

**Second Amended & Restated  
Master Declaration  
of  
Covenants, Conditions, and Restrictions  
for  
Natomas Park**

*Recorded December 8, 2008*

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**SECOND AMENDED AND RESTATED  
MASTER DECLARATION  
OF  
COVENANTS, CONDITIONS, AND RESTRICTIONS  
FOR  
NATOMAS PARK  
A Master Planned Development**

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**SECOND AMENDED AND RESTATED  
MASTER DECLARATION OF  
COVENANTS, CONDITIONS, AND RESTRICTIONS  
FOR  
NATOMAS PARK**

THIS SECOND AMENDED AND RESTATED MASTER DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR NATOMAS PARK (the "Second Restated Master Declaration") is made by Natomas Park Master Association, with reference to the following facts:

**RECITALS**

A On November 25, 1998, Lennar Winncrest, LLC, a Delaware limited liability company recorded in the Official Records of Sacramento County, California, that certain document entitled "Master Declaration of Conditions, Covenants and Restrictions for Natomas Park", as Instrument No. 199811251365 (the "Original Master Declaration"). Subsequently, the Original Master Declaration was amended and restated by that certain document "Amended and Restated Master Declaration of Establishment of Covenants, Conditions and Restrictions for Natomas Park, a Master Planned Development", that was recorded in the Official Records of Sacramento County, California on June 3, 1999, as Instrument No. 199906031452 and re-recorded in said Official Records on June 16, 1999, as Instrument No. 199906160758 and subsequently amended by that "First Amendment to the Amended and Restated Master Declaration of Establishment of Conditions, Covenants and Restrictions for Natomas Park", recorded in the Official Records of Sacramento County, on August 10, 2006, in Book 20060810, Page 2070 (collectively, the "First Restated Master Declaration"). It is the purpose and intent of this Second Restated Master Declaration to amend and restate the Master Declaration and the First Restated Master Declaration in their entirety to read as set forth in this Second Restated Master Declaration, but without altering the priority of said documents in the chain of title to the real property that is more particularly described in Exhibit "A", attached hereto. The real property and improvements thereon that are described in Exhibit "A" are referred to herein as the "Community" or by the Community's common name which is "Natomas Park".

B The Natomas Park Master Association (the "Master Association") is a California nonprofit mutual benefit corporation formed to enforce the Second Restated Master Declaration and to manage and maintain the Master Common Areas of Natomas Park.

C The Natomas Park is a multi-phase master planned development (as defined in Section 2792.32 of Title 10 of the California Code of Regulations), and is also a "common interest development" within the meaning of Section 1351(c) of the California Civil Code. The general plan of development for Natomas Park includes low, medium and high density residential development, including single-family lot residential subdivisions and possibly condominium projects. The Natomas Park also includes a recreational facility, known as "The Club at Natomas Park" ("The Club") that is owned, operated and maintained by the Master Association. Membership in The Club and payment of Club membership fees, and costs and charges for its services and facilities are a mandatory obligation for Owners of Separate Interests within Natomas Park.



D On November 11, 2008, in accordance with Sections 4.3.4 and 14.1 of the Original Master Declaration (noting that Declarant's Class C votes and Merchant Builder Class B votes no longer exist and are, therefore, not applicable) the Delegates representing seventy-five (75%) of the total voting power of the Master Association, approved this Second Amended and Restated Master Declaration of Covenants, Conditions and Restrictions for Natomas Park. It was the intention of said Owners to replace the Original Master Declaration, in its entirety, with the recordation of this Second Restated Master Declaration, without changing the priority of the Original Master Declaration in the chain of title to the Separate Interests and Master Common Areas comprising the Natomas Park community. The action of the Members of the Master Association to amend and restate the Original Master Declaration and the First Restated Master Declaration as set forth herein and the fact that the requisite percentage of affirmative votes required in the First Restated Master Declaration was achieved, is attested by the execution of this Second Restated Declaration by duly authorized officers of the Master Association, as required by section 1355, subdivision (a), of the California Civil Code. As so amended and restated, the easements, covenants, restrictions and conditions set forth herein shall run with the real property comprising Natomas Park and shall be binding upon all parties having or acquiring any right, title or interest in any portion of the Natomas Park community and shall inure to the benefit of each Owner of an interest in such real property.

## ARTICLE I DEFINITIONS

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

Section 1.01. "Annexation" shall mean the addition of real property and all improvements thereto into the scheme created by this Second Restated Master Declaration. Upon such annexation, the annexed property shall be governed by, and subject to each and every provision of this Second Restated Master Declaration and any amendments thereto. The procedures for annexation of property are set forth in Article XVII, below.

Section 1.02. "Annexable Property" shall mean and refer to the real property which may be annexed to the Community by the Master Association, in accordance with the provisions of Article XVII, below.

Section 1.03. "Annual Assessment" means an Assessment levied against an Owner and his or her Separate Interest in accordance with Section 4.02, below.

Section 1.04. "Architectural Control Committee" or "ACC" means and refers to the committee that is appointed by the Master Association Board of Directors to perform the duties and responsibilities set forth in Article VI, below.

Section 1.05. "Architectural Control Guidelines" means and refers to any guidelines adopted by the Architectural Control Committee in accordance with Section 6.05, below.

Section 1.06. "Articles" shall mean and refer to the Articles of Incorporation of the Master Association as the same may be amended from time to time.

Section 1.07. "Assessment" means any Annual, Emergency, Special or Special Individual Assessment made or assessed by the Master Association against an Owner and his or her Separate Interest in accordance with the provisions of Article IV, below.

Section 1.08. "Board" or "Board of Directors" shall mean and refer to the governing body of the Master Association.

Section 1.09. "Budget" shall mean and refer to the annual pro forma operating statement for the Master Association described in Section 13.05(a) of the Master Association Bylaws and shall consist of a Base Budget and (if any Cost Center(s) are then part of the Community) a separate Cost Center Budget. The Base Budget shall be applicable to all Separate Interests in the Community and shall contain the financial information required by Section 13.05(a) of the Bylaws except financial information related to the Cost Center. The Cost Center Budget shall be applicable only to Separate Interests subject to assessment for the cost of operation, maintenance, repair and/or replacement of Cost Center improvements or maintenance areas and shall contain the same categories of financial information but only with respect to the Cost Center(s).

Section 1.10. "Bylaws" shall mean the duly adopted Bylaws of the Master Association as the same may be amended from time to time.

Section 1.11. "The Club at Natomas Park" or "The Club" shall mean and refer to the community recreational facility that is approximately 15,000 square feet and located on seven acres, owned by the Master Association, that is intended to serve the Community. Membership in The Club is mandatory for all Owners of Separate Interests within the Community. Except as provided in Section 8.01(e), The Club is for the exclusive use and enjoyment by Owners who hold title to a home in the Community, their immediate family members and guests.

Section 1.12. "Common Expense" means any use of Common Funds authorized by Article IV, below, and Article IX of the Bylaws and includes, without limitation: (a) all expenses or charges incurred by or on behalf of the Master Association for the management, maintenance, administration, insurance, operation, repairs, additions, alterations or reconstruction of the Common Area and Common Facilities, including The Club, and any portions of the Separate Interests that the Master Association is obligated to maintain or repair; (b) all expenses or charges reasonably incurred to procure insurance for the protection of the Master Association and its Board of Directors; (c) any amounts reasonably necessary for reserves for maintenance, repair and replacement of the Master Common Areas and Common Facilities, including The Club, and any portions of the Separate Interests that the Master Association is obligated to maintain, repair, or replace, and for nonpayment of any Assessments; and (d) the use of such funds to defray the costs and expenses incurred by the Master 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 1.13. "Common Facilities" means The Club, which includes the fitness, aquatics and social centers that comprise The Club and include, but are not limited to, the swimming pool

and apron area, pool storage and pump house, pool furniture, spa, parking lot, trees, hedges, plantings, lawns, shrubs, landscaping, utilities, berms, pipes, lines, lighting fixtures, structures and other facilities constructed or installed, or to be constructed or installed, or currently located within the Master Common Area and owned by the Master Association.

Section 1.14. "Community" shall mean and refer to that certain real property located in the City of Sacramento, Sacramento County, California, hereinbefore described and such additions thereto as may hereafter be brought within the jurisdiction of the Master Association through the annexation procedures set forth in Article XVII.

Section 1.15. "Community Manager" shall mean and refer to an experienced professional management company that the Board shall retain from time to time to provide management services to the Master Association, and to perform the functions of the Master Association, including the management and maintenance of the Community, as further provided for in this Second Restated Master Declaration.

Section 1.16. "Condominium" shall mean and refer to a Condominium as defined in Sections 783 and 1351(f) of the California Civil Code. As used in this Second Restated Master Declaration, the term Condominium is limited to single-family residential condominium units.

Section 1.17. "Cost Center" shall mean and refer to one (1) or more improvements or maintenance areas located on a portion of the Master Common Area, which directly confer a special benefit on some but not all of the Owners or Lots and/or Condominiums within the Community, and for which the cost of operation, maintenance, repair and/or replacement are to be wholly or primarily borne solely or disproportionately by such specified Owners through the use of a procedure for Annual Assessments on the benefited Separate Interests, based upon a Cost Center Budget.

Section 1.18. "Delegate" shall mean and refer to a natural person selected pursuant to Article VI of the Bylaws of the Master Association by the Owners within any Delegate District of the Community to represent all of the Owners within such Delegate District, and to vote on their behalf, as further provided herein and in the Bylaws. All of the provisions of this Second Restated Master Declaration and the Bylaws pertaining to the election, removal, qualification or action of Delegates shall be equally applicable to alternate Delegates selected in accordance with Section 6.02 and 6.03 of the Bylaws.

Section 1.19. "Delegate District" shall mean and refer to a geographical area within the Community in which all of the Members owning Separate Interests within such geographical area shall elect a single Delegate (and one alternate Delegate) to represent their collective voting power in the Master Association. The manner and conditions in which a Delegate District may be established or reapportioned is provided in the Bylaws of the Master Association.

Section 1.20. "Developer" shall mean and refer to the original subdivider of Natomas Park, namely Lennar Winncrest, LLC, a Delaware limited liability company.

Section 1.21. "Emergency Assessment" means an Assessment that the Master Association is authorized and empowered to impose under the limited circumstances defined in California Civil Code section 1366(b) and Section 4.05, below.

Section 1.22. "First Restated Master Declaration" means and refers to the document by that name which is more particularly identified in Recital "A", above.

Section 1.23. "Governing Documents" is a term used to reference the Articles of Incorporation and Bylaws of the Master Association, the Second Restated Master Declaration, the Master Association Rules, and the Architectural Control Guidelines and Policies, all as adopted by the Master Association.

Section 1.24. "Improvement" is a term that is used to identify those construction, landscaping, remodeling, redesigning, repainting, and other projects that can only be undertaken by Owners with the prior approval of the Architectural Control Committee in accordance with Article VI, below. "Improvements" include any proposed building, fence, wall, patio covers and gazebos or other structure, and landscaping. Any changes in grade, level or drainage characteristics of the Separate Interest or any portion thereof, shall also be considered a work of Improvement that requires the prior approval of the Architectural Control Committee, excluding projects within the interior of a home not visible from outside.

Section 1.25. "Institutional Lender" shall mean a Mortgagee which is a bank, savings and loan association, established mortgage company, or other entity chartered under federal or state laws, any corporation or insurance company, or any federal or state agency.

Section 1.26. "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Community, or other recorded document such as a lot line adjustment that is developed or to be developed for use as a single-family residence.

Section 1.27. "Master Association" shall mean and refer to NATOMAS PARK MASTER ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

Section 1.28. "Master Association Rules" means and refers to any rules and regulations adopted by the Master Association Board in accordance with Section 4.03, below.

Section 1.29. "Master Common Area" shall mean all real property (including improvements thereon), owned in fee simple by the Master Association, or for which the Master Association has rights and/or obligations by easement, lease, encroachment permit, license or other agreement, for management, operation, maintenance and/or for the common use and enjoyment of the Owners. Notwithstanding the obligations of the Master Association to maintain The Club as required in this Second Restated Master Declaration, additional Master Common Areas may be added or conveyed to the Master Association from time to time. The Master Common Areas may include, without limitation, open space areas, slopes, berms, trails, landscaping, trees and shrubs, entry monumentation, utility and other easements, streets, sidewalks, access gates, landscaped parkways and medians, parking areas, plazas, fences and walls, bridges, irrigation and drainage systems, and areas of public property designated by the City of Sacramento or other local governmental agency for maintenance, operation or management by the Master Association. Fee title or appropriate easements or other rights to all proposed Master Common Area within any Phase annexed to Natomas Park shall be conveyed to

the Master Association as part of the Annexation, prior to or concurrently with the closing of the sale of the first Separate Interest within such Phase if the annexed Phase is not yet developed.

Section 1.30. "Member" shall mean an Owner with a membership in the Master Association.

Section 1.31. "Mortgage" shall mean and refer to a deed of trust as well as a mortgage.

Section 1.32. "Mortgagee" shall mean a person or entity to whom a Mortgage is made, and shall include the beneficiary of a deed of trust.

Section 1.33. "Mortgagor" shall mean a person or entity who mortgages his/her or its property to another, i.e., the maker of a Mortgage, and shall include the trustor of a deed of trust.

Section 1.34. "Owner" shall mean and refer to the record Owners, whether one (1) or more persons or entities, of fee simple title to any Separate Interest which is part of the Natomas Park common interest development and subject to this Second Restated Master Declaration, but excluding those persons having such interests merely as security for the performance of an obligation.

Section 1.35. "Phase" shall mean one of the phases of development of the Community for which a separate Final Subdivision Public Report is issued by the California Department of Real Estate.

Section 1.36. "Second Restated Master Declaration" shall mean and refer to this Second Amended and Restated Master Declaration of Establishment of Conditions, Covenants and Restrictions for Natomas Park, as the same may be amended, changed or modified, from time to time.

Section 1.37. "Separate Interest" means and refers to a unit in a Condominium Project and/or a Lot in a planned development within Natomas Park.

Section 1.38. "Special Assessment" means an Assessment levied against an Owner and his or her Separate Interest in accordance with Section 4.03, below.

Section 1.39. "Special Individual Assessment" means an Assessment levied against an Owner and his or her Separate Interest in accordance with Section 4.04, below.

Section 1.40. "Special Use Fees" shall mean charges incurred by a Member at The Club for special or additional services provided to such Member or Members and would include the use of meeting rooms for special occasions. Special Use Fees are collected by the Master Association prior to the special use or additional services for which Special Use Fees are charged. A schedule of Special Use Fees will be established and updated periodically by the Master Association.

Section 1.41. "Sub-Association" shall mean and refer to a California nonprofit mutual benefit corporation, created and established as a homeowners' association in connection with the

recording of a Sub-Association Declaration, for the management of that portion of the Community encumbered by such Sub-Association Declaration.

Section 1.42. "Sub-Association Declaration" shall mean a declaration of covenants, conditions and restrictions, or similar document, which affects a particular portion of the Community, and which provides for a Sub-Association to manage and maintain the common property and facilities in such portion of the Community. This Second Restated Master Declaration and any Notices of Annexation are not Sub-Association Declarations. All Sub-Association Declarations shall be subordinate and subject to the provisions of this Second Restated Master Declaration and shall contain a provision reciting such subordination.

Section 1.43. Applicability of Terms. The aforesaid definitions shall be applicable to this Second Restated Master Declaration and to any supplements or amendments thereto (unless the context shall prohibit) recorded pursuant to the provisions of this Second Restated Master Declaration.

## ARTICLE II PROPERTY RIGHTS IN MASTER COMMON AREA

Section 2.01. Title to the Master Common Area. Subject to Section 1.29 above, the Developer conveyed title or an easement, as appropriate, of the Master Common Area to the Master Association, free and clear of all encumbrances and liens, except easements, covenants, conditions and reservations then of record, including those set forth in this Second Restated Master Declaration. Said conveyance for each Phase has been made to the Master Association prior to the conveyance of the first residential Separate Interest in such Phase to an Owner.

Section 2.02. Owner's Easements of Enjoyment. Every Owner of a Separate Interest shall have a right and easement of ingress, egress and of enjoyment in and to the Master Common Area which shall be appurtenant to and shall pass with the title to every such Separate Interest, subject to the following provisions:

(a) The right of the Master Association to suspend the voting rights, including the right to vote at any meeting of Members of the Delegate District, and right to use of the Master Association's recreational Common Facilities by an Owner for any period during which any assessment against his or her Separate Interest remains unpaid; and for a period not to exceed one (1) year for any infraction of the Master Association's Rules after reasonable written notice and an opportunity for a hearing before the Board as set forth in the Bylaws, which notice satisfies the minimum requirements set forth in Section 14.06, below.

(b) The right of the Master Association to require certain documentation and information of Members and other residents, reasonably related to operating a private club or otherwise related to their Membership, prior to permitting open access to The Club at Natomas Park.

(c) The right of the Master Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Master Common Area to any public agency,

authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. Notwithstanding any contrary provision in the Articles or Bylaws, so long as there is any Separate Interest for which the Master Association is obligated to provide management, maintenance, preservation, or control, no such dedication or transfer shall be effective unless approved by the vote or written assent of Delegates representing sixty-six and two-thirds (66 2/3%) of the Members of the Master Association, and an instrument executed by both the President and Secretary of the Master Association affecting such dedication or transfer, has been recorded;

(d) The right of the Master Association, in accordance with its Articles of Incorporation and Bylaws, to borrow money for the purpose of improving the Master Common Area and in aid thereof, and with the assent of two-thirds (2/3) of Members, to hypothecate any or all real or personal property owned by the Master Association;

(e) Notwithstanding any other provision of this Second Restated Master Declaration to the contrary, Owners shall not be permitted to enter upon the Master Common Areas and install their own plants, landscaping or other improvements, or in any manner alter or interfere with the landscaping installed thereon by the Master Association. No Owner shall be permitted to install any gate in the fences separating a Separate Interest from the Master Common Area, or otherwise alter any such fence in a manner to permit a means of access to the Master Common Area not originally intended by the Developer installing such fence. Landscaped open space and sloped areas within the Master Common Areas are not for recreational use by Owners. Only the walkways, trails and any specific recreational facilities shall be for recreational use.

