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SUPPLEMENTAL DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
DENBY SQUARE TOWNHOMES

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**SUPPLEMENTAL DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
DENBY SQUARE TOWNHOMES**

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**SUPPLEMENTAL DECLARATION
OF
COVENANTS, CONDITIONS AND RESTRICTIONS
FOR
DENBY SQUARE TOWNHOMES**

This Supplemental Declaration of Covenants, Conditions and Restrictions for Denby Square Townhomes (the "Supplemental Declaration") is made by Pulte Home Corporation, a Michigan corporation (the "Declarant"), with the consent of PL Roseville LLC, a California limited liability company (the "Successor Master Declarant"). The Successor Master Declarant is currently the current owner of the Property as identified in Recital "A", below.

RECITALS

A. The Declarant is the developer of that certain real property located in the City of Roseville, County of Placer, State of California, more particularly described in Exhibit "A" (the "Property") and is in contract to acquire the Property from the Successor Master Declarant who is currently the owner of the property and is therefore joining in the execution of this Supplemental Declaration as a consenting landowner. The Declarant intends to develop the Property as a standard subdivision comprised of Lots that are improved with residences constructed by the Declarant (the "Development"). The Development will be commonly known as "Denby Square Townhomes".

B. Denby Square Townhomes a subdivision comprised of forty-eight (48) attached residences, each located on a separate Lot as shown on the Subdivision Map for the Development. Denby Square Townhomes is part of the West Roseville Specific Plan Area and the Successor Master Declarant's predecessor in interest, 1600 Placer Investors, L.P., a California limited partnership, caused to be filed for record that certain Master Declaration of Covenants, Conditions and Restrictions for Westpark which was recorded in the Official Records of Placer County, California on December 8, 2004, as Document No: 2004-0164157, as amended by that certain First Amendment of the Master Declaration of Covenants, Conditions, and Restrictions for Westpark that was recorded in the Official Records of Placer County, California on April 21, 2006, as Document No. 2006-0043259 (collectively, the "Master Declaration"). The Master Declaration affects not only the Property, but also other lands and developments within the West Roseville Specific Plan Area. Following recordation of the Master Declaration, 1600 Placer Investors, L.P. assigned its rights as the "Master Declarant" under the Master Declaration to PL Roseville, LLC, a California limited liability company (the "Successor Master Declarant").

C. Article XIII, Section 13.01, of the Master Declaration permits the recordation of a supplemental declaration with respect to the Property by the Declarant with the consent of the Successor Master Declarant. The Declarant desires to impose certain additional obligations upon Lots in the Development in order to make a matter of record certain covenants and agreements among the Declarant and the future owners of those Lots and Residences in Denby Square Townhomes relating primarily to the: (i) establishment of an association of property owners to maintain front yard landscaping and other landscape areas in public rights of way within the Development (collectively, "Maintenance Areas"), (ii) the imposition of assessments by that

Association to fund its operations, (iii) establishment of a committee with jurisdiction to review and approve proposed Improvement projects in the Development; and (iv) to establish procedures for the resolution of disputes, including construction defect disputes. Except as amended and supplemented herein, the Master Declaration shall also continue to apply to the Property and the Development as equitable servitudes.

D. It is the further intention of the Declarant to organize the Denby Square Townhomes Association as a California nonprofit mutual benefit corporation (the "Association") and for the memberships in that Association to be limited to the Owners of record of Lots within the Denby Square Townhomes development. Memberships in the Association shall be appurtenant to, and shall pass with any conveyance of a fee simple interest in Lots within the Development. The principal purposes of the Association shall be to: (i) maintain the exterior building surfaces and roofs of the townhome Residences in the Development, (ii) maintain the front yard areas of Lots within the Development, (iii) maintaining certain landscaped areas on public property within the Development, (iv) administer the architectural review and approval process set forth in Article V, below, once that responsibility has been delegated to the Association by the Declarant, and (v) to fairly and uniformly enforce and administer the other covenants, conditions, restrictions and equitable servitudes set forth in the Declaration and the other Governing Documents of the Association and any duly adopted amendments thereto. The maintenance responsibilities of the Association are more particularly set forth in Sections 7.01 and 7.02, below. The Association is not an "association" as defined in California Civil Code section 1351(a).

E. Accordingly, the Declarant, with the consent of the Successor Master Declarant, hereby declares that all of the Property comprising the Development, and all Residences and other improvements now located or hereafter constructed within the Development, shall be held, sold, conveyed, encumbered, hypothecated, leased, used, occupied, and improved subject to the Master Declaration as amended and supplemented by the following restrictions, covenants, and conditions, all of which are imposed in furtherance with the laws of the State of California for the protection and sale of the Property. The covenants, conditions, and restrictions set forth herein shall run with the land in accordance with Civil Code section 1468 and shall be binding upon all persons having any right, title, or interest in the Property, as described in Exhibit "A", attached hereto, or any portion thereof, their heirs, successors, and assigns, and shall inure to the benefit of every portion of the Property and any interest therein, and shall inure to the benefit of and be binding upon the Declarant and its successors in interest, and each Owner (as defined herein) and his or her respective successive Owners, and may be enforced by the Declarant or by any Owner of any portion of the Property.

NOW THEREFORE, the Declarant, with the consent of the Successor Master Declarant, hereby declares as follows:

ARTICLE I **Definitions**

When the words and phrases described in this Article are used in this Declaration, they will have the meanings set forth in this Article. The singular shall include the plural and the plural the singular unless the context requires the contrary, and the masculine, feminine, and

neuter shall each include the masculine, feminine, or neuter, as the context requires. The use of the term "may" in this Declaration indicates discretion or choice, and the use of the term "shall" in this Declaration means imperative, mandatory or imposing an absolute duty.

Section 1.01. "Architectural Review Committee" means the committee created pursuant to Article V, below.

Section 1.02. "Architectural Rules" means any rules or procedures adopted by the Architectural Review Committee pursuant to Section 5.05, below.

Section 1.03. "Articles" means the Articles of Incorporation of the Association, which are filed in the Office of the California Secretary of State, as such Articles may be amended from time to time.

Section 1.04. "Assessment" means any Regular, Special, Special Individual, or Emergency Assessment made or assessed by the Association against an Owner and his or her Lot in accordance with the provisions of Article IV, below.

Section 1.05. "Association" means the Denby Square Townhomes Association, a California nonprofit mutual benefit corporation, its successors and assigns.

Section 1.06. "Association Rules" means the rules, regulations and policies adopted by the Board of Directors, pursuant to Section 3.08, below, as the same may be in effect from time to time. Once the Architectural Review Committee is a committee whose members are all appointed by the Association's Board of Directors (see Section 5.02, below) the Association Rules shall also include the Architectural Rules.

Section 1.07. "Board of Directors" or "Board" means the Board of Directors of the Association.

Section 1.08. "Bylaws" means the Bylaws of the Association, as such Bylaws may be amended from time to time.

Section 1.09. "City" means the incorporated municipal City of Roseville, Placer County, California, and its various departments, divisions, employees and representatives.

Section 1.10. "Common Expense" means any use of Association funds authorized by Article IV, below, and Article IX of the Bylaws and includes, without limitation: (i) all expenses or charges incurred by or on behalf of the Association for the management, maintenance, administration, insurance, operation, repairs, additions, or alterations of the Maintenance Areas of the Development (as more particularly described in Article VII, below; (ii) all expenses or charges reasonably incurred to procure insurance for the protection of the Association and its Board of Directors; and (iii) the use of such funds to defray the costs and expenses incurred by the Association in the performance of its functions or in the proper discharge of the responsibilities of the Board as provided in the Governing Documents.

Section 1.11. "Conditions of Approval" means and refers to the Conditions of Approval for Tentative Subdivision Map SUB-05-07; DRP - 000082; WRSP Village Center W-21; File

Number 2005 PL-131, approved by the City of Roseville Planning Commission on April 13, 2006. The Conditions of Approval also incorporate by reference the Development Agreement dated February 18, 2004, by and between the City of Roseville and 1600 Placer Investors, LP (the "Development Agreement").

Section 1.12. "County" means the County of Placer, State of California, and its various departments, divisions, employees and representatives.

Section 1.13. "Declarant" means and refers to Pulte Home Corporation, a Michigan corporation, its successors-in-interest, and any person or entity acquiring all or a portion of Declarant's interest in the Property (including all of Declarant's rights and obligations as created and established herein) pursuant to any written assignment from Declarant which is recorded in the Office of the County Recorder of Placer County, California.

Section 1.14. "Development" means and refers to the residential real estate development that is being constructed, marketed and sold by the Declarant within the Property. At times the Development is referred to herein by its common name for identification and marketing purposes which is "Denby Square Townhomes".

Section 1.15. "Governing Documents" is a collective term that means and refers to the Master Declaration, this Supplemental Declaration and to the Articles of Incorporation and the Bylaws of the Association, and the Association Rules.

Section 1.16. "Improvement" as used herein includes, without limitation any improvement or project undertaken or contemplated by an Owner (other than the Declarant) within any portion of the Development involving the construction, installation, alteration or remodeling of any Residence, garages, permitted out buildings, walls, fences, landscaping, landscape structures, patio awnings, solar heating equipment, spas, antennas, television satellite reception equipment, utility lines or any other structure of any kind. Improvement projects are subject to architectural review and approval pursuant to Article V, below. In no event shall the term "Improvement" include any improvement, alteration or construction project located entirely within an existing Residence structure.

Section 1.17. "Landscape Strip" means and refers to the five or six feet (5' or 6') landscaped area that is located in the public (i.e., City-owned) right-of-way area between the back of the curb of certain streets within or adjacent to the Development and the front of the sidewalk. Within those landscape strips are turf, vegetation and trees that the Association is responsible to maintain in accordance with Section 7.01, below.

Section 1.18. "Lot" means any parcel of real property designated by a number on the Subdivision Map for the Development. When appropriate within the context of this Supplemental Declaration, the term "Lot" shall also include the Residence and other Improvements constructed on a Lot.

Section 1.19. "Maintenance Areas" means and refers to all of the landscaped areas of the Development that the Association is obligated to maintain, repair and replace for the benefit of the Owners and residents of Denby Square Townhomes. The Maintenance Areas are more particularly described in Section 7.01, below, and are comprised of both un-fenced yard areas on

individual Lots in the Development and certain landscaped areas on public property in the Development. Specifically, the Maintenance Areas on public property within and adjacent to the Development shall include the Landscape Strip located within Lots "F," "G," and "H" as shown on the Subdivision Map, and the Landscape Strip located adjacent to Lots 91 through 99, as such Lots are shown on the Subdivision Map. None of the Maintenance Areas for which the Association is responsible hereunder are "common areas" as that term is defined in Civil Code section 1351(b) and the Association owns no property in the Development. Therefore this Development is not a common interest development as defined in Civil Code section 1351(c). In addition to its obligations with respect to landscape maintenance in the Maintenance Areas, the Association also has limited maintenance responsibilities with respect to the exterior surfaces and roofs of Residences, and fences on Lots in the Development pursuant to Section 7.02, below.

Section 1.20. "Maintenance Manual" refers to the manual which may be prepared by the Declarant or its agents and provided to the Association and to each Owner specifying obligations for maintenance of Lots and Residences by the Owners, as updated and amended from time to time. See Section 7.02(d) and 7.03(f), below.

Section 1.21. "Maintenance Obligations" means the obligations imposed by Civil Code section 907 on each Owner to perform, which shall include: (i) all reasonable maintenance obligations and schedules identified in the Maintenance Manual that pertain to the Owner's property at the times and in a manner consistent with the terms, recommendations and requirements of the Maintenance Manual; (ii) any maintenance obligations and schedules contained in any warranty offered by the Declarant or any manufacturer of any products or components originally installed in a Residence; and (iii) any maintenance obligations and/or schedules otherwise provided, in writing, by the Declarant or a manufacturer to the Owners. "Maintenance Obligations" shall also include and refer to any commonly accepted maintenance practices to prolong the useful life of the materials and construction of the Residences within the Development.

Section 1.22. "Majority of a Quorum" means the vote of a majority of the votes cast at a meeting or by written ballot when the number of Members attending the meeting in person or by proxy or the number of members casting written ballots equals or exceeds the quorum requirement for Member action, as specified by the Bylaws or otherwise by statute.

Section 1.23. "Master Declaration" means and refers to the Master Declaration of Covenants, Conditions and Restrictions for Westpark, as amended. The Master Declaration is more particularly identified in Recital "B", above.

Section 1.24. "Member" means every person or entity who holds a membership in the Association and whose rights as a Member are not suspended pursuant to Section 13.06, below.

Section 1.25. "Mortgage" means any security device encumbering all or any portion of the Development, including any deed of trust. "Mortgagee" shall refer to a beneficiary under a deed of trust as well as to a mortgagee in the conventional sense.

Section 1.26. "Owner" means any person, firm, corporation or other entity which owns a fee simple interest in any Lot. The term "Owner" shall include the Declarant for so long as the

Declarant owns any Lot within the Development, and, except where the context otherwise requires, the family, guests, tenants and invitees of an Owner. If a Lot is transferred or conveyed to a trust, the Owner is the trustee or the co-trustees of such trust.

Section 1.27. "Owner of Record" means any person, firm, corporation or other entity in which title to a Lot is vested as shown by the official records of the Office of the County Recorder.

Section 1.28. "Property" means the real property more particularly described in Exhibit A, which is being developed as Denby Square Townhomes.

Section 1.29. "Record" means, with respect to any document, the recordation or filing of such document in the Office of the County Recorder.

Section 1.30. "Regular Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.02, below.

Section 1.31. "Residence" means a private, single-family dwelling, of townhouse design, constructed or to be constructed on any Lot in the Development.

Section 1.32. "Single Family Residential Use" means occupation and use of a Residence for single family dwelling purposes in conformity with this Supplemental Declaration and the requirements imposed by applicable zoning or other applicable laws or governmental regulations limiting the number of persons who may occupy single family residential dwellings.

Section 1.33. "Special Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.03, below.

Section 1.34. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Lot in accordance with Section 4.04, below.

Section 1.35. "Subdivision Map" means the final subdivision map filed in the Office of the Placer County Recorder for the Development.

Section 1.36. "Successor Master Declarant" means and refers to PL Roseville LLC, a California limited liability company. As of the recordation date of this Supplemental Declaration, the Successor Master Declarant is the owner of the Property more particularly described in Exhibit "A", attached hereto.

Section 1.37. "Supplemental Declaration" means and refers to this instrument as the same may be amended and supplemented from time to time in accordance with Article XVIII, below. This Declaration is a Project Declaration, as defined in the Master Declaration.

Section 1.38. "Voting Power" means those Members who are eligible to vote for the election of directors or with respect to any other matter, issue or proposal properly presented to the Members for approval at any time a determination of voting rights is made. To be part of the Voting Power, a Member must be in good standing, as defined in the Association Bylaws.

ARTICLE II
Property Rights and Obligations of Owners

Section 2.01. Declaration Regarding the Real Property Comprising the Development.

(a) **Property Subject to this Supplemental Declaration.** The Property comprising the Development shall be held, conveyed, divided, encumbered, hypothecated, leased, rented, used, occupied and improved only upon compliance with and subject to the provisions of this Supplemental Declaration, which, together with the Master Declaration, are hereby declared to: (i) be in furtherance of a plan for the subdivision of the Property and the sale of residential Lots within the Development; (ii) be for the benefit and protection of the Property comprising the Development and to enhance the desirability, value and attractiveness of such property; (iii) be for the benefit of the Owners; (iv) run with the land and be binding upon all parties having or acquiring any right, title or interest in any portion of the Development; (v) inure to the benefit of every portion of the Development and any interest therein; and (vi) inure to the benefit of and be binding upon each Owner, the Declarant and each successor in interest of the Declarant as long as the Declarant or any successor shall hold an interest in any portion of the Property comprising the Development.

(b) **Binding Effect on Successors In Interest.** Each conveyance, transfer, sale, assignment, lease or sublease made by Declarant of any Lot shall be deemed to incorporate by reference all of the provisions of this Supplemental Declaration and the Master Declaration. All present and future Owners, tenants and occupants of Lots within the Development shall be subject to, and shall comply with, each and every provision of the Governing Documents, as the same shall be amended from time to time unless a particular provision of the Governing Documents is specifically restricted to one or more classes of persons (i.e., Owners, tenants, invitees, etc.). The acceptance of a deed to any Lot, the execution of a lease, sublease or contract of sale with respect to any Lot or the entering into occupancy of any Residence shall make the provisions of this Supplemental Declaration binding upon said persons and they shall thereafter be obligated to observe and comply with all Governing Documents.

Section 2.02. Delegation of Use.

(a) **Delegation of Use and Leasing of Residences.** Any Owner may delegate his or her rights to use and enjoy his or her Lot and Residence to his or her family members or tenants, lessees or contract purchasers who reside in the Owner's Residence; provided, however, that any rental or lease may only be to a single family for Single Family Residential Use and for a term of not less than ninety (90) days must meet the other requirements set forth in subparagraph (b) below.

(b) **Requirements That Must Be Observed In All Residential Leases.** The following specific limitations shall apply to all leases or tenancies of a Residence within the Development: (i) no Residence may be leased or rented for a period of less than thirty (30) days; (ii) the rental shall apply to not less than an entire Residence including its appurtenant rights (except voting rights in the Association which may not be transferred to a tenant or lessee); and (iii) any rental shall be evidenced by a written lease or rental agreement which shall provide that the tenancy is subject to the terms of the Governing Documents and that any failure of the tenant to comply

with the terms of any Governing Document relating to residential leases or property use restrictions shall constitute a default under the lease or rental agreement and shall entitle the Owner to terminate the tenancy upon ninety (90) days written notice. The Owner-lessor's right to terminate a lease or rental agreement on account of the tenant's violation of the Governing Documents shall in no way restrict the right of the Association, the Declarant, or any Owner to enforce the Governing Documents in accordance with Article XIII, below, when the Owner's tenant is violating the Governing Documents.

(c) Discipline of Lessees. Subject to subparagraph (d), below, in the event that any tenant or lessee fails to honor the provisions of any Governing Document, the Association shall be entitled to take such corrective action as it deems necessary or appropriate under the circumstances in order to preserve the quiet enjoyment of other Owners and residents within the Development. Without limiting the foregoing, the Association's actions in response to a tenant's violation of the Governing Documents may include the imposition of fines and penalties against the Owner-lessor of the Residence in accordance with Section 13.04, below.

(d) Due Process Requirements for Disciplinary Action. Except for circumstances in which immediate corrective action is necessary to prevent damage or destruction to any portion of the Development or to preserve the rights of quiet enjoyment of other Owners, the Association shall have no right to initiate disciplinary action against an Owner-lessor (or the Owner's lessee or tenant) on account of the misconduct of the Owner's lessee or tenant unless and until the following conditions have been satisfied: (i) the Owner has received written notice from the Board, the Association's property manager, if any, or an authorized committee of the Board detailing the nature of the lessee's/tenant's alleged infraction or misconduct and advising the Owner of his or her right to a hearing on the matter in the event the Owner believes that remedial or disciplinary action is unwarranted or unnecessary; (ii) the Owner has been given a reasonable opportunity to take corrective action on a voluntary basis or to appear at a hearing, if one is requested by the Owner; and (iii) the Owner has failed to prevent or correct the tenant's objectionable actions or misconduct. Any hearing requested hereunder shall be conducted in accordance with Section 13.06, below.

Section 2.03. Obligations of Owners. Owners of Lots within the Development shall be subject to the following obligations:

(a) Notification to Prospective Purchasers Regarding Governing Documents.

(i) As soon as practicable before transfer of title or the execution of a real property sales contract with respect to any Lot, the Owner thereof must give the prospective purchaser:

(A) a copy of the Governing Documents;

(B) a copy of the most recent budget and financial statement of the Association;

(C) a true statement ("delinquency statement") in writing from an authorized representative of the Association as to: (1) the amount of the Association's current

regular and special assessments and fees; (2) the amount of any assessments levied upon the Owner's Lot that remain unpaid as of the date of the delinquency statement and any monetary fines or penalties levied upon the Owner's Lot an unpaid as of the date of the delinquency statement;

(ii) Within ten (10) days of the mailing or delivery of a request for the information described in subparagraph (a)(i), above, the Association shall provide the Owner with copies of the requested items. The items that the Association is obligated to provide pursuant to this subparagraph (a) may be maintained in electronic form and requesting parties shall have the option of receiving them by electronic transmission or machine readable storage media if the Association maintains these items in electronic form. The Association may charge a reasonable fee for these services based upon the Association's actual cost to procure, prepare, and reproduce the requested items.

(b) Payment of Assessments and Compliance with Rules. Each Owner shall pay when due each Regular, Special, Special Individual, and Emergency Assessment levied against the Owner and his or her Lot and shall observe, comply with and abide by any and all rules and regulations set forth in, or promulgated by the Association pursuant to, any Governing Document for the purpose of protecting the interests of all Owners.

