by an owner for any period during which any assessment against his Lot remains unpaid; and for a period not to exceed 30 days for any infraction of its published rules and regulations after hearing by the Board of Directors of the Association;

(c) The right of the Association to dedicate or transfer 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 to by the members. No such dedication or transfer shall be effective unless an instrument signed by two-thirds (2/3) of the members agreeing to such dedication or transfer has been recorded.

Delegation of Use. Any owner may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Area and facilities to the members of his family, his tenants, or contract purchasers who reside on the property.

Parking Facilities. Each Lot shall contain two automobile parking spaces.

7. EXTERIOR MAINTENANCE. In addition to maintenance upon the Common Area, the Association shall provide exterior maintenance upon each Lot which is subject to assessment hereunder, as follows: paint, repair, replace and care for roofs, gutters, downspouts, exterior building surfaces, trees, shrubs, grass, walks, and other exterior improvements. Such exterior maintenance shall not include glass surfaces.

In the event that the need for maintenance or repair is caused through the willful or negligent act of the Owner, his family, or guests, or invitees, the cost of such maintenance or repairs shall be added to and become a part of the assessment to which such Lot is subject.

The owner of each Lot shall maintain the back yard thereof, including caring for the trees, shrubs, grass, walks and patio therein.

8. PARTY WALLS. Each wall which is built as a part of the original construction of the homes upon the properties

and placed on the dividing line between the Lots shall constitute a party wall, and, to the extent not inconsistent with the provisions herein, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one

additional arbitrator, and the decision shall be by a majority of all the arbitrators.

9. BREACH

(a) It is hereby declared and agreed that the remedy at law to recover damages for the breach of any of the covenants contained in this declaration is inadequate. The remedies for such breach shall be as hereafter set forth.

(b) Breach of any of the covenants contained in this Declaration and the continuation of any such breach may be enjoined, abated or remedied by appropriate legal proceedings by any owner or by the Board of Directors of the Association.

(c) The result of every act or omission whereby any of the covenants contained in this Declaration are violated in whole or in part is hereby declared to be and constitutes a nuisance, and every remedy allowed by law or equity against a nuisance, either public or private, shall be applicable against every such result and may be exercised by any owner or by the Board of Directors of the Association.

(d) The remedies herein provided for breach of the covenants contained in this Declaration shall be deemed cumulative, and none of such remedies shall be deemed exclusive.

(e) The failure of Declarant, the Board of Directors of the Association, or any owner to enforce any of the covenants contained in this Declaration shall not constitute a waiver of the right to enforce the same thereafter, and

shall such failure result in or impose any liability on Declarant.

10. RIGHTS OF LENDERS.

(a) Any owner of a lot may encumber his interest in his Lot by deed of trust or mortgage. The beneficiary of the deed of trust or the mortgagee of a mortgage is referred to in this Paragraph as a "lender".

(b) A breach of any of the provisions of this Declaration of Restrictions shall not affect or impair the lien or charge of any bonafide deed of trust or mortgage made in good faith and for value encumbering any of the Lots.

(c) A lender who acquires title by foreclosure or deed in lieu of foreclosure shall not be obligated to cure any breach of this Declaration of Restrictions which is non-curable or of a type which is not practical or feasible to cure.

(d) It is intended that any loan to facilitate the resale of any of the Lots after foreclosure or deed in lieu of foreclosure is a loan made in good faith and for value and entitled to all of the rights and protections afforded to other lenders.

(e) All liens created by this Declaration of Restrictions which pertain in any manner or way whatsoever to any regular or special assessments for the payment of money shall be subordinate to the lien created by any bonafide deed of trust or mortgage given to any lender. It is specifically

understood, however, that any such lender shall be liable for all such assessments during the actual period of time that such lender holds title to any of the Lots. This liability for assessments on the part of the lender is on pro-rata basis with the pro-rata period commencing on the date the lender acquires title and ending upon resale or other transfer by the lender, whereupon the liability for new future assessments will attach to the transferee.

(f) No amendment to this Paragraph shall affect the rights of the holder of any such mortgage or trust deed recorded prior to recordation of such amendment who does not join in the execution thereof.

(g) Because of its financial interest in the Project, a lender may appear (but may not vote) at meetings of the voting owners and the Board of Directors to draw attention to violations of this Declaration of Restrictions which have not been corrected or made the subject of remedial proceedings or assessments.

(h) A lender is authorized to furnish information to the Board of Directors concerning the status of any loan encumbering a Lot.

(i) All applicable fire and all physical loss or extended coverage insurance policies shall contain loss payable clauses naming the lenders who encumber the Lots by deed of trust or mortgage, as their interest may appear.

(j) If there is any conflict between any provision of the "RIGHTS OF LENDERS" Article and any other provision



in this Declaration of Restrictions, the language contained under "RIGHTS OF LENDERS" shall control.