Section 2.03. Delegation of Use. Except as stated below, Master Common Areas are for the private and exclusive use of Master Association Members and their guests only. However, any Member may delegate, in accordance with the Bylaws of the Master Association and any Rules and Regulation established by the Board, his or her rights of enjoyment to the Master Common Area and facilities to the members of the Member's family who reside within his or her Separate Interest, or upon relinquishing all use privileges, to individuals under a purchase contract who reside on his or her Separate Interest. Master Common Areas, upon which residents and their guests must traverse to gain access to their Separate Interest, such as a private driveway, shall remain accessible to all of its adjoining residents and their guests at all times, subject to applicable Rules and Regulations adopted by the Board and restrictions within this Second Restated Master Declaration. Further, any Member may delegate, in accordance with the Bylaws of the Master Association and any Rules and Regulations established by the Board, his or her rights of enjoyment to the Master Common Area, including The Club and its facilities, to the Member's lessee and his or her family members residing in the Community on the date this Second Restated Master Declaration is recorded. Without limiting the rights of lessees and their families provided in the preceding sentence, a Member may not delegate his or her rights of enjoyment to The Club or The Club Facilities to lessees and their families who after the recordation of this Second Restated Master Declaration begin residing in the Community.

Section 2.04. Reciprocal Easements. Upon the annexation of additional land and improvements into the Community, as provided in Article XVII, the Owners of Separate Interests in the annexed areas shall have non-exclusive easements for ingress, egress, and recreational use over the Master Common Areas within the Community, if so agreed upon and

provided within the Notice of Annexation. Similarly, the Owners of Separate Interests within the original scheme of this Second Restated Master Declaration, including previously annexed areas, shall have non-exclusive easements for ingress, egress, and recreational use over the Master Common Areas, if any, that are located in the newly annexed areas, is so agreed upon and provided within the Notice of Annexation.

Section 2.05. Utility Easements. In the Original Master Declaration, the Developer and each Merchant Builder granted, reserved and established non-exclusive easements over, under, and through each and every Separate Interest, and the Master Common Area and common areas and other properties owned or maintained by Sub-Associations (collectively "Common Property"), within the Community (the "Special Easement Area") as necessary for the installation, operation and maintenance of underground utility conduits and lines for the sole purpose of providing utilities to such Separate Interests and Common Property.

(a) Each Separate Interest or Common Property which obtains electrical power or other utilities through an underground utility conduit located within a Special Easement Area of another Lot(s) or Condominium(s), or within Common Property, is hereby granted and shall have the benefit of a non-exclusive easement through and under such Special Easement Area for the installation, operation and maintenance of such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

(b) Each Separate Interest or Common Property containing a Special Easement Area within which there lies an underground utility conduit and utility lines is hereby declared to be, and shall be conveyed subject to, a non-exclusive easement by reservation for the benefit of the Lot(s) or Condominium(s) or Common Property serviced by such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

(c) Subject easements were construed as covenants running with the land, or equitable servitudes as necessary to achieve Developer's intent. Developer and each Merchant Builder's expressed intent to subject each Separate Interest within the Community which contained an underground utility conduit, as described hereinabove, to such restrictions, covenants, easements, and servitudes as were necessary to provide for the continued operation and existence of such utility conduit and utility lines.

(d) In the Original Master Declaration the Developer granted, reserved and established non-exclusive easements over, under, and through each and every Separate Interest, and the Common Property, for access, ingress and egress, for the installation, operation, maintenance, repair, inspection, removal and replacement of a cable television system, telecommunication service lines, facilities and equipment, for the benefit of Developer, the Merchant Builders, the Master Association, all Owners, and their respective subsidiaries, successors and assigns. All such cable television system, telecommunication service lines, facilities and equipment shall remain the property of the Developer, its subsidiaries, successors, transferees and assigns, and transfer of all or any portion of the Community shall not be deemed to include a transfer of any such easements or the cable television system, telecommunication service lines, facilities and equipment, unless the same are expressly conveyed. In the Original Master Declaration, the Developer reserved the right to grant to any third persons (including any public utility, governmental entity, or private or public corporation or company), at any time in



the future, said easements, as may be necessary or desirable for the benefit of the Developer, the Merchant Builders, the Master Association, all Owners, and their respective subsidiaries, successors and assigns.

### ARTICLE III MEMBERSHIP AND VOTING RIGHTS IN THE MASTER ASSOCIATION

Section 3.01. The Natomas Park Master Association. At the inception of the Natomas Park common interest development the Developer formed an incorporated homeowners' association known as the Natomas Park Master Association, a California nonprofit mutual benefit corporation (the "Master Association"). The Master Association is responsible for the management and maintenance of the Master Common Areas and for the maintenance of the landscaping and other items as set forth in this Second Restated Master Declaration and the other Governing Documents of the Master Association.

Section 3.02. Membership. Each Owner of a Separate Interest in Natomas Park shall be a Member of the Master Association and shall be entitled to one (1) vote for each Separate Interest owned. When more than one (1) person holds an interest in any Separate Interest, all such persons shall be Members. The vote for such Separate Interest shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Separate Interest. Tenants who are delegated rights of use pursuant to the rental or lease of a Residence 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. Except as provided in Section 8.01(e), neither a lessee nor his or her family members have the right to use The Club or The Club Facilities.

Section 3.03. Delegate Districts: Voting Rights. The Master Association shall be divided into Delegate Districts as provided in this Second Restated Master Declaration and Article VI of the Master Association Bylaws. The Delegate, and Alternate Delegate, to represent any Delegate District shall be elected by Members within such Delegate District in accordance with the voting procedure set forth in Article VI of the Bylaws.

Section 3.04. Transfer of Memberships. Membership in the Master Association shall not be transferred, encumbered, pledged or alienated in any way, except upon the sale of the Separate Interest to which it is appurtenant, and then only to the purchaser. In the case of a sale, the membership appurtenant to the transferred Separate Interest 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 Separate Interest, the Mortgagee shall not possess any membership rights until the Mortgagee becomes an Owner by foreclosure or acceptance of a deed in lieu thereof. If any Owner fails or refuses to transfer the membership registered in his or her name to the purchaser of his or her Separate Interest, the Master 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.

ARTICLE IV  
POWERS OF THE MASTER ASSOCIATION

Section 4.01. Powers of the Master Association. The Master Association shall have the responsibility of owning, managing and maintaining the Master Common Areas and Common Facilities and discharging the other duties and responsibilities imposed on the Master Association by the Governing Documents. In the discharge of such responsibilities and duties, the Master 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 Master 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, and to do and perform any and all acts which may be necessary or proper for, or incidental to, the exercise of any of the express powers of the Master Association for the peace, health, comfort, safety or general welfare of the Owners. Without limiting the foregoing, the Master Association, in its sole and absolute discretion, and as more fully set forth in its Bylaws, shall have the power, and where appropriate, the duty, to perform the following acts:

- (a) Management and Operation of the Common Area and Common Facilities. The Master Association shall have the sole and exclusive right and duty to manage, operate, control, repair, replace, or restore the Master Common Areas, including, without limitation, all the improvements, trees, shrubbery, plants and grass, private streets, drives and walks within the Master Common Area. The Master Association shall also have the sole and exclusive right and duty to perform maintenance, repair and replacement of certain landscaping and related improvements located outside of the boundaries of the Community, in accordance with the requirements of the City of Sacramento, as provided in Section 18.02, below.
- (b) Levy and Collection of Assessments. The Master Association shall have the right, duty and power to levy and collect Assessments, all as more particularly provided in Article V, below.
- (c) Payment of Taxes. The Master Association shall pay the taxes and assessments, if any, which may be levied by any governmental authority on the Master Common Area of the Community or any part thereof.
- (d) Maintenance of Bank Accounts. The Master Association shall maintain a bank account or accounts for funds coming under the control of the Master Association.
- (e) Adoption and Enforcement of Architectural Control Guidelines. The Master Association shall have the right and power to adopt and enforce architectural guidelines ("Architectural Control Guidelines") for the Community and all supplements thereto, which may be updated from time to time, and which shall not be less stringent than those guidelines developed by the City of Sacramento.
- (f) Adoption of Rules and Regulations. The Master Association shall adopt rules and regulations ("Master Association Rules") not inconsistent with the provisions of this Second

Restated Master Declaration, including, but not limited to, Master Association Rules relating to the use of the Master Common Area and of the Community. Master Association Rules shall be adopted in accordance with Section 4.03, below.

(g) Enforcement of the Governing Documents. The Master Association shall have the right and power to enforce the provisions of this Second Restated Master Declaration, and the Bylaws, and Articles of Incorporation of the Master Association and Master Association Rules; provided, however, nothing contained in this subparagraph (g) shall be construed to prohibit enforcement of same by any Owner.

(h) Maintenance of Insurance. The Master Association has the right and power to contract for and maintain insurance with the coverages and dollar limitations set forth in Article XII, below.

(i) Hiring of Contractors and Professionals. The Master Association has the right and power to contract, provide and pay for (i) maintenance, utility, gardening and other services benefiting the Community; (ii) payment of persons necessary to accomplish the obligations of the Master Association; and (iii) legal and accounting services. Notwithstanding any of the foregoing, the Master Association, acting through its Board, may not enter into any contract binding for a term longer than one (1) year from the effective date thereof without the vote or written consent of Delegates representing a majority of the voting power of the Members of the Master Association, except as specifically authorized herein or in the Articles or Bylaws.

(j) Purchase of Tools, Equipment and Supplies. The Master Association has the right and power to contract for the purchase of tools, equipment, materials, supplies and other personal property and services for the maintenance and repair of the Master Common Areas and Common Facilities of the Community.

(k) Contract for the Repair and Reconstruction of Common Facilities. The Master Association has the right and power to contract for and pay for reconstruction of any portion or portions of the Master Common Areas and Common Facilities of the Community that are damaged or destroyed.

(l) Operation and Management of the Club. The Master Association has the right and power to provide, and to hire all necessary personnel, and/or to contract with any management company, to provide, any or all of the community recreational facilities and services to be provided by the Master Association for the Owners of Separate Interests in the Community, and to levy Assessments, and to require mandatory membership in The Club by the Owners of Separate Interests in the Community.

(m) Shared Maintenance Contracts. The Master Association has the right and power to enter into a shared maintenance agreement, cost sharing arrangement, joint use agreement, or other appropriate contract with Sub-Associations and any other person, with regard to the use and maintenance of any real property of the Master Association, or any neighboring real property or jointly used improvement or the cost of providing services to jointly to such parties.

(n) Right to Delegate Powers. The Master Association has the right and power to delegate its powers to others where such delegation is, in the decision of the Board, considered necessary or proper.

(o) Right to Participate in Litigation and ADR. The Master Association has the right and power to prosecute or defend, and to perform any act reasonably necessary to resolve by alternative dispute resolution proceedings, under the name of the Master Association, any action affecting or relating to the Community or the personal property thereon, or any action in which all of the Owners have an interest in the subject matter of the action.

(p) Right to Borrow Funds. The Master Association may borrow money, and may mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred.

(q) Acquisition and Disposition of Property. The Master Association may acquire by gift, purchase or otherwise own, hold, enjoy, lease, operate, maintain, convey, sell, transfer, mortgage, or otherwise encumber, dedicate for public use, or otherwise dispose of real and/or personal property in connection with the business of the Master Association; provided, however, that the Master Association shall not acquire or sell any real or personal property having an individual or aggregate fair market value greater than five percent (5%) of the budgeted gross expenses of the Master Association for that fiscal year by purchase or lease without first obtaining the vote or written consent therefor from Delegates representing a majority of the voting power of the membership, except as is provided pursuant to the annexation of subsequent Phases to this Community.

(r) Right to Discipline Members. The Master Association shall have the right and power to suspend a Member's voting rights, including the right to vote at any meeting of Members of a Delegate District, and the right to use the recreational facilities for any period during which any assessment against his or her Separate Interest remains unpaid and delinquent; and for a period not to exceed one (1) year for any single infraction of the Master Association Rules, provided that any suspension of such voting rights or right to use the recreational facilities, except for failure to pay assessments, shall be made only by the Master Association or a duly appointed committee thereof, after notice and hearing are given and held in accordance with the Bylaws of the Master Association and Civil Code section 1363(h). The Master Association may not cause a forfeiture of an Owner's right to use and enjoy his or her Separate Interest for failure of such Owner to comply with the provisions of this Second Restated Master Declaration, or the Bylaws of the Master Association or the Rules and Regulations of the Master Association, except (1) by judgment of a court or decision arising out of arbitration, or (2) on account of a foreclosure or sale under a power of sale for failure of the Owner to pay assessments duly levied by the Master Association, as set forth in Article V, below.

Suspension of a Member's voting rights or right to use the Master Association recreational facilities for failure to pay Assessments, whether Annual Assessments or Special Assessments, shall be made only by the Master Association or a duly appointed committee thereof after fifteen (15) days notice of the suspension has been provided to the Member and an opportunity to pay the Assessment(s) in full.

The Master Association may impose monetary penalties upon Owners as a disciplinary measure (1) for failure of an Owner to comply with the Bylaws, the Master Declaration or the Rules and Regulations of the Master Association, or (2) as a means of reimbursing the Master Association for costs incurred by the Master Association in the repair of damages to the Master Common Areas and facilities thereon for which the Owner is allegedly responsible, or (3) to bring an Owner or its Separate Interest into compliance with the Master Declaration, Bylaws of the Master Association or the Master Association Rules.

(s) Right of Entry. In order to assure consistent landscaping and/or maintenance of the attractive appearance of landscaping throughout the Community, the Master Association shall have the right and power, but not the obligation, to assume responsibility for the installation, repair, replacement and/or maintenance of the landscaping within all or any portion of any Separate Interest(s), or within any real property owned or maintained by any Sub-Association, and the costs thereof, as follows:

(i) The right of entry may be exercised immediately and without prior notice to the Owner or resident in case of an emergency originating in or threatening the Separate Interest where entry is required or any adjoining Separate Interests or Common Area. The Master Association's work may be performed under such circumstances whether or not the Owner or his or her lessee is present.

(ii) In all non-emergency situations involving routine repair and/or maintenance activities, the Master Association or its agents shall furnish the Owner or his or her lessee with at least twenty-four (24) hours prior written notice of its intent to enter the Separate Interest, specifying the purpose and scheduled time of such entry, and shall make every reasonable effort to perform its work and schedule its entry in a manner that respects the privacy of the persons residing on the Separate Interest.

(iii) In all non-emergency situations involving access by the Master Association for purposes of enforcing the Governing Documents against an Owner in default, the Master Association's entry shall be subject to observance of the notice and hearing requirements imposed by Section 14.06, below.

(iv) Except as identified in Section 4.01(s)(ii) and (iii), above, in no event shall the Master Association's right of entry hereunder be construed to permit the Master Association or its agents to enter any Separate Interest without the express permission of the Owner or tenant.

Assumption of such responsibilities by the Master Association shall not bar the later return of such responsibilities to the Owner(s) of such Separate Interest(s) or Common Property, regardless of such Owner(s) consent.

Section 4.02. Fidelity Bond. The Master Association shall maintain a fidelity bond or insurance in an amount at least equal to the sum of three months' assessments on all Lots and Condominiums in the Community, which names the Master Association as obligee and insures against loss by reason of acts of members of the Board of Directors, officers and employees of the Master Association and any Community Manager, or other management agent, and its employees, whether or not such persons are compensated for their services.

Section 4.03. Master Association Rules.

(a) Rule Making Power. The Board of Directors of the Master Association may, from time to time and subject to the provisions of this Second Restated Master Declaration, propose, enact and amend rules and regulations of general application to the Owners ("Master Association Rules"). The Master Association Rules may concern, but need not be limited to: (i) matters pertaining to use of the Common Area and Common Facilities; (ii) architectural control and the rules of the Architectural Control Committee under Article VI, below (iii) regulation of pet ownership, parking, signs, collection and disposal of refuse and other matters subject to regulation and restriction under Article VII, below; (iv) collection of delinquent Assessments in accordance with Article V, below; (v) minimum standards of maintenance of landscaping or other Improvements on any Lot; (vi) the conduct of disciplinary proceedings in accordance with Section 14.06, below, (vii) and any other subject or matter within the jurisdiction of the Master Association as provided in the Governing Documents. Once the authority to appoint members of the Architectural Control Committee is vested solely in the Board of Directors of the Master Association, the Master Association Rules shall also include the Architectural Control Guidelines.

Notwithstanding the foregoing grant of authority, the Master 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 Master Association Rule and the provisions of any other Governing Document, the conflicting provisions contained in the other Governing Document shall prevail. All Master Association Rules shall be adopted, amended and repealed (as the case may be) in good faith and in substantial compliance with this Second Restated Master Declaration and California Civil Code sections 1357.100 through 1357.150.

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

(c) Adoption and Amendment of Rules.

(i) Requirement of Prior Notice to the Members of Certain Operating Rules or Amendments Thereto. California Civil Code section 1357.100 defines an "Operating Rule" as a Master Association Rule or regulation that applies generally to the management and operation of the Community or to the conduct of the business and affairs of the Master Association. That Civil Code section further defines a "Rule Change" as any adoption, amendment, or repeal of an Operating Rule by the Board of Directors. Civil Code section 1357.120 identifies seven types of Operating Rules (and Rule Changes involving such Operating Rules) that must first be provided to the members in writing at least thirty (30) days prior to the Board taking action to implement the Rule Change. The notice must include the text of the proposed Rule Change and a description of the purpose and effect of the proposed Rule Change. This requirement of prior notice to the Members applies only to Operating Rules that relate to one or more of the following subjects:

(A) Use of the Master Common Areas of the Community;

- (B) Use of any Separate Interest in the Community (including Architectural Control Guidelines);
- (C) Member discipline, including any schedule of monetary penalties for violation of the Governing Documents and any procedure for the imposition of penalties;
- (D) Any standards for delinquent assessment payment plans;
- (E) Any procedures adopted by the Master Association for resolution of disputes;
- (F) Any procedures for reviewing and approving or disapproving a proposed physical change to an Owner's Separate Interest or to the Common Area of the Community; and
- (G) Procedures for the conduct of elections.

Specifically excluded by Civil Code section 1357.120 from the requirement of prior notice to Members are the following actions of the Board, regardless of whether those actions may be construed as being Master Association Rules or "Operating Rules", as defined in the Civil Code: (i) any Rule Change that the Board adopts to address an imminent threat to public health or safety or imminent risk of substantial economic loss to the Master Association (such "emergency rules" can be adopted and remain in effect for up to one hundred twenty (120) days); (ii) decisions regarding maintenance of the Master Common Areas or Common Facilities; (iii) a decision on a specific matter that is not intended to apply to all Members, generally; (iv) establishing the amount of an assessment; (v) adoption of a Rule Change that is required by law (if the Board of Directors has no discretion regarding the substantive effect of the Rule Change); and (vi) issuance of a document that merely repeats existing law or the Governing Documents.