(c) Joint Ownership of Lots. In the event of joint ownership of any Lot, the obligations and liabilities of the multiple Owners under the Governing Documents shall be joint and several. Without limiting the foregoing, this subparagraph (c) shall apply to all obligations, duties and responsibilities of Owners as set forth in this Supplemental Declaration including, without limitation, the payment of all Assessments.

(d) Termination of Obligations. Upon the conveyance, sale, assignment or other transfer of a Lot to a new Owner, the transferor-Owner shall not be liable for any Assessments levied with respect to such Lot which become due after the date of Recording of the deed evidencing the transfer and, upon such Recording, all Association membership rights possessed by the transferor by virtue of the ownership of the Lot shall automatically cease.

ARTICLE III

Denby Square Townhomes Association

Section 3.01. Formation and Purposes. The Denby Square Townhomes Association is a California nonprofit mutual benefit corporation is a California nonprofit mutual benefit corporation that is charged with the duties and invested with the powers set forth in this Declaration and the other the Governing Documents of the Association, including, but not limited to, the obligation to control, maintain and repair of the Maintenance Areas within the Development, to administer the architectural review and approval process set forth in Article V, below, once the Declarant has relinquished control of the Architectural Review Committee in accordance with Section 5.02, below, and to participate with Owners in the fair and uniform enforcement of the Governing Documents in accordance with Article XIII, below. The Association is not an "association" as defined in California Civil Code section 1351(a).

Section 3.02. Association Action; Board of Directors and Officers. With the exception of those matters requiring approval of Members under the Governing Documents or California law, the affairs of the Association shall be conducted and all corporate powers shall be exercised by the Board of Directors and such officers as the Board may elect or appoint. Except as otherwise provided in the Governing Documents or California law, all matters requiring the approval of Members shall be deemed approved upon the affirmative vote of a Majority of a Quorum of the Members.

Section 3.03. Membership.

(a) **Qualifications.** Each Owner of a Lot, including the Declarant, shall be a Member of the Association. An Owner shall hold one (1) membership in the Association for each Lot that the Member owns (with Member voting rights as set forth in Section 3.04, below). Sole or joint ownership of a Lot shall be the sole qualification for membership in the Association. Each Owner shall remain a Member of the Association until his or her ownership of, or ownership interest in, all Lots in the Development ceases, at which time the Owner's membership in the Association shall automatically cease. Persons or entities who hold an interest in a Lot merely as security for performance of an obligation are not Members of the Association and shall have no voting or other rights of membership.

(b) **Members' Rights and Duties.** Membership in the Association shall give rise to the, rights, duties, and obligations set forth in the Governing Documents and any amendments thereto.

Section 3.04. Membership Voting.

(a) **Commencement of Voting Rights.** Voting rights attributable to the ownership of Lots shall not vest until Assessments against those Lots have been levied by the Association.

(b) **Classes of Membership.** Initially, the Association shall have two (2) classes of voting membership, namely Class A Members, initially comprised of all Owners of Lots except the Declarant, and the Declarant shall hold all of the Class B memberships which shall be appurtenant to Lots owned by the Declarant. The voting rights and other privileges of the two (2) classes of membership and the conversion of the Declarant's Class B memberships into Class A memberships shall be as set forth in Article IV of the Bylaws.

(c) **Suspension of Voting Rights.** The voting rights of Members may be temporarily suspended under those circumstances described in Sections 4.10 and 13.06, below.

Section 3.05. Assessments. The Association shall have the power to establish, fix and levy Assessments against the Owners of Lots within the Development and to enforce payment of such Assessments, as more particularly provided in Article IV, below. Any Assessments levied by the Association against its Members shall be levied in accordance with, and pursuant to, the provisions of this Supplemental Declaration.

Section 3.06. Transfer of Memberships. Membership in the Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Lot to which it is appurtenant, and then, only to the purchaser. In the case of a sale, the membership

appurtenant to the transferred Lot shall pass automatically to the purchaser upon the Recordation of a deed evidencing the transfer of title. In the case of an encumbrance recorded with respect to any Lot, the Mortgagee shall not possess any membership rights until the Mortgagee becomes an Owner by foreclosure or acceptance of a deed in lieu thereof. Tenants who are delegated rights of use pursuant to the rental or lease of a Residence (see Section 2.02, above) do not thereby become Members, although the tenant and his or her family and guests shall at all times be subject to the property use restrictions and enforcement/disciplinary provisions of the Governing Documents. If any Owner fails or refuses to transfer the membership that is appurtenant to his or her Lot to the purchaser of that Lot, the Association shall have the right to record the transfer upon its books and thereupon any other membership outstanding in the name of the seller shall be null and void.

Section 3.07. Powers and Authority of the Association.

(a) Powers, Generally. The Association shall have the responsibility of managing and maintaining the Maintenance Areas of the Development, maintain those portions of the exteriors of Residences, garages, and fences that are enumerated in Section 7.02, below, administering the architectural review and approval process pursuant to Article V, below (once the Declarant has delegated the authority of the Architectural Review Committee to the Association), and discharging the other duties and responsibilities imposed on the Association by the Governing Documents. In the discharge of such responsibilities and duties, the Association shall have all of the powers of a nonprofit mutual benefit corporation organized under the laws of the State of California in the ownership and management of its properties and the discharge of its responsibilities hereunder for the benefit of its Members, subject only to such limitations upon the exercise of such powers as are expressly set forth in the Governing Documents.

The Association shall have the power to do any and all lawful things which may be authorized, required or permitted to be done under and by virtue of the Governing Documents. The specific powers of the Association and the limitations thereon are set forth in Article IX of the Bylaws.

(b) Association's Limited Right of Entry.

(i) Right of Entry, Generally. Without limiting the foregoing description of powers, but in addition thereto, the Association and its agents shall have the right and power to enter any Lot to perform the Association's obligations under this Supplemental Declaration, including: obligations to maintain the exterior elements of Residences and the front yard Maintenance Areas of Lots in the Development; and to enforce the architectural review and approval requirements, minimum improvement standards or land use restrictions in Articles V, VI and VIII, below;

(ii) Limitations on Exercise of Right. The Association's right of entry pursuant to this subparagraph (b) shall be subject to the following:

(A) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of entry on a Lot during normal business hours to perform front yard landscape maintenance in accordance with Section 7.01, below. The Association's

work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(B) In all non-emergency situations involving access by the Association for purposes of enforcing the Governing Documents against an Owner in default, the Association's entry shall be subject to observance of the notice and hearing requirements imposed by Section 13.06, below.

(C) In no event shall the Association's right of entry hereunder be construed to permit the Association or its agents to enter any Residence without the express permission of the Owner or tenant.

(c) Obligation to Provide Subsequent Purchasers with Information Relating to Declarant Repair Rights and Obligations and Residence Maintenance Standards. Civil Code section 912 requires home builders to provide their initial home buyers with certain documents enumerated in that Code section including: (i) copies of all Maintenance Manuals that pertain to the Residence; (ii) copies of all manufactured products maintenance, preventative maintenance, and limited warranty information relating to components of the Residence; (iii) copies of the builder's limited contractual warranties; (iv) a written copy of Civil Code sections 895 et seq.; and (v) other documents provided by the builder to the initial home buyer with the original sale of the Residence. Civil Code section 912(h) obligates the original home buyer to provide these documents to subsequent purchasers of the Residence.

Section 3.08. Association Rules.

(a) Rule Making Power. The Board may, from time to time and subject to the provisions of this Supplemental Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Association Rules"). The Association Rules may concern, but need not be limited to: (i) matters pertaining to the Association's responsibilities with respect to Maintenance Areas within the Development (and limitations on the rights of Owners and residents to maintain or alter those Maintenance Areas); (ii) matters pertaining to the Association's maintenance of the roofs and exterior surfaces of Residences, garages and fences on townhouse Lots within the Development (iii) architectural control and the rules of the Architectural Review Committee under Article V, below; (iv) regulation of pet ownership, parking, signs, collection and disposal of refuse and other matters subject to regulation and restriction under Article VIII, below; (v) collection of delinquent Assessments; (vi) the conduct of disciplinary proceedings in accordance with Section 13.06, below; and (vii) any other subject or matter within the jurisdiction of the Association as provided in the Governing Documents.

Notwithstanding the foregoing grant of authority, the Association Rules shall not be inconsistent with or materially alter any provision of the Governing Documents or the rights, preferences and privileges of the Owners thereunder. In the event of any material conflict between any Association Rule and the provisions of any other Governing Document, the conflicting provisions contained in the other Governing Document shall prevail.

(b) Distribution of Rules. A copy of the Association Rules, as they may from time to time be adopted, amended or repealed, shall be mailed or otherwise delivered to each Owner. A

copy of the Association Rules shall also be available and open for inspection by any Owner during normal business hours at the principal office of the Association.

(c) Adoption and Amendment of Rules. Association Rules may be adopted or amended from time to time by majority vote of the Board; provided, however, that no Association Rule or amendment thereto shall be adopted by the Board until at least thirty (30) days after the proposed rule or rule amendment has been published in the Association newsletter, if any, or otherwise communicated to the Owners in writing by either personal delivery to the Owner's Lot in the Development or to such other address as the Owner has provided to the Association for purposes of notice. The notice describing the proposed rule or amendment shall also set forth the date, time and location of the Board meeting at which action on the proposal is scheduled to be taken.

Any duly adopted rule or amendment to the Association Rules shall become effective immediately following the date of adoption thereof by the Board, or at such later date as the Board may deem appropriate.

Section 3.09. Breach of Rules or Restrictions. Any breach of the Association Rules or any other Governing Document provision shall give rise to the rights and remedies set forth in Article XIII, below.

Section 3.10. Limitation on Liability of the Association's Directors and Officers. No director or officer of the Association (collectively and individually referred to as the "Released Party") shall be personally liable to any of the Members, or to any other person, for any error or omission in the discharge of his or her duties and responsibilities or for his or her failure to provide any service required under the Governing Documents; provided that such Released Party has, upon the basis of such information as he or she possessed, acted in good faith, in a manner that such person believes to be in the best interests of the Association and with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances. Without limiting the generality of the foregoing, this standard of care and limitation of liability shall extend to such matters as the establishment of the Association's annual financial budget and enforcement of the Governing Documents.

ARTICLE IV Assessments

Section 4.01. Assessments Generally.

(a) Covenant to Pay Assessments. The Declarant for each Lot owned within the Development, and each Owner of a Lot by acceptance of a deed therefor (whether or not it shall be so expressed in such deed), covenants and agrees to pay to the Association: (i) Regular Assessments; (ii) Special Assessments; (iii) Special Individual Assessments; and (iv) Emergency Assessments. Each such Assessment shall be established and collected as hereinafter provided.

(b) Extent of Owner's Personal Obligation for Assessments. All Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a debt and a personal obligation of the person who is the Owner of the Lot at the time the Assessment is levied. Each Owner who acquires title to a Lot

(whether by conventional conveyance, at a judicial sale, trustee's sale or otherwise) shall be personally liable only for Assessments attributable to the Lot which become due and payable after the date that the person acquires title. Accordingly, when a person acquires title to a Lot, he or she shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability.

(c) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself or the Owner's Lot from liability or charge for the Owner's share of any Assessment made against the Owner or his or her share of any Regular or Special Assessment made against the Owner's Lot, by waiving or relinquishing, or offering to waive or relinquish, the Owner's right to use and enjoy all or any portion of the Maintenance Areas or by the abandonment or non use of the Owner's Lot.

(d) Prohibition of Excessive Assessments. The Association shall not impose or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which the Assessment or fee is imposed.

Section 4.02. Regular Assessments.

(a) Preparation of Annual Budget; Establishment of Regular Assessments. Not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Association's fiscal year, the Board shall estimate the total amount required to fund the Association's anticipated Common Expenses for the next succeeding fiscal year (including additions to any reserve fund established to defray the costs of future repairs, replacement or additions to preparing and distributing to all Members a budget satisfying the requirements of Section 12.05 of the Association Bylaws. If the Board fails to distribute the budget for any fiscal year within the time period specified in the first sentence of this Section, the Board shall not be permitted to increase the Association's Regular Assessment for that fiscal year unless the Board first obtains the approval of the requisite percentage of the Members in accordance with Section 4.08, below.

(b) Establishment of Regular Assessment; Member Approval Requirements for Certain Assessment Increases. The total Common Expenses estimated in the Association's budget (less projected income from sources other than Assessments) shall become the aggregate Regular Assessment for the next succeeding fiscal year; provided, however, that except as provided in Section 4.05, below (relating to "Emergency Assessments") the Board of Directors may not impose a Regular Assessment that is more than twenty percent (20%) greater than the Regular Assessment for the Association's immediately preceding fiscal year without the Members' prior approval in accordance with Section 4.08, below.

(c) Commencement Date for Regular Assessments. Regular Assessments shall commence as to each Lot upon the earlier to occur of: (i) the date specified in a Notice of Commencement of Regular Assessments that is recorded by Declarant with respect to the Development (which date shall be after the date of Recordation of this Supplemental Declaration); or (ii) to the first day of the first month following the month in which the first Close of Escrow occurs for the sale of the first Lot in the Development to a person other than the Declarant. Each Lot shall thereafter be subject to its payment of an equal share of the aggregate annual Regular Assessment (except as, provided in subparagraph (d)(ii), below with respect to

commencement of that portion of any assessments that is attributable to Common Expenses for front yard landscape maintenance on Lots in the Development). The first annual Regular Assessment shall be prorated, if necessary, according to the number of months remaining in the fiscal year established in the Association's Bylaws.

(d) Allocation of Regular Assessments.

(i) Equal Assessment. Except as provided in subparagraphs (d)(ii) and (d)(iii), below, the total estimated Common Expenses, determined in accordance with subparagraph (a), above, shall be allocated among, assessed against, and charged to each Owner according to the ratio of the number of Lots within the Development owned by the assessed Owner to the total number of Lots subject to Assessment so that each Lot bears an equal share of the total Regular Assessment.

(ii) Exemption from Assessment For Front Yard Landscape Services. The obligation of each Owner to pay his or her share of the Common Expenses incurred by the Association to provide front yard landscape maintenance services shall commence on the later to occur of the following two events: (A) the first day of the calendar month next following the close of escrow in the first sale of the Lot by the Declarant to the first purchaser thereof; or (B) completion of the Lot's front yard landscape improvements by the Declarant.

(iii) Exemption from Assessment for Uncompleted Public Landscape Improvements. In addition to the exemption from Assessment obligations for Lots with uncompleted front yard landscaping, all Owners, including the Declarant, shall be exempt from the obligation to pay that portion of any Assessment that is imposed for the purpose of defraying expenses and reserves, if any, directly attributable to the Association's obligation to maintain landscaping in Maintenance Areas on public property in the Development if the landscaping has not yet been installed. This partial exemption from Assessment obligations shall end upon the first to occur of the following two events: (A) recordation of a notice of completion of the landscape Maintenance Area; or (B) placement of the landscape Maintenance Area in use.

(e) Assessment Roll. That portion of the estimated Common Expenses assessed against and charged to each Owner shall be set forth and recorded in an assessment roll which shall be maintained and available with the records of the Association and shall be open for inspection at all reasonable times by each Owner or his or her authorized representative for any purpose reasonably related to the Owner's interest as a property Owner or as a Member of the Association. The assessment roll shall show, for each Lot, the name and address of the Owner of Record, all Regular, Special and Special Individual Assessments levied against each Owner and his or her Lot, and the amount of such Assessments which have been paid or remain unpaid. The delinquency statement required by Section 2.03(a)(i)(C), above, shall be conclusive upon the Association and the Owner of such Lot as to the amount of such indebtedness appearing on the Association's assessment roll as of the date of such statement, in favor of all persons who rely thereon in good faith.

(f) Mailing Notice of Assessment. Not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Association's fiscal year the Board of Directors of the Association shall mail to each Owner (including Declarant with respect to any unsold or

retained Lots), at the street address of the Owner's Lot, or at such other address as the Owner may from time to time designate in writing to the Association, a statement of the amount of the Regular Assessment for the next succeeding fiscal year, disclosed in both the aggregate amount of the Regular Assessment for all Lots that are subject to Assessment and the allocable share of the total Regular Assessment payable by each Lot that is subject to assessment.

(g) Failure to Make Estimate. If, for any reason, the Board of Directors fails to make an estimate of the Common Expenses for any fiscal year (thereby failing to adjust the amount of the Regular Assessment for the next succeeding fiscal year), then the Regular Assessment imposed for the preceding fiscal year, together with any Special Assessment made pursuant to Section 4.03(a), below, for that year, shall be assessed against each Owner and his or her Lot on account of the then current fiscal year, and installment payments (as hereinafter provided) based upon such automatic Regular Assessment shall be payable on the regular payment dates established by the Board pursuant to subparagraph (h), below.

(h) Installment Payment. The Regular Assessment made against each Owner shall be due and payable in advance to the Association in equal monthly installments on the first day of each month or on such other date or dates as may be established from time to time by the Association's Board of Directors. Installments of Regular Assessments shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board.

Section 4.03. Special Assessments.

(a) Purposes for Which Special Assessments May Be Levied. Subject to the membership approval requirements set forth in subparagraph (b), below, the Board of Directors shall have the authority to levy Special Assessments against the Owners and their Lots if, at any time, the Regular Assessment for any fiscal year is insufficient in amount due to extraordinary expenses not contemplated in the budget prepared for said fiscal year. Any such Special Assessment shall be applicable for the remainder of such year only, for the purpose of defraying, in whole or in part, any deficit which the Association may incur in the performance of its duties and the discharge of its obligations hereunder.

(b) Special Assessments Requiring Membership Approval. Any Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied may only be levied if the Special Assessment is approved by the Members in accordance with Section 4.08, below. The foregoing Member approval requirements shall not apply, however, to any Special Assessment imposed to address any "emergency situation" as defined in Section 4.05, below.

(c) Allocation and Payment of Special Assessments. When levied by the Board or approved by the Members as provided above, the Special Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot (including the Declarant as to any unsold or retained Lots) in the same manner prescribed for the allocation of Regular Assessments pursuant to Section 4.02(d), above. The Special Assessment so levied shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to each Owner.

Special Assessments for purposes described in subparagraph (a) of this Section 4.03, above, shall be due as a separate debt of the Owner, and shall be payable to the Association in equal monthly installments during the remainder of the then current fiscal year.

Section 4.04. Special Individual Assessments.

(a) Circumstances Giving Rise to Special Individual Assessments. In addition to the Special Assessments levied against all Owners in accordance with Section 4.03, above, the Board of Directors may impose Special Individual Assessments against an Owner in any of the circumstances described in subparagraphs (i) through (iii) below; provided, however, that no Special Individual Assessments may be imposed against an Owner pursuant to this Section 4.04 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 13.06, below, and, if appropriate, has been given a reasonable opportunity to comply voluntarily with the Governing Documents. Subject to the foregoing, the acts and circumstances giving rise to liability for Special Individual Assessments include the following:

(i) Damage to Maintenance Areas. In the event that any damage to, or destruction of, any portion of the Maintenance Areas is caused by the willful misconduct or negligent act or omission of any Owner, any member of his or her family, or any of his or her tenants, guests, servants, employees, licensees or invitees, the Board shall cause the same to be repaired or replaced, and all costs and expenses incurred in connection therewith (to the extent not compensated by insurance proceeds) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(ii) Expenses Incurred in Gaining Member Compliance. In the event that the Association incurs any costs or expenses to: (A) accomplish the payment of delinquent Assessments; (B) perform any repair, maintenance or replacement to any portion of the Development that the Owner is responsible to maintain under the Governing Documents but has failed to undertake or complete in a timely fashion; or (C) otherwise bring the Owner and/or his or her Lot into compliance with any provision of the Governing Documents, the amount incurred by the Association (including reasonable fines and penalties duly imposed hereunder, title company fees, accounting fees, court costs and reasonable attorneys' fees) shall be assessed and charged solely to and against such Owner as a Special Individual Assessment.

(iii) Required Maintenance on Lots. If any portion of a Lot (other than those portions maintained by the Association in accordance with Sections 7.01 and 7.02, below) is maintained so as to become a nuisance, fire or safety hazard for any reason, the Association shall have the right to enter said Lot, correct the condition and recover the cost of such action through imposition of a Special Individual Assessment against the offending Owner. Any entry on the property of any Owner by the Association shall be effected in accordance with Section 3.07(b), above.

(b) Levy of Special Individual Assessment and Payment. Once a Special Individual Assessment has been levied against an Owner for any reason described, and subject to the conditions imposed, in subparagraph (a) of this section, such Special Individual Assessment shall be recorded on the Association's Assessment roll and notice thereof shall be mailed to the affected Owner. The Special Individual Assessment shall thereafter be due as a separate debt of

the Owner payable in full to the Association within thirty (30) days after the mailing of notice of the Assessment.