11. EXTENSION OF RESTRICTIONS. Each and all of the foregoing Restrictions shall terminate on July 1, 2020, unless the owners of the majority of said Lots have executed and recorded at any time within six (6) months prior to July 1, 2020, in the manner required for a conveyance of real property, a writing in which they agree that said Restrictions shall continue for a further specified period and providing therein a similar provision for the further extension of said Restrictions, or some of them; provided, also that the above and foregoing Restrictions, may be modified, after said termination date at the time and in the manner hereinabove provided for the extensions of said Restrictions in force at the time of such extension and modifications.

12. MEMBERSHIP IN THE ASSOCIATION. Each owner of a Lot in the property described in this Declaration shall be a member of the Association, which said membership shall be appurtenant to such Lot. Each such member is bound to perform and conform to the By-Laws of the Association and the rules and regulations from time to time prescribed thereby, to pay monthly in full, all dues, fees or assessments levied by the Association whether such dues, fees, or assessments were levied prior to subsequent to the date of acquisition of title. The Association shall have the assessment and lien rights and shall utilize the procedures in the enforcement thereof described in Paragraph 13 below.

13. LIENS.

(a) The Board of Directors of the Association shall have the right from time to time to make reasonable assessments upon any of the Lots (1) to meet the necessary maintenance, operation and administrative expenditures of the association and (2) to provide adequate reserves for such expenditures. Regular assessments against all Lots (including those owned by the Developer) shall commence on the first day of the month following the close of the first escrow. In any fiscal year the Board of Directors of the Association may not, without the vote or written assent of a majority of the members of the Association other than the subdivider, levy special assessments to defray the costs of any action or undertaking on behalf of the Association which in the aggregate exceeds five percent (5%) of the budgeted gross expense of the Association for that fiscal year. Every special assessment shall be levied upon the same basis as that prescribed for the levying of regular assessments. The foregoing provisions regarding special assessments shall not apply when said assessment is a remedy utilized by the Association for reimbursement for costs incurred in bringing the owner and his Lot into compliance with provisions of the governing instruments for the project. In the event any such assessment shall be unpaid and not otherwise satisfied ten (10) days after the same becomes due and payable, the same shall be and become delinquent and shall remain delinquent until the amount of such assessment together with all

costs, including attorneys' fees in the amount of 25% of such delinquency, penalties and interest as herein provided, shall be fully paid or otherwise satisfied.

(b). At any time after any assessment affecting any Lot has become delinquent, the Association may file for record in the office of the Los Angeles County Recorder a notice of delinquency as to such Lot which notice shall state all amounts which have become delinquent with respect to such Lot and the costs (including reasonable attorneys' fees), and interest which have accrued thereon, the amount of any assessments relating to such Lot which are due and payable, although not delinquent, a description of the Lot in respect to which the delinquent assessment is owed, and the name of the record or reputed record owner of same. Such notice shall be signed by a duly authorized representative of the Association. In the event the delinquent assessment and all other assessments

X

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which have become due and payable with respect to the same Lot, together with all costs (including attorneys' fees), penalties and interest which have accrued on such amounts, are fully paid or otherwise satisfied prior to the completion of any sale held to foreclose the lien provided for in Subparagraph (c) of this Paragraph, the Association shall record a further notice, similarly signed, stating the satisfaction and releasing such lien.

(c) Immediately upon recording of any notice of delinquency pursuant to the foregoing provisions of this Article, the amounts delinquent, as well as any further assessments then due and payable, although not delinquent, as set forth in such notice, together with the costs (including attorneys' fees), penalties and interest accruing thereon, shall be and become a lien upon the Lot described therein, which lien shall also secure all other assessments which shall become due and payable with respect to said Lot following such recording, and all costs (including attorneys' fees), penalties and interest accruing thereon. Said lien shall continue until all amounts secured thereby are fully paid or otherwise satisfied. Said lien shall be subordinate to the lien or charge of any bonafide mortgage or deed of trust made in good faith and for value on said Lot.

(d) Each lien established pursuant to the foregoing provisions of this Article may be foreclosed as and in the same manner as the foreclosure of a mortgage upon real property

under the laws of the State of California, or may be enforced by sale pursuant to Civil Code Section 2932, subject to the limitations contained in Section 2924 of the California Civil Code and to that end a power of sale is hereby conferred upon Chicago Title Insurance Company in trust for the Association. At the option of the Association, a personal action may be brought directly against the Lot owner without enforcement of the security herein provided for.

(e) Interest shall accrue at the rate of ten percent (10%) per annum on all unpaid maintenance fund assessments from the date of delinquency thereof. Penalties for late payment, not exceeding two percent (2%) of the amount of the delinquent maintenance fund assessment, may be established by action of the Board of Directors of Association of which written notice is given to each owner.