With respect solely to Operating Rules and/or Rule Changes listed in subparagraphs (A) through (G), of paragraph (c)(i) above, Civil Code section 1357.140 gives Members owning five percent or more of the Lots in the Community the right to demand that a special meeting or vote of the Members be called to reverse a proposed Rule Change, so long as the request for the special meeting is delivered to the Master Association not more than thirty (30) days after the Members are first given notice of the Rule Change. If a proper and timely demand for a special meeting to vote to rescind an Operating Rule or Rule Change is tendered to the Master Association, the Board shall establish the date, time and location of the meeting, or establish procedures for a membership vote by written ballot, and provide notice thereof to the Members in accordance with Corporations Code Section 7511(c).

So long as a quorum of the Members, as specified in Section 5.02 of the Bylaws is present at any such meeting, the Rule Change can be reversed on the affirmative vote of a Majority of a Quorum of the Members, with each Member having one vote on the matter for each Lot owned. If the Members vote to reverse an Operating rule or a Rule Change, the Board may not take action to readopt the Operating Rule or Rule Change for a period of one year after the date of the special meeting where reversal of the Operating Rule or Rule Change was approved; provided, however, that this provision is not intended to preclude the Board from

adopting a different Operating Rule or Rule Change on the same subject as the Rule Change that was successfully reversed. As soon as possible following the close of voting on any proposal to reverse an Operating Rule or Rule Change, but not more than fifteen (15) days after the close of voting, the Board shall provide notice to each Member of the results of the Member vote by personal delivery or first-class mail. Notice of board action that enacted an operational rule change or other notification of a nature that did not significantly impact the Membership's rights or use privileges may be posted on the Master Association's website as soon as possible, but, in no event, later than fifteen (15) days after its implementation.

(ii) Minimum Content for Election Rules. Civil Code section 1363.03 requires associations to adopt rules regarding the conduct of elections that do all of the following:

(A) Ensure that any candidate or Member advocating a point of view is provided access to Master Association media, newsletters, or Internet Web sites during a campaign so long as the access is reasonably related to that election, equal access shall be provided to all candidates and members advocating a point of view (whether or not endorsed by the Board). The Master Association may not edit or redact any content from these campaign communications, but may include a statement specifying that the candidate or Member, and not the Master Association, is responsible for that content.

(B) Ensure access to the Common Area meeting space, if any exists, during a campaign, at no cost, to all candidates, including those who are not incumbents, and to all Members advocating a point of view (whether or not endorsed by the Board) so long as use of the space is for a purpose that is reasonably related to the election.

(C) Specify the qualifications for candidates for election to the Board of Directors and any other elected position, and procedures for the nomination of candidates. A nomination or election procedure shall not be deemed reasonable if it disallows any Member of the Master Association from nominating himself or herself for election to the Board.

(D) Specify the qualifications for voting, the voting power of each membership, the authenticity, validity, and effect of proxies, and the voting period for elections, including the times at which polls will open and close.

(E) Specify a method of selecting one or three inspectors of election by the Board of Directors.

(iii) Adoption of Other Master Association Rules. Except as provided in subparagraph (c)(i), above, with respect to certain Operating Rules and Rule Changes that must first be distributed to the Members, other Master Association Rules may be adopted or amended from time to time by majority vote of the Board. Any duly adopted rule or amendment to the Master 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. Any duly adopted rule or rule amendment shall be distributed to the Owners by mail, personal delivery or posted on the Master Association's official Website.



(iv) Prohibition on Adoption of Certain Rules. In accordance with Civil Code section 1368.1, any rule or regulation of an association that arbitrarily or unreasonably restricts an Owner's ability to market his or her Separate Interest or Residence is void. Without limiting the foregoing, in no event shall the Master Association be entitled to impose an Assessment or fee in connection with the marketing of an Owner's Separate Interest or Residence in an amount that exceeds the Master Association's actual and direct costs (see also, Section 4.01(e), below).

Section 4.04. Breach of Rules or Restrictions. Any breach of the Master Association Rules or of any other Governing Document provision shall give rise to the rights and remedies set forth in Article XIV, below.

Section 4.05. Limitation on Liability of the Master Association's Directors and Officers.

(a) Claims Regarding Breach of Duty. No director or officer of the Master 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 Master 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 Master Association's annual financial budget, the funding of Master Association capital replacement and reserve accounts, repair and maintenance of Master Common Areas and Common Facilities and enforcement of the Governing Documents.

(b) Other Claims Involving Tortious Acts and Property Damage. No person who suffers bodily injury (including, without limitation, emotional distress or wrongful death) as a result of the tortious act or omission of a volunteer member of the Master Association Board of Directors or volunteer officer of the Master Association shall recover damages from such Board member or officer if all of the following conditions are satisfied:

- (i) The Board member or officer owns no more than two Lots;
- (ii) The act or omission was performed within the scope of the volunteer Board member's or officer's Master Association duties;
- (iii) The act or omission was performed in good faith;
- (iv) The act or omission was not willful, wanton, or grossly negligent;
- (v) The Master Association maintained and had in effect at the time the act or omission occurred and at the time a claim is made general liability insurance with coverage of at least Three Million Dollars (\$3,000,000).

The payment of actual expenses incurred by a Master Association Board member or officer in the execution of such person's Master Association duties shall not affect such person's status as a volunteer Board member or officer for the purposes of this section. The provisions of this subparagraph (b) are intended to reflect the protections accorded to volunteer directors and officers of Associations pursuant to California Civil Code section 1365.7. In the event that section of the Civil Code is amended or superseded by another, similar provision of the California statutes, this subparagraph (b) shall be deemed amended, without the necessity of further Member approval, to correspond to the amended or successor Civil Code provision.

## ARTICLE V ASSESSMENTS

### Section 5.01. Assessments Generally.

(a) Covenant to Pay Assessments; Purpose of Assessments. Each Owner of a Separate Interest in the Community by acceptance of a deed therefor (whether or not it shall be so expressed in such deed), covenants and agrees to pay to the Master Association: (i) Annual Assessments; (ii) Special Assessments; (iii) Emergency Assessments; and (iv) Special Individual Assessments. Each such Assessment shall be established and collected as hereinafter provided. The assessments levied by the Master Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Community, for the improvement and maintenance of the Master Common Area and the homes situated upon the Separate Interests, for the payment of amounts due with respect to The Club and such other purposes as set forth in this Second Restated Master Declaration and the Bylaws. The portion of Assessments levied to pay the costs related to Cost Center(s) shall be used exclusively for the purposes of the Cost Center for which they were levied.

(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 Separate Interest 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 Separate Interest, he or she shall not be personally liable for delinquent Assessments of prior Owners unless the new Owner expressly assumes the personal liability. However, if the acquired Separate Interest is conveyed subject to a valid lien for delinquent Assessments (and related costs of collection), the Master Association may continue to exercise its foreclosure remedies against the Separate Interest, regardless of the change of ownership, and/or the Master Association may pursue its collection remedies against the prior Owner, individually.

(c) Creation of Assessment Lien. With the exception of the limitations imposed by law on the collection of certain Special Individual Assessments by use of lien and foreclosure remedies, all Assessments, together with late charges, interest, and reasonable costs (including reasonable attorneys' fees) for the collection thereof, shall be a charge on the Separate Interest

and shall be a continuing lien upon the Separate Interest against which such Assessment is made. Any lien for unpaid Assessments created pursuant to the provisions of this Article may be subject to foreclosure as provided in Section 5.10(b), below.

(d) No Avoidance of Assessment Obligations. No Owner may exempt himself/herself or the Owner's Separate Interest from liability or charge for the Owner's share of any Assessment made against the Owner or his or her share of any Annual or Special Assessment made against the Owner's Separate Interest, by waiving or relinquishing, or offering to waive or relinquish, the Owner's right to use and enjoy all or any portion of the Common Area or Common Facilities or by the abandonment or non-use of the Owner's Separate Interest.

(e) Designation of Cost Centers. The Master Association shall have the power and authority to designate Lots, Parcels and Master Common Areas within the Community as Cost Centers for purposes of expense accounting and the equitable allocation of Annual Assessments, in accordance with Section 5.02(b)(ii), below. A Cost Center is likely to be designated when one of the following occurs: (i) the maintenance or use of a particular Improvement or maintenance area within the designated Cost Center is fully or partially restricted to Owners of Lots located within the area designated as a "Cost Center," or (ii) when certain Owners of Lots within a designated Cost Center are receiving services from the Master Association that are in addition to, or significantly greater than, the services provided to other Owners or residents. Ordinarily, a Cost Center shall be established whenever it is reasonable to anticipate that any Owner or group of Owners will derive as much as ten percent (10%) more than Owners in general in the value of a common service(s) supplied by the Master Association.

The Cost Centers established at the time of recordation of this Second Restated Master Declaration are identified in Exhibit "B". The Board shall have the authority to revise and update Exhibit "B" upon the addition of a Cost Center or revision thereof without rerecording this Second Restated Master Declaration and without the need for approval by the Members of the Master Association. As Annexable Property is subjected to this Second Restated Master Declaration, new Cost Centers within the annexed Phase may be designated in the Supplemental Declaration Recorded with respect to the annexed Phase which shall (i) identify the Lots comprising the Cost Center; (ii) identify the Common Facilities, maintenance areas or other services that will exclusively or disproportionately benefit the Owners of Lots within the Phase; and (iii) provide for the allocation of Common Expenses attributable to the identified Common Facilities or services to Owners within the Cost Center as a Cost Center Assessment Component of their Annual Assessment.

(f) Improper Assessment. In accordance with Civil Code section 1366.1, the Master Association shall not impose or collect an Assessment or fee that exceeds the amount necessary to defray the costs for which it is levied.

Section 5.02. Maximum Annual Assessment. The Board of Directors shall abide by the hereinafter provisions for establishing the maximum Annual Assessments.

The Master Association shall maintain an adequate reserve fund for maintenance, repairs and replacement of those elements of the Master Common Area that must be replaced on a periodic basis, and such reserve shall be funded by Annual Assessments. In addition, the Master

Association shall maintain adequate Cost Center reserve funds, with a separate fund for each identified Cost Center, for the maintenance, repairs and replacement of the Cost Centers, and such reserve shall be funded by annual Cost Center assessments levied only against Separate Interests having special benefit from the respective Cost Centers within the Community, in accordance with the amounts therefor contained in the approved Cost Center Budgets.

(a) The Annual Assessment may be increased effective the first day of each fiscal year by the Board of Directors, without any further vote of the Members, provided that (i) any such increase shall not be more than twenty percent (20%) of the previous year's most recent Annual Assessment (including any increase in the Annual Assessment resulting from new Phases being annexed to the Community during such year), and (ii) the Board of Directors has complied with Section 13.05(a) of the Bylaws with respect to that fiscal year, including, but not limited to, the preparation and distribution of a pro forma operating budget to all Members of the Master Association not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the Master Association's fiscal year. Such Annual Assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period. The Master Association shall provide notice by first-class mail to each Owner of any increase in Annual Assessments of the Master Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due. Increases resulting from annexation of an additional Phase, the approved budget for which contains a higher maximum Annual Assessment amount than that in effect prior to such annexation, are not subject to this limitation.

(b) In addition to approval by the Board of Directors, any increase in the Annual Assessment that is more than twenty percent (20%) greater than the Annual Assessment for the Master Association's preceding fiscal year or any increase in the Annual Assessment for any fiscal year in which the Board of Directors has failed to timely distribute the annual budget to the Members may only be made if the increased Annual Assessment is approved by the Members in accordance with Section 5.06, below. The Board of Directors may fix the Annual Assessment at an amount not in excess of the maximum. Emergency Assessments that are imposed under any of the circumstances described in Section 5.05, below, are not subject to this requirement of prior Member approval.

Section 5.03. Special Assessments. In addition to the Annual Assessments authorized above, the Board of Directors of the Master Association may levy, in any fiscal year, a Special Assessment applicable to that year only for the purpose of defraying, in whole or in part: (a) the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Master Common Area, including fixtures and personal property related thereto, or (b) to fund any Common Expenses for the fiscal year that cannot otherwise be funded by revenues derived by the Master Association from the Annual Assessment or other available; provided, however, that any Special Assessments that in the aggregate exceed five percent (5%) of the budgeted gross expenses of the Master Association for the fiscal year in which the Special Assessment is imposed must be approved by the Members in accordance with Section 5.06, below.

Section 5.04. 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 5.03, 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 until the Owner has been afforded the notice and hearing rights to which the Owner is entitled pursuant to Section 14.06, 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 Common Area or Common Facilities. In the event that any damage to, or destruction of, any portion of the Common Area or the Common Facilities 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 by the Master Association 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 Master 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 Property 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 Separate Interest into compliance with any provision of the Governing Documents, the amount incurred by the Master Association (including 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. The Master Association's Special Individual Assessment authority hereunder shall extend to the collection of any reasonable fines or penalties imposed against an Owner pursuant to Article XIV, below.

(iii) Required Maintenance of Lots. If any Lot or Residence is maintained so as to become a nuisance, structural, fire or safety hazard for any reason, including without limitation, the accumulation of trash, the Master 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 to a Lot by the Master Association or its agents shall be undertaken in strict compliance with Section 4.01(t), above.

(iv) Monetary Penalty. If any Monetary Penalty is imposed upon an Owner as a result of actions taken under Section 14.06(d)(ii) to enforce compliance of the Governing Documents.

(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 Master 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 Master Association within thirty (30) days after the mailing of notice of the Assessment.

(c) Limitation on Right to Lien Lots For Special Individual Assessments. The right of the Master Association to collect delinquent Special Individual Assessments through the use of lien and foreclosure remedies is subject to the limitations set forth in Section 5.11(b)(ix), below. However Special Individual Assessments may be collected by the Master Association through the use of other legal processes, including, without limitation, an action in small claims court.

#### Section 5.05. Assessments to Address Emergency Situations

(a) Authority of Board to Impose Emergency Assessments. The requirement of a membership vote to approve: (i) Annual Assessment increases in excess of twenty percent (20%) of the previous year's Annual Assessment; or (ii) Special Assessments which, in the aggregate, exceed five percent (5%) of the Master 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 ("Emergency Assessments"). 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 Master Common Areas or Common Facilities where a threat to personal safety is discovered; or
- (iii) An extraordinary expense necessary to repair or maintain the Master Common Areas or Common Facilities that could not have been reasonably foreseen by the Board in preparing and distributing the budget pursuant to Section 5.01, 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.

(b) Payment of Emergency Assessments. When levied by the Board the Emergency Assessment shall be divided among, assessed against and charged to each Owner and his or her Lot in the same manner prescribed for the allocation of Annual Assessments pursuant to Section 5.01, above. The Emergency Assessment so levied shall be recorded on the Master Association's Assessment roll and notice thereof shall be mailed to each Owner. An Emergency Assessment shall be due as a separate debt of the Owner and shall be payable in full to the Master Association within thirty (30) days after the mailing of the notice of the Emergency Assessment or within such extended period as the Board shall determine to be appropriate under the circumstances giving rise to the Emergency Assessment. If an Emergency Assessment is not paid on or before the due date, the Assessment may be enforced in the manner provided in Section 5.11, below.

Section 5.06. Notice and Quorum for Any Action Authorized Under Sections 5.02 and 5.03. In the event that Member approval is required in connection with any increase or imposition of Assessments pursuant to Sections 5.02 and 5.03, above, the affirmative vote required approving the increase in the Annual Assessment or the imposition of the Special Assessment shall be a Majority of a Quorum of the Members. The quorum required for such membership action shall be more than fifty percent (50%) of the Members. Any vote on an increase in the Regular Assessment or on the imposition of a Special Assessment that requires approval of the Members must be conducted by use of a secret ballot and that balloting process shall be conducted using a double envelope secret ballot voting process in accordance with Civil Code section 1363.03. The requirements for Member approval of certain Annual Assessment increases or to impose certain Special Assessments pursuant to Sections 5.02 and 5.03, above, shall be applied separately to the Annual Assessments and Special Assessments that are levied against all Separate Interests in Natomas Park, and to proposed Annual Assessment increases or Special Assessments that pertain solely to a particular Cost Center and to the Separate Interests that are located in that Cost Center. Increases in the Cost Center Annual Assessments or Cost Center Special Assessments which require Member approval pursuant to Sections 5.02 or 5.03, above, shall require the affirmative vote of a majority of a quorum of the Members subject to the Cost Center assessments for the particular Cost Center for which an Annual Assessment increase or a Special Assessment is proposed.

Section 5.07. Rate of Assessment. Special Assessments, except as may be otherwise provided in Section 5.03 and Annual Assessments, shall be fixed at a uniform rate for all Lots and Condominiums and shall be collected on a monthly basis. Notwithstanding the foregoing, those Separate Interests that receive special benefit from a Cost Center, as designated in a Notice of Annexation, shall also be subject to Cost Center assessments to reimburse the Master Association for the cost of periodic inspection, maintenance, replacement and repair, and accumulation of reserves, for the applicable Cost Center(s), in accordance with the amounts stated for such costs in the approved Cost Center Budgets for the Community.

Section 5.08. Date of Commencement of Annual Assessments; Due Dates. The Board shall fix the amount of the Annual Assessment against each Separate Interest at least thirty (30) days in advance of each Annual Assessment period. Written notice of the Annual Assessment shall be sent to the Owner of each Separate Interest within the Community. All Separate Interests within the real property annexed into the Community under the procedure hereinafter set forth in Article XVII shall be obligated to pay Annual Assessments to the Master Association as hereinbefore provided. The Annual Assessments shall automatically commence as to all Separate Interests within any Lots annexed to the Master Association on the first day of the first month following the date of issuance and recordation of a Notice of Annexation. The due dates for assessments shall be established by the Board of Directors. If any payment of an assessment installment is less than the amount assessed and the payment does not specify the assessment fund or account into which it is to be deposited, it shall first be applied to pay general Annual Assessments for operating costs until the amount due therefor is satisfied, then to pay the Cost Center operating cost assessment (if any) due from such Owner until the amount due therefor is satisfied, then to pay the general reserve fund until the amount due therefor is satisfied, and, any remaining amount shall be applied to pay the reserve fund for the Cost Center for which such Owner is responsible.

Section 5.09. Maintenance of Assessment Funds.

(a) Establishment and Maintenance of Association Bank Accounts. All sums received or collected by the Master 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 funds in FDIC 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 Master 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 Master Association accounts shall be subject to the minimum signature requirements imposed by California Civil Code section 1365.5 and Section 13.02 of the Bylaws. Any interest received on deposits shall be credited proportionately to the balance of the specific Assessment fund accounts from which it was earned and expended 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 Master 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 Master 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 Master 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 Annual Assessment obligations.