Section 4.05. Assessments to Address Emergency Situations. The requirement of a membership vote to approve: (a) Regular Assessment increases in excess of twenty percent (20%) of the previous year's Regular Assessment; or (b) Special Assessments which, in the aggregate, exceed five percent (5%) of the Association's budgeted gross expenses for the fiscal year in which the Special Assessment(s) is/are levied, shall not apply to Assessments necessary to address emergency situations. For purposes of this Section, an emergency situation is any of the following:

- (i) An extraordinary expense required by an order of a court;
- (ii) An extraordinary expense necessary to repair or maintain the Maintenance Areas where a threat to personal safety is discovered; or
- (iii) An extraordinary expense necessary to repair or maintain the Maintenance Areas that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 4.02(a), above; provided, however, that prior to the imposition or collection of an assessment under this subparagraph (iii), the Board shall pass a resolution containing written findings as to the necessity of the extraordinary expense involved and why the expense was not or could not have been reasonably foreseen in the budgeting process. The Board's resolution shall be distributed to the Members together with the notice of assessment.

Section 4.06. Purpose and Reasonableness of Assessments. Each Assessment made in accordance with the provisions of this Supplemental Declaration is hereby declared and agreed to be for use exclusively: (a) to promote the recreation, health, safety and welfare of individuals residing within the Development; (b) to promote the enjoyment and use of Lots within the Development by the Owners and their families, tenants, invitees, licensees, guests and employees; and (c) to provide for the repair, maintenance, replacement and protection of the Maintenance Areas of the Development and the exteriors of Residences to the extent described in Section 7.02, below. Each and every Assessment levied hereunder is further declared and agreed to be a reasonable Assessment, and to constitute a separate, distinct and personal obligation of the Owner of the Lot against which the Assessment is imposed that shall be binding on the Owner's heirs, successors and assigns; provided, however, that each Owner shall be personally liable only for Assessments attributable to the Lot that become due and payable after the date that the Owner acquires title. Accordingly, when a person acquires title to a Lot, that new Owner has no personal liability for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability to pay the delinquency.

Section 4.07. Exemption of Certain Portions of the Development From Assessments. Any portion of the Development that is dedicated and accepted by a local public authority shall be exempt from the obligation to pay Assessments to the Association, although the Association shall nevertheless be obligated to maintain those Maintenance Areas on public property within the Development that are described in Section 7.01(b) below.

Section 4.08. Notice and Procedure for Member Approval Pursuant to Sections 4.02 and 4.03. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 4.02 and 4.03, above, the affirmative vote required to approve the increase shall be a Majority of a Quorum of the Members. The quorum required for such membership action shall be a majority of the Members.

Section 4.09. Maintenance of Assessment Funds.

(a) **Bank Accounts.** All sums received or collected by the Association from Assessments, together with any interest or late charges thereon, shall be promptly deposited in one or more insured checking, savings or money market accounts in a bank or savings and loan association selected by the Board of Directors. In addition, the Board shall be entitled to make prudent investment of reserve funds in insured certificates of deposit, money market funds or similar investments consistent with the investment standards normally observed by trustees. The Board and such officers or agents of the Association as the Board shall designate shall have exclusive control of said account(s) and investments and shall be responsible to the Owners for the maintenance at all times of accurate records thereof. The withdrawal of funds from Association accounts shall require the signature of two (2) officers of the Association as provided in Section 12.02 of the Bylaws. Any interest received on deposits shall be credited proportionately to the balances of the various Assessment fund accounts maintained on the books of the Association as provided, in subparagraph (b), below.

(b) **Expenditure of Assessment Funds.** Except as provided below, the proceeds of each Assessment shall be used only for the purpose for which such Assessment was made, and such funds shall be received and held in trust by the Association for such purpose. Notwithstanding the foregoing, the Board, in its discretion, may make appropriate adjustments among the various line items in the Board's approved general operating budget if the Board determines that it is prudent and in the best interest of the Association and its Members to make such adjustments. If the proceeds of any Special Assessment exceed the requirement of which such Assessment was levied, such surplus may, in the Board's discretion, be: (i) returned proportionately to the contributors thereof; (ii) reallocated among the Association's reserve accounts if any such account is, in the Board's opinion, underfunded; or (iii) credited proportionately on account of the Owners' future Regular Assessment obligations.

(c) **Separate Accounts; Commingling of Funds.** To preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one (1) or more accounts and need not be deposited in separate accounts so long as the separate accounting records described herein are maintained. For purposes of accounting, but without requiring any physical segregation of assets, the Association shall keep a separate accounting of all funds received by it in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 4.03(a), above, shall be accounted for together with the receipts and disbursements of Regular Assessments, and a separate accounting shall be maintained for each capital Improvement for which reserve funds for replacement are allocated.

Unless the Association is exempt from federal or state taxes, all sums allocated to capital replacement funds shall be accounted for as contributions to the capital of the Association and as

trust funds segregated from the regular income of the Association or in any other manner authorized by law or regulations of the Internal Revenue Service and the California Franchise Tax Board that will prevent such funds from being taxed as income of the Association.

(d) **Reserve Funds.** The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or litigation involving the repair, restoration, replacement, or maintenance of, major components which the Association is obligated to repair, restore, replace, or maintain and for which the reserve fund was established. However, the Board may authorize the temporary transfer of money from a reserve fund to the Association's general operating fund to meet short term cash flow requirements or other expenses, provided the Board has made a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed, and describing when and how the money will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one (1) year of the date of the initial transfer, except that the Board may, upon making a finding supported by documentation that a temporary delay would be in the best interests of the Lot Owners, temporarily delay the restoration. The Board shall exercise prudent fiscal management in delaying restoration of these funds and in restoring the expended funds to the reserve account, and shall, if necessary, levy a Special Assessment to recover the full amount of the expended funds within the time limits required by this subparagraph (d). This Special Assessment is subject to the Member approval requirements of Section 4.03(b), above, if the aggregate amount of the Special Assessment exceeds five percent (5%) of the budgeted gross expenses of the Association for the year in which the Special Assessment is imposed. The Board may, at its discretion, extend the date the payment on the Special Assessment is due. Any extension shall not prevent the Board from pursuing any legal remedy to enforce the collection of an unpaid Special Assessment.

When the decision is made to use reserve funds or to temporarily transfer money from the reserve fund to pay for litigation, the Association shall notify the Members of that decision in the next available mailing to all Members pursuant to California Corporations Code section 5016, and of the availability of an accounting of those expenses. The Association shall make an accounting of expenses related to the litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's principal office.

Section 4.10. Delinquency Dates and Collection of Delinquent Assessments.

(a) **Delinquency Dates and Right to Pursue Collection in An Action at Law.** Installments of Regular Assessments shall be delinquent if not paid within fifteen (15) days of the due date as established by the Board. Special Assessments, Special Individual Assessments and Emergency Assessments shall be delinquent if not paid within the times prescribed in Sections 4.03(c), 4.04(b) and 4.06(b), respectively. When an Assessment becomes delinquent, the amount thereof may, at the Board's election, bear interest at the maximum rate allowed by law commencing thirty (30) days after the due date until the same is paid. In addition to the accrual of interest, the Board of Directors is authorized and empowered to promulgate a schedule of reasonable late charges for any delinquent Assessments. Once an assessment becomes delinquent, the Association may bring a legal action directly against the Owner for breach of the

Owner's personal obligation to pay the Assessment and in such action shall be entitled to recover the delinquent Assessment or Assessments, accompanying late charges, interest, costs and reasonable attorneys' fees. Before commencing such an action, the Association shall provide notice to the delinquent Owner in accordance with subparagraph (b), below.

(b) Requirement of Notice to Owners Who Are Delinquent in the Payment of Assessments. At least thirty (30) days prior to initiating an action against an Owner to collect a delinquent Assessment, the Association shall notify the Owner in writing by certified mail of the following (the "Delinquency Notice"):

(i) A general description of the collection procedures of the Association and the method of calculation of the amount, a statement that the Owner of the Lot has the right to inspect the Association records, pursuant to section 8333 of the Corporations Code, in order to confirm the amount of the claimed delinquency.

(ii) An itemized statement of the charges owed by the Owner, including items on the statement which indicate the amount of any delinquent Assessments, the fees and reasonable costs of collection, reasonable attorneys' fees, any late charges, and interest, if any.

(iii) A statement that the Owner shall not be liable to pay the charges, interest, and costs of collection, if it is determined the Assessment was paid on time to the Association.

(iv) The right of the notified Owner to request a meeting with the Board as provided in subparagraph (d), below.

(c) Application of Payments. Any payments made by the Lot Owner toward the delinquent Assessment shall first be applied to the Assessments that are owed at the time the payment is made; and only after the Assessments owed are paid in full shall the payments be applied to the fees and the costs of collection, attorneys' fees, late charges or interest. When an Owner makes a payment, the Owner may request a receipt and the Association shall provide it. The receipt shall indicate the date of payment and the person who received the payment on behalf of the Association. The Association shall provide its Members with a mailing address for overnight payment of Assessments.

(d) Process for Disputing Assessment Obligations. An Owner may dispute the amounts claimed as due and owing in the Delinquency Notice by submitting to the Board a written explanation of the reasons why the Owner believes that the Association's Delinquency Notice is in error. If the Owner wishes to submit an explanation, it must be mailed to the Association within fifteen (15) days of the postmark of the Delinquency Notice. The Board shall respond in writing to the Owner within fifteen (15) days of the date of the postmark of the Owner's explanation. Owners who are delinquent in the payment of Assessments may also request, at the time the Owner submits his or her explanation, an opportunity to meet and confer with the Board.

Section 4.11. Transfer of Lot: Effect on Assessment Obligations. The following rules shall govern the right of the Association to enforce its Assessment collection remedies following the sale or foreclosure of a Lot:

(a) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall relieve the new Owner of such Lot (whether it be the former beneficiary of the first Mortgage or other prior encumbrance or a third party acquiring an interest in the Lot) from liability for any Assessments which thereafter become due with respect to the Lot.

(b) No sale or transfer of a Lot as the result of foreclosure, exercise of a power of sale, or otherwise, shall affect the Association's right to maintain an action against the foreclosed previous Owner personally to collect the delinquent Assessments, late charges, interest and associated costs of collection incurred prior to and/or in connection with the sale or transfer.

Section 4.12. Priorities. When a Notice of Delinquent Assessment has been Recorded, such notice shall constitute a lien on the Lot prior and superior to all other liens recorded subsequent to the Notice of Delinquent Assessment except: (a) all taxes, bonds, assessments and other levies which, by law, would be superior thereto; and (b) the lien or charge of any first Mortgage of record (meaning any Recorded Mortgage with first priority over other Mortgages) made in good faith and for value; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to the transfer of such property pursuant to the exercise of a power of sale or a judicial foreclosure involving a default under such first Mortgage or other prior encumbrance.

ARTICLE V

Architectural Review and Approval of Improvement Projects

Section 5.01. Architectural Review Committee Approval of Improvements.

(a) Approval Generally. Prior to commencement of construction or installation of any Improvement within the Development (as defined in Section 1.16, above), other than the initial construction of Residences and installation of landscaping by the Declarant, the Owner planning such Improvement must submit to the Architectural Review Committee a written request for approval. The Owner's request shall include structural plans, specifications and plot plans satisfying the minimum requirements set forth in the Architectural Rules adopted pursuant to Section 5.05, below. Unless the Committee's approval of the proposal is first obtained, no work on the Improvement shall be undertaken. The Committee shall base its decision on the criteria described in Section 5.06, below.

(b) Modifications to Approved Plans Must Also Be Approved. Once a proposed work of Improvement has been duly approved by the Architectural Review Committee, no material modifications shall be made in the approved plans and specifications therefore and no subsequent alteration, relocation, addition or modification shall be made to the work of Improvement, as approved, without a separate submittal to, and review and approval by, the Committee. If the proposed modification will have, or is likely to have, a material affect on other aspects or components of the work, the Committee, in its discretion, may order the Owner and his or her contractors and agents to cease working not only on the modified component of the Improvement, but also on any other affected component.

In the event that it comes to the knowledge and attention of the Association, its Architectural Review Committee, or the agents or employees of either that a work of Improvement, or any modification thereof, is proceeding without proper approval, the Association shall be entitled to exercise the enforcement remedies specified in Section 5.15, below including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement by "red tagging" the project until such time as proper Architectural Review Committee review and approval is obtained.

Section 5.02. Establishment of Architectural Review Committee. Initially, the Architectural Review Committee shall consist of three (3) members appointed by the Declarant and the Declarant shall be entitled to appoint all of the members to the Architectural Review Committee and all replacements until the earlier of: (i) such time as the Declarant either no longer owns any Lots in the Development or (ii) the Declarant tenders a notice to the Board of Directors of the Association transferring to the Board the authority to appoint the members of the Architectural Review Committee. Thereafter, the Board shall have the power to appoint all of the members of the Architectural Review Committee.

With the exception of individuals appointed to the Architectural Review Committee by the Declarant (who need not be Members of the Association), all members of the Committee shall be Members of the Association in good standing. With the exception of those individuals appointed by the Declarant, all members of the Architectural Review Committee shall serve for a one (1) year term, although any Member can be reappointed to successive terms as a Committee member.

In the event of the death or resignation of any member of the Committee, the successor shall be appointed by the person, entity or group that appointed such member to the Committee, and thereafter the Board shall have full authority to designate such a successor. Neither the members of the Architectural Review Committee nor its designated representatives shall be entitled to any compensation for services performed pursuant hereto.

Section 5.03. Duties. It shall be the duty of the Architectural Review Committee to consider and act upon the proposals and plans for Improvements submitted to it pursuant to this Supplemental Declaration, to adopt Architectural Rules pursuant to Section 5.05, below, to perform other duties delegated to it by the Board of Directors and to carry out all other duties imposed upon it by this Supplemental Declaration.

Section 5.04. Meetings. The Architectural Review Committee shall meet from time to time as necessary to properly perform its duties hereunder. The vote or written consent of a majority of the Committee members shall constitute an act by the Committee and the Committee shall keep and maintain a written record of all actions taken.

The Owner-Applicant shall be entitled to appear at any meeting of the Architectural Review Committee at which the Owner's proposal is scheduled for review and consideration. The Owner shall be entitled to be heard on the matter and may be accompanied by his or her architect, engineer and/or contractor. Reasonable notice of the time, place and proposed agenda for Architectural Review Committee meetings shall be communicated before the date of the meeting to any Owner Applicant whose application is scheduled to be heard.

Section 5.05. Architectural Rules. The Architectural Review Committee may, from time to time and with approval of the Board of Directors, adopt, amend and repeal rules and regulations to be known as "Architectural Rules." The Architectural Rules shall interpret and implement the provisions hereof by setting forth: (a) any standards and procedures for Architectural Review Committee review; (b) guidelines for architectural design, the placement of any work of Improvement on a Lot, or color schemes, exterior finishes and materials and similar features which are recommended or required for use in connection with particular Improvement projects within the Development; (c) the criteria and procedures for requesting variances from any property use restrictions that would otherwise apply to the proposed Improvement under the Governing Documents (see Section 5.14 (variances) below); and (d) the minimum requirements regarding the content of plans and specifications which must be submitted with respect to any request for Architectural review and approval. Notwithstanding the foregoing, no Architectural Rule shall be in derogation of the minimum standards set forth in this Supplemental Declaration. In the event of any conflict between the Architectural Rules and this Supplemental Declaration, the provisions of the Declaration shall prevail.

Section 5.06. Basis for Approval of Improvements. When a proposed Improvement is submitted to the Architectural Review Committee for review, the Committee shall grant the requested approval only if the Committee, in its sole discretion, makes the following findings regarding the proposed project:

(a) The Owner's plans and specifications conform to this Supplemental Declaration including, without limitation, the Minimum Improvement Standards set forth in Article VI, below, and to the Architectural Rules in effect at the time such plans are submitted to the Committee;

(b) The Improvement will be in harmony with the external design of other structures and/or landscaping within the Development;

(c) The Improvement, as a result of its appearance, location or anticipated use, will not interfere with the reasonable enjoyment of any other Owner of his or her property; and

(d) The proposed Improvement(s), if approved, will otherwise be consistent with the architectural and aesthetic standards prevailing within the Development and with the overall plan and scheme of development within the Development.

While it is recognized that the Architectural Review Committee's determination will, of necessity, be subjective to some degree, the members of the Committee shall act reasonably and in good faith and shall consider such factors as the quality of workmanship and materials proposed for the Improvement project, the harmony of its exterior design, finished materials and color with that of other existing structures, and the proposed location of the Improvement in relation to the existing topography, finished grade elevations, views from streets and alleys of the Development, and impacts on, or compatibility with, other existing structures on the applicant's Lot or on neighboring Lots in the Development.

The approval by the Architectural Review Committee of any plans, drawings or specifications for any work of Improvement done or proposed, or for any other matter requiring

the approval of the Architectural Review Committee under this Supplemental Declaration, or any waiver thereof, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval by the same or some other Owner. Different locations for Improvements, the size of the structure, proximity to other Residences or and other factors may be taken into consideration by the Committee in reviewing a particular submittal. Accordingly, the Committee shall be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed on a particular Lot, even if the same or a similar Improvement/component has previously been approved for use at another location if factors such as drainage, topography, noise or visibility from roads, Maintenance Areas or other Lots or prior adverse experience with the product, the design or with similar Improvements mitigate against erection of the Improvement or use of a particular component thereof on the Lot involved in the Owner's submittal.

In approving a request for construction of an Improvement, the Architectural Review Committee may condition approval upon the adoption of modifications in the plans and specifications or observance of restrictions as to location, noise abatement or similar mitigating conditions.

Section 5.07. Inspection Fee and Deposits. Once the Architectural Review Committee is under the control of the Association, the Architectural Rules may require that the submission of plans and specifications be accompanied by a reasonable fee. The Architectural Rules may also provide for a cash deposit procedure to help ensure proper and timely completion of works of Improvement in accordance with approved plans and specifications and to reimburse the Association for damage to roadways resulting from the Owner's construction project.

Section 5.08. Delivery of Plans and Specifications. Plans and specifications shall be submitted to the Architectural Review Committee by personal delivery or first-class mail addressed to the Secretary of the Association or the Chairman of the Architectural Review Committee at the Association's principal office.

Section 5.09. Time Limits for Approval or Rejection. Within thirty (30) days after submission of plans and specifications satisfying the requirements of the Architectural Rules the Architectural Review Committee shall return one (1) set of such plans to the applicant, with either written notice of approval or disapproval or with written suggestions of changes required for approval. If written suggestions of changes required for approval accompany the returned set of plans, the applicant may implement such changes to the plans and within thirty (30) days resubmit plans incorporating such changes for approval to the Committee, which shall not unreasonably withhold its approval so long as the Owner has complied in all material respects with the requested changes. If no written notice of approval or disapproval is received by the applicant within thirty (30) days after the Owner's plans and specifications (or revisions thereto) are submitted to the Committee, the plans shall be deemed to have been approved as submitted.

Section 5.10. Proceeding With Work. Upon receipt of approval from the Architectural Review Committee, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction and erection of the Improvement pursuant to said approval, said commencement to be, in all cases, within six (6) months from the date of such approval, and the project shall be diligently pursued to completion. If the Owner

shall fail to comply with this Section, any approval given pursuant to this Article shall be deemed revoked unless the Architectural Review Committee, upon written request of the Owner made prior to the expiration of the initial six (6) month period, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the Architectural Review Committee that there has been no change in the circumstances upon which the original approval was granted and that the Owner has a bona fide intention and ability to complete the project within the time specified in the extension request.

Section 5.11. Failure to Complete Work. Unless the Owner has been granted an extension of time to complete the project by the Architectural Review Committee, construction, reconstruction, refinishing or alteration of any such Improvement must be complete within six (6) months after construction has commenced, except and for so long as such completion is rendered impossible or would result in great hardship to the Owner because of strikes, fires, national emergencies, natural calamities or other supervening forces beyond the control of the Owner or his or her agents. If the Owner fails to comply with this Section, the Architectural Review Committee shall notify the Board of such failure, and the Board shall proceed in accordance with the provisions of Sections 5.12(c) and (d), below, as though the failure to complete the Improvement was a noncompliance with approved plans.

Section 5.12. Inspection of Work by Architectural Review Committee. Inspection of the work relating to any approved Improvement and correction of defects therein shall proceed as follows:

(a) During the course of construction, representatives of the Architectural Review Committee shall have the right to inspect the job site to confirm that the work of Improvement is proceeding in accordance with the approved plans and specifications.

(b) Upon the completion of any work of Improvement for which Architectural Review Committee approval is required under this Article, the Owner shall give the Architectural Review Committee a written notice of completion.

