

Declarant, the Association's properties, rights and obligations may, by operation of law, be transferred to the surviving or consolidated association, or, alternatively, the properties, rights and obligations of another association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated association may administer the covenants, conditions and restrictions established by this Declaration within the Property, together with the covenants, conditions and restrictions established upon any other property as one plan.

Section 14.6. Deannexation: A Phase may be deleted from coverage of this Declaration by the Declarant as long as (i) no Condominium has been conveyed in a transaction that requires the delivery of a Final Subdivision Public Report, (ii) no Association Property within such Phase has been conveyed to the Association, and (iii) no Assessments have been levied against any of the Condominiums within such Phase.

ARTICLE 15 MORTGAGEE PROTECTION

Section 15.1. Priority of Mortgage Lien: No breach of the covenants, conditions or restrictions, nor the enforcement of any lien provisions contained in this Declaration, shall affect, impair, defeat or render invalid the lien or charge of any mortgage made in good faith and for value encumbering any Condominium, but all of said 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, with respect to a Condominium.

Section 15.2. Curing Defaults: A Mortgagee, or the immediate transferee of such Mortgagee, who acquires title by judicial foreclosure, deed in lieu of foreclosure or trustee's sale shall not be obligated to cure any breach of the provisions of this Declaration which is noncurable or of a type which is not practical or feasible to cure. The determination of the Board made in good faith as to whether a breach is noncurable or not feasible to cure shall be final and binding on all Mortgagees.

Section 15.3. Resale: It is intended that any loan to facilitate resale of any Condominium after judicial foreclosure, deed in lieu of foreclosure or trustee's sale is a loan made in good faith and for value and entitled to all of the rights and protections afforded to other Mortgagees.

Section 15.4. Limitations by FNMA:

(a) Eligible Mortgage Holders shall have the right to join the decision making about certain amendments to the Association Management Documents. Amendments of a material nature must be agreed to by Owners who represent at least seventy-five percent (75%) of the total voting power of the Association. In addition, approval must be obtained of Eligible Mortgage Holders who represent at least fifty-one percent (51%) of the votes of Condominiums that are subject to Mortgages held by Eligible Mortgage Holders. A change to any provision of the Association Management Documents pertaining to any of the following would be considered material:

- (i) voting rights;
- (ii) Assessments, Assessment liens, or the priority of Assessment liens;
- (iii) reserves for maintenance, repair and replacement of the Nonexclusive Use Common Area and Association Property;
- (iv) responsibility for maintenance and repairs;
- (v) reallocation of interests in the Nonexclusive Use Common Area, Exclusive Use Common Area or Association Property or rights to their use;
- (vi) redefinition of any Unit boundaries;
- (vii) convertibility of Units into Nonexclusive Use Common Area or of Nonexclusive Use Common Area into Units;
- (viii) expansion or contraction of a Condominium Project or the addition, annexation or withdrawal of property to or from a Condominium Project;
- (ix) insurance or fidelity bonds;
- (x) leasing of Units;
- (xi) imposition of any restrictions on the right of an Owner to sell or transfer such Owner's Condominium;
- (xii) a decision by the Association to establish self-management when professional management had

been previously required by the Association Management Documents or by an Eligible Mortgage Holder;

(xiii) restoration or repair of a Condominium Project (after a hazard damage or partial condemnation) in a manner other than that specified in the Association Management Documents;

(xiv) any action to terminate the legal status of a Condominium Project after substantial destruction or condemnation occurs; and

(xv) any provisions that expressly benefit Mortgagees, insurers or guarantors.

(b) When Owners are considering termination of the legal status of a Condominium Project for reasons other than substantial destruction or condemnation of the property, Eligible Mortgage Holders that represent sixty-seven percent (67%) of the votes of the mortgaged Units must agree.

A proposal as to any of the foregoing actions shall be deemed approved as to any Eligible Mortgage Holder who fails to submit a response to any written proposal for amendment within thirty (30) days of receipt of proper notice of the proposal provided that such notice was delivered by certified or registered mail with a "return receipt" requested.