(c) Separate Accounts; Commingling of Funds. Except as otherwise provided in subparagraph (d), below, to preclude a multiplicity of bank accounts, the proceeds of all Assessments may be commingled in one 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 Master Association shall keep a separate accounting of all funds received by the Master Association in payment of each Assessment and of all disbursements made therefrom; provided, however, that receipts and disbursements of Special Assessments made pursuant to Section 5.03(a)(i), above, shall be accounted for together with the receipts and disbursements of Annual Assessments, and a separate accounting shall be maintained for each capital Improvement for which reserve funds for replacement are allocated.

Unless the Master 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 Master Association and as trust funds segregated from the regular income of the Master 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 Master Association.



(d) Reserve Funds. As more particularly provided in Article XIII of the Master Association Bylaws, the Master Association Board is required by law to periodically identify the major components of the Community that the Master Association is obligated to repair, replace, restore or maintain which, as of the date of the study, have a remaining useful life of thirty (30) years or less. In the capital reserve analysis process, the Board is also obligated to identify the probable remaining useful life of the components identified in the study and to estimate the cost of repair, replacement, restoration, or maintenance of the components during and at the end of their useful life. The information developed in this capital reserve replacement analysis is then to be used by the Board as a component of preparing the annual budget of the Master Association. The Board shall not expend funds designated as reserve funds for any purpose other than the repair, restoration, replacement, or maintenance of, or for litigation involving the repair, restoration, replacement, or maintenance of, major components which the Master 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 Master Association's general operating fund to meet short term cash flow requirements or other expenses if the Board has provided notice of the intent to consider the transfer in a notice of meeting, which shall be provided to the Members as specified in Civil Code section 1363.05. The notice shall include the reasons why the transfer is needed, some of the options for repayment, and whether a special assessment may be considered. If the board authorizes the transfer, the Boards shall issue a written finding, recorded in the Board's minutes, explaining the reasons that the transfer is needed and describing when and how the monies will be repaid to the reserve fund.

The transferred funds shall be restored to the reserve fund within one year of the date of the initial transfer, except that the Board may, after giving the same notice required for considering a transfer, and upon making a finding supported by documentation that a temporary delay would be in the best interests of the Community, 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 California Civil Code section 1366 and Section 5.03(b), above, if the aggregate amount of the Special Assessment exceeds five percent (5%) of the budgeted gross expenses of the Master 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 Master 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 Master 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 Master Association's principal office.

(e) Limitations on Master Association's Authority to Assign or Pledge Assessment Obligations. The Master Association may not voluntarily assign or pledge its right to collect payments or Assessments, or to enforce or foreclosure a lien to a third party, except when the assignment or pledge is made to a financial institution or lender chartered or licensed under federal or state law, when acting within the scope of that charter or license, as security for a loan obtained by the Master Association. However, the restrictions imposed by this subparagraph (e) shall not restrict the right or ability of the Master Association to assign any unpaid obligations of a former Member to a third party for purposes of collection.

Section 5.10. Effect of Non-Payment of Assessments: Remedies of the Master Association. Installments of Annual 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 5.04(b) and 5.05(b). 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, subject to the limitations imposed by California Civil Code sections 1366(c) and 1366.1 or comparable successor statutes. Once an assessment becomes delinquent, the Master Association may elect to engage in one or both of the following remedies:

(a) Enforcement of An Owner's Personal Obligation to Pay Assessments. The Master 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. Commencement of a legal action shall not constitute a waiver of any lien rights as described in subparagraph (b), below.

(b) Imposition and Enforcement of Assessment Lien and Limitations Thereon. Except as otherwise provided in subparagraph (b)(ix), below, with respect to the limitation on the imposition of liens for Special Individual Assessments, the Master Association may impose a lien against the Owner's Separate Interest for the amount of the delinquent Assessment or Assessments, plus any reasonable costs of collection (including reasonable attorneys fees), late charges and interest by taking the following steps:

(i) Issuance of Delinquency Notice: Contents. At least thirty (30) days prior to recording a lien upon the Owner's Separate Interest to collect a delinquent Assessment, the Master Association shall notify the Owner in writing by certified mail of the following (the "Delinquency Notice"):

(A) A general description of the collection and lien enforcement procedures of the Master Association and the method of calculation of the amount, a statement that the Owner of the Separate Interest has the right to inspect the Master Association records, pursuant to Section 8333 of the Corporations Code, and the following statement in 14-point boldface type, if printed, or in capital letters, if typed: "IMPORTANT NOTICE: IF YOUR

SEPARATE INTEREST IS PLACED IN FORECLOSURE BECAUSE YOU ARE BEHIND IN YOUR ASSESSMENTS, IT MAY BE SOLD WITHOUT COURT ACTION.”

(B) 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.

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

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

(E) The right to dispute the assessment debt by submitting a written request for dispute resolution to the Master Association pursuant to the Master Association’s “meet and confer” program pursuant to Civil Code section 1363.810, et seq.

(F) The right of the noticed Member to request alternative dispute resolution with a neutral third party pursuant to Civil Code section 1369.510 et seq. before the Master Association may initiate foreclosure against the Owner’s Separate Interest, except that binding arbitration shall not be available if the Master Association intends to initiate a judicial foreclosure, rather than a non-judicial foreclosure.

(ii) Application of Payments. Any payments made by the Separate Interest 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 Master Association shall provide it. The receipt shall indicate the date of payment and the person who received the payment on behalf of the Master Association. The Master Association shall provide its Members with a mailing address for overnight payment of Assessments.

(iii) Pre-Lien Offer to Meet and Confer with the Owner. Prior to recording a lien for delinquent assessments, the Master Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Master Association’s meet and confer program that is required by Civil Code section 1363.810 et seq.

(iv) Rights of Owners to Propose Payment Plans. An Owner may also submit a written request to meet with the Board to discuss a payment plan for the delinquent assessment. This request must also be made within fifteen (15) days of the postmark of the Delinquency Notice. The Master Association shall provide the Owners with the standards for payment plans, if such standards have been adopted. So long as a timely request for a meeting has been tendered, the Board shall meet with the Owner in executive session within forty-five (45) days of the postmark of the request for a meeting, unless there is no regularly-scheduled Board meeting within that period, in which case the Board may designate a committee of one or more Members to meet with the Owner. Payment plans may incorporate any assessments that accrue during the

payment plan period. Payment plans shall not impede on Master Association's ability to record a lien of the Owner's Separate Interest to secure payment of delinquent assessments. Additional late fees shall not accrue during the payment plan period if the Owner is in compliance with the terms of the payment plan. In the event of a default on any payment plan, the Master Association may resume its efforts to collect the delinquent assessments from the time prior to entering into the payment plan.

(v) Master Association Assessment Lien Rights. Except as provided in subparagraph (ix), below (relating to Special Individual Assessments), the amount of the Assessment, plus any costs of collection, late charges, and interest assessed in accordance with Civil Code section 1366 shall be a lien on the Owner's Separate Interest from and after the time the Master Association causes to be recorded in the Office of the County Recorder a Notice of Delinquent Assessment, which shall state the amount of the Assessment and other sums imposed in accordance with Civil Code Section 1366, a legal description of the Owner's Separate Interest against which the Assessment and other sums are levied, the name of the record owner of the Owner's Separate Interest against which the lien is imposed. The itemized statement of the charges owed by the Owner that is required by subparagraph (b)(i)(B), of this Section 5.10 shall be recorded together with the Notice of Delinquent Assessment. The decision to record a lien for delinquent assessments shall be made only by the Board of Directors of the Master Association and may not be delegated to an agent of the Master Association. The Board shall approve the decision by a majority vote of the Board in an open meeting and the vote shall be recorded in the minutes of the meeting.

In order for the lien to be imposed by non-judicial foreclosure as provided in subparagraph (vii), below, the Notice of Delinquent Assessment shall state the name and address of the trustee authorized by the Master Association to enforce the lien by sale. The Notice of Delinquent Assessment shall be signed by any officer of the Master Association or by the person designated by the Master Association for that purpose or if no one is designated, by the president of the Master Association. A copy of the recorded Notice of Delinquent Assessment shall be mailed by certified mail to every person whose name is shown as an Owner of the Separate Interest in the Master Association's records, and the notice shall be mailed no later than ten (10) calendar days after Recordation. Upon receipt of a written request by an Owner identifying a secondary address for purposes of collection notices, the Master Association shall send additional copies of any notices, including Notices of Delinquent Assessments, required by Civil Code section 1367.1 to the secondary address that is specified.

(vi) Priority of Assessment Liens. A lien created pursuant to subparagraph (v), above or subparagraph (ix), below, shall be prior to all other liens recorded against the Owner's Separate Interest subsequent to the Notice of Delinquent Assessment, except as described in Section 5.12, below.

(vii) Enforcement of Assessment Liens. Subject to the limitations of this Section 5.11(b) and in particular this subparagraph (vii), following the recording of a Notice of Delinquent Assessment, the Master Association's lien may be enforced in any manner permitted by law, including sale by the court, sale by the trustee designated in the Notice of Delinquent Assessment, or sale by a trustee substituted pursuant to Civil Code section 2934a. Any sale by the trustee shall be conducted in accordance with Civil Code sections 2924, 2924b and 2924c

applicable to the exercise of powers of sale in mortgages and deeds of trusts. The fees of a trustee may not exceed the amounts prescribed in Civil Code sections 2924c and 2924d.

The following specific limitations shall apply to the pursuit of foreclosure remedies:

(A) The decision to initiate foreclosure of a lien for delinquent assessments that has been validly recorded shall be made only by the Board of Directors of the Master Association and may not be delegated to an agent of the Master Association. The Board shall approve the decision by a majority vote of the Board in an executive session and shall record the vote in the minutes of the next meeting of the Board that is open to attendance by the Members. The Board shall maintain the confidentiality of the Owner or Owners of the Separate Interest by identifying the matter in the minutes by the parcel number of the property, rather than the name of the Owner or Owners. A Board vote to approve foreclosure of a lien shall take place at least thirty (30) days prior to any public sale of the Separate Interest in question.

(B) Prior to initiating a foreclosure for delinquent assessments, the Master Association shall offer the Owner and, if so requested by the Owner, participate in dispute resolution pursuant to the Master Association's meet and confer program that is required by Civil Code section 1363.810 et seq. or alternate dispute resolution with a neutral third party pursuant to Civil Code section 1369.510 et seq. The decision to pursue dispute resolution or a particular type of alternative dispute resolution shall be the choice of the Owner, except that binding arbitration shall not be available if the Master Association intends to initiate judicial foreclosure, rather than non-judicial foreclosure.

(C) If the Board votes to commence foreclosure proceedings to collect delinquent assessments pursuant to this subparagraph (vii), the Board shall provide notice of that decision by personal service to an Owner of the Separate Interest who occupies the Separate Interest or to the Owner's legal representative. If the Owner does not occupy the Separate Interest that is the subject of the foreclosure proceeding, the Board shall provide written notice to the Owner by first-class mail, postage prepaid, at the most current address for the Owner that is shown on the books of the Master Association. In the absence of written notification by the Owner to the Master Association, the address of the Owner's Separate Interest may be treated as the Owner's mailing address.

(D) Debts for Assessments, regular or special, may not be collected through the use of judicial or non-judicial foreclosure remedies until the delinquent assessment amount, exclusive of any accelerated assessments, late charges, fees, costs of collection, attorney's fees, and interest, equals or exceeds \$1,800.00 or the assessments are more than twelve (12) months delinquent. Delinquent Assessments in a smaller amount may not be collected through the use of foreclosure remedies, but may be collected through the use of any of the following other means: (aa) a civil action in small claims court; (bb) by recording a lien on the Owner's Separate Interest (subject to the restrictions on foreclosure of that lien); or (cc) any other manner provided by law, other than judicial or non-judicial foreclosure. If the Master Association elects to record a lien for delinquent Assessments, subparagraphs (b)(iii) and (b)(v), above shall continue to apply.

(E) In addition to the lien power described hereinabove, each Owner vests in the Master Association or its assigns, the right and power to bring all actions at law against such Owner or other Owners for the collection of delinquent assessments. In lieu of bringing an action at law to collect delinquent assessments, the Master Association may submit the matter to arbitration pursuant to the Rules of the American Arbitration Association. The decision of the arbitrator on such delinquent assessment shall be binding on both the Master Association and the delinquent Owner and may be enforced in any court of competent jurisdiction. The fee to initiate such arbitration shall be paid by the Master Association and shall be recoverable as part of the arbitration award, in addition to the late charges and interest on the delinquent assessment as provided above.

(viii) Foreclosed Owner's Rights of Redemption. A non-judicial foreclosure by the Master Association of an Owner's interest in his or her Separate Interest to collect a debt for delinquent Assessments shall be subject to a right of redemption. The redemption period within which the Separate Interest may be redeemed from a foreclosure sale under this subparagraph (viii) (which reflects Civil Code section 1367.4(c)(4)) ends ninety (90) days after the sale.

(ix) Limitation on Authority to Use Lien and Foreclosure Remedies to Collect Special Individual Assessments. The following categories of Special Individual Assessments may be collected through the use of lien and foreclosure remedies in accordance with subparagraphs (v) through (viii), above: (A) Special Individual Assessments or other monetary charges imposed by the Master Association as a means of reimbursing the Master Association for costs incurred in the repair of damage to Master Common Areas and Common Facilities for which the Member or the Member's guests or tenants were responsible; and (B) Special Individual Assessments imposed to recover late charges, reasonable costs of collection and interest assessed in accordance with Civil Code section 1366(e). Except as provided in this subparagraph (ix), a monetary penalty imposed by the Master Association as a disciplinary measure for failure of a Member to comply with the Governing Documents, except for the imposition of late payments for delinquent Assessments, may not be characterized nor treated in the Governing Documents as an Assessment that may become a lien against the Member's Separate Interest that is enforceable by sale of the Separate Interest under Sections 2924, 2924b, and 2924c of the California Civil Code.

(x) Obligation to Record Lien Releases. If it is determined that a lien previously recorded against a Separate Interest was recorded in error, the party who recorded the lien, within twenty-one (21) calendar days, shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Separate Interest Owner with a declaration that the lien filing or recording was in error and a copy of the lien release or notice of rescission. If the determination that the lien was recorded in error is the result of dispute resolution meet and confer proceedings conducted pursuant to Civil Code section 1363.810 or alternative dispute resolution with a neutral third-party pursuant to Civil Code section 1369.510, the Master Association shall also be obligated to promptly reverse all late charges, fees, interest, attorney's fees, costs of collection, costs imposed for the issuance of the notices prescribed by Civil Code section 1367.1, and costs of recording the lien release and all costs incurred in the mediation or alternative dispute resolution process.

In addition, within twenty-one (21) days of the payment of the sums specified in the Notice of Delinquent Assessment, the Master Association shall record or cause to be recorded in the Office of the County Recorder a lien release or notice of rescission and provide the Separate Interest Owner a copy of the lien release or notice that the delinquent Assessment has been satisfied.

(xi) Effect of Failure to Adhere to Lien Restrictions. If the Master Association fails to comply with the procedures set forth in this Section 4.10(b) prior to recording a lien, the Master Association shall recommence the required notice process prior to recording a lien. Any costs associated with recommencing the notice process shall be borne by the Master Association and not by the Separate Interest Owner.

The provisions of this Section 5.11(b) are intended to comply with the requirements of Civil Code Sections 1367.1, 1367.4 and 1367.5, as in effect on the date this Second Restated Master Declaration is recorded. If these sections of the Civil Code are subsequently amended or modified in a way that is binding on the Master Association and causes this Section to be in conflict with applicable law, the provisions of this Section may automatically be amended or modified in the same manner by action of the Board of Directors without necessity of approval of the amendment by the Members so long as all Members are given a copy of the recorded amendment and the decision to approve the amendment is made at a duly noticed open meeting of the Board of Directors.

Section 5.11. Policies for Assessment Collection. The Board of Directors shall annually distribute, not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the fiscal year, a statement of the Master Association's policies and practices for enforcing its remedies against Members for defaults in the payment of annual and Special Assessments, including the use of lien and foreclosure remedies.

Section 5.12. Subordination of the Lien to First Deeds of Trust and First Mortgages. The lien for the assessments provided for herein shall be subordinate to the lien of any first Mortgage upon any Separate Interest. Sale or transfer of any Separate Interest shall not affect the assessment lien. However, the sale or transfer of any Separate Interest pursuant to judicial or nonjudicial foreclosure of a first Mortgage or any conveyance in lieu thereof shall extinguish the lien of such assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Separate Interest from lien rights for any assessments thereafter becoming due. Where the Mortgagee of a first Mortgage of Record or other purchaser of a Separate Interest obtains title to a Separate Interest as a result of foreclosure or conveyance in lieu thereof, such acquirer of title, his or her successors and assigns, shall not be liable for the share of the common expenses or assessments by the Master Association chargeable to such Separate Interest which became due prior to the acquisition of title to such Separate Interest by such acquirer. Instead, unpaid share of common expenses or assessments shall be deemed to be common expenses of the Master Association collectible from all of the Separate Interests including such acquirer, his or her successors and assigns.

Section 5.13. Estoppel Certificate. The Master Association shall furnish or cause an appropriate officer to furnish, upon demand by any Owner, a certificate signed by an officer of the Master Association setting forth whether the assessments on a specified Separate Interest

have been paid. A properly executed certificate of the Master Association as to the status of assessments on a Separate Interest is binding upon the Master Association as of the date of its issuance.

Section 5.14. Personal Liability of Owner. No Owner may exempt himself from personal liability for assessments, nor any part thereof, levied by the Master Association, nor release the Separate Interest owned by such Owner from the liens and charges hereof by waiver of the use and enjoyment of the Master Common Area and facilities thereon, or by abandonment of his Separate Interest.

Section 5.15. Exempt Property. All Properties dedicated to and accepted by a local public authority, shall be exempt from the assessments created herein. However, no real property or improvements designed for or devoted to dwelling use shall be exempt from said assessments.

Section 5.16. Master Association Statement at Transfer of Title. At the request of any Owner transferring title to such Owner's Separate Interest, the Master Association shall provide (i) a true statement in writing from an authorized representative of the Master Association as to the amount of the Master Association's current Annual and Special Assessments and fees, as well as any assessments levied upon the Owner's Separate Interest which are unpaid on the date of the statement, and (ii) any change in the Master Association's current Annual and Special Assessments and fees which have been approved by the Master Association's Board of Directors, but have not become due and payable as of the date disclosure is provided pursuant to this Section.