(c) Within thirty (30) days thereafter, the Architectural Review Committee, or its duly authorized representative, may inspect the Improvement to determine whether it was constructed, reconstructed, altered or refinshed in substantial compliance with the approval plans. If the Architectural Review Committee finds that the Improvement was not erected, constructed or installed in substantial compliance with the Owner's approved plans, then within the thirty (30) day inspection period the Committee shall give the Owner a written notice of noncompliance detailing those aspects of the project that must be modified, completed or corrected. If the violation or nonconforming work is not corrected, the Association and the Architectural Review Committee shall have the rights and remedies set forth in Section 5.13 (enforcement), below.

(d) If for any reason the Architectural Review Committee fails to notify the Owner of any noncompliance within thirty (30) days after receipt of the Owner's notice of completion, the Improvement shall be deemed to have been constructed in accordance with the approved plans for the project, unless the Owner knows of the noncompliance and intentionally misleads the Committee with respect thereto.

Section 5.13. Enforcement of Architectural Review and Approval Requirements.

(a) In addition to other enforcement remedies set forth in this Supplemental Declaration, the Architectural Review Committee shall have the authority to order an abatement ("red tag") of any construction, alteration or other matter for which approval is required, to the extent that it has not been approved by the Committee or if it does not conform to the plans and specifications submitted to and approved by the Committee. If an Improvement project is red tagged, the Owner and his or her contractor shall cease all construction activity until such time as the issue giving rise to the red tag order is resolved. The red tag notice shall clearly state the reasons why the abatement has been ordered.

(b) No work for which approval is required shall be deemed to be approved simply because it has been completed without a complaint, notice of violation, or commencement of a suit to enjoin such work. If any legal proceeding is initiated to enforce any of the provisions hereof, the prevailing party shall be entitled to recover reasonable attorneys' fees in addition to the costs of such proceeding.

(c) If the Owner fails to remedy any noticed noncompliance within thirty (30) days from the date of such notification, or if the Owner feels that the project has been red tagged without justification, the Committee shall notify the Board in writing of such failure. The Board shall then set a date on which a hearing before the Board shall be held regarding the alleged noncompliance. The hearing shall be conducted in accordance with Section 13.06, below.

Section 5.14. Variances. The Architectural Review Committee, in its sole discretion, shall be entitled to grant variances from any of the requirements imposed by the provisions of this Article V or with respect to any of the minimum improvement standards imposed by Article VI, below, in order to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships. Any variance granted by Architectural Review Committee must be made in good faith and shall be based on a written determination that the variance is consistent with one (1) or more of the following criteria: (i) the requested variance will not constitute a material deviation from any restriction contained herein or that the variance proposal allows the objectives of the violated requirement(s) to be substantially achieved despite noncompliance; or (ii) that the variance relates to a requirement land use restriction or minimum construction standard otherwise applicable hereunder that is unnecessary or burdensome under the circumstances; or (iii) that the variance, if granted, will not result in a material detriment, or create an unreasonable nuisance with respect to any other Lot in the Development.

Section 5.15. Compliance Certificate. Within thirty (30) days after written demand is delivered to the Architectural Review Committee by any Owner, the Architectural Review Committee shall provide the requesting Owner with a certificate, executed by any two (2) of its members, certifying (with respect to any Lot owned by the applicant Owner) that as of the date thereof either: (a) all Improvements made and other work completed by said Owner comply with this Supplemental Declaration; or (b) such Improvements or work do not so comply, in which event the certificate shall also identify the noncomplying Improvements or work and set forth with particularity the basis of such noncompliance. Any purchaser from the Owner, or from anyone deriving any interest in said Lot through the Owner, shall be entitled to rely on the Committee's compliance certificate with respect to the matters therein set forth, such matters

being conclusive as between the Association, the Committee, the Declarant, all Owners and any persons deriving any interest through them.

Section 5.16. Limitation on Liability. Neither the Declarant, the Association, the Architectural Review Committee nor any member thereof shall be liable to any Owner for any damage, loss or prejudice suffered or claimed on account of any mistakes in judgment, negligence or nonfeasance arising out of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; (b) the construction or performance of any Improvement project, whether or not pursuant to approved plans, drawings or specifications; (c) the Development of any Lot within the Development; or (d) the execution and delivery to an Owner of a compliance certificate pursuant to Section 5.15, above, whether or not the facts therein are correct; provided, however, that such member has acted in good faith on the basis of such information as he or she possessed at the time the act or omission occurred.

Section 5.17. Compliance With Governmental Regulations. Review and approval by the Architectural Review Committee of any proposals, plans or other submittals pertaining to Improvements shall in no way be deemed to constitute satisfaction of, or compliance with, any building permit process or any other governmental requirements, the responsibility for which shall lie solely with the Lot Owner who desires to construct, install, or modify the Improvement.

Section 5.18. Appeals. Once the Architectural Review Committee is a committee appointed solely by the Board of Directors, appeals from decisions of the Architectural Review Committee may be made to the Board of Directors which may elect, in its discretion, to hear the appeal or, in the alternative, to affirm the decision of the Architectural Review Committee. The Association Rules or the Architectural Rules shall contain procedures to hear, process and decide appeals pursuant to this Section.

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ARTICLE VI

Minimum Improvement Standards

The following minimum improvement standards shall apply to Improvement projects undertaken on any Lot in the Development. These improvement standards are in addition to any applicable standards imposed by Article IV of the Master Declaration that may apply to particular Improvement projects. These standards are intended to supplement and not to supersede the provisions of Article IV of the Master Declaration. For example, the restrictions on accessory structures which are set forth in Section 6.12, below, and which reflect specific Conditions of Approval for the Development, shall supplement the general rule regarding accessory structures set forth in Section 4.06 of the Master Declaration.

Section 6.01. Set Back Lines. No building shall be erected on any Lot in violation of the front setback line or the side setback line adjacent to the street (as in the case of a corner Lot) as shown on the recorded subdivision map of the Development without the approval of the City of Roseville Building Department.

Section 6.02. Completion of Improvement Projects. When the construction of an authorized Improvement has begun, the Owner shall pursue his or her construction work

diligently and continuously to completion, subject to weather, strikes, and Acts of God, and other matters beyond the reasonable control of the Owner.

Section 6.03. Utilities, Heating and Air Conditioning Equipment. All electric, gas, television, radio and telephone line installations to buildings or structures placed upon any Lot shall be underground and no electric power line or telephone poles may be installed on any portion of any Lot. No heating, cooling, or air conditioning equipment, including fans or similar devices shall be placed or permitted to remain upon the roofs of any residence or other out-building constructed on any Lot.

Section 6.04. Walls and Fences. Approved wall and fence materials and specifications shall be described in the Architectural Rules adopted by the Architectural Review Committee and consistent with the requirements of the City of Roseville. No chain link or similar material shall be used on any Lot. The provisions of Article V, above, must be followed in order for any Owner or Resident to construct a wall or fence on any Lot.

Section 6.05. Permitted Roofing Materials. Residences constructed within the Development shall be roofed or re-roofed using only the same type of materials as originally installed by the Declarant or as otherwise required by the City of Roseville or approved by the Architectural Review Committee. The objective of this restriction is to maintain a uniform exterior appearance of Residences in the Development, while acknowledging that roofing products and materials are likely to change over time. When a Residence is re-roofed or any other Improvement is roofed or re-roofed, the Architectural Review Committee must approve the exterior roofing materials in accordance with Article V, above.

Section 6.06. Change of Exterior Colors. No exterior surface of any Residence or other structure located on a Lot shall be painted except: (i) in the color originally painted by the Declarant; or (ii) a different color that is approved by the Architectural Review Committee.

Section 6.07. Solar Heating Systems. Subject to limitations imposed by California law, the Architectural Review Committee shall be entitled to adopt, as part of the Architectural Rules, reasonable regulations regarding the installation of solar heating systems. These rules may include limitations on placement and design of such systems to the extent necessary to avoid an unsightly appearance from neighboring Lots.

Section 6.08. Installation of Landscape Improvements. The Declarant shall install the initial landscaping on the front and rear yards of all Lots. Thereafter, the Association shall be responsible for the maintenance of front yard landscaping in accordance with Section 7.01(a), below, and each Owner shall be responsible for the maintenance of landscaping within enclosed yard areas on the Owner's Lot and any landscaping that an Owner may wish to install within enclosed yard areas must be approved in advance by the Architectural Review Committee. The Architectural Rules can also impose limitations on the height of trees and other landscaping installed by Owners in rear-yard areas, so as to avoid excessive shade, the obstruction of views, limb overhang, and other interferences with the quiet enjoyment by neighbors of their property. In no event shall any tree be planted within five feet (5') of any Residence located on an adjacent Lot.

Section 6.09. Water Features. In the event an Owner of a Lot constructs a spa, pond, or other man-made body of water in the rear yard of the Lot, such Owner must comply with any local ordinances governing the construction of fences or other safety enclosures and obtain prior Architectural Review Committee approval. The Architectural Review Committee shall review the location and screening of any cleaning pumps and/or apparatus. Owners are advised that there are underground utility lines in the rear yard areas of Lots and therefore it is important to ascertain the location of those lines when considering a water feature project. Swimming Pools of any type or size (above-ground or in-ground) will not be permitted, except in the case of very small pools of the kind designed for infants or toddlers.

Reasonable efforts shall be made to locate water pump equipment on a Lot so as to minimize adverse noise impacts on neighboring Owners or residents; however, other factors such as the need to locate the equipment in reasonable proximity to the water feature can also be considered. It is recognized that all water pump equipment produces some noise. Accordingly, noise associated with the use or operation of a water feature is not a basis, in and of itself, for denying approval of the project.

Section 6.10. No Interference with Drainage. The entire Development and the individual Lots therein have been specifically engineered and constructed to provide for proper drainage of surface waters (see Condition of Approval No. 9). Accordingly, there shall be no interference with the rain gutters, down spouts, or drainage systems originally installed by the Declarant, or any other interference with the established drainage pattern over any Lot, unless an adequate alternative provision is made for proper drainage. Any submittal to the Architectural Review Committee for approval of Improvements that may affect drainage shall include a drainage plan. Drainage plans shall conform to all applicable local ordinances pertaining to drainage. For purposes of this Section 6.10, "established" drainage is defined as the drainage pattern and drainage Improvements which exist at the time the Lot or parcel is conveyed to an Owner by the Declarant. See also Section 4.10 of the Master Declaration.

Section 6.11. Patio Enclosures and Other Projects Involving Structures in Rear Yards. No non-enclosed structures such as gazebos, patio improvements, play structures, or screening material shall be placed, assembled, constructed or otherwise maintained on any Lot except as may be approved by the Architectural Review Committee. If a patio enclosure or structural project in a patio area or expansion of the patio surface, as constructed by the Declarant, is sought by an Owner, upon receipt of the Owner's application for architectural approval, the Owner desiring to undertake the improvement shall provide the Architectural Review Committee with a completed "Good Neighbor Notification Form" as provided for in the Architectural Rules. The decision of whether to approve or deny the project shall remain in the sole discretion of the Committee. The Architectural Rules may provide for a streamlined Architectural review approval process if certain architectural review parameters are met for certain types of non-enclosed structures. In no event shall any structures be approved by the Committee if the proposed structure, as proposed, will either be attached to the roof or the exterior wall of the Residence that faces into the yard area. This restriction is imposed in order to avoid creating situations that could cause damage or accelerated deterioration to the roof or wall or impede the Association's ability to maintain those areas of the Residence.

Section 6.12. Antennas, Aerials and Satellite Dishes. In order to ensure adequate aesthetic controls and to maintain the general attractive appearance of the Development, no Owner, resident or lessee shall place or maintain any objects, such as masts, towers, poles, or radio or television antennas on the exterior of any building within the Development unless Architectural Committee approval is first obtained in accordance with Article V, above; provided, however, that:

(a) the Association shall have the right, without obligation, to erect, place or install and maintain any such apparatus for the benefit of all or a portion of the Development;

(b) in accordance with Federal law, antennas or satellite dishes with a diameter or diagonal measurement not greater than thirty-six inches (36") which are designed to receive direct broadcast satellite services, video programming services via multi-point distribution services, or television broadcast signals (collectively "Permitted Devices") may be erected, placed or installed on a Lot, provided that:

(i) Any such Permitted Device is placed in the least conspicuous location on the Residence at which an acceptable quality signal can be received and is either not visible from neighboring property or is screened from the view from streets of any neighboring Lot or Maintenance Areas.

(ii) Reasonable restrictions which do not significantly increase the cost of installation of a Permitted Device or significantly decrease its efficiency or performance, including, without limitation, screening material, location or complimentary-color painting of the Permitted Device, may be imposed as part of the Architectural Rules.

Furthermore, no activity shall be conducted on any Lot which causes an unreasonable broadcast interference with television or radio reception on any neighboring Lot.

Section 6.13. Restrictions on Accessory Structures. In accordance with the Conditions of Approval, building permits for accessory structures on Lots in the Development shall be allowed as regulated by the City Zoning Ordinance. Building permits for additions to the primary structures on Lots shall be subject to review and approval of a City Administrative Permit.

Section 6.14. Instant Hot Water Feature. The Master Declaration (Section 4.15) and the Development Agreement (section 3.7.7) require that every Residence in the Development include a recirculating hot water system or similar technology to provide instantaneous hot water at each hot water faucet in the Residence.

ARTICLE VII Association and Owner Maintenance Responsibilities

Section 7.01. Association Maintenance and Repair Responsibilities.

(a) Association's Obligations With Respect to Maintenance Areas of the Development. The Association shall be solely responsible for all maintenance, repair, upkeep and replacement of the Maintenance Areas identified in subparagraphs (i), (ii), and (iii), below. No person other than the Association or its duly authorized agents shall construct, reconstruct, refinish, alter or maintain any improvement upon, or shall create any excavation or fill or change the natural or existing drainage of any portion of the Maintenance Areas of the Development or install plants or shrubs in those areas (although flowers in pots or planter boxes shall be allowed on Lots in the area adjacent to the entrances to Residences; provided, however that the maintenance of those plants or flowers shall be solely the responsibility of the Owner or resident). In addition, no person shall remove any tree, shrub or other vegetation from, or plant any tree, shrub, or other vegetation upon, the Maintenance Areas without the express prior approval of the Association:

(i) Description of Lot Maintenance Areas. The Association shall be responsible for the provision of front yard and alley landscape services to all improved Lots in the Development. For purposes of this subparagraph (i), a "front yard" includes any portion of a Lot that is located outside of an enclosed yard area and which was originally landscaped by the Declarant as part of the original construction of Residences; and "alley" includes any portion of a Lot that is located outside of the enclosed rear yard area adjacent to the garage and which was originally landscaped by the Declarant as part of the original construction of the Residences. Landscape maintenance shall include, without limitation, regular watering and fertilization of lawns and plants, the replacement of dead or dying plants or trees in front yard and alley landscape areas, and the maintenance, repair and replacement of any irrigation lines, valves, sprinkler heads or controllers that provide irrigation to front yard and alley landscaped areas on Lots. Owners shall not alter the timers or interval settings on any automatic irrigation system that provides irrigation for front yard or alley landscaping. Owners shall be responsible, however, for provision of the water and electricity required to service the front yard and alley landscape irrigation system.

(ii) Description of Maintenance Areas in Public Rights of Way. In addition to providing front yard and alley landscape services described in subparagraph (a), above, in accordance with the Conditions of Approval, Section 5.06 of the Master Declaration and sections 3.5.6.1 and 3.5.6.2 of the Development Agreement, the Association shall be responsible for maintaining the trees and landscaping in the five or six feet (5' or 6') wide Landscape Strips along streets and alleys within the Development and as more particularly described on the Subdivision Map as Lots "G", "H", and "F" and the Landscape Strip located adjacent to Lots 91 through 99, as such Lots are shown on the Subdivision Map. Landscape maintenance within these public Maintenance Areas shall include, without limitation, regular watering and fertilization of grass and plants, the replacement of dead or dying plants, the elimination of weeds, and the maintenance, repair and replacement of any irrigation lines, valves, sprinkler heads or controllers that provide irrigation to the Maintenance Areas.

(iii) Maintenance of Perimeter Fences. The Association shall maintain, repair and replace all fences except good neighbor fences located on shared property lines between lots consistent with maintenance plan or schedule in the Association's currently adopted reserve study. In addition, the Association shall cause the removal of any graffiti that is posted on the exterior of any perimeter wall or fence of the Development within seven (7) days of when the

graffiti appears. Maintenance of the interior surfaces of perimeter fencing shall be the obligation of the Owner of the adjacent Lot that shares a boundary with the perimeter wall or fence.

(c) Minimum Requirements for Landscape Maintenance. In addition to the foregoing landscape maintenance requirements, the Conditions of Approval require that any landscaped areas that are not covered with live material shall be covered with rock, two inch (2") bark (no shredded bark), or two inch (2") mulch. Residences in the Development are required to have backflow preventor devices installed. Such devices, if visible from adjacent streets, must be covered with a green cover to provide insulation and to blend in with surrounding landscaping. Landscape screening shall be required around three (3) sides of backflow preventor devices, with one (1) side left open to facilitate access. Landscaping around backflow preventors must have a clearance of three feet (3') and cannot include plants with thorns. All trees shall be maintained and pruned in accordance with accepted practices of the International Society of Arboriculture. All landscaping in areas containing electrical service equipment shall conform with the "Electric Department Landscape Design Requirements" as outlined in section 7.00 of the Roseville Electric's Specifications for Residential Construction.

(d) Commencement of Association Maintenance Obligations with Respect to Maintenance Areas. The Association's responsibility to maintain the Maintenance Areas located within any portion of the Development shall commence concurrently with the obligation of Owners to pay assessments with respect to those Maintenance Areas, as provided in Section 4.02(d)(ii) and (iii), above. Prior to the commencement of the Association's maintenance responsibilities, maintenance of the Maintenance Areas shall be the responsibility of the Declarant. Notwithstanding the foregoing, if the contractors or subcontractors of the Declarant are contractually obligated to maintain the landscaping or other Improvements within the Maintenance Areas, the Association shall not interfere with the performance of such warranty or other contractual maintenance obligations. The maintenance performed by the contractors or subcontractors of the Declarant shall not postpone the commencement of Regular Assessments pursuant to this Supplemental Declaration nor entitle the Declarant to claim any offset or reduction in the amount of such Assessments.

Section 7.02. Association's Obligations With Respect to Maintenance of Residences. The Association shall have the following limited maintenance, repair and replacement obligations with respect to Residence exteriors within the Development:

(a) Association Maintenance of Residences and Certain Other Lot Improvements. The Association shall maintain, paint, stain, repair and, when necessary, replace:

(i) The exterior surfaces, siding and trim of the Residences and their garages, including the underlying structural components to which such surfaces are attached, but excluding any other structural elements of the walls, floor, or foundation of the Residence. The Association painting obligation pursuant to this subparagraph (a)(i) shall be pursuant to the Association's maintenance plan or schedule consistent with its currently adopted reserve study. The Association shall have no responsibility to pay for or reimburse any Owner for any painting work which the Owner requests or undertakes at any time different from the Association's overall maintenance plan or schedule.

(ii) The roof structure and coverings of the Residences, including the underlying sheathing to which the roof coverings are attached, gutters and downspouts, but excluding any other structural elements of the walls, floor, or foundation of the Residence.

(iii) The front walks, steps, patio decks, sound walls, retaining walls, and fences on the perimeter of Lots (see Section 7.01(a)(iii), above), but excluding the surfaces of the patio decks or the interior surfaces of fences.

(b) Wood-Destroying Pests and Organisms. Where any maintenance or repair of a Residence is made necessary by the presence of wood-destroying pests or organisms, the Association shall be solely responsible for such maintenance or repair, including the cost thereof, notwithstanding the fact that such maintenance or repair might otherwise be the responsibility of the Owner pursuant to Section 7.03, below. In accordance with Civil Code section 1364(c) the Association shall be entitled to recover the cost of eradicating wood-destroying pests and organisms as a Special Individual Assessment imposed against the Owner(s) of the Residence(s) where the work is performed. The Association shall also have all of the rights set forth in Civil Code section 1364(d) in the performance of its work.

(c) Association Maintenance Manual and Inspection Requirements. The Association shall be obligated to comply with all of the maintenance obligations, recommendations and schedules set forth in the Maintenance Manual provided by the Declarant which pertains to the Maintenance Area obligations that are the Association's responsibility hereunder. The Board of Directors shall be authorized, from time to time, to make appropriate revisions to the Association's Maintenance Manual based on the Board's review thereof in order to update the Association Maintenance Manual to reflect current industry maintenance practices and recommendations, so long as such changes do not reduce the useful life or functionality of items to which the Maintenance Manual pertains. So long as the Declarant owns any Lots in the Development, the Declarant shall also be entitled to make recommendations to the Board of Directors for the revision or supplementation of the Association Maintenance Manual.