Section 15.5. Limitations by FHLMC: In addition to any requirements contained in the Section of this Declaration entitled "Limitations by FNMA", and except as provided by statute in case of condemnation or substantial loss to the Units and/or common elements of a Condominium Project, unless sixty-seven percent (67%) of First Mortgagees (based on one vote for each First Mortgage owned) or sixty-seven percent (67%) of Owners other than Declarant have given their prior written approval, the Association may not:

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

(b) change the pro rata interest or obligations of any Units for purposes of (i) levying Assessments or charges, allocating distributions of insurance proceeds or condemnation awards, or (ii) determining the pro rata share of ownership in the Condominium Common Area;

(c) partition or subdivide a Unit;

(d) seek to abandon, partition, subdivide, encumber, sell or transfer the Condominium Common Area or Association Property by act or omission. The granting of easements for public utilities or other public purposes consistent with the intended use of the Condominium Common Area and Association Property is not a transfer within the meaning of this clause;

(e) use hazard insurance proceeds for losses to any Condominium property (whether to Units, Condominium Common Area or Association Property) for other than repair, replacement or reconstruction of the Condominium property;

(f) by act or omission change, waive or abandon any scheme of regulations, or enforcement thereof, pertaining to the architectural design or the exterior appearance or exterior maintenance of Residences.

Section 15.6. Notice: A Requesting Mortgagee, Insurer or Guarantor shall be entitled to timely written notice of:

(a) Destruction or Taking: Destruction, taking or threatened taking that affects either a material portion of the Condominium Project or the Unit securing the Mortgage held, insured or guaranteed by such Requesting Mortgagee, Insurer or Guarantor. As used in this Declaration, "damaged" or "taking" shall mean damage to or taking of the Condominium Common Area exceeding Ten Thousand Dollars (\$10,000) or damage to or taking of a Unit exceeding One Thousand Dollars (\$1,000);

(b) Default in Performance: Default in the performance or payment of Assessments or charges or in the performance of other obligations imposed by the Association Management Documents by the Owner whose Condominium is encumbered by a Mortgage held, insured or guaranteed by such Requesting Mortgagee, Insurer or Guarantor which default remains uncured for a period of sixty (60) days;

(c) Lapse, Cancellation or Modification of Insurance: Any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association; and

(d) Action Requiring Consent: Any proposed action which under the Association Management Documents requires the consent of a specified percentage of the voting power of Eligible Mortgage Holders.

Section 15.7. Mortgagees Furnishing Information: Mortgagees are hereby authorized to furnish information to the Board concerning the status of any Mortgage.

Section 15.8. Conflicts: In the event of any conflict between any of the provisions of this Article and any of the other provisions of the Association Management Documents, the provisions of this Article shall control.

Section 15.9. Priority of Mortgagee: Nothing in the Association Management Documents shall give an Owner, or any other party, priority over the rights of a First Mortgagee in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of any Units or Condominium Common Area.

Section 15.10. Federal Agency Agreement: The Board may enter into any agreements with any of the Federal Agencies as necessary to satisfy guidelines or regulations of any such Federal Agency which would permit such Federal Agency to purchase, insure or guarantee, as applicable, First Mortgages encumbering Condominiums.

ARTICLE 16 PROTECTION FROM LIENS

Section 16.1. Association to Defend: In the event that a lawsuit is brought against all or substantially all of the Owners within a Condominium Project which will or could result in any lien or encumbrance being levied against an entire Condominium Project, the Association shall defend such lawsuit and the costs of such defense shall be a Special Assessment against all of the Owners within such Condominium Project joined as defendants in such lawsuit; provided, however, in the event that an insurance carrier is obligated to provide such defense under a policy of insurance carried by the Association, the Association shall be relieved of the obligation to provide such defense. Nothing contained herein shall in any way limit the rights of any Owner or Owners to retain counsel of their choice to represent them in such lawsuit at their own expense. In such event, such Owner or Owners shall not be relieved of liability for the Special Assessment provided for in this Section.

Section 16.2. Liens Against Condominiums: The filing of liens against Condominiums shall comply with California Civil Code Section 1369 and until such section is supplemented or amended to provide otherwise, shall be as provided in this Section. No labor performed or services or materials furnished within a Condominium Project with the consent of, or at the request of, an Owner or such Owner's agent or contractor shall be the basis for the filing of a lien against any other Condominium of any other Owner in