## ARTICLE VI ARCHITECTURAL CONTROL COMMITTEE

### Section 6.01. Architectural Control Committee Approval of Improvements.

(a) Approval Generally. Prior to commencement of construction or installation of any Improvement (as defined in Section 1.24, above) within the Community the Owner planning such Improvement must submit to the Architectural Control 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 Control Guidelines adopted pursuant to Section 6.05, below, and as otherwise required by the Committee. 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 6.06, below.

(b) Modifications to Approved Plans Must Also Be Approved. Once a proposed work of Improvement has been duly approved by the Architectural Control 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 Architectural Control 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 Master Association, its Architectural Control Committee, or the agents or employees of either that a work of Improvement, or any modification thereof, is proceeding without proper approval, the Master Association shall be entitled to exercise the enforcement remedies specified in Section 14.06, below, including, without limitation, ordering an immediate cessation and abatement of all aspects of the work of Improvement until such time as proper Architectural Control Committee review and approval is obtained.

Section 6.02. Composition and Appointment of Architectural Control Committee. The Committee shall be comprised of at least three (3) persons who must be Members of the Master Association in good standing. The Board of Directors of the Master Association has the sole power to appoint all of the members of the Architectural Control Committee.

Section 6.03. Duties. It shall be the duty of the Architectural Control Committee to consider and act upon the proposals and plans for Improvements submitted to it pursuant to this Second Restated Master Declaration, to adopt Architectural Control Guidelines pursuant to Section 6.05, 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 Second Restated Master Declaration.

Section 6.04. Meetings. The Architectural Control 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 Architectural Control Committee shall have the discretion, but not the obligation to request attendance by the Owner-Applicants at the scheduled meeting for application review and consideration. Should the Owner be asked by the Architectural Control Committee to appear at the meeting, he/she may be accompanied by his or her architect, engineer and/or contractor.

Section 6.05. Architectural Control Guidelines. The Architectural Control 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 Control Guidelines." The Architectural Control Guidelines shall interpret and implement the provisions hereof by setting forth: (a) any standards and procedures for Architectural Control 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 Community; and (c) the criteria and procedures for requesting variances from any property use restrictions or minimum construction standards that would otherwise apply to the proposed Improvement under the Governing Documents (see Section 6.10 (variances) below); and (d) the minimum requirements regarding the content of plans and specifications which must be submitted with respect to any request for design review and approval. Notwithstanding the foregoing, no Design Guideline shall be in derogation of the minimum standards required by this Second Restated Master Declaration. In

the event of any conflict between the Architectural Control Guidelines and this Second Restated Master Declaration, the provisions of the Master Declaration shall prevail. Among other things, in accordance with Civil Code section 1378(a)(1), the Architectural Control Guidelines shall provide a fair, reasonable and expeditious procedures that the Committee must follow when making decisions on submitted Improvement plans and projects. The procedures shall include prompt deadlines for various actions and a maximum time for response to an application, consistent with Section 6.07, below.

Section 6.06. Basis for Approval of Improvements. When a proposed Improvement is submitted to the Architectural Control Committee for review, the Committee shall grant the requested approval only if the Committee, in its sole discretion, exercised in good faith, makes the following findings regarding the proposed project:

- (a) The Owner's plans and specifications conform to this Second Restated Master Declaration and to the Architectural Control Guidelines 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 Community;
- (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 Community and with the overall plan and scheme of development within the Community.

While it is recognized that the Architectural Control 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, the proposed location of the Improvement in relation to the Master Common Areas and other existing structures and the impact, if any, that the Improvement will have or may have on the structural integrity of the Lot or adjacent Lots. The Committee shall also be entitled to determine that a proposed Improvement or component thereof is unacceptable when proposed with respect to a particular Lot or Exclusive Use Master Common Area, even if the same or a similar Improvement/component has previously been approved for use at another location if factors such as drainage, topography or visibility from roads, Master Common Areas or other Lots, noise or prior adverse experience with the product or design suggest that erection of the Improvement or use of a particular component of the proposed Improvement at the site involved in the Owner's submittal is not advisable. A decision on a proposed Improvement project may not violate any governing provision of law (including, without limitation, the California Fair Employment and Housing Act) or a building code or other applicable law governing land use or public safety.

In approving a request for construction of an Improvement, the Architectural Control Committee may condition approval upon the adoption of modifications in the Owner's plans and

specifications or observance of restrictions as to location, noise abatement or similar mitigating conditions applicable to the Improvement.

Section 6.07. Time Limits for Approval or Rejection: Right of Appeal to the Board.

(a) Approval or Disapproval by the Committee. Within forty-five (45) days after submission of plans and specifications satisfying the requirements of the Architectural Control Guidelines, the Architectural Control Committee shall return to the applicant written notice of either approval or disapproval. If the proposed improvement is disapproved, the written decision of the Committee shall include both an explanation of why the proposed change was disapproved and a description of the procedure for reconsideration of the Committee's decision, and the procedure for final appeal to the Board of Directors. If written suggestions of changes required for approval of the project, 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 mailed to the applicant within forty-five (45) 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.

(b) Right to Seek Reconsideration by the Board. If a proposed Improvement project is disapproved by the Committee and the applicant is unwilling to make changes to the plans and specifications that may be recommended by the Committee as a condition of approval, the applicant shall have the right to seek reconsideration of the Committee's decision by the Board of Directors. Unless otherwise requested by the member-applicant, the Board's hearing of the applicant's appeal shall be conducted in closed session with the Member and in accordance with Civil Code section 1363.05. Any reconsideration by the Board of Directors does not constitute a process of dispute resolution within the meaning of Civil Code section 1363.820.

Section 6.08. Delivery of Plans and Specifications. Plans and specifications shall be submitted to the Architectural Control Committee by personal delivery or first-class mail addressed to Master Association's principal office.

Section 6.09. Proceeding With Work. Upon receipt of approval from the Architectural Control Committee, the Owner shall, as soon as practicable, satisfy all conditions thereof and diligently proceed with the commencement of construction pursuant to said approval, said commencement to be, in all cases, within six (6) months from the date of such approval (or such longer period for completion as may be approved by the Committee with respect to a particular Improvement application), and the project shall be diligently pursued to completion, which shall be no longer than twelve (12) months after notification of approval. If the Owner shall fail to comply with this section, any approval given pursuant to this Article shall be deemed revoked unless the Architectural Control Committee, upon written request of the Owner made prior to the expiration of the initial six-month or twelve-month period, respectively, extends the time for commencement or completion. No such extension shall be granted except upon a finding by the Architectural Control 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 6.10. Variances. The Architectural Control Committee, in its sole discretion, shall be entitled to allow reasonable variances in any procedures specified in this Article, the minimum improvement standards specified in Article VII, below, to overcome practical difficulties, avoid unnecessary expense or prevent unnecessary hardships, provided all of the following conditions are met:

(a) If the requested variance will necessitate deviation from, or modification of, a minimum construction standard or a property use restriction that would otherwise be applicable under this Second Restated Master Declaration, the Architectural Control Guidelines Committee must conduct a hearing on the proposed variance and the Committee shall have the discretion to require that the hearing be open to other neighboring residents who may believe that the requested variance will have a negative impact on the enjoyment of their property or their property values.

(b) The Architectural Control Committee must make a good faith written determination that the variance is consistent with one 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 or Common Area within the Community.

Section 6.11. Limitation on Liability. Architectural Control Committee approval of plans shall not constitute a representation, warranty or guarantee, whether expressed or implied, that such plans and specifications comply with good engineering design or with zoning or building ordinances, or other governmental regulations or restrictions. By approving such plans and specifications, neither the Architectural Control Committee, the members thereof, the Master Association, any Member thereof, nor the Members of the Board assumes any liability or responsibility therefor, or for any defect in the structure constructed from such plans or specifications. Neither the Architectural Control Committee nor any member thereof, the Master Association, nor the Board shall be liable to any Member, Owner, occupant, or other person or entity for any damage, loss, or prejudice suffered or claimed on account of: (a) the approval or disapproval of any plans, drawings and specifications, whether or not defective; or (b) the construction or performance of any work, whether or not pursuant to the approved plans, drawings, and specifications.

Section 6.12. Compliance With Governmental Regulations. Review and approval by the Architectural Control 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.

**ARTICLE VII**  
**MINIMUM IMPROVEMENT STANDARDS**

Unless a variance is requested from, and granted by, the Architectural Control Committee in accordance with Section 6.10, above, Improvements constructed on any Separate Interest shall conform to the following minimum improvement standards:

Section 7.01. Approval by the Architectural Control Committee (ACC). No building, fence, wall or other permanent structure or Improvement shall be erected, altered or placed on any Separate Interest until building plans, specifications and a plot plan showing the location of structures on the Lots have been submitted to the Architectural Control Committee for review and approval as described in Article VI, above.

Section 7.02. Views. There are no express or implied easements whatsoever appurtenant to any Separate Interest for view purposes, or for the passage of light and air across any other Separate Interest, or any property not within the Community. In addition, no Owner shall have any right to the protection of any view that may exist at any time from such Owner's Separate Interest across any other Separate Interest or other property. Each Owner, by accepting a deed to a Separate Interest, hereby expressly acknowledges and agrees that any view which his or her Separate Interest may enjoy as of the date of purchase may be impaired or obstructed by the installation of trees, other landscaping or other types of barriers (both natural and artificial), the growth of landscaping, the construction or installation of Improvements in the Community and/or any adjoining property, whether such construction is approved by the Architectural Control Committee or constructed on property contiguous to the Community, and each Owner hereby expressly consents to any such obstruction.

Section 7.03. Fences and Walls. If any fences or walls are intended by the developer thereof to be constructed by individual Owners of a Separate Interest in the Community, then each Owner of such Separate Interest shall construct and maintain such fences or walls along the side and rear perimeters of his or her Separate Interest in conformance with the requirements of the approved architectural guidelines applicable to such Owner's Phase of the Community. Such fences and walls shall be built so as to straddle the boundary lines of a Separate Interest, and only one fence or wall shall be constructed on the boundary lines of adjoining Separate Interests. Each Owner shall obtain all necessary permits for such construction and shall comply with all local laws and ordinances in connection with such construction. Each Owner whose Separate Interest is separated from adjacent Master Common Area by a fence or wall along such boundary shall be responsible for all painting, maintenance, repair and replacement of the inside surface of such wall or fence, and shall have an easement of reasonable access over the Master Common Area for such purposes. The cost of construction and maintenance of the fences and walls shall be borne by the Owner thereof, except that, subject to Article X hereof, the cost of construction and maintenance for fences and walls which straddle boundary lines of adjoining Separate Interests shall be borne equally by such adjoining Separate Interests as required by California Civil Code Section 841. In the event any Owner fails to maintain the fences and walls as required hereunder, then the Master Association or the Architectural Control Committee may, after due notice to the Owner involved and opportunity to be heard, shall have the right of access to such Owner's Separate Interest to conduct such maintenance as may be necessary and said Owner shall be liable for all costs incurred by the party conducting such activities.

Section 7.04. Landscaping by Owners. Each Owner of a Separate Interest (other than a Condominium Unit) shall, within one hundred twenty (120) days after acquiring title thereto, cause the front, side and rear yards of said Separate Interest to be fully landscaped, subject to reasonable growing times, and shall thereafter cause said landscaping to be maintained in a neat and orderly manner, replacing any plant material which die or are otherwise destroyed. Such landscaping shall include street trees to be located at four feet (4') from the back of the sidewalk, and planted an average of one fifteen gallon tree per thirty (30) linear feet of street. Each Owner shall promptly replace any such street trees that die or are destroyed with the same species/type tree as originally planted. All planting of trees, shrubs, and landscaping, and the replacement thereof, shall be done only after approval thereof by the Architectural Control Committee and using only approved trees, shrubs and landscaping. No weeds, rubbish, debris, objects or materials of any kind, plants or seed infected with noxious insects or plant diseases shall be placed, grown or permitted to accumulate on any portion of a Separate Interest which renders such portion of the Separate Interest unsanitary, unsightly, offensive or detrimental to any Separate Interest in the vicinity thereof, or to the occupants of any such Separate Interest, or to the Master Common Area. In the event of the default in performance of this provision, the Architectural Control Committee, the Board or any agents thereof shall have the right to enter upon such Separate Interest, as provided in Section 9.05 hereof, and remove all such weeds, plants, rubbish, debris, objects of materials and do all the things necessary to place said Separate Interest in a neat and orderly condition including the installation of front, side and rear lawns and landscaping, and any expenses therefor shall become due and payable by the Owner of said Separate Interest to such person or entity performing such work within ten (10) days after written demand therefor.

Section 7.05. No Interference with Drainage. Each Owner of a Separate Interest within the Community covenants for himself/herself, his/her heirs, successors and assigns, that the Owner will not in any way interfere with the established drainage patterns or create erosion or sliding problems over his or her Separate Interest from adjoining or other Separate Interests within the Community, and that the Owner will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over the Owner's Separate Interest. No changes in the established drainage patterns shall be permitted without the prior approval of the Architectural Control Committee. For the purposes hereof, "established drainage" is defined as the drainage which occurred at the time the overall grading of the Community was completed.

Section 7.06. Antennas, Aerials, Satellite Dishes and Cable Television. Owners are prohibited from installing any antenna on the exterior of a residence for any purpose, except for an "Authorized Antenna" which may be installed so long as the proposed location for such installation is reviewed and approved by the Architectural Control Committee prior to its installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The Architectural Control Committee may require that the location of the Authorized Antenna be moved, and the Board may impose additional restrictions on installation or use of an Authorized Antenna, so long as such review by the Architectural Control Committee, or such additional restrictions, do not (a) unreasonably delay or prevent installation, maintenance or use of an Authorized Antenna, (b) unreasonably increase the cost of installation, maintenance or use of an Authorized Antenna, or (c) preclude reception of an acceptable quality signal. The Board may prohibit the installation of an Authorized Antenna if the installation, location or maintenance of such Authorized Antenna unreasonably affects the safety of

managers, agents or employees of the Master Association and other Owners, or for any other safety related reason established by the Board. The Board may also prohibit the installation of an Authorized Antenna on property to which an Owner does not hold fee title or is not entitled to exclusively use under this Second Restated Master Declaration or a Sub-Association Declaration, or may allow an Owner to install an antenna other than an Authorized Antenna subject to the Architectural Control Guidelines and review and approval by the Architectural Control Committee. An "Authorized Antenna" means an antenna that is (a) designed to receive direct broadcast satellite service, including direct-to-home satellite service and that is one meter or less in diameter, and, (b) that is designed to receive video programming service, including multi-channel multipoint distribution service, instructional television fixed service, and local multipoint distribution service, and that is one meter or less in diameter, or (c) an antenna that is designed to receive television broadcast signals. Each Owner may maintain individual radio or television antennae systems if located entirely within such Owner's dwelling and if such system is not visible from other Separate Interests or the Master Common Area, and provided that such system does not interfere with radio and television reception of other Owners within the Community.

Section 7.07. No Temporary Structures. No recreational vehicle, trailer, mobile home, camper, tent, shack, used structures, structures of a temporary character, or other outbuildings shall be used on any Separate Interest at any time as a Residence.

Section 7.08. No Used Materials. No used buildings or structures, intended for use as a Residence shall be placed on any Separate Interest.

Section 7.09. Solar Heating Systems. Subject to limitations imposed by California law, the Architectural Control Committee shall be entitled to adopt, as part of the Architectural Control Guidelines, 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 Separate Interests or Common Area.

Section 7.10. Colors and Exterior Finishes. No reflective finishes (other than glass) shall be used on exterior surfaces or Residences (other than surfaces of hardware fixtures), including but without limitation, the exterior surfaces of any of the following: roofs, all projections above roofs, retaining walls, doors, trim, fences, pipes, equipment, mailboxes and newspaper tubes. No exterior finishes, textures or materials shall be used or applied without approval of the Architectural Control Committee. Generally, exterior colors shall be restricted to those found in the immediate vicinity of the Residence and colors found in nature will be favored. The Committee shall be authorized, as part of the Architectural Control Guidelines, to adopt a chart of approved colors and stains for exterior finishes.

Section 7.11. Exterior Lighting and Fixtures. Fluorescent, mercury vapor, sodium, or amber vapor lights, or standards outdoor lights of the type used for security must be enclosed in a manner that directs the light in a specific area without causing a visual impairment to passing motorist or a nuisance to neighboring properties. The issue of whether a nuisance exists shall be determined by the Architectural Control Committee in its sole discretion. Holiday decorative

lighting on the exterior of Residences is permitted so long as the lighting is removed promptly following the holiday or season to which the lights pertain.

Section 7.12. Water Systems and Pools. No individual water supply system or swimming pool shall be permitted on any Separate Interest unless such system is designed, located and constructed in accordance with the requirements, standards and recommendations of the appropriate public health authority and the Architectural Control Committee. Approval of such systems as installed shall also be obtained, if required, by any responsible governmental agency.

### ARTICLE VIII USE RESTRICTIONS AND OBLIGATIONS OF OWNERS

In addition to all other covenants contained herein, the use and enjoyment of the Community and each Separate Interest therein shall be subject to the following use restrictions.

Section 8.01. Leasing of Lots and Condominiums. Any Owner may lease his or her Separate Interest subject to the following:

(a) No Owner shall be permitted to lease his or her Separate Interest for transient or hotel purposes or for a period of less than thirty (30) days.

(b) No Owner may lease less than the entire Separate Interest.

(c) Any lease agreement is required to provide that the terms of the lease shall be subject in all respects to the provisions of the Master Declaration, the Bylaws and any Rules and Regulations adopted by the Master Association and that any failure by the lessee to comply with the terms of such documents shall constitute a default under the lease.

(d) All leases are required to be in writing and any Owner who enters into a lease of his or her Separate Interest shall, if requested by the Master Association, provide to the Master Association, on a form provided by the Master Association, such information regarding the lessees and/or the lease as the Board deems pertinent for purposes of notice and access into the Community (such as names, addresses, ages, types of vehicles and license plate numbers).

(e) Except as provided herein, neither a lessee nor his or her family members have the right to use The Club or The Club Facilities. The restriction on use of The Club and The Club Facilities in this section shall not apply to any lessee or his or her family members who reside in the Community on the date this Second Restated Master Declaration is recorded, but shall apply prospectively to any lessee and his or her family after the date of this Second Restated Master Declaration is recorded. In order to further define the restrictions on use of The Club and The Club Facilities by lessees and their families, the Board shall have the authority to adopt Rules and Regulations as it deems prudent and appropriate.

Section 8.02. Single Family Residential Use. No Separate Interest shall be occupied and used except for residential purposes by the Owners, their tenants, and social guests, and no trade or business shall be conducted therein. No tent, shack, trailer, garage, outbuilding or structure of a temporary character shall be used at any time as a residence, either temporarily or permanently.