For all property and Improvements required to be maintained by the Association pursuant to Section 7.01 and this Section 7.02, above, the Board shall cause the inspection of the condition of such property and Improvements as provided in this subparagraph (c). Inspections shall be conducted in accordance with any applicable Maintenance Manuals, and in the absence of inspection frequency recommendations in any applicable Maintenance Manuals, at least once every three (3) years, in conjunction with the inspection required for the reserve study conducted pursuant to the Bylaws. The Association shall employ the services of a professional landscape architect, maintenance contractor, reserve study analyst, or other such professional person to assist the Association in performing such inspections. The inspector shall provide written reports of their inspections to the Association and, if requested by the Declarant, to the Declarant promptly following completion thereof. If requested by the Declarant, the Declarant shall be invited to attend any such inspections. The written reports shall identify any items of maintenance or repair which either require current action by the Association or will need further review and analysis. Such written reports shall specifically include a review of all irrigation and drainage systems within the Maintenance Areas of the Development.

The Board shall report the contents of such written reports to the Declarant (if not already provided by the inspector directly) if so requested by Declarant and to the Members of the Association at the next meeting of the Members following receipt of such written reports or as soon thereafter as reasonably practicable and shall include such written reports in the minutes of the next regularly scheduled Board of Directors meeting. The Board shall promptly cause all matters identified as requiring attention to be maintained, repaired, or otherwise pursued in accordance with prudent business practices and the recommendations of the inspectors and shall keep a record of all such matters in the Board's minutes.

Section 7.03. Owner Maintenance and Repair Responsibilities.

(a) **Owner Maintenance Obligations, Generally.** Except as otherwise provided in Section 7.01(a) and Section 7.02, each Owner shall be responsible for the maintenance and repair of his or her Residence and Lot in a first-class condition consistent with the maintenance standards prevailing in the Development. The Association shall maintain at its principal offices, and provide to each Owner upon request, a Maintenance Manual prepared by the Declarant which pertains to the maintenance and repair obligations of Owners under the Governing Documents. Without limiting the generality of the foregoing, each Owner's repair and maintenance obligations shall be in accordance with the Maintenance Obligations as set forth in the Maintenance Manual (see subparagraph (f), below) and shall extend to and include:

- (i) The components and structural elements of the walls, floor and foundation, of the Residence.
- (ii) Any landscaping located within the fenced backyard/courtyard portion of his or her Lot in a neat and attractive condition.
- (iii) The exterior light fixtures on the Owner's Residence.
- (iv) The surface areas of balconies and patios.
- (v) Heating and air conditioning equipment.
- (vi) Except for painting, the window panes, frames and hardware and doors and door frames including the garage door and the garage door frame.
- (vii) Window and door screens.
- (viii) The interior of the Owner's garage, including without limitation the automatic garage door opener.
- (ix) Those portions of the sewer, water, electrical, cable television and other utility lines located within the Lot, except for those which are maintained by public or private utility companies or agencies.
- (x) All personal property, appliances and fixtures located within the Lot or Residence.

(b) Owner Maintenance of Party Walls. Each Owner shall maintain, repair and replace all party walls in accordance with the following provisions:

(i) General Rules of Law to Apply. Each wall and fence that is built as a part of the original construction of the Residences within the Development and placed on the dividing line between the Lots shall constitute a party wall. The general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

(ii) Sharing of Repair and Maintenance. The cost of maintenance and repair of a party wall shall be equally shared by the Owners who make use of the wall 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.

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

(c) Owner Responsibilities for Unscheduled Painting. An Owner shall be responsible for the cost of any painting work which the Owner requests or undertakes at any time different from the Association's overall maintenance plan or schedule, as provided in Section 7.02(a)(i), above.

(d) Owner Responsibility for Consequential Damage. Except as provided by Article XI of this Declaration, an Owner is responsible for the cost of repair of those portions of the Owner's Residence which are required to be maintained by the Owner and the fixtures and personal property located on the Owner's Lot or Residence, even if the cause of the damage originates from a source maintained by the Association, unless the cause is the gross negligence of the Association or its agents. As an example, water damage to the interior of a Residence that is caused by a leak in the roof is the responsibility of the Owner even though the repair of the roof is the responsibility of the Association.

(e) Utility Connections. Utility lines and connections, including without limitation, water, sewer, electrical, cable television, telephone and gas lines, which are located on, under, or over any Lot and which provide service to the Residence or other Improvements located upon such Lot, shall be maintained, repaired and replaced by the Owner of such Lot or by the utility company providing such service.

(f) Owner Maintenance Manuals. The Association shall maintain at its principal office and provide to each Owner upon request a maintenance manual prepared by the Declarant which pertains to the maintenance and repair obligations of Owners under the Governing Documents. The Association shall have the right to charge the requesting Owner a fee for the maintenance manual equal to the actual cost to the Association of providing a copy to the Owner. By accepting a deed to any Lot in the Development, each Owner acknowledges and agrees that the Owner is required by law and by this Declaration to comply with all of the recommended maintenance obligations and schedules set forth in the maintenance manual as well as commonly accepted homeowner's maintenance obligations. The Owner further understands that pursuant to

California Code section 895 et. seq., Declarant may use the failure of the Owner or Association to comply with reasonable maintenance and repair obligations, either in the Maintenance Manual or reasonably known by the average homeowner, as an affirmative defense to a later claim of defect. California law requires each Owner to provide a copy of the Maintenance Manual to any successor purchaser of the Owner's Lot.

(g) Owner Maintenance Obligations to Prevent Mold. In order to reduce the presence of molds, fungi, spores, pollens, other botanical substances, or other allergens (collectively, "mold") within the Development, each Owner shall implement a mold inspection and prevention program which shall include the following steps:

(i) Inspect the Owner's Residence not less frequently than quarterly to check for water leaks, moisture collection, or other breaches of the watertight integrity of the Residence and for the presence of mold;

(ii) If any water leaks, moisture collection, or mold is detected, immediately take appropriate corrective action to repair and remove the mold and also notify the Association of the condition;

(iii) Maintain proper ventilation and humidity levels (particularly in bathrooms and kitchens) within the Residence to reduce the risk of mold;

(iv) Periodically inspect the water fixtures and refrigerator condensation pans for the presence of mold;

(v) Replace HVAC filters on a monthly basis or as recommended by the manufacturer;

(vi) Periodically inspect the irrigation system to ensure proper water use and to correct any leaks, misdirected, or excessive watering;

(vii) Periodically inspect the ground surface around the foundations of the Residence to ensure that no water is pooling near the foundations; keep rain gutters and roof drainage systems free of leaves and other debris, so as to assure proper drainage from roofs at all times; and

(viii) Take such other prudent steps as may be appropriate to prevent mold and eliminate any existing mold in or around the Owner's Residence.

Section 7.04. Association Recovery of Costs of Certain Repairs and Maintenance.

(a) Association Maintenance Caused by Owner Negligence. If the need for maintenance or repair, which would otherwise be the Association's responsibility hereunder, is caused through the willful or negligent acts of an Owner, his or her family, guests, tenants, or invitees, and is not covered or paid for by Association insurance policies or any liability insurance maintained by the responsible Owner, the cost of such maintenance or repairs shall be subject to recovery by the Association through the imposition of a Special Individual Assessment against the offending Owner in accordance with Section 4.04, above.

(b) Owner Defaults in Maintenance Responsibilities. If an Owner fails to perform maintenance or repair functions on the Owner's Lot for which he or she is responsible, the Association may give written notice to the offending Owner with a request to correct the failure within fifteen (15) days after receipt thereof. If the Owner refuses or fails to perform any necessary repair or maintenance, the Association may exercise its rights under Section 3.07(b), above, to enter the Owner's Lot and perform the repair or maintenance so long as the Owner has been given notice and the opportunity for a hearing in accordance with 13.06, below.

Section 7.05. Cooperative Maintenance Obligations. To the extent necessary or desirable to accomplish the Association's maintenance obligations hereunder, individual Owners shall cooperate with the Association and the agents and maintenance personnel of the Association in the prosecution of its maintenance activities.

ARTICLE VIII Use of Lots Within the Development and Restrictions

In addition to the restrictions established by law or by Association Rules promulgated by the Board of Directors (consistent with this Supplemental Declaration), the following restrictions are hereby imposed upon the use of Lots and Maintenance Areas within the Development. These restrictions are intended to supplement the use restrictions that are set forth in Article IV of the Master Declaration:

Section 8.01. Use of Lots.

(a) All Residences within the Development shall be occupied solely for Single Family Residential Use. In no event shall a Residence be occupied by more individuals than permitted by applicable law, zoning or other local governmental regulation.

(b) Notwithstanding the foregoing, Declarant and its successors or assigns shall be entitled to use Lots owned by Declarant, and the Residences located thereon, as models, sales offices or construction headquarters for the purpose of constructing Residences and marketing Lots within the Development until all Lots owned by Declarant are sold.

(c) Each Lot shall be conveyed as a separately designated and legally described fee simple estate, subject to this Supplemental Declaration. All Lots and the Residences and other Improvements erected or placed thereon (including, without limitation, landscaping) shall at all times be maintained in such a manner as to prevent their becoming unsightly.

Section 8.02. Maintenance Areas. The Maintenance Areas of the Development shall be preserved in the manner originally installed or improved by the Declarant; provided, however, that following the sale of all Declarant-owned Lots, front yard Maintenance Areas on Lots can be modified by the Association with the consent of the affected Lot Owner so long as the minimum landscape requirements imposed by the Development's Conditions of Approval are met. Maintenance Areas along streets and alleys in the Development may only be modified by the Association with the consent of the City. No improvement, excavation or work which in any way alters any Maintenance Areas from its existing state on the date such Maintenance Areas shall be completed by the Declarant, except by the Association and then only in strict compliance with the provisions of this Supplemental Declaration. (See, particularly, Section 7.01, above).

Section 8.03. Household Pets. The following restrictions regarding the care and maintenance of pets within the Development shall be observed by each Owner and resident:

(a) A reasonable, number of more common household pets may be kept on each Lot so long as the same are not kept, bred or maintained for commercial purposes.

(b) Dogs shall not be allowed within any portion of the Development, other than the dog owner's enclosed yard area, unless the dog is leashed and otherwise under the supervision and restraint of the dog's owner or some other person of suitable age to supervise and control the deportment of the pet.

(c) No household pet shall be left chained or otherwise tethered in front of a Lot.

(d) Pet owners shall be responsible for the prompt removal and disposal of pet wastes deposited by their pets within the Development.

(e) Each person bringing or keeping a pet to any Lot or Residence within the Development shall be solely responsible for the conduct of the owner's pets. The Association, its Board, officers, employees and agents shall have no liability (whether by virtue of this Supplemental Declaration or otherwise) to any Owners, their family members, guests, invitees, tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

Section 8.04. Business Activities. No business or commercial activities of any kind whatsoever shall be conducted in any Residence garage or out building or in any portion of any Lot without the prior written approval of the Board; provided, however, the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents or the Declarant's activities in connection with the Development, sale and marketing of Denby Square Townhomes. Furthermore, no restrictions contained herein shall be construed in such a manner so as to prohibit any Owner from: (a) maintaining his or her personal library in his or her Residence; (b) keeping his or her personal business records or accounts therein; (c) handling his or her personal or professional telephone calls or correspondence therefrom; (d) engaging in other activities related to the resident's business profession that can be conducted from a Residence using computers and other technology so long as the home or business activities generate no traffic, noise, or involve other employees or contractors in the Residence; (e) leasing or renting his or her Residence in accordance with Section 2.02, above; or (f) conducting any other activities on the Owner's Lot otherwise compatible with residential use and the provisions of this Supplemental Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization. The uses described in (a) through (f), above, are expressly declared to be customarily incidental to the principal residential use and not in violation of this Section 8.04.

Section 8.05. Garbage. No rubbish, trash, or garbage shall be allowed to accumulate on Lots. Any trash that is accumulated by an Owner outside the interior walls of a Residence shall be stored entirely within appropriate covered disposal containers and facilities which shall be located in the residence or garage or at some other location on the resident's Lot that is screened

from view from any street, neighboring Lot or Maintenance Areas. Any extraordinary accumulation of rubbish, trash, garbage or debris (such as debris generated upon vacating of premises or during the construction of modifications and Improvements) shall be removed from the Development to a public dump or trash collection area by the Owner or tenant at his or her expense. The Association shall be entitled to impose reasonable fines and penalties for the collection of garbage and refuse disposed in a manner inconsistent with this Section.

Section 8.06. Storage. Storage of personal property on any Lot shall be entirely within enclosed storage areas on the Lot or areas that are screened from view from adjacent streets or neighboring Lots. There shall be no woodpiles nor storage piles accumulated on top or outside of any enclosed storage area. The storage of construction materials on Lots during the period of on-going construction may be approved by the Architectural Review Committee.

Section 8.07. Clotheslines and Laundry. No exterior clothesline shall be erected or maintained and there shall be no drying or laundering of clothes, towels or other laundry on any Lot or on any exterior location on a Residence that is visible from any neighboring Lot or the Maintenance Areas.

Section 8.08. Burning. There shall be no exterior fires whatsoever except barbecue fires located only upon Lots and contained within receptacles designed for such purpose. No Owner or resident shall permit any condition to exist on his or her Lot including, without limitation, trash piles or weeds which create a fire hazard or is in violation of local fire regulations.

Section 8.09. Sports Apparatus. No basketball standards or fixed sports apparatus shall be attached to any Residence or garage or erected on any Lot or within the Maintenance Areas, unless the location of the standard or other sports fixture is in the rear yard area of the Lot. It is the intent that this restriction also apply to portable basketball standards. When such standards are not in use, they shall either be stored out of view or, if located in the rear yard, retracted so as not to be visible over the rear yard fence.

Section 8.10. Machinery and Equipment. No power tools, machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment as is usual or customary in connection with the use, maintenance or repair of a private Residence or appurtenant structures within the Development.

Section 8.11. Diseases and Pests. No Owner shall permit any thing or condition to exist upon his or her Lot which shall induce, breed, or harbor infectious plant diseases, rodents or noxious insects.

Section 8.12. Parking and Vehicle Restrictions.

(a) All garages shall be maintained in a neat and orderly condition and garage doors shall be kept in a closed position except as necessary to permit ingress and egress of vehicles or to clean or work in the garage area. Garages are to be used for the parking of standard passenger vehicles and trucks not to exceed three-quarter (3/4) tons in gross weight, boats or the storage of similar items of personal property so long as such storage of personal property will not necessitate or result in the parking of vehicles on streets, alleys, or garage aprons within the

Development. Furthermore, garages shall not be converted to living quarters or work shops which will preclude the parking of vehicles.

(b) In accordance with the Conditions of Approval, there shall be no parking of vehicles, trailers or equipment along any alleys within the Development and at both ends of each alley, signs shall be maintained by the Association that state: "No Parking in the Alley at Anytime". This is a restriction that is imposed to facilitate access by fire and other emergency vehicles and equipment.

(c) No motor vehicle shall be constructed, reconstructed or repaired within the Development and no dilapidated or inoperable vehicle, including vehicles without wheel(s) or an engine, shall be stored on any Lot within the Development; provided, however, that the provisions of this subparagraph (c) shall not apply to emergency vehicle repairs. If a vehicle is being repaired in a garage, the garage door shall remain closed while the repairs are ongoing.

(d) Campers, boats, trailers, motorcycles, commercial vehicles and trucks in excess of three-quarter (3/4) tons are not to be parked in any garages or other parking areas within the Development, except for the purpose of loading and unloading, unless in the sole discretion of the Architectural Review Committee the Owner has an appropriate location on his or her Lot where the type of vehicle or trailer listed in this subparagraph can be parked so as to be adequately screened from view from other neighboring Lots or streets. For purposes of this restriction, a recreation vehicle shall include any van, bus, motor home or vehicle designed for off-road or recreational use which cannot be parked entirely within a garage so that the garage door can be returned to a fully-closed position or adequately screened from view at some other location on the Owner's Lot that is approved by the Architectural Review Committee as to both screening and location.

(e) The Board shall have the authority to promulgate, as part of the Association Rules, such further rules and restrictions regarding parking and vehicles within the Development as may be deemed prudent and appropriate.

Section 8.13. Activities Affecting Insurance. Nothing shall be done or kept on any Lot which will increase the rate of insurance relating thereto without the prior written consent of the Association, and no Owner shall permit anything to be done or kept on his or her Lot which would cause any Improvements to be uninsurable against loss by fire or casualty or result in the cancellation of insurance on any Residence or Lot.

Section 8.14. Restriction on Further Subdivision and Severability. No Lot shall be further subdivided nor shall less than all of any such Lot be conveyed by an Owner thereof. No Lot as shown on a final Subdivision Map for any portion of the Development shall be combined with any other Lot.

Section 8.15. Enforcement of Property Use Restrictions. The objective of this Supplemental Declaration shall be to promote and seek voluntary compliance by Owners and tenants with the environmental standards and property use restrictions contained herein. Accordingly, in the event that the Association becomes aware of a violation of any provision of this Supplemental Declaration that does not necessitate immediate corrective action under

Section 13.06, below, the Owner or tenant responsible for the violation shall receive written notice thereof and shall be given a reasonable opportunity to comply voluntarily with the pertinent Governing Document provision(s). Such notice shall describe the noncomplying condition, request that the Owner or tenant correct the condition within a reasonable time specified in the notice, and advise the Owner or tenant of his or her right to be heard on the matter.

ARTICLE IX

Easements

Section 9.01. Encroachment Easements. Each Lot within the Development is hereby declared to have an easement over all adjoining Lots for the purpose of accommodating any minor encroachment caused by the overhang of roofs, eaves, and gutters of the Lot's Residence, garage, or fence as originally constructed by Declarant, and for any minor encroachment due to engineering errors, errors in original construction, settlement or shifting of structures, or any other similar cause. There shall be valid easements for the maintenance of such encroachments as long as they shall exist. Notwithstanding the preceding, in no event shall a valid easement for encroachment be created in favor of an Owner or Owners if such encroachment occurred due to the willful misconduct of such Owner or Owners. In the event a structure is partially or totally destroyed, and then repaired or rebuilt, the Owners of each Lot agree that minor encroachments over adjoining Lots or Maintenance Area shall be permitted and that there shall be valid easements for the maintenance of such encroachments so long as they shall exist.

Section 9.02. Blanket Utility Easement. Easements are reserved by, and shall exist in favor of the Association (together with the right to grant and transfer the same) over and under the Development or any portion thereof for the installation, repair, maintenance, and replacement of: (i) electrical, telephone, water, gas, and sanitary sewer lines, meters, and facilities, (ii) cable lines and facilities, (iii) drainage facilities, (iv) walkways, and (v) landscaping, as shown on the Subdivision Map, and as may be hereafter required or convenient to service the Development. The Association shall maintain all utility installations located in the Maintenance Area except for those installations maintained by utility companies, public, private, or municipal.

Wherever sanitary sewer connections or water connections or electricity, gas, telecommunications lines, fire sprinklers, or drainage facilities are installed within the Development, which connections, lines or facilities, or any portion thereof, lie in or upon Lots owned by persons other than the Owner of the Lot served by said connections, the Owners of any Lots served by said connections, lines or facilities shall have the right, and are hereby granted an easement to the full extent necessary therefore, to enter such Lots or to have utility companies enter therein, or any portion thereof, to repair, replace and generally maintain said connections as and when the same may be necessary.

All utility companies having easements within the Development shall have easements for cleaning, repairing, replacing, and otherwise maintaining or causing to be maintained service in all underground utility lines, including, when reasonably necessary, the entry into an improvement constructed upon a Lot for uncovering any such lines. Any Owner or utility company exercising the rights granted in this Section shall be obligated to restore the Lot and the Residence entered to substantially its former condition.

Notwithstanding the foregoing, no sewer, electrical lines, water lines, or other utilities may be installed or relocated within any portion of the Development except as initially designed and approved by the Declarant or thereafter approved by the Association's Architectural Review Committee.

Section 9.03. Association Maintenance Easements. An easement is hereby granted to the Association in, on, over or under every Lot as reasonably necessary to: (i) maintain and repair the Maintenance Areas of the Development, (ii) perform the exterior maintenance and repair responsibilities with respect to Residences that are enumerated in Section 7.02, above; (iii) perform maintenance upon a Lot which is not performed by its Owner as provided by Section 7.04(b), and (iv) otherwise perform its obligations under this Declaration.