14. MAINTENANCE FUND. In order to establish a maintenance fund to finance its prespective operations, prior to the recording of the first Lot deed and not less than sixty days prior to the beginning of each calendar year thereafter, the Board of Directors of Association shall estimate the charges to be paid during such succeeding year (including a reasonable provision for contingencies and replacements and less any expected income). Said charges shall be assessed against the owners so that each Lot bears the same fractional share of the total charges. During the first calendar year in which Lots are sold the annual assessment shall be pro-rated on a monthly

basis, and the amount assessed to each owner shall be due and payable on the first day of each calendar year; one-twelfth (1/12) of the amount assessed to each owner shall be due and payable on the first day of each calendar month during such year. Each such monthly payment shall be a separate debt of the owner against whom it is assessed and such assessments shall be deemed made as each installment becomes due. If said estimated cash requirements prove inadequate, for any reason, including non-payment of any owner's assessment, the Association may levy, upon thirty days written notice to all of its members, a further special assessment upon each owner in the same proportion as then applies to annual assessments upon such owners. Said notice shall state the date or dates upon which said special assessment shall be due and payable. Each such payment, when due, shall be a separate debt to the owner against whom it is assessed.

15. COVENANT AGAINST PARTITION. No action may be brought for judicial partition, provided, however, that if any Lot shall be owned by two or more co-tenants as tenants in common or as joint tenants, nothing herein contained shall be deemed to prevent a judicial partition by sale of said Lot as between co-tenants.

16. SEVERABILITY. Should any covenants contained in this Declaration be void or be or become unenforceable in law or in equity, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

17. FAILURE TO COMPLY WITH ORDER OF ASSOCIATION. In the event of the failure of any of the owners to comply with a valid written directive or order from the Board of Directors of the Association, then in such event the Association shall have the right and authority to perform the subject matter of such direction or order and the cost of such performance shall be charged to the owner in question and may be recovered by the Association in an action at law against the owner.

18. AMENDMENTS. These restrictions may be amended at any time and from time to time by an instrument in writing signed by the owners representing seventy-five percent (75%) of the voting power of the Association residing in owners other than the subdivider, provided that the percentage of the voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage of affirmative votes required for action to be taken under that clause. Said written instrument shall become effective upon the recording of the same in the Recorder's office of Los Angeles County, California.

19. NO WAIVER. A waiver of a breach of any of the foregoing conditions or restrictions shall not be construed as a waiver of any other condition or restriction.

20. USE BY DECLARANT DURING CONSTRUCTION AND SALE. Notwithstanding any provisions herein contained to the contrary, it shall be expressly permissible for Declarant to

maintain for a period not to exceed three years from the date of sale of the first Lot such facilities as, in the sole opinion of the Declarant may be reasonably required, convenient or incidental to the construction and sale of said improvements, including but without limitation, a business office, storage areas, construction yards, signs, model units, and sales office.

21. RULE AGAINST PERPETUITIES. Notwithstanding the foregoing, this Declaration shall become ineffective and the covenants herein contained shall be extinguished upon the expiration of twenty-one years following the death of the last survivor of the now living descendants of Rose Kennedy (mother of Edward Kennedy, senator of Massachusetts).

22. PAYMENT OF MUNICIPAL CHARGES. The Board of Directors of the Association shall include in the assessments provided for in Article 13 hereof provisions for adequate sums for the payment of municipal charges.

(a) To insure payment of any invoice by the City, for water, sewer service charge, garbage, trash, or rubbish charge, in such manner that either the Board of Directors, owners of Lots, or management-agent shall continually guarantee payment to the City.

23. COVENANTS IN FAVOR OF CITY OF MONTEREY PARK. The Board of Directors of the Association shall be bound, in favor of the City of Monterey Park to the following covenants and conditions:



(a) Guarantee of access and entry of the development, all buildings and structures for any authorized Fire Inspector, Building Official, or any other official charged with carrying out the laws of the City, State of California, or the United States of America.

(b) Guarantee that no sign of any kind may be displayed, advertising any service, business, or other commercial project or venture, in any residential development, except as provided by California Civil Code Sections 712 and 713.

(c) Guarantee that the names of the officers and members of the Board of Directors of the Association shall be filed annually with the City Clerk of the City during the month of July.