Section 8.03. 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



Separate Interest without the prior written approval of the Board. 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 8.01, above; (f) conducting any other activities on the Owner's Separate Interest otherwise compatible with residential use and the provisions of this Second Restated Master Declaration which are permitted under applicable zoning laws or regulations without the necessity of first obtaining a special use permit or specific governmental authorization; or (g) conducting any business which by California law must be permitted. The uses described in (a) through (g), above, are expressly declared to be customarily incidental to the principal residential use and not in violation of this Section 8.03.

Section 8.04. Sign Restrictions. Subject to California Civil Code Sections 712 and 713, no sign or billboard of any kind shall be displayed by any Owner on any portion of the Community or Separate Interest, except one sign of reasonable size (not to exceed eighteen inches (18") by thirty inches (30")), advertising that the particular Separate Interest is for sale or rent, except for one aesthetically acceptable (to the Architectural Control Committee) nameplate or similar Owner name identification, and one unobtrusive sign advertising the existence of a security service protecting the Separate Interest. The Architectural Control Committee shall have the power to grant exceptions to this restriction in appropriate cases.

Section 8.05. Prohibition of Noxious Activities. No noxious or offensive activity shall be carried on in any Separate Interest or any part of the Community, nor shall anything be done thereon which may be, or may become, an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his or her respective Separate Interest or which shall in any way increase the rate of insurance.

Section 8.06. Vehicle and Parking Restrictions. Residents of the Community shall not park their vehicles, as defined by the California Vehicle Code, on any streets within the Community except within those areas designated for public parking by the Master Association's Board of Directors, or within those areas subject to a Sub-Association and designated by the Sub-Association's board of directors as public parking.

Except as otherwise permitted by the Board or the board of a Sub-Association, Residents of the Community shall park their vehicles only within their respective garages, carports or in their private driveways. Parking of any vehicle in a driveway in such a manner as to encroach into or obstruct traffic along the sidewalk shall be prohibited.

No trailer, camper, truck, boat, recreational vehicle, or similar equipment or inoperative automobile shall be permitted to remain within the Community unless placed and maintained entirely within a Separate Interest and obscured from the view of the adjoining Separate Interests and streets, such as within a garage. The foregoing restriction on vehicle parking shall not be deemed to prevent: (i) washing and polishing of such motor vehicle, boat, trailer, camper or

motor-driven cycle, together with those activities normally incident and necessary to such washing and polishing; or (ii) the temporary loading and unloading and guest parking of vehicles on private driveways which are adequate for such purpose without obstructing access by others.

No garage shall be used at any time for residential purposes, storage, or any purpose which would interfere in any manner with the availability and use of such garage for the purpose of automobile parking for the number of vehicles for which it was intended.

Section 8.07. Household Pets. An Owner may keep and maintain in his/her Separate Interest domesticated pets such as dogs, cats or other usual and ordinary household pets, not to exceed two (2) in number and provided that such pets shall not be allowed in the Master Common Area or recreational areas except as may be permitted by the Rules and Regulations which may be promulgated from time to time by the Board. Except as hereinabove provided, no animals, livestock, birds or poultry shall be brought within the Community or kept in any Separate Interest thereof. Owners keeping pets shall be accountable to the other Owners for the acts of such pets, and should any Owner be unable to control barking or other noise or acts of his/her pets which disturb his/her neighbors, he/she shall be required to remove such pet from the Community. No dog will be allowed on the Master Common Area or recreational areas without being restrained on a leash and being supervised. Any Owner (including such Owner's family, guests and invitees) who maintains any pet, animal, reptile, livestock or other living creature of any kind, within the Community, whether in compliance with this Second Restated Master Declaration and the Rules and Regulations or otherwise, shall indemnify, defend and hold the Master Association harmless from and against any damages, claims, causes of action or losses of any kind or nature, including reasonable attorney's fees and costs, incurred by the Master Association as a result of any alleged damage or injury caused by such living creature to the Master Association, to its property, to the Master Common Area, or to the Members, their family, guests or invitees, or their property.

Section 8.08. Prohibition of Drilling or Oil Operations. No oil drilling, oil development operations, oil refining, quarrying or mining operations of any kind, shall be permitted within the Community, nor shall oil wells, tanks, tunnels or mineral excavations or shafts be permitted upon the surface of or within five hundred (500) feet below the surface of the Community. No derrick or other structure designed for use in boring for water, oil or natural gas shall be erected, maintained or permitted within the Community.

Section 8.09. Garbage. All rubbish, trash and garbage shall be regularly removed from the Community, and shall not be allowed to accumulate thereon. All refuse containers shall be moved to an area from which they are not visible from the streets, Master Common Area or other Separate Interests promptly after the refuse has been collected, and refuse containers shall under no circumstances be permitted to remain in view for more than a twenty-four (24) hour period. All clotheslines, refuse containers, wood-piles, storage areas, machinery and equipment shall be prohibited within the Community unless obscured from the view of adjoining Separate Interests and streets.

Section 8.10. Basketball Standards. Basketball backboards and hoops shall not be permitted to be permanently installed upon any house, garage or other residential building in the

Community, and only portable, temporary basketball backboards with hoops shall be permitted and the same shall be stored out of sight when not in use.

Section 8.11. No Obstruction of Solar Devices. No Owner or the Master Association shall permit trees, shrubs, hedges or any other vegetation to shade, block or interfere with the solar access of any solar collector or other solar absorption device on any Separate Interest, including the Separate Interest on which the vegetation is also located.

## ARTICLE IX MAINTENANCE AND REPAIR RESPONSIBILITIES

Section 9.01. Owner Maintenance of Lots. Unless otherwise provided in a Sub-Association Declaration encumbering Lots within a specific Phase of the Community, each Owner shall provide exterior maintenance upon the residence and other building structures within his or her Lot, as follows: paint, repair, replacement and care of front, rear and side yard landscaping, roofs, gutters, downspouts, chimney, walls, walkways, driveways, windows, doors, patio, exterior building surfaces and elements and other exterior improvements. Each Owner shall have the responsibility of maintaining and repairing all structural and other elements of the residence, including all utility valves and connections to the residence, any automatic fire control sprinkler system and control unit valve serving such Owner's Lot, and all utility lines within the Lot. Notwithstanding any other provision herein, each Owner will also be responsible for all maintenance and repair of internal and external telephone and cable television wiring wherever located, which is designed to serve only such Owner's residence, and shall be entitled to reasonable access over the Master Common Area for such purposes, subject to reasonable limitations imposed by the Master Association. Each Owner of a Separate Interest has the responsibility and duty to maintain the appearance and integrity of all slope areas and drainage devices, if any, located within his or her Separate Interest. Each Owner shall also be responsible for the maintenance and repair of the walks and the private driveways within such Owner's Lot, including the periodic structural repair, resurfacing, sealing, caulking, replacement and/or painting thereof. Each Owner shall also be responsible for the maintenance and repair of the yard drains for surface water runoff within such Owner's Lot, and the drainage lines for the same, and shall keep same free and clear of debris. Each Owner whose Lot is separated from adjacent Master Common Area by a wall or fence along such boundary shall be responsible for the painting, maintenance, repair and replacement of the inside surface of such wall or fence, unless such wall or fence is designated by the Master Association as its sole responsibility to maintain.

Section 9.02. Owner Maintenance of Slopes Within Separate Interest. Each grantee of a Separate Interest within the Community shall maintain the slopes within his or her Separate Interest at the slope and pitch fixed by the finished grading thereof, including watering and planting of the slopes. Within slope areas no structure, planting, or other material shall be placed or permitted to remain or other activities undertaken which may damage or interfere with established slope ratios, create erosion or sliding problems, or which may change the direction of flow of drainage channels or obstruct or retard the flow of water through drainage channels. The slope areas of each Separate Interest and all improvements thereto shall be maintained continuously by the Owner of the Separate Interest, except for those improvements for which a public authority or utility company is responsible.

Section 9.03. Common Driveway Easements And Maintenance. Each Owner whose Separate Interest is served by a common driveway or alleyway (referred to herein as a "driveway", and being a private driveway or alleyway providing access to more than one Separate Interest and which crosses or is located in whole or in part on one or more adjacent Separate Interests) is hereby granted a non-exclusive perpetual easement for ingress, egress, and access on, over and across such common driveway. Each Owner whose Separate Interest is served by a common driveway shall share the use thereof with all Owners and occupants of the other Lot(s) or Condominium(s) served by such common driveway. Under no circumstances shall any vehicle or other item or thing be allowed to remain in such common driveway the effect of which would be to block or otherwise prevent its usage by persons entitled to use the same. The Board may adopt rules applicable to common driveways including the assessment of charges to Owners and occupants who violate, or whose invitees violate, such rules. The Owners of all Separate Interests sharing a common driveway shall share equally the costs of maintenance, repair and replacement of that portion of such common driveway located upon private Separate Interests, as opposed to Master Common Area. The Board shall determine when any such maintenance, repair or replacement is required, and the affected Owners shall thereupon cause the same promptly to be accomplished; provided, however, that if such Owners fail to complete such work within sixty (60) days after such determination by the Board, the Board may cause the same to be accomplished and may levy Special Assessments to pay the costs thereof pro rata against each Owner of a Separate Interest served by such driveway or collect such costs in any other manner it deems appropriate.

Section 9.04. Required Periodic Maintenance. Except as otherwise provided in the Sub-Association Declaration encumbering such Separate Interest, each Owner shall cause the exterior of such Owner's residence to be maintained, painted, repaired, and/or replaced on a periodic basis calculated to preserve the utility, integrity and attractive appearance of the exterior elements of the residence, as provided herein. Roof shingles shall be replaced no less frequently than recommended by the manufacturer. Exterior walls, doors, facial, trim and balcony railings shall be repainted no less frequently than once every four (4) years, or as needed. Decks shall be repainted per the manufacturer's recommendation. In the event an Owner intentionally or negligently fails to perform the periodic maintenance and/or repair of the exterior of his or her residence in accordance with the foregoing schedule, the Master Association shall have the right, but not the obligation, to perform such maintenance and/or repair after notice as provided in Section 9.05 of this Second Restated Master Declaration, and is hereby granted easements of access, ingress and egress for such purposes. The cost of such exterior maintenance shall be assessed as a Special Assessment to which such Separate Interest shall be subject.

Section 9.05. Owner's Failure to Maintain. Notwithstanding anything to the contrary, if an Owner should fail to maintain or make the necessary repairs or replacements which are the responsibility of such Owner, the Master Association shall have the right, but not the obligation, upon a vote of a majority of the Board of Directors, after not less than three (3) days' written notice to the Owner, to enter the Separate Interest and provide such maintenance or make such repairs or replacements as are necessary, the cost thereof to be assessed as a Special Assessment chargeable to that Separate Interest.

Section 9.06. Master Association Maintenance. Except as otherwise provided in this Second Restated Master Declaration, from and after the date of conveyance of fee title or an

easement for such purposes thereto to the Master Association, the Master Association shall be responsible for the maintenance, repair, replacement, irrigation, brush clearance and preservation of the appearance of the Master Common Area, including, but not limited to, the hiking trails, storm water retention basins and drainage lines and improvements, all recreational buildings, facilities and equipment, private streets, open space areas, lighting, guest parking areas, landscaping, fences, irrigation systems, boundary walls and other walls not part of a Separate Interest, all wires and other utility installations, gas, water and waste pipes, sewers, and the like, extending to the boundaries of a Separate Interest, and all drainage pipes and devices, buildings and other related features. The Master Association shall be responsible for the repair and payment for all centrally metered utilities, water charges, and mechanical and electrical equipment in the Master Common Area; the repair and maintenance of all the debris systems located in the Community; and the repair and maintenance of all walks, portions of private driveways and alleyways and other means of ingress and egress within the Master Common Area. The Master Association shall also be responsible for the maintenance of certain off site areas and improvements, located outside of the boundaries of the Community, as provided in Section 13.02(b), below.

Section 9.07. Inspection of Community. It shall be the affirmative duty of the Board to require strict compliance with all provisions of this Second Restated Master Declaration and to cause the Community to be regularly inspected for any violations thereof. Each Sub-Association with respect to their portions of the Community, shall create and establish a maintenance program to be followed by the Master Association and the Sub-Associations to provide for and assure the continued integrity and aesthetics of the Community. The cost of any maintenance, repairs or replacement by the Master Association which is not the responsibility of the Master Association, or which arises out of, or is caused by, the act or negligence of an Owner, or such Owner's family, tenants, guests, invitees or agents shall, after notice and hearing, be levied by the Board as a Special Assessment against such Owner.

Section 9.08. Damage to Master Common Areas. In the event the need for repair of the Master Common Area is caused through the willful or negligent acts of a Member or his or her guests, invitees or tenants, the Master Association, or their agents or employees shall have the right, but not the obligation, to make such repairs and the liability of the Member and the cost of repair shall be assessed to that Member as a Special Assessment as set forth in this Second Restated Master Declaration.

## ARTICLE X PARTY WALLS

Section 10.01. Rights and Duties. The rights and duties of the Owners of Separate Interests with respect to party walls shall be governed by the following:

(a) Each wall which is constructed as a part of the original construction and located between separate Lots, shall constitute a party wall, and with respect to such wall, each of the adjoining Owners shall jointly assume the burdens and share the cost of reasonable maintenance and repair in proportion to such use. Each Separate Interest shall be subject to an easement for that portion of the party wall which is necessary for support, and each such Owner shall be liable

for all property damage due to negligence or willful acts or omissions in connection with such wall.

(b) If any such party wall is damaged or destroyed through the act of one of the adjoining Owners, any member of his or her family, a guest, agent (whether or not such act is negligent or otherwise culpable) so as to deprive the other adjoining Owner of the full use and enjoyment of such wall, the Owner responsible for the damage or destruction thereon shall be required to make any and all necessary repairs thereto, without cost to the adjoining Owner.

(c) If any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, his or her agents, or family (including, but not limited to, earthquake damage), each adjoining Owner shall be required to make any and all necessary repairs thereto at their joint and equal expense.

(d) Any Owner proposing to modify, make additions to, or rebuild his or her Separate Interest in any manner which requires the extension or alteration of any party wall, shall be required to first obtain the written consent of the adjoining Owner. He/She must also comply with all dictates of this Second Restated Master Declaration which may be relevant.

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

In the event of a dispute between Owners with respect to the repair of a party wall or with respect to the sharing of the cost thereof, the matter shall be submitted to the Board for resolution upon the written request of either Owner. Any decision of the Board of Directors shall be final and conclusive upon the parties.

## ARTICLE XI EASEMENTS

Section 11.01. Drainage and Utility Easements. Easements for surface water drainage and for installation and maintenance of utilities, sewer pipelines and facilities and drainage facilities over, under and across each of the Lots and Condominiums, and all pipelines and other facilities located and to be located in said easements, are reserved for the benefit of the Master Association, and the other Lots and Condominiums within the Community, where such facilities are installed and as may be shown on the recorded Maps and Condominium Plans of the Community, or other appropriate recorded document. Within such easements, no structure, planting or other materials shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities or which may change the direction of the flow of drainage channels, or which may obstruct or retard the flow of water through drainage channels in the easements. The easement area of each Separate Interest, if any, and all improvements therein, if any, shall be maintained continuously by the Owner of the Separate Interest, except for those improvements for which a public authority or a utility is responsible. In addition, all sewer pipelines and other sewer facilities located or to be located within public roads, streets and highways abutting each of the Separate Interests are reserved.

Section 11.02. Easements of Slope Areas and Drainage Ways. Each grantee of a Separate Interest within the Community covenants for himself/herself, his/her heirs, successors and assigns, that he/she will permit free access by Owners of adjacent or adjoining Lots and Condominiums and by the Master Association, its agents and employees, to all slope areas or drainage ways, if any, located on his or her Separate Interest, which affect said adjacent or adjoining Separate Interests, which access is essential for the maintenance or permanent stabilization of said slopes, or maintenance of the drainage facilities, if any, for Separate Interests other than the Separate Interest on which the slope or drainage way is located.

Section 11.03. Encroachment Easement. In the event any improvement to a Separate Interest encroaches upon the Master Common Area as a result of the initial construction, or as the result of repair, shifting, settlement or movement of any portion thereof, an easement for the encroachment and for the maintenance of same, shall exist so long as the encroachment exists. Further, each Owner within the Community is hereby granted an easement over all adjoining Separate Interests for the purpose of accommodating any minor encroachment, due to engineering errors, errors in original construction, settlement or shifting of the building, roof overhand, architectural or other append ants for so long as any such encroachment continues to exist.

## ARTICLE XII INSURANCE

Section 12.01. Liability/Property Insurance. A master or blanket public liability and property damage insurance policy covering the Master Common Area shall be purchased by the Board of Directors and shall be maintained in force at all times, the premium thereon to be paid out of the monies collected from the assessments. The minimum amount of coverage shall be Two Million Dollars (\$2,000,000) combined single limit liability for bodily injury to any one person, or property damage for any one occurrence; if written on the new occurrence form, coverage shall be Two Million Dollars (\$2,000,000) in the aggregate and Two Million Dollars (\$2,000,000) per occurrence; provided, however, that if the Community consists of more than 100 separate interests, such coverage shall be at least Three Million Dollars (\$3,000,000.00) per occurrence. The policy shall name the Master Association and all Owners as Insureds. The Community Manager shall also be a named insured on such policy, during such time as his or her agency shall continue. The insurance shall also contain a cross-liability endorsement to cover negligent injury by one Owner to another, if reasonably available. The Master Association shall prepare and distribute to all Members a summary of the Master Association's property, general liability, and hazard insurance policies, which shall be distributed not less than thirty (30) days nor more than ninety (90) days immediately preceding the beginning of the Master Association's fiscal year, that includes all of the following information about each policy: (a) the name of the insurer, (b) the type of insurance, (c) the policy limits of the insurance, and (d) the amount of deductibles, if any. The Master Association shall, as soon as reasonably practical, notify the Members by first-class mail if any of the policies described in this paragraph have lapsed, been canceled, and are not immediately renewed, restored or replaced, or if there is a significant change, such as a reduction in coverage or limits or an increase in the deductible, for any of those policies. If the Master Association receives any notice of nonrenewal of a policy described in

this paragraph, the Master Association shall immediately notify the Members if replacement coverage will not be in effect by the date the existing coverage will lapse. To the extent that any of the information required to be disclosed pursuant to this paragraph is specified in the insurance policy declaration page, the Master Association may meet its obligation to disclose that information by making copies of that page and distributing it to all Members. The summary distributed pursuant to this paragraph shall contain in at least 10-point boldface type, the statement required by Civil Code Section 1365(f)(4).