Section 9.04. Rights of the Declarant Incident to Construction and Repairs. An easement is reserved by and granted to the Declarant for access, ingress, and egress over, in, upon, under, and across the Lots and Maintenance Areas of the Development, including, but not limited to, the right to store materials thereon and to make such other use thereof as may be reasonably necessary or incidental to the Declarant's construction projects on any portion of the Property; provided, however, that no such rights or easements shall be exercised by the Declarant in such a manner as to unreasonably interfere with the occupancy, use, enjoyment, or access by any Owner, his or her tenants, to or from that Owner's Lot or Residence. The easement created pursuant to this Section 9.04 shall automatically terminate and be of no further force and effect upon closing of the sale of all Lots by Declarant within the Development, except to the extent that the Declarant, its agents and contractors continue to require access for purposes of making any repairs to the Maintenance Areas or Residences for which the Declarant is responsible.

Section 9.05. Other Easements. Each Lot and its Owner, the Association and Declarant, as the case may be, is hereby declared to be subject to all the easements, dedications and rights-of-way granted or reserved in, on, over and under the Development and each Lot as shown on the Subdivision Map for any portion of the Development, including, without limitation roadway and ditch drainage easements.

ARTICLE X Insurance

Section 10.01. Types of Insurance Coverage. The Association shall, at the discretion of the Board of Directors, purchase, obtain and maintain, with the premiums therefor being paid out of Common Funds, the following types of insurance, if and to the extent that such insurance is available at a reasonable premium cost:

(a) **Property Insurance.** The Association shall obtain and maintain a master or blanket policy of fire and casualty insurance, written on all risk, replacement cost basis, on the Residence and other structural improvements on Lots within the Development. This insurance shall be kept in full force and effect at all times and the full replacement value of the insured property shall be redetermined on an annual basis. Depending on the nature of the insured property and the requirements, if any, imposed by institutional Mortgagees having an interest in such property, the policies maintained by the Association pursuant to this Section shall contain an agreed amount endorsement or a contingent liability from operation of building laws

endorsement or the equivalent, an extended coverage endorsement, vandalism, malicious mischief coverage, a special form endorsement and a clause to permit cash settlements for full insurable value in case of partial destruction. The policies required hereunder shall name as insured the Association, all Owners and all Mortgagees as their respective interests may appear. The policies may contain a loss payable endorsement in favor of the trustee described in Section 10.05 below.

(b) General Liability Insurance. To the extent such insurance is reasonably obtainable, a policy of comprehensive general liability insurance naming as insured parties the Association, each member of the Association Board of Directors, any manager, the Owners and occupants of Lots, and such other persons as the Board may determine. The policy will insure each named party against any liability incident to the ownership and use of the Maintenance Areas of the Development, and including, if obtainable, a cross-liability or severability of interest endorsement insuring each insured against liability to each other insured. The limits of such insurance shall not be less than Two Million Dollars (\$2,000,000.00) covering all claims for death, personal injury and property damage arising out of a single occurrence. Such insurance shall include coverage against water damage liability, liability for nonowned and hired automobiles, liability for property of others and any other liability or risk customarily covered with respect to common interest development projects similar in construction, location, facilities and use.

(c) Director's and Officer's Liability Insurance. To the extent such insurance is reasonably obtainable, the Association shall maintain individual liability insurance for its directors and officers providing coverage for negligent acts or omissions in their official capacities. The minimum coverage of such insurance shall be at least One Million Dollars (\$1,000,000.00).

(d) Additional Insurance and Bonds. To the extent such insurance is reasonably obtainable, the Association may also purchase with Common Funds such additional insurance and bonds as it may, from time to time, determine to be necessary or desirable, including, without limiting the generality of this section, demolition insurance, flood insurance, and workers' compensation insurance. The Board shall also purchase and maintain fidelity bonds or insurance in an amount not less than one hundred percent (100%) of each year's estimated annual operating expenses and shall contain an endorsement of any person who may serve without compensation. The Board shall purchase and maintain such insurance on personal property owned by the Association and any other insurance, including directors' and officers' liability insurance, that it deems necessary or desirable.

Section 10.02. Coverage Not Available. In the event any insurance policy, or any endorsement thereof, required by Section 10.01 is for any reason unavailable, then the Association shall obtain such other or substitute policy or endorsement as may be available which provides, as nearly as possible, the coverage hereinabove described. The Board shall notify the Owners of any material adverse changes in the Association's insurance coverage.

Section 10.03. Copies of Policies. Copies of all insurance policies (or certificates thereof showing the premiums thereon have been paid) shall be retained by the Association and shall be

available for inspection by Owners at any reasonable time.

Section 10.04. Individual Fire and Casualty Insurance Limited. Except as provided in this Section, no Owner can separately insure his or her Residence or any part of it against loss by fire or other casualty covered by the Association's blanket insurance carried under Section 10.01(a), above. An Owner can insure his or her personal property, including any upgrades or additions to any fixtures or Improvements to the Owner's Lot or Residence against loss. The Association's insurance policies will not provide coverage against any of the foregoing. Any insurance maintained by an Owner must contain a waiver of subrogation rights by the insurer as to the other Owners, the Association, and any Mortgages of the Owner's Lot.

Section 10.05. Trustee. All insurance proceeds payable under Section 10.01, above, and subject to the rights of the Mortgagees under Section 10.07, below, may, in the discretion of the Board of Directors, be paid to a trustee to be held and expended for the benefit of the Owners, Mortgagees and others, as their respective interests shall appear. Said trustee shall be a commercial bank in the County that agrees in writing to accept such trust.

Section 10.06. Adjustment of Losses. The Board is appointed attorney-in-fact by each Owner to negotiate and agree on the value and extent of any loss under any policy carried pursuant to Section 10.01, above. The Board is granted full right and authority to compromise and settle any claims or enforce any claim by legal action or otherwise and to execute releases in favor of any insured.

Section 10.07. Distribution to Mortgagees. Subject to the provisions of Article XIV, any Mortgagee has the option to apply insurance proceeds payable on account of a Lot in reduction of the obligation secured by the Mortgage of such Mortgagee.

Section 10.08. Annual Review of Association Insurance and Disclosure to Members. The Board shall review the adequacy of all insurance, including the amount of liability coverage and the amount of property damage coverage, at least once every year. The Board shall adjust the policies to provide the amounts and types of coverage and protection that are customarily carried by prudent owners' associations operating in similar standard residential subdivisions in the greater Placer/Sacramento region. Annually the Association shall distribute to its Members a summary of the Association's property, general liability, and flood insurance (if any), such distribution to be made within sixty (60) days prior to the beginning of the Association's fiscal year.

Section 10.09. Board's Authority to Revise Insurance Coverage. The Board shall have the power and right to deviate from the insurance requirements contained in this Article X in any manner that the Board, in its reasonable business discretion, considers to be in the best interests of the Association. If the Board elects to materially reduce the coverage from the coverage required in this Article X, the Board shall make all reasonable efforts to notify the Members of the reduction in coverage and the reasons therefor at least (30) days prior to the effective date of the reduction. The Association, and its directors and officers, shall have no liability to any Owner or Mortgagee if, after a good faith effort, the Association is unable to obtain any insurance required hereunder because the insurance is no longer available; or, if available, the

insurance can be obtained only at a cost that the Board, in its sole discretion, determines is unreasonable under the circumstances; or the Members fail to approve any assessment increase needed to fund the insurance premiums.

ARTICLE XI

Damage or Destruction of Residences

Section 11.01. Destruction: Proceeds Exceed Eighty-Five Percent (85%) of the Reconstruction Costs. If there is a total or partial destruction of any Residence in the Development, and if the available proceeds of the insurance maintained pursuant to Article X, above, are sufficient to cover not less than eighty-five percent (85%) of the costs of repair and reconstruction, the Improvements shall be promptly rebuilt unless, within ninety (90) days from the date of destruction, seventy-five percent (75%) of the "Eligible Members" (as defined in Section 11.04, below), determine that such repair and reconstruction shall not take place. If repair and reconstruction is to take place, the Board shall be required to execute, acknowledge and record in the office of the County Recorder, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the Members to rebuild.

Section 11.02. Destruction: Proceeds Less Than Eighty-Five Percent (85%) of Reconstruction Costs. If the proceeds of insurance are less than eighty-five percent (85%) of the cost of repair and reconstruction, repair and reconstruction may nevertheless take place, if, within ninety (90) days from the date of destruction, eligible Members then holding at least fifty-one percent (51%) of the total Voting Power to determine that such repair and reconstruction shall take place, the Board shall be required to execute, acknowledge and record in the office of the County Recorder, not later than one hundred twenty (120) days from the date of such destruction, a certificate declaring the intention of the Members to rebuild.

Section 11.03. Rebuilding Procedures. If the eligible Members determine to rebuild, pursuant to Section 11.01 or 11.02, above, the Owner of each Lot with a Residence that has been totally or partially destroyed shall be obligated to contribute his or her proportionate share of the cost of reconstruction or restoration of the structure containing his or her Lot, over and above the available insurance proceeds based upon the ratio the square footage of the floor area of his or her Residence bears to the total square footage of the floor area of all Residences owned by eligible Members. If any Owner fails or refuses to pay his or her proportionate share, the Board may levy a Special Individual Assessment against the Lot of such Owner which may be enforced under the lien provisions of Section 4.10 or in any other manner provided in this Declaration.

If any Owner disputes the amount of his or her proportionate liability under this Section 11.03, such Owner may contest the amount of his or her liability by submitting to the Board within ten (10) days after notice to the Owner of his or her share of the liability, written objections supported by cost estimates or other information that the Owner deems to be material and may request a hearing before the Board, at which the Owner may be represented by counsel. Following such hearing, the Board shall give written notice of its decision to all eligible Members, including any recommendation that adjustments be made with respect to the liability of any eligible Members. If such adjustments are recommended, the Board shall schedule a special meeting of the eligible Members for the purpose of acting on the Board's recommendation, including making further adjustments, if deemed by the Members to be

necessary or appropriate. All adjustments shall be affirmed or modified by fifty-one percent (51%) of the total Voting Power of the eligible Members. If no adjustments are recommended by the Board, the decision of the Board shall be final and binding on all Owners, including any Owner filing objections.

Section 11.04. Definition of "Eligible Members" Entitled to Vote. For purposes of any vote pursuant to this Article, the eligible Members entitled to vote shall be the requisite percentage of those Members whose Residences are located in the damaged or destroyed structure(s). Any membership vote required hereunder shall be conducted either at a duly convened meeting at which a quorum is present or by written ballot conducted in accordance with Section 4.06 of the Bylaws.

Section 11.05. Rebuilding Contract. If the Members who are eligible to vote on the matter determine to rebuild, the Board shall reconstruct the damaged or destroyed portions of the Development substantially in accordance with the original plan. The Board or its authorized representative shall obtain bids from at least two reputable contractors and shall award the repair and reconstruction work to the lowest qualified bidder. The Board shall have the authority to enter into a written contract with the contractor for such repair and reconstruction, and the insurance proceeds held by the trustee shall be disbursed to the contractor according to the terms and conditions of the agreement. It shall be the obligation of the Board to take all steps which are necessary or appropriate to assure the commencement and completion of authorized repair and reconstruction at the earliest possible date.

Section 11.06. Rebuilding Not Authorized. If the Members who are eligible to vote on the matter determine not to rebuild, then any insurance proceeds then available for rebuilding shall be used or distributed as follows:

(a) If, prior to the expiration of one hundred twenty (120) days from the date of destruction, seventy-five (75%) percent of all Owners and institutional first Mortgagees with Mortgages encumbering the affected Lots within the Development consent by vote or in writing, the Board acting on behalf of the Association shall have the right to purchase the Lots which were rendered uninhabitable by such damage or destruction at the fair market value thereof immediately prior to the damage or destruction (as determined by an appraiser), using the available proceeds of insurance for such purpose. The Board's decision as to whether or not a Lot is uninhabitable shall be final and binding on all parties. Any payment of the purchase price shall be made jointly to the selling Owner and all Mortgagees of his or her Lot and each Owner, by accepting a deed to a Lot, agrees to be bound by these provisions and to sell his or her Lot by grant deed to the Association as provided herein. Concurrently with such purchase, the Board or individuals authorized by the Board, acting as attorney-in-fact of all Owners, shall amend the Subdivision Map and this Declaration to eliminate from the Development the Lots so purchased.

(b) Notwithstanding the determination not to rebuild pursuant to Sections 11.01 or 11.02, above, any Lots which are not rendered uninhabitable shall be repaired and restored to a condition as near as possible to their condition immediately before such damage or destruction. Such repair and restoration shall be paid first, from the insurance proceeds remaining after the purchase of Lots pursuant to Section 11.06(a), above, if any, and second, from a Special

Individual Assessment levied against all remaining Owners in the manner described in Section 11.04, above.

(c) If the required seventy-five percent (75%) of all Owners and institutional first Mortgagees do not consent to purchase the Lots which were rendered uninhabitable, an appraiser shall determine the relative fair market values of all Lots in the Development, as of a date prior to any damage or destruction and the proceeds of insurance shall be apportioned among all Owners, and their respective Mortgagees, in proportion to such relative values. The Board shall have the duty, within one hundred twenty (120) days from the date of destruction, to execute, acknowledge and record in the office of the County Recorder a certificate declaring the intention of the Members not to rebuild.

Section 11.07. Minor Repair and Reconstruction. In any case, the Board shall have the duty to repair and reconstruct Improvements, without the consent of Members and irrespective of the amount of available insurance proceeds, in all cases of partial destruction when the estimated cost of repair and reconstruction does not exceed Ten Thousand Dollars (\$10,000). Any amounts paid by the Board up to and including Ten Thousand Dollars (\$10,000) shall be assessed to the Residences that are damaged upon the basis of the ratio of the square footage of the floor area of the Residence to be assessed to the total square footage of the floor area of all Residences to be assessed.

Section 11.08. Appraiser. Wherever in this Article or Article XII, below, reference is made to a determination of the value or fair market value of one or more Lots by an appraiser, this shall mean an appraisal by an independent appraiser selected by the Board, who shall be a member of the Society of Real Estate Appraisers (SREA) or other nationally recognized appraiser organization and who shall apply its or such other organization's standards in determining the value or fair market value of each Lot. The costs of such appraisals shall be paid from the sale or insurance proceeds, as the case may be.

ARTICLE XII Condemnation

If all or part of the Maintenance Areas shall be taken or condemned by any authority having the power of eminent domain, all compensation and damages for or on account of the taking of the Maintenance Areas, exclusive of compensation for consequential damages to certain affected Lots or parcels, shall be payable to the Association as trustee for all Owners and mortgagees according to the loss or damages to their respective interest in the Maintenance Areas. The Association, acting through its Board of Directors, shall have the right to act on behalf of the Owners with respect to the negotiation, settlement and litigation of the issues with respect to the taking and compensation affecting the Maintenance Areas. Each Owner hereby designates and appoints each Association as his or her attorney-in-fact for such purposes.

ARTICLE XIII Breach and Default

Section 13.01. Remedy at Law Inadequate. Except for the nonpayment of any Assessment, it is hereby expressly declared and agreed that the remedy at law to recover

damages for the breach, default or violation of any of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Supplemental Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Lot, or any portion of the Maintenance Areas to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by Declarant, any Owner, the Association, its officers or Board of Directors, or by their respective successors in interest.

Section 13.02. Nuisance. Without limiting the generality of the foregoing Section 13.01, the result of every act or omission whereby any covenant contained in this Supplemental Declaration is violated in whole or in part is hereby declared to be a nuisance, and every remedy against nuisance, either public or private, shall be applicable against every such act or omission.

Section 13.03. Attorneys' Fees. Reasonable attorneys' fees and costs shall be awarded to the prevailing party in any procedure to enforce the Governing Documents or a party's rights arising under the Governing Documents. Such enforcement procedure includes an action brought in any court having jurisdiction over any alternative dispute resolution procedure implemented pursuant to the Governing Documents. In any enforcement procedure, such as mediation or arbitration in which there is not an agreement between all of the parties that attorneys will represent them, recoverable costs are limited to attorneys' fees and costs incurred in providing the notices required under such statute.

Section 13.04. Cumulative Remedies; Adoption of Fine Schedule. The respective rights and remedies provided by this Supplemental Declaration or by law shall be cumulative, and the exercise of any one or more of such rights or remedies shall not preclude or affect the exercise, at the same or different times, of any other such rights or remedies for the same or any different default or breach or for the same or any different failure of any Owner or others to perform or observe any provision of this Supplemental Declaration. The Board may implement a schedule of reasonable fines and penalties for particular offenses that are common or recurring in nature and for which a uniform fine schedule is appropriate (such as fines for late payment of Assessments or illegally parked vehicles). Once imposed, a fine or penalty maybe collected as a Special Individual Assessment.

Section 13.05. Failure Not a Waiver. The failure of Declarant, any Owner, the Board of Directors, the Association or its officers or agents to enforce any of the covenants, conditions, restrictions, limitations, reservations, grants or easements, rights, rights-of-way, liens, charges or equitable servitudes contained in this Supplemental Declaration shall not constitute a waiver of the right to enforce the same thereafter, nor shall such failure result in or impose any liability upon the Declarant, the Association or the Board, or any of its officers or agents.

Section 13.06. Due Process Requirements for Disciplinary Proceedings. Except as otherwise provided in Section 4.10, above (relating to disputes over the collection and payment of delinquent Assessments) and 13.08, below (relating to disputes with the Declarant), disputes of the kind described in subparagraph (a), below, among Owners, or among Owners and other residents who are not Owners, or between an Owner or Owners and the Association, shall be resolved as provided in this Section 13.06:

(a) Mediation or Other Informal Resolution of Disputes. If an Owner believes that another Owner or resident of the Development is in violation of any covenant or restriction contained in this Supplemental Declaration or any of the other Governing Documents of the Association or if an Owner believes that the Board of Directors of the Association is failing to properly discharge the Association's responsibilities under this Supplemental Declaration or other Governing Documents of the Association, the Owner shall provide written notice (a "Notice of Violation") of the alleged violation to the other party (Owner, resident, or Association Board). The Notice of Violation shall contain a general description of the condition, action or activity that the noticing Owner believes to be in violation of the Declaration/Governing Document and the notice shall cite the Section of the Declaration or of another Governing Document of the Association that is allegedly being violated. The Owner or Owners who are alleging that a violation of the Declaration/Governing Documents has occurred and the noticed parties shall be referred to collectively as the "Disputing Parties" and the alleged violation shall be referred to as the "Dispute".

Disputing Parties are encouraged to resolve the Dispute through clear communication and neighborly courtesy, if at all possible. In the case of a Dispute that involves the Association, within fifteen (15) days after receipt of the Notice of Violation the Board shall set the matter for a hearing before the Board and shall provide the complaining Owner(s) with written notice of the date, time and location of that hearing. The hearing may be conducted in executive session if requested by the complaining Owner(s) and the date of the hearing shall be no sooner than ten (10) days following the date of the Association's notice. The Board of Directors of the Association shall also have the discretion to serve as a mediating body to hear, and attempt to resolve, Disputes among Owners and residents that do not involve the Association directly, if all Disputing Parties desire the Board to act as a mediator. Disputing Parties who are unable to resolve the Dispute through communication or other informal means may also agree among themselves to retain the services of a third-party mediator, with the scheduling and cost of those proceedings being determined by agreement among the Disputing Parties.

(b) Arbitration of Owner Disputes. If a Dispute cannot be resolved through informal means or mediation in accordance with subparagraph (a), above, all Disputing Parties (including the Association, if the Association is a party) shall resolve such Dispute by arbitration in accordance with this subparagraph (b). The Dispute between the Disputing Parties shall be resolved by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association ("AAA") before an arbitrator(s) selected from the panels of the arbitrators of the AAA. Any fees or costs in initiating arbitration which must be paid prior to such arbitration shall be borne equally by the Disputing Parties, provided however, that all such costs or fees and all other costs of the arbitration, including without limitation, reasonable attorneys' fees, shall be borne by the Disputing Parties in such amounts and such proportions as shall be determined by the arbitrator(s).

(c) Remedies Available for Resolving Disputes. In any proceedings conducted pursuant to this Section 13.06, the arbitrator or arbitrators shall be empowered to do any one (1) or more of the following: (i) issue a ruling or decision interpreting the meaning and intent of this Supplemental Declaration or any other Governing Document of the Association, as applied to the Dispute in question; (ii) award injunctive or other equitable relief to the prevailing party; (iii) award actual damages (but not punitive damages), including reasonable attorneys' fees and costs,

to the prevailing party; (iv) order a suspension of membership voting privileges with respect to any Member who is a Disputing Party; (v) impose a fine against any Disputing Party so long as the Association has adopted and distributed to its members a schedule of fines that can be imposed for enumerated categories of Governing Document violations (and the awarded fine is in accordance with the written fine schedule); and (vi) make a determination as to which Disputing Party is the prevailing party in the Dispute.