#### 24. INSURANCE.

(a) The Board of Directors of the Association shall carry fire insurance with extended coverage endorsement or other form of coverage providing equal or greater protection in the amount of the full insurable replacement value (as determined by appraisal or such other method as shall be deemed appropriate to the Board and be acceptable to the insurance carrier, and reviewed at least annually), of all buildings and dwellings, structures and other improvements situated within the Common Area, excluding trees, shrubs, and other foliage, if the Board so elects. Such insurance shall be payable to the Board of Directors of the Association. In the event of damage to or destruction of any improvement situated within or being a part of the Common Area, which loss is covered

by said fire insurance, the Board shall cause the same to be repaired and rebuilt or replaced. In the event the cost of such repair, rebuilding or replacement exceeds the insurance proceeds payable by reason of said damage or destruction, the amount of the difference shall be pro-rated among the owners of Lots and assessed to such owners. In the event the amount of such insurance proceeds exceeds the cost of such repair, rebuilding or replacement, the surplus shall be added to the maintenance fund, and such addition shall be taken into consideration in determining what adjustment shall be made in the amount of the maintenance payments for the next budget period. Provided, however, that if three-fourths (3/4) or more of the Common Area is destroyed or substantially damaged and the owners holding in the aggregate more than fifty percent (50%) interest in the Common Area are opposed to repair or restoration thereof, then the Board of Directors shall, as agent for all owners, sell the entire property, including all Lots and the Common Area in its then present condition on terms satisfactory to the Board of Directors. The net profits of the sale, together with the insurance proceeds, shall thereupon be distributed to the owners in the same proportions as their membership in the Association as specified herein, and to the holders of deeds of trusts upon the interests of such owners, all as their interests may appear.

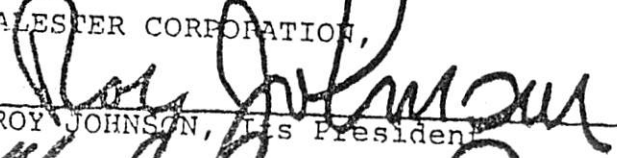
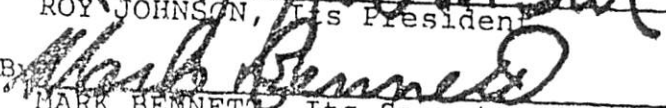
(b) The Board of Directors of the Association shall carry Workers Compensation Insurance covering all persons employed by it in performing its responsibilities under

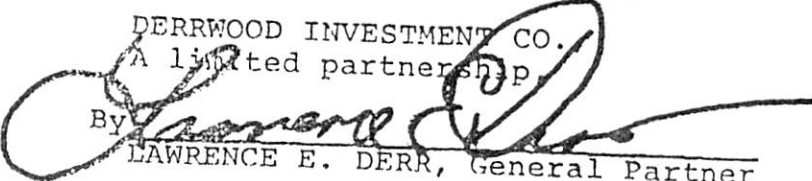
this Declaration. The Board shall maintain in force bodily injury liability insurance with limits of not less than \$30,000 per person injured and \$300,000 per accident, and property damage liability insurance with a limit of not less than \$50,000 per occurrence, covering the Common Area and the use thereof, and insuring the Board of Directors and all owners.

25. CONDEMNATION. In the event of any taking of any lot by eminent domain, the owner of such lot shall be entitled to receive the award for such taking and after acceptance thereof he and the mortgagee or the beneficiary of any deed of trust relating to said lot shall be divested of all interest in the Project if said owner shall vacate said lot as a result of the taking. A majority of the remaining owners shall decide by majority vote whether to rebuild or repair the Project, or to take other action. The remaining portion of the Project shall be resurveyed, if necessary, and the governing instruments relating to the project shall be amended to reflect such taking and to readjust proportionately the interests of the remaining owners of the Project. In the event of a taking by eminent domain of more than one lot at the same time, the Association shall participate in the negotiations, and shall propose the method of division of the proceeds of condemnation where lots are not valued separately by the condemning authority or by the court. In the event any lot owner disagrees with the proposed allocation, he may have the matter submitted to arbitration under the rules of the American Arbitration Association.

26. SUSPENSION OF VOTING RIGHTS. In addition to the powers granted to the Board of Directors of the Association elsewhere in this document in Paragraph 9 "BREACH" and Paragraph 17 "FAILURE TO COMPLY WITH ORDER OF ASSOCIATION", the Board of Directors of the Association shall have the right, after hearing conducted upon five days written notice to the owner or owners involved, to suspend for not more than thirty days the rights of such owner or owners to vote upon any matter where voting rights are granted in respect to the Project and the government of the Association. Such suspension of the right to vote must be based upon a finding at such hearing that such owner or owners have failed wilfully to comply with an order of said Board or have intentionally breached one or more of the covenants, conditions and restrictions contained herein. The vote of the majority of the entire Board shall be required to make such finding and order such suspension.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand and seal this tenth day of June, 1976.

ALESTER CORPORATION,  
By   
ROY JOHNSON, Its President  
By   
MARK BENNETT, Its Secretary

DERRWOOD INVESTMENT CO.  
A limited partnership  
By   
LAWRENCE E. DERR, General Partner