Section 12.02. Hazard Insurance. The Board of Directors shall purchase a master or blanket policy of all-risk or named peril (fire, extended coverage, vandalism and malicious mischief) insurance issued by a Qualified Insurer, as defined herein, providing coverage equal to one hundred percent (100%) of the current replacement cost of all Master Common Area improvements to the Community then subject to assessments under Article V of the Master Declaration (including all service and mechanical equipment in the Master Common Area). "Qualified Insurer" means any insurance company having a Best's Insurance Reports rating of (a) a B general policyholder's rating and a III financial size category, or (b) an A general policyholder's rating and a II financial size category, and licensed in the State of California. Said insurance policy shall contain an earthquake damage endorsement if the Board determines that coverage is reasonably necessary and reasonably available at a cost deemed to be in the best interests of the Members. Replacement cost may exclude land, foundations, excavation, and other items normally excluded from coverage. All hazard insurance required to be maintained by the Board hereunder shall be maintained to meet or exceed the requirements of the provisions contained in the FHLMC Seller/Service Guide, as recommended by the insurance agent for the Master Association. The premiums for said insurance policy shall be paid by the Board out of the monies collected from the assessments. The policy may also contain an agreed amount endorsement, a special form endorsement, and a clause to permit cash settlement covering the full value of the improvements in the event of partial destruction and a decision not to rebuild. In the event that the insurer under said hazard insurance policy shall cease to be licensed in the State of California, or shall cease to be approved by the Federal Home Loan Mortgage Corporation (so long as insurers continue to be so approved), the Master Association shall exercise its best efforts to obtain from another Qualified Insurer, a replacement hazard policy comparable to the prior hazard policy, including all required endorsements.

Any personal property of a Separate Interest Owner and additional fixtures added by a Separate Interest Owner placed, stored or located within any portion of the Master Common Areas should be insured separately by the Separate Interest Owner.

Section 12.03. Board as Trustee. All insurance proceeds payable pursuant to Section 12.02 of this Article and subject to the rights of Mortgagees under Section 12.06, below, shall be paid to the lending institutions holding first Mortgages on Separate Interests within the Community, to the extent of their interests therein, and shall be applied only to the repair and restoration of the damaged premises or to the reduction of the aggregate principal amounts of the mortgage loans secured by such damaged or destroyed premises. Insurance proceeds shall be paid out in accordance with Article XIII. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work, as provided in Article XIII, below.



Section 12.04. Other Insurance. The Board may purchase and maintain in force at all times, demolition insurance in adequate amounts to cover demolition in the event of destruction and a decision not to rebuild. The premium therefor shall be paid out of the monies collected from the assessments. Such policy, if purchased, shall contain a determinable demolition clause or similar clause, to allow for the coverage of the cost of demolition in the event of destruction and a decision not to rebuild. The Board of Directors shall also purchase and maintain Worker's Compensation Insurance to the extent that the same shall be required by law for employees of the Master Association. The Board of Directors may also purchase and maintain insurance on commonly owned personal property and such other insurance as it deems necessary, the premium thereof to be paid out of the monies collected from the assessments, including, but not limited to, umbrella or excess liability coverage.

Section 12.05. Owners' Other Insurance. An Owner may carry such additional personal liability and property damage insurance respecting individual Separate Interests as he or she may desire.

Section 12.06. Right of Mortgagees. With respect to insurance coverage under Section 12.02, above, any Mortgagee of record shall have the option to apply insurance proceeds payable to it to reduce the obligation secured by the Mortgage, but only in the event that the insured has determined not to rebuild.

Section 12.07. Annual Review. The Board shall review the insurance carried by the Master Association at least annually for the purpose of determining the amount of the casualty and property insurance referred to in Section 12.01, above. The Board shall obtain current appraisal of the full replacement value of the improvements in the Master Common Area, except for foundations and footings, without deduction for depreciation, by a qualified appraiser, prior to each such annual review.

## ARTICLE XIII DESTRUCTION OF IMPROVEMENTS

Section 13.01. Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair. In the event of total or partial destruction of the improvements in the Master Common Area and if the available proceeds of the insurance carried pursuant to Article XII are sufficient to cover not less than eighty-five (85%) percent of the estimated cost of repair or reconstruction thereof, the same shall be promptly repaired and rebuilt, unless, within ninety (90) days from the date of such destruction, Delegates representing seventy-five (75%) percent of the of membership present and entitled to vote in person or by proxy, at a duly constituted meeting or by written ballot mailed to Owners, determine that such reconstruction shall not take place. If reconstruction is to take place, the Board of Directors shall be required to execute, acknowledge, file and record, not later than one hundred twenty (120) days from the date of said destruction, a certificate declaring the intention of the Master Association to rebuild.

Section 13.02. Proceeds Less Than Eighty-Five Percent (85%) of Cost to Repair. If the proceeds of such insurance are less than eighty-five (85%) percent of the estimated cost of reconstruction, such reconstruction may, nevertheless, take place, if within ninety (90) days from

the date of said destruction, Delegates representing at least sixty-six and two-thirds percent (66-2/3%) of the membership elect to rebuild.

Section 13.03. Additional Contributions From Owner. If the Master Association determines to rebuild, pursuant to either Sections 13.01 and 13.02, each Owner shall be obligated to contribute such funds as shall be necessary to pay an equal share of the cost of reconstruction over and above the insurance proceeds, based upon the ratio of Separate Interests owned by each Owner to the total number of all the Separate Interests. In the event of failure or refusal by any Owner to pay his or her proportionate share, after notice to him, should such failure or refusal continue for a period of sixty (60) days, the Board of Directors may levy a Special Assessment against such Owner, which may be enforced under the lien provisions, hereinbefore contained.

Section 13.04. Master Association to Contract for Rebuilding. If the Delegates determine to rebuild, the Board of Directors shall obtain bids from at least two (2) reputable contractors and shall award construction work to the most qualified bidder. The Board of Directors shall have the authority to enter into a written contract with said contractor for such reconstruction and the insurance proceeds held by the Board shall be disbursed to said contractor according to the terms of the contract. It shall be the obligation of the Board to take all steps necessary to insure the commencement and completion of such reconstruction at the earliest possible date.

Section 13.05. Insufficient Vote to Rebuild. If the vote of the Delegates shall be insufficient to authorize rebuilding, either pursuant to Sections 13.01 and 13.02, above, the following shall apply:

(a) Any insurance proceeds available for such rebuilding shall be distributed among the Owners and their individual lenders by the Board, as their respective interests may appear. The proportionate interests of each Owner in said proceeds in relation to other Owners shall be based upon a ratio of Separate Interests owned by each Owner to the total number of all the Separate Interests.

(b) The Board shall have the duty, within one hundred twenty (120) days of the date of such loss, to execute, acknowledge and record a certificate setting forth the determination of the Master Association not to rebuild, and shall promptly cause to be prepared and filed, such revised maps and other documents as may be necessary to show the conversion of the Master Common Area to the status of unimproved land.

Section 13.06. Arbitration. In the event of a dispute among the Owners, with respect to the provisions of this Article, any Owner may cause the same to be referred to arbitration in accordance with the then prevailing rules of the American Arbitration Association. In the event of arbitration, notice thereof shall be given to the Members of the Board and all Owners as promptly as possible after reference to arbitration is made, giving all Owners an opportunity to appear in such arbitration proceedings. The decision of such arbitrator in this matter shall be final and conclusive upon all Owners. The arbitrator may include in his or her decision an award for costs and/or attorneys' fees against any one or more of the parties to the arbitration.

## ARTICLE XIV SCOPE OF ENFORCEMENT

Section 14.01. 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 Second Restated Master Declaration are inadequate and that the failure of any Owner, tenant, occupant or user of any Separate Interest, or any portion of the Common Area or Common Facilities, to comply with any provision of the Governing Documents may be enjoined by appropriate legal proceedings instituted by any Owner, the Master Association, its officers or Board of Directors, or by their respective successors in interest.

Section 14.02. Nuisance. Without limiting the generality of the foregoing Section 14.01, the result of every act or omission whereby any covenant contained in this Second Restated Master 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 14.03. 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 procedures include an action brought in any court of competent jurisdiction as well as any alternative dispute resolution procedure implemented pursuant to the Governing Documents or pursuant to California Civil Code sections 1354 and 1369.510-1369.580 (as such sections may be renumbered or revised from time to time). In any enforcement procedure, such as mediation in which there is no 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 14.04. Cumulative Remedies. The respective rights and remedies provided by this Second Restated Master 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 at 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 Second Restated Master Declaration.

Section 14.05. Failure Not a Waiver. The failure of any Owner, the Board of Directors, the Master 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 Second Restated Master 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 Master Association or the Board, or any of its officers or agents.

Section 14.06. Rights and Remedies of the Master Association (Governing Document Enforcement).

(a) Rights Generally. Except as otherwise provided in Section 5.11, above, (Assessment Collections) in the event of a breach or violation of any Master Association Rule or of any of the restrictions contained in any Governing Document by an Owner, his or her family, or the Owner's guests, employees, invitees, licensees, or tenants, the Board, for and on behalf of all other Owners, may enforce the obligations of each Owner to obey such Rules, covenants, or restrictions through the use of such remedies as are deemed appropriate by the Board and available in law or in equity, including but not limited to the hiring of legal counsel, the imposition of fines and monetary penalties, the pursuit of legal action, or the suspension of the Owner's right to use recreation Common Facilities or suspension of the Owner's voting rights as a Member of the Master Association; provided, however, the Master Association's right to undertake disciplinary action against its Members shall be subject to the conditions set forth in this Section.

The decision of whether it is appropriate or necessary for the Master Association to take enforcement or disciplinary action in any particular instance shall be within the sole discretion of the Master Association's Board or its duly authorized enforcement committee. If the Master Association declines to take action in any instance, any Owner shall have such rights of enforcement pursuant to California Civil Code sections 1354 and 1369.510-1369.580 or otherwise by law.

(b) Schedule of Fines. 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 improperly parked vehicles). Once imposed, a fine or penalty may be collected as a Special Individual Assessment, subject to the limitation on the use of lien and foreclosure remedies stated in Section 4.10(b)(ix), above.

(c) Definition of "Violation". A violation of the Governing Documents shall be defined as a single act or omission occurring on a single day. If the detrimental effect of a violation continues for additional days, discipline imposed by the Board may include one component for the violation and, according to the Board's discretion, a per diem component for so long as the detrimental effect continues. Similar violations on different days shall justify cumulative imposition of disciplinary measures. The Master Association shall take reasonable and prompt action to repair or avoid the continuing damaging effects of a violation or nuisance occurring within the Common Area at the cost of the responsible Owner.

(d) Limitations of Disciplinary Rights.

(i) Generally. The Master Association shall have no power to cause a forfeiture or abridgment of an Owner's right to the full use and enjoyment of his or her Separate Interest due to the failure by the Owner (or his or her family members, tenants, guests or invitees) to comply with any provision of the Governing Documents or of any duly enacted Master Association Rule except where the loss or forfeiture is the result of the judgment of a court of competent jurisdiction, a decision arising out of arbitration or a foreclosure or sale under

a power of sale for failure of the Owner to pay Assessments levied by the Master Association, or where the loss or forfeiture is limited to a temporary suspension of an Owner's rights as a Member of the Master Association or the imposition of monetary penalties for failure to pay Assessments or otherwise comply with any Governing Documents so long as the Master Association's actions satisfy the due process requirements of subparagraph (iii), below.

(ii) Monetary Penalties. Monetary penalties imposed by the Master Association: (A) for failure of a Member to comply with the Governing Documents; (B) as a means of reimbursing the Master Association for costs incurred by the Master Association in the repair of damage to the Common Area or Common Facilities allegedly caused by a Member; (C) in bringing the Member and his or her Separate Interest into compliance with the Governing Documents; or (D) as otherwise deemed necessary to compel compliance, may not be characterized nor treated as an Assessment which may become a lien against the Member's Separate Interest enforceable by a sale of the Separate Interest in nonjudicial foreclosure; provided, however, that this limitation on the Master Association's lien rights shall not apply to charges imposed against an Owner consisting of reasonable late payment penalties to reimburse the Master Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in the Master Association's efforts to collect delinquent Assessments.

(iii) Hearings and Summary Enforcement Rights. No penalty or temporary suspension of rights shall be imposed pursuant to this Article unless the Member alleged to be in violation is given at least ten (10) days prior notice of the Board's intention to impose a penalty or discipline the Member (see subparagraph (iv), below). Notwithstanding the foregoing, under circumstances involving conduct that constitutes: (A) an immediate and unreasonable infringement of, or threat to, the safety or quiet enjoyment of neighboring Owners; (B) a traffic or fire hazard; (C) a threat of material damage to, or destruction of, the Common Area or Common Facilities; or (D) a violation of the Governing Documents that is of such a nature that there is no material question regarding the identity of the violator or whether a violation has occurred (such as late payment of Assessments or parking violations), the Board of Directors, or its duly authorized agents, may undertake immediate corrective or disciplinary action and, upon request of the offending Owner (which request must be received by the Master Association, in writing, within ten (10) days following the Master Association's disciplinary action), or on its own initiative, conduct a hearing on the matter.

(iv) Conduct of Hearings and Notice. Disciplinary hearings shall be before the Board. A Member shall be notified in writing of the hearing date at least ten (10) days prior to the meeting when the Board will consider imposing discipline upon a Member. 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 alleged 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 a written notification of the action taken, within fifteen (15) days following the Master 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 Community or any portion thereof.

(v) Rules and Procedures. The Board, or an appropriate committee appointed by the Board, shall be entitled to adopt rules that further elaborate and refine the procedures for conducting disciplinary proceedings. Such rules, when approved and adopted by the Board, shall become a part of the Community Rules.

(vi) Appointment of a Covenants Committee. Acting pursuant to Section 11.01 of the Bylaws, the Board of Directors may, but shall not be obligated to, establish a Covenants Committee to make an initial determination and recommendation to the Board on alleged violations of the Governing Documents. The Covenants Committee shall review written complaints from Separate Interest Owners, the Master Association's manager, or the Architectural Control Committee (for violations other than those relating to specific Improvement projects, which shall remain within the jurisdiction of the Architectural Control Committee) of alleged violations of the Governing Documents or Community Rules, and make findings and recommendations to the Board regarding the alleged violation(s).

The recommendations of the Covenants Committee, if established, shall be submitted to the Board of Directors. The Board shall hold a hearing, pursuant to subparagraph (d)(iv), above, for any Member where the Covenants Committee has recommended discipline.

This subparagraph (d)(vi) shall only apply if the Board of Directors establishes a Covenants Committee.

(vii) Court Actions. Court actions to enforce the Governing Documents may only be initiated on behalf of the Master Association by resolution of the Board. Prior to the filing of any court action seeking declaratory or injunctive relief to interpret or enforce the Governing Documents (including either such action coupled with a claim for monetary damages not in excess of Five Thousand Dollars (\$5,000)), the Master Association shall first comply with the provisions of California Civil Code sections 1369.510-1369.580 relating to alternative dispute resolution. The Master Association's own notice and hearing procedures may be drafted to satisfy these statutory requirements

The notice and hearing procedures set forth in this Section 14.06 shall not apply to any actions by the Master Association or its duly authorized agents to collect delinquent assessments. Assessment collections shall be subject to Section 5.11, above, and any other notice, hearing and/or dispute resolution requirements or procedures as may be specifically applicable by law to Master Association assessment collection efforts.

## ARTICLE XV MORTGAGEE PROTECTION

Section 15.01. Mortgagee Protection. Notwithstanding any other provisions in this Second Restated Master Declaration to the contrary, in order to induce lenders and investors to participate in the financing of the sale of Separate Interests in the Community, the following

provisions are added hereto (and to the extent these added provisions conflict with any other provisions in this Second Restated Master Declaration, these added provisions shall control):

(a) No breach of any of the covenants, conditions and restrictions herein contained, nor the enforcement of any lien provisions herein, shall defeat or render invalid the lien of any first Mortgage (meaning a Mortgage with first priority over any other Mortgage) on any Separate Interest made in good faith and for value, 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.

(b) Each holder of a first Mortgage encumbering any Separate Interest is entitled upon request to timely written notification from the Master Association of any default by the Mortgagor of such Separate Interest in the performance of such Mortgagor's obligations under this Second Restated Master Declaration, the Bylaws or Rules and Regulations of the Master Association which is not cured within sixty (60) days. Any Institutional Lender holding a first Mortgage on any Separate Interest within the Community shall be entitled to prior written notice of certain proposed actions of the Master Association as hereinafter set forth in Section 15.01, provided that such Institutional Lender furnishes the Master Association with a written request for notice which request sets forth the particular Institutional Lender's mailing address and identifies the Separate Interest on which it holds an encumbrance.

(c) Each holder of a first Mortgage encumbering any Separate Interest which obtains title to such Separate Interest pursuant to: (a) remedies provided in such Mortgage, or (b) by accepting a deed (or assignment) in lieu of foreclosure in the event of default by a Mortgagor, shall be exempt from any "right of first refusal," if any, contained in the Master Declaration or the Bylaws of the Master Association. Further, any such "right of first refusal" shall not impair the rights of a first Mortgagee or interfere with a subsequent sale or lease of a Separate Interest so acquired by the Mortgagee.

(d) Each holder of a first Mortgage or third party foreclosure purchaser which obtains title to a Separate Interest pursuant to foreclosure of the first Mortgage, shall take the Separate Interest free of any claim for unpaid dues, assessments or charges against the Separate Interest which accrue prior to the time such holder obtains title to such Separate Interest (except for claims for a share of such assessments or charges resulting from a reallocation of such dues, assessments or charges among all Lots and Condominiums, including the mortgaged Separate Interest). The lien assessments provided for herein shall be subordinate to the lien of any first Mortgage now or hereafter placed upon a Separate Interest subject to assessment; provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Separate Interest pursuant to a decree of foreclosure or trustee sale. Such sale or transfer shall not release such Separate Interest from liability for any assessments thereafter becoming due, nor from the lien of any such subsequent assessment.