(d) Effect of Arbitration. The decision of the Arbitration Panel or AAA arbitrator(s), as applicable, shall be binding upon all Disputing Parties (except where the Arbitration Panel fails to act in good faith or acts arbitrarily or capriciously) and may, as long as not otherwise prohibited by applicable law, be entered as a judgment or order in any court of competent jurisdiction. The cost for the entry of such judgment shall be borne by the Disputing Party or Disputing Parties that do not prevail in the arbitration.

Section 13.07. Assessment Collection Actions. The notice and hearing procedures set forth in Section 13.06, above shall not apply to any actions by the Association or its duly authorized agents to collect delinquent assessments. Assessment collections shall be subject to Section 4.10, above, and any other notice, hearing and/or dispute resolution requirements or procedures as may be specifically applicable by law to Association assessment collection efforts.

Section 13.08. Dispute Resolution Procedures Applicable to Declarant Disputes. Except as otherwise provided in Section 13.06, above, (relating to the resolution of disputes between Owners other than the Declarant and Association enforcement action), any disputes between all or any of the Owners, the Declarant and/or any Declarant Parties who may potentially have some responsibility with respect to the any Claimed Defect that is subject to this Section 13.08 arising under this Supplemental Declaration or relating to the Development or any improvements constructed in the Development shall be subject to the following provisions of this Section 13.08. This Section 13.08 sets forth a process of progressive dispute resolution that has as its objective the prompt resolution of disputed Claims without the necessity of resorting to civil litigation by any Party.

(a) Notice of Construction Claims Statute and Other Related Obligations. California Civil Code section 895 et seq., as hereafter amended (the "Construction Claims Statute"), delineates standards for how various components of residential dwelling units should be constructed and function, limits the time frames for bringing various claims against the Declarant and other Declarant Parties, as defined above) to anywhere from one (1) year to ten (10) years (as listed in the Construction Claims Statute) measured from the close of escrow for each first sale of a Lot and Residence in the Development, imposes an obligation on all Owners to follow the Declarant's and/or the product manufacturers' maintenance recommendations and schedules, or other applicable maintenance guidelines, and establishes a non-adversarial claims resolution procedure that must be followed by an Owner before the Owner can initiate an adversarial claim and proceed to judicial reference or binding arbitration as described in subparagraph (e), below. THE CONSTRUCTION CLAIMS STATUTE AFFECTS EACH OWNBR'S LEGAL RIGHTS. OWNERS ARE ADVISED TO READ THE STATUTE CAREFULLY AND TO SEEK LEGAL ADVICE IF THE OWNER HAS ANY QUESTIONS REGARDING THE STATUTE'S EFFECT ON THE OWNER'S LEGAL RIGHTS. PURSUANT TO CALIFORNIA CIVIL CODE SECTION 914, DECLARANT IS PERMITTED TO ELECT TO USE ALTERNATIVE

CONTRACTUAL NON-ADVERSARIAL PROCEDURES INSTEAD OF USING THE STATUTORY PRE-LITIGATION PROCEDURES PROVIDED IN THE CONSTRUCTION CLAIMS STATUTE. DECLARANT HAS ELECTED TO USE ITS OWN ALTERNATIVE CONTRACTUAL NON-ADVERSARIAL PROCEDURES AS SET FORTH IN THIS SECTION 13.08.

(b) Obligation to Follow Maintenance Recommendations and Schedules. All Owners are obligated by section 907 of the Construction Claims Statute to follow the Declarant's maintenance recommendations and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided with such Owner's Residence and Lot, or any improvements thereon, as well as all commonly accepted maintenance practices (collectively, "Maintenance Recommendations"). In accordance with section 945.5 of the Construction Claims Statute, failure to follow the Declarant's Maintenance Recommendations may reduce or preclude the Owner's right to recover damages relating to such Lot and Residence which could have been prevented or mitigated had the Maintenance Recommendations been followed. At the close of escrow in the first sale of each Lot in the Development, the Declarant provided to each initial purchaser a Maintenance Manual specifying the obligations of each Owner for maintenance of Lots and Residences by the Owners. Each Owner shall be obligated to maintain his or her Lot and Residence in accordance with the recommendations presented in the Maintenance Manual, as defined in Section 1.20, above.

(c) Obligation to Provide Subsequent Purchasers with Information Relating to Declarant Repair Rights and Obligations and Residence Maintenance. Civil Code section 912 requires home builders to provide their initial home buyers with certain documents enumerated in that Code section, including: (i) copies of all maintenance and preventative maintenance recommendations that pertain to the Residence; (ii) copies of all manufactured products maintenance, preventative maintenance, and limited warranty information relating to components of the Residence; (iii) copies of the builder's limited contractual warranties; (iv) a written copy of Civil Code sections 895 et seq.; and (v) other documents provided by the builder to the initial home buyer with the original sale of the Residence. Civil Code section 912(h) obligates the original home buyer to provide these documents to subsequent purchasers of the Lot and Residence.

(d) Owners' Construction Defect Claims. Prior to the commencement of any legal proceeding by any Owner or Owners against the Declarant or any Declarant Party based upon a Claimed Defect in the design or construction of any Lot or Residence, the Owner(s) must first comply with the provisions of this subparagraph (d). If at any time during the ten (10) year period following the close of escrow for the original Owner's purchase of such Owner's Residence from the Declarant, as such period may be extended by any applicable tolling statute or provision, or any shorter period as provided by applicable law, such Owner believes that the Declarant has violated any of the functionality standards set forth in sections 896 and 897 of the Construction Claims Statute with respect to Claimed Defects which such Owner feels may be the responsibility of the Declarant or any Declarant Parties, the Owner shall promptly notify the Declarant's agent for notice of construction defect claims. The name and address of the Declarant's agent for this notice is on file with the Secretary of State.

Such notice shall include: (i) the claimant's name, address, and preferred method of contact; and (ii) a statement that the claimant alleges a violation of the Construction Claims Statute against one (1) or more Declarant Parties; (iii) a reasonably detailed description of the Claimed Defect that is sufficient to determine the nature and location, to the extent known, of the Claimed Defect; (iv) the date when the Claimed Defect was first discovered; and (v) the dates and times when Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by the Declarant or other builder or subcontractor can be scheduled. Any Declarant builder shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect and may be accompanied on the inspection by other potentially responsible Declarant Parties. Nothing contained in this Section 13.08 shall obligate Declarant to perform any such inspection or repair, nor shall this subparagraph (d) be deemed to increase the Declarant's legal obligations to any Owner.

An Owner's written notice delivered to the Declarant shall be a condition precedent to the notifying Owner's right to institute any legal proceeding and to proceed to judicial reference or binding arbitration as set forth in subparagraph (e)(i), below. No Owner shall be entitled to pursue any other remedies available to the Owner, at law or otherwise, including, without limitation, the filing of any legal proceeding or action until the Declarant has had the reasonable opportunity to inspect and cure the Claimed Defect. During the term of any written Limited Warranty provided to the original Owner of the Residence by the Declarant, any conflict between the provisions of this subparagraph (d) and the Limited Warranty shall be resolved in favor of the Limited Warranty. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Owner may suffer as a result of any Claimed Defect in the Owner's Residence or Lot, which reasonably might have been avoided, had the Owner given the Declarant the notice and opportunity to cure as described above within a reasonable time of discovering the Claimed Defect.

Except as otherwise provided in the Declarant's written Limited Warranty, if any, provided to Owner, nothing contained herein shall establish any contractual duty or obligation on the part of Declarant to repair, replace or cure any Claimed Defect. If an Owner sells or otherwise transfers ownership of such Owner's Residence or Lot to any other person during the ten (10) year period commencing with the earlier of substantial completion of the Improvement or the date of Recordation of a valid notice of completion with the appropriate governmental agency, as such period may be extended by any applicable tolling statute or provision, the Owner covenants and agrees to give such other person written notice of these procedures by personal delivery. Each Owner's continuing obligation under this covenant shall be binding upon Owner and Owner's successors and assigns.

(e) Alternate Dispute Resolution Procedures. The following procedures provide for resolution of disputes ("Disputes") regarding Claimed Defects through general judicial reference or, in the alternative, binding arbitration. In either event, the Declarant and each Owner of a Lot and Residence within the Property, expressly acknowledge and accept that they are waiving their respective rights to a jury trial.

(i) Judicial Reference. Subject to compliance with the provisions of subparagraphs (a) through (d) of this Section 13.08, to the extent applicable, it is the intention of

the Declarant that, except as otherwise expressly provided herein, any and all Disputes regarding Claimed Defects shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Supplemental Declaration any Dispute between any Owner(s) and the Declarant, with respect to any alleged breach hereof, or with respect to any other claim related to a Lot or Residence, including, without limitation, any alleged latent or patent deficiencies in the residential construction, design specifications, surveying, planning, supervision, testing, or observing of construction of any portion of the Development, or any Lot or Residence or any part thereof, any alleged violation of the functionality standards set forth in the Constructions Claims Statute shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure sections 638 through 645.1. Notwithstanding any other provision of this Supplemental Declaration, this Section 13.08 shall not be amended without the written consent of the Declarant. In the event litigation is filed based upon any such dispute, the following shall apply.

(A) The proceeding shall be brought and held in Placer County, unless the parties agree to an alternative venue.

(B) The parties shall use the procedures adopted by JAMS for judicial reference and selection of a referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties).

(C) The referee must be a retired judge or a licensed attorney with substantial experience in relevant real estate matters.

(D) The parties to the litigation shall agree upon a single referee who shall have the power to try any and all of the issues raised, whether of fact or of law, which may be pertinent to the matters in dispute, and to issue a statement of decision thereon to the court. Any dispute regarding the selection of the referee shall be resolved by JAMS or the entity providing the reference services, or, if no entity is involved, by the court with appropriate jurisdiction in accordance with California Code of Civil Procedure sections 638 and 640.

(E) The referee shall be authorized to provide all remedies available in law or equity appropriate under the circumstances of controversy.

(F) The referee may require one (1) or more pre-hearing conferences.

(G) The parties shall be entitled to discovery, and the referee shall oversee discovery and may enforce all discovery orders in the same manner as any trial court judge.

(H) A Stenographic record of the trial shall be made.

(I) The referee's statement of decision shall contain findings of fact and conclusions of law to the extent applicable.

(J) The referee shall have the authority to rule on all post-hearing motions in the same manner as a trial judge.

(K) The parties shall promptly and diligently cooperate with each other and the referee and perform such acts as may be necessary for an expeditious resolution of the dispute.

(L) Except as otherwise agreed by the parties or as required by applicable law, no Owner shall be required to pay any fee of the judicial reference proceeding except to the extent of the cost that would be imposed upon the Association or Owner if the dispute had been resolved as a dispute in court. The referee may not award against any Owner any expenses in excess of those that would be recoverable as costs if the dispute had been litigated to final judgment in court. Each party to the judicial reference proceeding shall bear its own attorney fees and costs in connection with such proceeding.

(M) The statement of decision of the referee upon all of the issues considered by the referee shall be binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This provision shall in no way be construed to limit any valid cause of action that may be brought by any of the parties.

(ii) **Binding Arbitration.** If for any reason the judicial reference procedures in subparagraph (e)(i) are legally unavailable at the time a dispute would otherwise be referred to judicial reference, then such Dispute regarding any Claimed Defect shall be submitted to binding arbitration under the rules and procedures in this subparagraph (e)(ii). Any Dispute submitted to binding arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the AAA's Construction Industry Arbitration Rules in effect on the date of the submission. If such entity is not then in existence, then the dispute shall be submitted to JAMS, and administered in accordance with either the Streamlined Arbitration Rules and Procedures, or (if applicable) the Comprehensive Arbitration Rules of JAMS. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such dispute. If the claimed amount exceeds \$250,000.00 or includes a demand for punitive damages, the dispute shall be heard and determined by three (3) arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one (1) arbitrator. Arbitrators shall have expertise in the area(s) of the Dispute, which may include legal expertise if legal issues are involved. All decisions concerning the arbitrability of any Dispute shall be decided by the arbitrator(s). At the request of any party, the award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

ARTICLE XIV Protection of Mortgagees

Section 14.01. Priority of Mortgage Lien. No breach of the covenants, conditions or restrictions contained in this Supplemental Declaration shall affect, impair, defeat or render invalid the lien or charge of any first Mortgage made in good faith and for value encumbering any Lot, 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 Lot.

Section 14.02. Amendment of This Declaration. No amendment of this Supplemental Declaration shall affect any of the rights of the holder of any Mortgage described in Section 14.01, above, which is made in good faith and for value, if such Mortgage is recorded prior to the recording of such amendment.

Section 14.03. Default by Owner; Mortgagee's Right to Vote. In the event of a default by any Owner under a Mortgage encumbering such Owner's Lot, the Mortgagee under such Mortgage shall, upon: (a) giving written notice to the defaulting Owner; (b) recording a Notice of Default in accordance with California Civil Code section 2924; and (c) delivering a copy of such recorded Notice of Default to the Association, have the right to exercise the vote of the Owner at any regular or special meeting of the Association held only during such period as such default continues. A Mortgagee who acquires title to a Lot by judicial foreclosure, deed in lieu of foreclosure, or trustee's sale shall not be obligated to cure any breach of any provision of this Supplemental Declaration which is noncurable or of a type which is not practical or feasible to cure.

Section 14.04. Breach; Obligation After Foreclosure. No breach of any provision of this Supplemental Declaration by Declarant, the Association or any Owner shall impair or invalidate the lien of any recorded Mortgage made in good faith and for value and encumbering any Lot. The Declarant, the Association or their successor and assigns shall be obligated to abide by all of the covenants, conditions, restrictions, limitations, reservations, grants of easements, rights, rights-of-way, liens, charges and equitable servitudes provided for in this Supplemental Declaration as it may be amended from time to time with respect to any person who acquires title to or any beneficial interest in any Lot through foreclosure, trustee's sale or otherwise.

Section 14.05. Superiority of Mortgage to Condemnation Proceeds. If any Lot or portion thereof is made the subject of any condemnation or eminent domain proceeding, the lien of any first Mortgage shall be prior and superior to the claims of the Owners of said Lots with respect to any distribution of the proceeds of any condemnation award or settlement.

Section 14.06. Conflicts. In the event of any conflict between any of the provision of this Article XIV and any other provision of this Supplemental Declaration, the provisions of this Article shall control.

ARTICLE XV Declarant Privileges and Exemptions

Section 15.01. Interest of the Declarant; Material Actions Requiring Declarant Approval. Each Owner of a Lot which is part of the Development acknowledges by acceptance of a deed or other conveyance therefor, whether or not it shall be so expressed in any such deed or other instrument, that Declarant has a substantial interest to be protected with regard to assuring compliance with and enforcement of the covenants, conditions, restrictions and reservations contained in this Supplemental Declaration. Notwithstanding any other provisions of the Governing Documents, until such time as the Declarant no longer owns any Lots in the

Development, the following actions, before being undertaken by the Members or the Association, shall first be approved in writing by Declarant:

(a) Specified Approvals. Any amendment or action requiring the approval of Declarant pursuant to this Supplemental Declaration, and any amendment or action requiring the approval of first Mortgagees pursuant to this Supplemental Declaration (the Association shall provide Declarant with all notices and other documents to which a Mortgagee is entitled pursuant to this Supplemental Declaration, provided that Declarant shall be furnished such notices and other documents without making written request);

(b) Service/Maintenance Reductions. Subject to Section 4.02 (b), above, regarding limitations on Regular Assessment increases without Member approval, any significant reduction of Maintenance Areas maintenance or other services or entering into contracts for maintenance or other goods and services benefiting the Association or the Maintenance Areas at contract rates which are fifteen percent (15%) or more below the reasonable cost for such maintenance, goods or services; or

(c) Architectural Rules. Any supplement or amendment to the Architectural Rules (see Section 5.05, above).

Section 15.02. Exemptions From Restrictions Otherwise Applicable. Nothing in the Governing Documents shall limit, and no Owner or the Association shall do anything to interfere with, the right of Declarant, either directly or through their respective agents and representatives, to subdivide, re-subdivide, sell, resell, rent or re-rent any portion of the Development, or the right of Declarant to complete excavation, grading, construction of Improvements or other development activities to and on any portion of the Development owned by Declarant or to alter the foregoing and its construction plans and designs, or to construct such additional Improvements as Declarant deems advisable in the course of development of Denby Square Townhomes so long as any Lot or any portion of the Development is owned by Declarant. Such right shall include, but shall not be limited to, carrying on by Declarant and their respective agents and representatives of such grading work as may be approved by the City of Roseville or other agency having jurisdiction and erecting, constructing and maintaining on the Development such structures, signs and displays as may be reasonably necessary for the conduct of its business of completing the work and disposing of the same by sale, lease or otherwise. Each Owner, by accepting a deed to a Lot, hereby acknowledges that any construction or installation by Declarant may impair the view of such Owner, and hereby consents to such impairment.

Section 15.03. Amendment of Plans. Subject to approval, as necessary, by the City of Roseville and the Successor Master Declarant, the Declarant may, from time to time as it deems fit, amend its plans for the Denby Square Townhomes development, combine or split Lots or Parcels, and apply for changes in the entitlements for the Development, changes in zoning, use and use permits for any property within the Development.

Section 15.04. Right to Enforce Architectural Review and Approval Requirements. For so long as the Declarant has the right to appoint any members of the Architectural Review Committee, the Declarant shall have the right to initiate action to correct or prevent any activity, condition or Improvement that is not in substantial compliance with approved plans and

specifications to the same extent as the Association if: (a) the Committee has issued a Notice of Noncompliance; and (b) the Association, after having a reasonable opportunity to do so, is unable or unwilling to initiate enforcement action.

Section 15.05. Termination of Any Responsibility of Declarant. In the event the Declarant conveys all of its rights, title and interest to any partnership, limited liability company, individual or individuals, corporation or corporations, in and to the Development, and the acquiring person or entity is designated as a successor Declarant as to all the property conveyed, then, and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations shall be obligated to perform all such duties and obligations of Declarant. This Article shall not terminate any responsibility of the Declarant for acts or omissions occurring prior to the conveyance to such partnership, individual or individuals, corporation or corporations. However, this shall not limit Declarant's right to enter into a contract or agreement dealing with such acts or omissions, provided the contract or agreement is enforced by Declarant, if necessary.

Section 15.06. No Amendment or Repeal. So long as Declarant owns any Lots within the Development, the provisions of this Article may not be amended or repealed without the consent of Declarant.

ARTICLE XVI Notices

Section 16.01. Mailing Addresses. Any communication or notice of any kind permitted or required herein shall be in writing and may be served, as an alternative to personal service, by mailing the same as follows:

- | | |
|------------------------|---|
| If to Declarant: | Pulte Home Corporation, 4196 Douglas Blvd., Suite 100, Granite Bay, CA 95746 (or to such other address as Declarant may from time to time designate in writing to the Association) |
| If to any Owner: | To the street address of his or her Lot or to such other address as he or she may from time to time designate in writing to the Association for purposes of notice. |
| If to the Association: | Denby Square Townhomes Association, at the principal office of the Association (or to such other address as the Association may from time to time designate in writing to the Owners) |

Section 16.02. Personal Service Upon Co-Owners and Others. Personal service of a notice or demand to one of the co-Owners of any Lot, to any general partner of a partnership which is the Owner of Record of the Lot, or to any officer or agent for service of process of a corporation which is the Owner of Record of the Lot, shall be deemed delivered to all such co-Owners, to such partnership, or to such corporation as the case may be.

Section 16.03. Deposit in United States Mails. All notices and demands served by mail shall be by first-class or certified mail, with postage prepaid, and shall be deemed delivered four (4) days after deposit in the United States mail in the County.

ARTICLE XVII
No Public Rights in the Development

With the exception of the streets, alleys and other public property within the Development, as shown on the Subdivision Map, nothing contained in this Supplemental Declaration shall be deemed to be gift or dedication of all or any portion of the Development to the general public or for any public use or purpose whatsoever. Notwithstanding the foregoing, the lands included within the Development shall be subject to such public dedications and/or easements and rights-of-way as appear on the Subdivision Map for the Development.

ARTICLE XVIII
Amendment of Declaration

Section 18.01. Amendment Before Close of First Sale. Before the close of escrow for the first sale of a Lot in the Development to a purchaser other than Declarant, this Supplemental Declaration may be amended or revoked in any respect by the execution of an instrument amending or revoking the Declaration signed by Declarant and any Mortgagee of record, provided the consent or approval of the Commissioner of the California Department of Real Estate is first obtained to the extent required by California law. The amending or revoking instrument shall make appropriate reference to this Supplemental Declaration and shall be Recorded.

Section 18.02. Amendment After Close of First Sale. After the close of escrow for the first sale of a Lot in the Development to a purchaser other than Declarant, this Supplemental Declaration may be amended or revoked in any respect upon compliance with the following provisions:

(a) **Member Approval Requirements.** Any amendment shall be approved by the vote or assent by written ballot of the holders of not less than fifty-one percent (51%) of the Voting Power of each class of Members. If a two (2) class voting structure is no longer in effect in the Association because of the conversion of Class B membership to Class A membership as provided in the Association's Bylaws, any amendment thereof will require the vote or assent by written ballot of both: (i) fifty-one percent (51%) of the total Voting Power of the Association; and (ii) the vote of fifty-one percent (51%) of the total Voting Power held by Members other than the Declarant. Notwithstanding the foregoing, the percentage of the Voting Power necessary to amend a specific clause or provision of this Supplemental Declaration shall not be less than the percentage of affirmative votes prescribed for action to be taken under that clause.

(b) **Additional Approvals for Amendments to Particular Provisions.**

(i) **Mortgagee Approvals.** Mortgagee approvals shall be required to amend any of the provisions of Article XIV, above.

(ii) Declarant Approvals. The following provisions may only be amended with the prior written consent of the Declarant(s) for so long as the Declarant owns any Lots in the Development: 1.13, 1.18, 1.19, 1.20, 4.02(d), 5.02, 5.16, Article VI, Article VII, 8.01(b), 10.04, 13.08, 20.02, and this subparagraph (b)(ii).

(iii) Approval by the City of Roseville. The following provisions of this Supplemental Declaration reflect Conditions of Approval and Development Agreement provisions that are applicable to the Development and may only be amended with the prior consent of the City: 1.09, 1.11, 3.07, 4.02(a), 4.02(d)(ii), 6.01, 6.04, 6.05, 6.10, 6.11, 6.13, 6.14, 7.01, 7.02, 8.02, 8.12(b), and this subparagraph (b)(iii).

Section 18.03. Effective Date of Amendment. The amendment will be effective upon the Recording of a Certificate of Amendment, duly executed and certified by the president and secretary of the Association, setting forth in full the amendment so approved and that the approval requirements of Section 18.02 (a) or (b), above, have been duly met. If the consent or approval of any governmental authority, Mortgagee, or other entity is required under this Supplemental Declaration to amend or revoke any provision of this Supplemental Declaration, no such amendment or revocation shall become effective unless such consent or approval is obtained.

Section 18.04. Reliance on Amendments. Any amendments made in accordance with the terms of this Supplemental Declaration shall be presumed valid by anyone relying on them in good faith.

ARTICLE XIX Notification to Owners

Owners and prospective purchasers of Lots and Residences within the Development are encouraged to read Article XIV of the Master Declaration which presents a number of property owner notifications that were required by the City of Roseville.

ARTICLE XX General Provisions

Section 20.01. Term. The covenants, conditions, restrictions, limitations, reservations, grants of easement, rights, rights of way, liens, charges and equitable servitudes contained in this Supplemental Declaration shall run with, and shall benefit and burden the Lots and the Maintenance Areas as herein provided, and shall inure to the benefit of and be binding upon the Owners, the Declarant, the Association, its Board of Directors, and its officers and agents, and their respective successors in interest, for the term of thirty-five (35) years from the date of the recording of this Supplemental Declaration. After the expiration of the initial term, the same shall be automatically extended for successive periods of ten (10) years each unless, within six (6) months prior to the expiration of the initial thirty-five (35) year term or any such ten (10) year extension period, a written instrument, approved by Owners entitled to vote and holding at least a majority of the Voting Power of the Association terminating the effectiveness of this Supplemental Declaration, is Recorded.

Section 20.02. Termination of Any Responsibility of the Declarant. In the event the Declarant conveys all of its rights, title and interest in and to the Development to any partnership, individual or individuals, corporation or corporations, the Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations shall be obligated to perform all such duties and obligations of the Declarant.

Section 20.03. Statutory References. In the event that any statute in this Supplemental Declaration, whether stated by code and number or named by body of law, is amended, repealed, renumbered, or renamed all references to such statute or body of law shall refer to the amended, repealed, renumbered or renamed statutory provisions.

Section 20.04. Construction.

(a) **Restrictions Construed Together.** All of the covenants, conditions and restrictions of this Supplemental Declaration shall be liberally construed together to promote and effectuate the fundamental concepts of the Development as set forth in the Recitals of this Supplemental Declaration. Failure to enforce any provision hereof shall not constitute a waiver of the right to enforce that provision in a subsequent application or any other provision hereof.

(b) **Restrictions Severable.** Notwithstanding the provisions of subparagraph (a) above, the covenants, conditions and restrictions of this Supplemental Declaration shall be deemed independent and severable, and the invalidity or partial invalidity of any provision or portion thereof shall not affect the validity or enforceability of any other provision.

(c) **Captions.** All captions or titles used in this Supplemental Declaration are intended solely for convenience of reference and shall not affect the interpretation or application of that which is set forth in any of the terms or provisions of the Declaration.

(d) **Exhibits.** All exhibits to which reference is made herein are deemed to be incorporated herein by reference, whether or not actually attached.

(e) **References to State Statutes.** Any references in this Supplemental Declaration to State Statutes shall be to the referenced statute as in effect on the date that this Supplemental Declaration is Recorded in the Official Records of the County. In the event that any referenced statute is subsequently amended or superseded, all such references shall thereupon mean and refer to the referenced statute as so amended, modified or superseded, so long as the amended statute continues to regulate or pertain to the same subject matter.

DATED: March 9, 2007.

PULTE HOME CORPORATION,
a Michigan corporation

By: 
Jay Pawlek, Vice President

CONSENT OF SUCCESSOR DECLARANT

PL Roseville LLC, a California limited liability company and the Successor Declarant under the Master Declaration of Covenants, Conditions and Restrictions for Westpark and as the current owner of record of the real property that is more particularly described in Exhibit "A", attached hereto, hereby consents to the recordation of this Supplemental Declaration pursuant to Section 13.01 of the Master Declaration.

DATED: March 9, 2007

PL ROSEVILLE LLC, a
California limited company

By:


Gregory M. Ackerman

EXHIBIT "A"

Legal Description of the Property

The Landowner is the owner of all the real property located in the City of Roseville, Placer County, California, more particularly described as follows:

Lots 91 through 138, as shown on the Subdivision map entitled "Westpark Village, 21, Subdivision No. 05-07" filed for Record on November 9, 2006, in Book BB of Maps, at Page 43, Official Records of Placer County.

Rules and Regulations
Denby Square Townhomes Association

If this document contains any restriction based on race, color, religion, sex, gender identity, gender expression, sexual orientation, familial status, marital status, disability, genetic information, national origin, source of income, as defined in subdivision (p) of Section 12955, or ancestry, that restriction violates state and federal fair housing laws and is void, and may be removed pursuant to Section 12956.2 of the Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

DENBY SQUARE TOWNHOMES

RULES AND REGULATIONS

INTRODUCTION

The owners of residences at Denby Square Townhomes formed an association to provide for the governance of the community. A number of governing documents have been created to provide direction to Denby Square Townhomes Association (referred to hereinafter as (the "Association"). The primary documents include the following:

- The Articles of Incorporation of Denby Square Townhomes Association
- Declaration of Covenants, Conditions and Restrictions and Reservation of Easements for Denby Square Townhomes (referred to in these Rules & Regulations as (the "Declaration").
- Bylaws of Denby Square Townhomes Association
- Architectural Rules of Denby Square Townhomes

The Association may provide additional governing documents from time-to-time as needs arise.

The Rules and Regulations are for the benefit of you and your guests so you may enjoy your community to the fullest. Essentially, the Rules and Regulations for Denby Square Townhomes and the overall approach of your Association in performing its mission and responsibilities to its members are based on the Golden Rule. We do not want to over regulate; but at the same time, it is expected that all Denby Square Townhomes residents will be respectful of the community rules and of other members of the community.

Only with your cooperation can this goal be achieved. Please familiarize yourself with the Rules and ensure your guests are likewise familiar.

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ASSOCIATION INFORMATION

Purpose and Legal Status

Denby Square Townhomes Association is a California nonprofit mutual benefit corporation formed to operate and maintain the Association and to provide front yard landscape services for residents of Denby Square Townhomes.

The Association, as an incorporated entity is a private property owner in its own right, and it speaks through its governing documents and the policies established by its Board of Directors. Members have specified privileges in the use and enjoyment of the common areas, but subject at all times to the Association's right to reasonably regulate and control its property. The Association is primarily responsible for enforcement of the governing documents; the establishment of reasonable policies, administering and enforcing the Architectural Rules; and for managing, maintaining, operating, and controlling all areas of common responsibility.

Governing Board

The Association is governed by a Board of Directors (the "Board") that is empowered to exercise all duties necessary and appropriate for the administration of the Association's affairs, and perform all responsibilities and exercise all rights of the Association as stipulated in the governing documents and as provided by law.

Standing Committees

The governance of the Association functions through standing committees; each committee reports and makes recommendations to the Board. These standing committees may be formed as the Community develops.

- Architectural Review Committee
- Nominations Committee

Notwithstanding any of the standing committees named above, the Board may delegate management of the business and activities of the Association to Board officers, a management company, or to special committees established by the Board.

Association Management

To manage the operations of the Association, the Board will enter into a Management Agreement with a professional management company, (the "Managing Agent").

As the Managing Agent for the Association, the Managing Agent is responsible for fiscal management and administration of business operations.

Resident Billings and Change of Address

Resident assessments are billed monthly and appear as a charge on the homeowner's account. A payment coupon should accompany each payment when mailed to the bank as this is how the bank identifies which account to apply your payment. The balance on the account is due the 1st day of each month and is considered delinquent if not received by the 15th day of the first month. Late fees will be applied. (See Declaration, Article IV.).

The Association Board of Directors has the authority to foreclose a lien or bring an action at law against a homeowner when an account becomes delinquent.

Any request for change in mailing address must be made in writing and delivered to the Managing Agent.

Renters/Lessees

If you rent your home, you are still responsible for paying all assessments on the property to the Association. You are also required to provide the Association with a copy of the fully executed rental or lease agreement and provide your forwarding address and phone number. The rental or lease agreement will be placed on file for the duration of the rental or lease agreement. While the property is rented or leased, the homeowner may not use Association facilities. If the homeowner becomes delinquent in homeowner assessment payments, both the homeowner and his or her renter(s) or lessee(s) will lose Association privileges until the account is made current.

It is the responsibility of a renting or leasing homeowner to assure that his or her renter(s) or lessee(s) abide by the governing documents.

Sale of Home

If you sell your home, a resale transfer fee will be charged by the Association as part of the closing costs. This fee covers administrative costs associated with transferring the membership account and providing information (including current association documents) to the buyer of your home. You must notify the Management Agent at the time your home is put on the market and upon completion of the sale, at which time you will provide a forwarding address.

It should be noted that, as a *seller*, State law *obligates you* to provide prospective purchasers with copies of the governing documents as well as a statement showing the status of your account with the Association. For a nominal fee to cover reproduction and upon request of a seller, the Association will provide updated governing documents to a prospective purchaser.

CONDUCT OF MEMBERS AND DISCIPLINE

The authority granted to the Board of Directors to make and enforce such Rules and Regulations deemed reasonable and appropriate is provided in the governing documents. All residents are expected to abide by the governing documents and these rules and to conduct themselves in a courteous and respectful manner at all times. It is important for you to read all the governing documents, please pay particular attention to the following provisions of the Declaration: (i) use restrictions; (ii) owner assessment obligations; and (iii) architectural review and regulation. Actions that jeopardize or otherwise interfere with the rights and privileges of others, use of profanity, or actions which are otherwise abusive or disruptive will not be tolerated.

The governing documents also provide for the Association's enforcement and remedies, including but not necessarily limited to, the following: (1) the right of the Association to levy reasonable monetary fines, (2) the right of the Association to suspend the voting rights of any member, and (3) the right of the Association to levy assessments against a member. These rights are vested with the Board of Directors including the ability to restrict use of such areas. Decisions are made by the Board in their exercise of reasonable business judgment and pursuant to established procedures.

Residents or guests charged with rules violations or misconduct will be subject to disciplinary actions by the Board of Directors.

Fines for CC&Rs Violations

For violations of the Declaration or Rules and Regulations, the first violation shall be a warning in writing advising the owner or resident to come into compliance. Such warning shall be timely given to the owner or resident upon determination by the Architectural Committee or the Managing Agent that a violation exists and after an informal attempt to bring about compliance has failed or is impractical. If the owner or resident fails to respond, a second written notice of violation shall have a fine attached thereto. Recipients shall be given notice and an opportunity to be heard by the Board. (See Appendix A for a schedule of fines.) Other remedies are available to the Board, if in its determination, a continued violation or nuisance exists. Violations that impact health, safety and community well being may receive only one notice.

Guidelines and Procedures

1. Violations – Violations of the Association's CC&Rs may be reported by a homeowner, as a complaint, or established by management or the Board of Directors upon inspection of the property.
2. Complaints – A complaint from a homeowner must be in writing and sent to the management office by regular mail or e-mail. A homeowner complaint will be followed up by a visual inspection.
3. Inspections - Management and a Board representative will conduct periodic property inspections.

4. Courtesy Notification– Notifications will be sent advising homeowners of violations of the governing documents. Homeowners will be requested to respond within **10 days** of the date of the Courtesy Notice of corrective action to be taken as outlined in the letter.
5. Formal Notice – If the homeowner does not respond to the courtesy notification within 10 days of the date of the Notice, and the violation is not cured a **Formal Notice** will be sent to the homeowners giving them **14 days** to cure the violation advising them that a hearing will be set and a fine may be issued if compliance is not achieved.
6. Notice of Hearing – If the homeowner **does not cure** the violation or **does not respond** to the Board of Directors in regard to the Formal notice, a **hearing will be scheduled** before the Board of Directors for determination of action to be taken by the Board of Directors and for the issuance of fines if warranted.
7. Conduct of Hearings and Notice – Disciplinary hearings will be before the Board of Directors and shall be scheduled at a date which is at least ten (10) days, but no more than thirty (30) days, following the date that the notice of the hearing is given to the owner. The notice shall be given by either first-class mail or by personal delivery and shall set forth the date, time and location of the hearing, a general description of the violation and a notice that the Member has a right to attend the hearing and address the Board. If the Board imposes discipline on a member, the Board shall provide the Member with written notification of the action taken within fifteen (15) days following the Association's action. That notice shall be given either by personal delivery or by first-class mail. In no event shall the effective date of any disciplinary action commence sooner than five (5) days following conclusion of the hearing unless: (i) the hearing merely affirms summary disciplinary action initiated pursuant to the immediately preceding paragraph; or (ii) earlier commencement is necessary to preserve the quiet enjoyment of other residents or to prevent further damage to, or destruction of, the Project or any portion thereof.

If the homeowner does not agree with the Board's decision, they may now request mediation at their expense in accordance with Civil Code.

The Association will maintain a general record of each violation of the governing documents, other than a failure to pay assessments, for which the Board has imposed a fine or a sanction as provided in Civil Code

Safety, health and community well being items are subject to fines, levied by the Board in an amount equal with the severity of the violation. Immediate action will take place; no time lines will be followed.

PROPERTY USE RESTRICTIONS

Permitted Business Activities

Section 8.04 of the Declaration sets for the following information on Permitted Business Activities within the community. Please refer to Section 8.04 of the Declaration for the full text of this provision.

No business or commercial activities of any kind whatsoever shall be conducted in any Unit, garage or out building without the prior written approval of the Board; provided however, the foregoing restriction shall not apply to the activities, signs or activities of the Association in the discharge of its responsibilities under the Governing Documents or the Declarant's activities in connection with the Project, sale and marketing the Project.

Prohibition of Noxious Activities

Section 8 of the Declaration sets forth the following information on prohibited items.

Garbage – No rubbish, trash, or garbage shall be allowed to accumulate on Lots. Any trash that is accumulated by an Owner outside the interior walls of a Residence shall be stored entirely within appropriate covered disposal containers and facilities which shall be located in the residence or garage or at some other location on the resident's Lot that is screened from view from any street, neighboring Lot or Maintenance Area.

Storage – Storage of personal property on any Lot shall be entirely within enclosed storage areas on the Lot or areas that are screened from view from adjacent streets or neighboring Lots.

Clotheslines and Laundry – No exterior clothesline shall be erected or maintained and there shall be no laundering or drying of clothes on any lot or on any location on a residence that is visible from neighboring Lots and Maintenance Areas.

Burning – There shall be no exterior fires whatsoever except barbecue fires located only upon Lots and contained within receptacles designed for such purpose. No Owner or resident shall permit any condition to exist on his or her Lot including, without limitation, trash piles or weeds which create fire hazards or is in violation of local fire regulations.

Sports Apparatus – No basketball standards or fixed sports apparatus shall be attached to any Residence or garage or erected on any Lot or within the Maintenance Areas unless the location of the standard or other sports fixture is in the rear yard.

Machinery and Equipment – No power tools, machinery or equipment of any kind shall be placed, operated or maintained upon or adjacent to any Lot except such machinery or equipment

as is usual or customary in connection with the use, maintenance or repair of a private Residence or appurtenant.

Household Pets

Section 8.03 of the Declaration sets forth the restrictions related to household pets.

- (a) A reasonable number of common household pets may be kept on each Lot so long as they are not kept, bred or maintained for commercial purposes.
- (b) Pets shall not be allowed within any portion of the Development other than the pet owner's enclosed yard area, unless they are leashed and under the supervision and restraint of the owner or some other person of suitable age to supervise and control the department of the pet.
- (c) No household pet shall be left chained or otherwise tethered in front of a Lot.
- (d) Pet Owners shall be responsible for the prompt removal and disposal of pet wastes deposited by their pets within the Development.
- (e) Each person bringing or keeping a pet on any Lot or Residence within the Development shall be solely responsible for the conduct of the owner's pets. The Association, its Board, officers and agents shall have no liability to any Owners, their family members, guests, invitees, and tenants and contract purchasers for any damage or injury to persons or property caused by any pet.

Parking and Vehicle Restrictions

Section 8.12 of the Declaration sets forth parking and vehicle restrictions.

- (a) All garages shall be maintained in a neat and orderly condition and garage doors shall be kept closed except as necessary to permit ingress and egress of vehicles or to clean or work in the garage area. Garages are to be used for the parking of standard passenger vehicles and trucks not to exceed three-quarter (3/4) tons in gross weight, boats or the storage of similar items of personal property so long as such storage of personal property will not necessitate or result in the parking of vehicles on streets, alleys, or garage aprons within the Development. Furthermore, garages shall not be converted to living quarters or work shops which preclude the parking of vehicles.
- (b) In accordance with the Conditions of Approval, there shall be no parking of vehicles, trailers or equipment along any alleys within the Development and at both ends of each alley, signs shall be maintained by the Association that state: "No parking in the Alley at Anytime". This restriction is imposed to facilitate access by fire and other emergency vehicles and equipment.
- (c) No motor vehicle shall be maintained, constructed, reconstructed or repaired within the Development and no dilapidated or inoperable vehicle, including vehicles without wheel(s) or an engine shall be stored on any Log within the Development, provided

however, that the provisions of this subparagraph (c) shall not apply to emergency vehicle repairs. If a vehicle is being repaired in a garage, the garage door shall remain closed while the repairs are ongoing.

- (d) Campers, boats, trailers, motorcycles, commercial vehicles and trucks in excess of three-quarter (3/4) tons are not to be parked in any garages or other parking areas within the Development, except for the purpose of loading and unloading, unless in the sole discretion of the Architectural Review Committee, the Owner has an appropriate location on his or her Lot where the type of vehicle or trailer listed in this subparagraph can be parked so as to be adequately screened from view from other neighboring Lots or streets. For purposes of this restriction, a recreation vehicle shall include any van, bus, motor home or vehicle designed for off-road or recreational use which cannot be parked entirely within a garage so that the garage door can be returned to a fully closed position or adequately screened from view at some other location on the Owner's Lot that is approved by the Architectural Review Committee as to both screening and location.
- (e) The Board has the authority to promulgate further rules and restrictions regarding parking and vehicles within the Development as they deem appropriate.

Activities Affecting Insurance

Section 8.13 of the Declaration sets forth the following information relating to activities affecting the rate of insurance for the Association.

Nothing shall be done or kept on any Lot which will increase the rate of insurance relating thereto without the prior written consent of the Association and no Owner shall permit anything to be done or kept on his or her Lot which would cause any Improvements to be uninsurable against loss by fire or casualty or result in the cancellation of insurance on any Residence or Lot.

Appendix A

SCHEDULE OF CHARGES

| <u>Description</u> | <u>Fine Amount</u> |
|---|--|
| CC&R, Design Guidelines, Rules & Regulations Violations | \$25 (first offense) \$50 (same offense second notice) \$75 (same offense third notice) \$100 per week for same offense if compliance is not achieved |
| Parking | \$25 (first offense) \$50 (second offense) \$100 (third offense) |
| Uncontrolled Pets | \$75 (first offense) \$150 second offense) |