(e) Unless at least two-thirds (2/3) of the Institutional Lenders holding a first Mortgage on a Separate Interest within the Community (based upon one vote for each first Mortgage owned), or Delegates representing at least two-thirds (2/3) of the Owners have given their prior written approval, the Master Association and its Members shall not be entitled to:

(i) By act or omission, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or the exterior appearance of Separate Interests, the exterior maintenance of Separate Interests, the maintenance of the Master Common Area, party walks or common fences and driveways, or the upkeep of lawns and plantings in the Community;

(ii) Change the pro rata interest or obligations of any Separate Interest for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

(iii) Partition or subdivide any Separate Interest;

(iv) By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Master Common Area or partition the Master Common Area except as provided for herein. The granting of easements for public utilities or for other public purposes consistent with the intended uses of the Master Common Area and the Community shall not be deemed a transfer within the meaning of this clause;

(v) Use hazard insurance proceeds for losses to any Master Common Area for other than repair, replacement or reconstruction of such Master Common Area, except as provided by statute in case of substantial damage to the Master Common Area of the Community;

(vi) Fail to maintain fire and extended coverage on insurable planned development common property within the Community on a current replacement cost basis in an amount not less than one hundred percent (100%) of the insurable value (based on current replacement cost);

(vii) Effectuate any decision of the Master Association to terminate professional management by the Community Manager and assume self management of the Community; and

(viii) Amend any part of this Article XV.

(f) First Mortgagees shall have the right to examine the books and records of the Master Association during normal business hours.

(g) The Annual Assessments shall include an adequate reserve fund for maintenance, repair and replacement of the improvements to the Master Common Area and those portions thereof that must be replaced on a periodic basis, and shall be payable in Annual Assessments rather than by Special Assessments.

(h) All taxes, assessments and charges which may become liens prior to the first Mortgage under local law shall relate only to individual Lots and Condominiums, and not to the Community as a whole.

(i) In the event of substantial damage to or destruction of any Separate Interest or any element of the Master Common Area or possible condemnation or eminent domain



procedure, the Institutional Lender under any first Mortgage on a Separate Interest is entitled to timely written notice of any such damage, destruction or proposed acquisition and no provision in the Bylaws, nor in this Second Restated Master Declaration shall be interpreted to entitle any Owner or any other party to priority over any first Mortgagee with respect to the distribution to such Owner of any insurance proceeds or condemnation awards for losses to, or a taking of, Lots, Condominiums and/or Master Common Areas.

(j) The Master Association shall, upon the request of any Institutional Lender under a first Mortgage on a Separate Interest: (i) give written notice of all meetings of the Master Association and permit the Institutional Lender to designate a representative to attend all such meetings, and (ii) transmit to such Institutional Lender an annual audited financial statement of the Community within ninety (90) days following the end of any fiscal year of the Community at such Institutional Lender's cost.

(k) No breach of any of the foregoing covenants shall cause any forfeiture of title or reversion or bestow any right of re-entry whatsoever, but in the event that any one or more of these covenants shall be violated, the Master Association, or any Owner may commence a legal action in any court of competent jurisdiction to enjoin or abate said violation, and/or to recover damages; provided, that any such violation shall not defeat or render invalid the lien of any Mortgage made in good faith and for value as to said Separate Interest or any part thereof. Said covenants shall be binding upon and effective against any Owner whose title is acquired by foreclosure, trustee's sale or otherwise.

(l) First Mortgagees of Separate Interests may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any Master Common Area and may pay overdue premiums on hazard insurance policies, or secure new hazard insurance coverage on the lapse of a policy, for such Master Common Area and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Master Association. This provision shall constitute an agreement by the Master Association for the express benefit of all first Mortgagees and upon request of any first Mortgagee the Master Association shall execute and deliver to such first Mortgagee a separate written Agreement embodying this provision.

## ARTICLE XVI AMENDMENTS

Section 16.01. Amendments. The Master Declaration may be amended by an instrument in writing signed by no less than eighty percent (80%) of the Delegates representing at least seventy-five percent (75%) of the total voting power of the Master Association. In no event shall the percentage of the voting power necessary to amend a specific provision of this Second Restated Master Declaration be less than the percentage of affirmative votes prescribed for action to be taken under said provision.

Section 16.02. Effectiveness of Amendment. From and after its effective date, each amendment made pursuant to the preceding paragraph shall be as effective as to all Separate Interests within the Community, the Owners thereof and their successors in interest.

Section 16.03. Petition the Superior Court. Nothing in this Second Restated Master Declaration shall restrict the ability of any Owner at any time to petition the Superior Court in the county in which the Community is located to amend this Second Restated Master Declaration as provided under California Civil Code Section 1356.

## ARTICLE XVII ANNEXATION

Section 17.01. Annexation of Additional Property by Master Association. Upon approval in writing by the Master Association, pursuant to the vote of eighty percent (80%) of the Delegates representing at least two-thirds (2/3) of a majority of the voting power of its Members or the written assent of such Members, the Owner of any real property who desires to add such property to the scheme of this Second Restated Master Declaration and to subject same to the jurisdiction of the Master Association, may file of record a Notice of Annexation which shall extend the scheme of this Second Restated Master Declaration to such property.

Section 17.02. Annexation Procedure. The annexation of additional real property authorized under Section 17.01 shall be made by filing of record a Notice of Annexation, or similar instrument, covering said additional real property, which Notice of Annexation shall expressly provide that the scheme of this Second Restated Master Declaration shall extend to such additional real property. The Notice of Annexation may contain such complementary additions to and modifications of the covenants set forth in this Second Restated Master Declaration as are necessary to reflect the different character, if any, of the annexed property and which are not inconsistent with the general scheme of this Second Restated Master Declaration. The provisions of any Notice of Annexation may impose on the additional property covered thereby such further or additional restrictions, land uses and limitations as may be appropriate or advisable, taking into consideration the nature or environmental sensitivity of such additional property. Except as set forth in this Section, no Notice of Annexation shall add, delete, revoke, modify or otherwise alter the covenants set forth in this Second Restated Master Declaration.

Section 17.03. Obligations of Annexed Property. The obligation of Owners in the annexed property to pay regular Annual Assessments levied by the Master Association and the right of such Owners to exercise voting rights in the Master Association in such annexed property shall not commence until the first day of the month following close of the first sale of a Separate Interest in that particular Phase of development.

## ARTICLE XVIII COVENANTS IN FAVOR OF LOCAL JURISDICTION

Section 18.01. Local Jurisdiction. The local governmental entity with primary jurisdiction over this residential planned development is the City of Sacramento, a municipal corporation in the State of California. The Master Association shall, at all times, abide by all City ordinances, statutes and resolutions as well as the laws of the State of California.

Section 18.02. Special Covenants. The following covenants shall be binding upon the Master Association and all Members in favor of the City of Sacramento:

(a) The Master Association shall at all times provide for the maintenance of all open areas, parkway areas, and landscaping, sidewalks, courtyards and private streets and drives within the Master Common Area.

(b) The Master Association shall be responsible for the maintenance, repair and replacement of landscaping improvements located in certain areas, including, but not limited to, landscaped right of way, medians and such other improvements as the City approves for maintenance by the Master Association and as depicted on an Exhibit to a future recorded Notice of Annexation (collectively, "Off-Site Maintenance Areas"), located outside of the geographical boundaries of the Community, in accordance with the Conditions of Approval for the Community. The locations and descriptions of the Off-Site Maintenance Areas, and the time for commencement of Master Association responsibility therefor, are described in Exhibit "C" attached hereto and incorporated herein by this reference. The Off-Site Maintenance Areas shall be maintained in accordance with the applicable City standards for such maintenance.

(c) The Master Association hereby requests that the City of Sacramento enforce traffic and parking regulations on the streets within the Community pursuant to California Vehicle Code Section 21107.5.

## ARTICLE XIX GENERAL PROVISIONS

Section 19.01. Extension of Master Declaration. The provisions of this Second Restated Master Declaration shall run with the land and bind the Community, and shall inure to the benefit of and shall be enforceable by the Master Association or the Owner of any Separate Interest subject to this Second Restated Master Declaration, their respective legal representatives, heirs, successors and assigns, for a term of sixty (60) years from the date this Second Restated Master Declaration is recorded, after which time the provisions of this Second Restated Master Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by Delegates representing at least sixty-six and two-thirds percent (66-2/3%) of the then Owners of Lots and Condominiums, has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Second Restated Master Declaration as it may be supplemented in whole or in part.

Section 19.02. Ownership Interest. An ownership interest in a Separate Interest within the Community may pass from the estate of a deceased person to more than one person; provided, however, that only one living individual shall be entitled to have membership privileges in the Master Association derived from such ownership with the power to delegate use of Master Common Area and facilities to family members, and contract purchasers who are occupants, as provided in Section 2.03.

Section 19.03. Severability. In the event any limitation, restriction, condition, covenant or provision contained in this Second Restated Master Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Second Restated Master Declaration shall, nevertheless, be and remain in full force and effect.

Section 19.04. Liberal Construction. The provisions of this Second Restated Master Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community.

Section 19.05. Number, Gender. The singular shall include the plural and the plural the singular unless the context requires to the contrary, and the masculine, feminine and neuter shall each include the masculine, feminine or neuter, as the context requires.

IN WITNESS WHEREOF, the Natomas Park Master Association has executed this Second Amended and Restated Master Declaration this 25<sup>th</sup> day of NOVEMBER, 2008.

**NATOMAS PARK MASTER ASSOCIATION**, a  
California nonprofit mutual benefit corporation

By: \_\_\_\_\_

Robert Thompson, President

By: \_\_\_\_\_

Tristan Grodt, Secretary

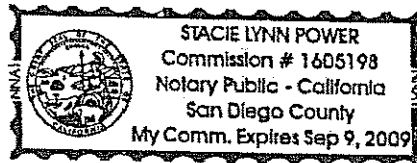
State of California )  
County of Sacramento ) ss

On November 25<sup>th</sup>, 2008, before me, Stacie Lynn Power, Notary Public, personally appeared Tristan Godt, who proved to me on the basis of satisfactory evidence to be the person ~~(s)~~ whose name ~~(s)~~ (is) subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his ~~his/her/their~~ authorized capacity ~~(ies)~~, and that by his ~~his/her/their~~ signature ~~(s)~~ on the instrument the person ~~(s)~~, or the entity upon behalf of which the person ~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Stacie Power (Seal)



State of California )  
County of Sacramento ) ss

On November 25<sup>th</sup>, 2008, before me, Stacie Lynn Power, Notary Public, personally appeared Robert Thompson, who proved to me on the basis of satisfactory evidence to be the person ~~(s)~~ whose name ~~(s)~~ (is) subscribed to the within instrument and acknowledged to me that ~~he/she/they~~ executed the same in his ~~his/her/their~~ authorized capacity ~~(ies)~~, and that by his ~~his/her/their~~ signature ~~(s)~~ on the instrument the person ~~(s)~~, or the entity upon behalf of which the person ~~(s)~~ acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature Stacie Power (Seal)



**EXHIBIT "A"**  
**LEGAL DESCRIPTION**

That certain property situated in the State of California, County of Sacramento, City of Sacramento, described as follows:

Parcel No. 1:

Lots 1 through 129, inclusive, as shown on that certain map entitled "Plat of Northpointe Park Unit No. 12," filed in the office of the County Recorder of Sacramento County, California, On December 3, 1998, in Book 256 of Maps, at page 9.

EXCEPTING THEREFROM all oil, gas and other hydrocarbon substances, inert gases, minerals and metals, lying below a depth of 500 feet from the surface of said land and real property, whether now known to exist or hereinafter discovered, including but not limited to, the rights to explore for, develop and remove such oil, gas and other hydrocarbon substances, inert gases, minerals and metals, without, however, any right to use the surface of such land and real property or any other portion thereof above a depth of 500 feet from the surface of such land and real property for any purpose whatsoever.

Parcel No. 2:

Lots 1 through 89 inclusive, as shown on that certain map entitled "Plat of Northpointe Park Unit No. 14," filed in the office of the County Recorder of Sacramento County, California on December 3, 1998, in Book 256 of Maps, at page 10.

EXCEPTING THEREFROM all oil, gas and other hydrocarbon substances, inert gases, minerals and metals, lying below a depth of 500 feet from the surface of said land and real property, whether now known to exist or hereinafter discovered, including but not limited to the rights to explore for, develop and remove such oil, gas and other hydrocarbon substances, inert gases, minerals and metals without, however any right to uses the surface of such land and real property or any other portion thereof above a depth of 500 feet from the surface of such land and real property for any purpose whatsoever.

Parcel No. 3:

Lots 1 through 12 inclusive, and Lots 82 and 83, all as shown on that certain map entitled "Plat of Northpointe Park Unit No. 5," filed in the office of the County Recorder of Sacramento County, California on November 12, 1998, in Book 255 of Maps, at page 13.

EXCEPTING THEREFROM all oil, gas and other hydrocarbon substances, inert gases, minerals and metals, lying below a depth of 500 feet from the surface of said land and real property, whether now known to exist or hereinafter discovered, including but not limited to the rights to explore for, develop and remove such oil, gas and other hydrocarbon substances, inert gases,

minerals and metals without, however any right to uses the surface of such land and real property or any other portion thereof above a depth of 500 feet from the surface of such land and real property for any purpose whatsoever.

Parcel No. 4:

Lots 1 through 69, inclusive, as shown on that certain map entitled "Plat of Parkway Plaza, Phase I, Unit No. 1," filed in the office of the County Recorder of Sacramento County, California, on December 3, 1998, in Book 256 of Maps, at page 2.

Parcel No. 5:

Parcel 4 as shown on that certain Parcel Map entitle "Master Parcel Map of Parkway Plaza", filed in the office of the County Recorder of Sacramento County, California, on November 23, 1998, in Book 152 of Parcel Maps, at page 14.

EXCEPTING THEREFROM, an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved in a Deed from Jacob Bolen & Sons, a California corporation, to William C. Payne and Rosalie M. Payne, husband and wife as community property, recorded September 17, 1979, in Book 7907-17 of Official Records, at Page 1181.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Allison Elizabeth Payne, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 960.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Allison Elizabeth Payne, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 962.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Carol Payne Kalfsbeck, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 964.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Allison Elizabeth Payne, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 966.

Parcel No. 6:

Lots 1 through 71, inclusive, as shown on that certain map entitled "Plat of Parkway Plaza, Phase I, Unit No. 2," filed in the office of the County Recorder of Sacramento County, California, on December 3, 1998, in Book 256 of Maps, at page 3.

Parcel No. 7:

Parcel 3, as shown on that certain Parcel Map entitled "Master Parcel Map of Parkway Plaza", filed in the office of the County Recorder of Sacramento County, California, on November 23, 1998, in Book 152 of Parcel Maps, at page 14.

EXCEPTING THEREFROM, any portion thereof lying within the exterior boundaries of Parkway Plaza Unit 2, filed December 3, 1998, in Book 256 of Maps, at page 3.

ALSO EXCEPTING THEREFROM, an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved in a Deed from Jacob Bolen & Sons, a California corporation, to William C. Payne and Rosalie M. Payne, husband and wife, as community property, recorded September 17, 1979, in Book 7909-17 of Official Records, at page 1181.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Allison Elizabeth Payne, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 960.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Allison Elizabeth Payne, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 962.



ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Carol Payne Kalfsbeck, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 964.

ALSO EXCEPTING THEREFROM, an undivided 3% interest in an undivided one-half interest in and to all oil, gas, minerals and other hydrocarbon substances below a depth of 500 feet from the surface of said Land, but without, however, the right to enter upon the surface of said land or the upper 500 feet thereof, as reserved by William C. Payne, and Rosalie M. Payne, his wife, in the Deed to Allison Elizabeth Payne, recorded January 13, 1986, Book 86-01-13 of Official Records, at page 966.

Parcel 1

All that land in the City of Sacramento, County of Sacramento, State of California, as shown on that particular Parcel Map Entitled "Master Parcel Map of Northpointe Park Phase I, all of Parcels 5,6 & 7, 3 P.M. 39" filed in Book 152 of Parcel Maps, on Page 13.

Parcel 2

All that land in the City of Sacramento, County of Sacramento, State of California, as shown on those particular Parcel Maps Entitled: "Master Parcel Map of Parkway Plaza" filed in Book 152 of Parcel Maps, on Page 14, and "Master Parcel Map of Northborough Phase I" filed in Book 152 of Parcel Maps on Page 15, and all that portion of Lots 108 and 109, Natomas Central Subdivision, filed in Book 16 of Maps, Map 3, described as follows:

Beginning at the Southeast Corner of Lot 56, 16 B.M. 3, as shown on said Master Parcel Map of Parkway Plaza, thence along the Easterly line as shown on said Parcel Map, and its extension North  $00^{\circ}45'22''$  West 6926.37 feet; thence South  $89^{\circ}44'05''$  West 1316.29 feet to the Easterly line of Said Master Parcel Map of Northborough Phase I; thence along the boundary of said Northborough Phase I, the following twenty-five (25) courses; (1) North  $00^{\circ}15'55''$  West 3627.08 feet, (2) South  $89^{\circ}37'03''$  West 3155.89 feet, (3) North  $00^{\circ}15'58''$  West 4.18 feet, (4) North  $85^{\circ}48'31''$  West 950.74 feet, (5) South  $89^{\circ}37'03''$  West 337.99 feet, (6) South  $00^{\circ}15'58''$  East 4126.85 feet (7) North  $89^{\circ}44'25''$  East 80.76 feet; (8) curving to the right on an arc of 593.69 feet radius, said arc being subtended by a chord bearing South  $58^{\circ}53'16''$  East 618.14 feet, (10) South  $27^{\circ}30'57''$  East 549.31 feet, (11) curving to the right on an arc of 593.69 feet radius, said arc being subtended by a chord bearing south  $13^{\circ}53'29''$  East 279.69 feet, (12) South  $00^{\circ}16'02''$  East 68.12 feet, (13) North  $89^{\circ}43'40''$  East 40.01 feet, (14) South  $00^{\circ}16'41''$  East 1142.25 feet, (15) curving to the right on an arc of 593.69 feet radius, said arc being subtended by a chord bearing South  $13^{\circ}02'43''$  West 273.63 feet, (16) South  $26^{\circ}22'08''$  West 72.33 feet, (17) curving to the left on an arc of 553.69 feet radius, said arc being subtended by a chord bearing South  $01^{\circ}54'03''$  West 458.66 feet, (18) South  $22^{\circ}34'02''$  East 2654.97 feet, (19) curving to the left on an arc of 553.69 feet radius, said arc being subtended by a chord bearing South  $34^{\circ}15'27''$  East 224.38 feet, (20) South  $45^{\circ}56'52''$  East 1174.97 feet, (21) North  $88^{\circ}49'25''$  East 560.15 feet, (22) North

00°16'23" West 670.07 feet, (23) North 73°10'23" West 680.14 feet, (24) feet North 24°20'23" West 2035.79 feet, (25) North 89°43'04" East 2535.65 feet to a point on the Westerly boundary as shown on said Master Parcel Map of Parkway Plaza; thence along said boundary the following Two (2) courses: (1) South 00°16'31" East 2712.64 feet, (2) North 88°49'07" East 1374.87 feet to the point of beginning.