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COUNTY RECORDER
NORTH AMERICAN TITLE COMPANY, INC.

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Los Angeles, CA 90067

By: Laure Wilder

**DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
COMMONS
A Residential Planned Development**

TABLE OF CONTENTS

Page No.

ARTICLE 1	<u>DEFINITIONS</u>	1
	Section 1.1. <u>Terms</u>	1
	Section 1.2. <u>Applicability of Terms</u>	4
ARTICLE 2	<u>PROPERTY RIGHTS IN COMMON AREA</u>	4
	Section 2.1. <u>Owner's Easements of Enjoyment</u>	4
	Section 2.2. <u>Delegation of Use</u>	5
	Section 2.3. <u>Reciprocal Easements</u>	5
	Section 2.4. <u>Utility Easements</u>	5
	Section 2.5. <u>Maintenance of Front Yard Areas</u>	6
	Section 2.6. <u>Reservation and Grant of Private Yard Easements</u>	7
	Section 2.7. <u>Right of Declarant to Modify Plan of Development</u>	8
ARTICLE 3	<u>MEMBERSHIP AND VOTING RIGHTS IN HOMEOWNERS' ASSOCIATION</u>	8
	Section 3.1. <u>Formation</u>	8
	Section 3.2. <u>Membership</u>	9
	Section 3.3. <u>Voting Rights</u>	9
ARTICLE 4	<u>POWERS OF THE ASSOCIATION AND MEMBERSHIP MEETINGS</u>	9
	Section 4.1. <u>Powers of the Association</u>	9
	Section 4.2. <u>Fidelity Bond</u>	12
	Section 4.3. <u>Membership Meetings</u>	12
ARTICLE 5	<u>ASSESSMENTS</u>	13
	Section 5.1. <u>Personal Obligations of Assessments</u>	13
	Section 5.2. <u>Purpose of Assessments</u>	13
	Section 5.3. <u>Maximum Annual Assessment</u>	13
	Section 5.4. <u>Special Assessments</u>	15
	Section 5.5. <u>Notice and Quorum for Any Action Authorized Under Sections 5.3 and 5.4</u> ..	15
	Section 5.6. <u>Uniform Rate of Assessment</u>	15
	Section 5.7. <u>Date of Commencement of Annual Assessments; Due Dates</u>	16
	Section 5.8. <u>Model Homes</u>	16
	Section 5.9. <u>No Lien Rights</u>	16
	Section 5.10. <u>Effect of Non-Payment of Assessments; Remedies of the Association</u>	17
	Section 5.11. <u>Policies for Assessment Collection</u>	18
	Section 5.12. <u>Estoppel Certificate</u>	18
	Section 5.13. <u>Personal Liability of Owner</u>	18
	Section 5.14. <u>Exempt Property</u>	18
	Section 5.15. <u>Assessment Limitation Not Applicable</u>	18
	Section 5.16. <u>Association Statement at Transfer of Title</u>	19

ARTICLE 6	ACCOUNTINGS	19
Section 6.1.	<u>Books, Records and Minutes.</u>	19
Section 6.2.	<u>Budget.</u>	21
Section 6.3.	<u>Initial Financial Report.</u>	23
Section 6.4.	<u>Annual Report.</u>	24
Section 6.5.	<u>Independent Preparation.</u>	24
Section 6.6.	<u>Copy of Financial Statement To Prospective Buyers.</u>	24
Section 6.7.	<u>Association Officer Statement.</u>	24
Section 6.8.	<u>Association's Policies and Practices Statement.</u>	24
Section 6.9.	<u>Reconciliation of Accounts.</u>	25
Section 6.10.	<u>Reserve Account.</u>	25
Section 6.11.	<u>Transfer of Title.</u>	26
ARTICLE 7	DESIGN REVIEW COMMITTEE	26
Section 7.1.	<u>Submissions and Approvals Required.</u>	26
Section 7.2.	<u>Conflicts between the City and the Design Review Committee.</u>	27
Section 7.3.	<u>Compensation of Members.</u>	28
Section 7.4.	<u>Variances.</u>	28
Section 7.5.	<u>Meetings of the Design Review Committee and Delegation of Rights and Responsibilities.</u>	28
Section 7.6.	<u>Appointment of Design Review Committee.</u>	28
Section 7.7.	<u>Stopping Sight Distance Requirements.</u>	29
Section 7.8.	<u>Views.</u>	29
Section 7.9.	<u>Fences and Walls.</u>	29
Section 7.10.	<u>Non-Liability of Design Review Committee Members.</u>	30
ARTICLE 8	USE RESTRICTIONS AND OBLIGATIONS OF OWNERS	30
Section 8.1.	<u>Leasing of Lots.</u>	30
Section 8.2.	<u>Use Restrictions.</u>	30
ARTICLE 9	SCOPE OF ENFORCEMENT	36
Section 9.1.	<u>Enforcement.</u>	36
ARTICLE 10	DAMAGE TO LOTS AND COMMON AREAS	36
Section 10.1.	<u>Repairs.</u>	36
Section 10.2.	<u>Damage to Association Maintenance Areas.</u>	37
Section 10.3.	<u>Association Maintenance Obligations.</u>	37
Section 10.4.	<u>Association Inspections.</u>	37
Section 10.5.	<u>Maintenance of Drainage Improvements; Best Management Practices.</u>	37
ARTICLE 11	INSURANCE	38
Section 11.1.	<u>Liability Insurance.</u>	38
Section 11.2.	<u>Hazard Insurance.</u>	38
Section 11.3.	<u>Individual Coverage.</u>	39
Section 11.4.	<u>Board as Trustee.</u>	39
Section 11.5.	<u>Other Insurance.</u>	39
Section 11.6.	<u>Owners' Other Insurance.</u>	40

Section 11.7.	<u>Right of Mortgagees.</u>	40
Section 11.8.	<u>Annual Review.</u>	40
ARTICLE 12	<u>DESTRUCTION OF IMPROVEMENTS</u>	40
Section 12.1.	<u>Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair.</u>	40
Section 12.2.	<u>Proceeds Less Than Eighty-Five Percent (85%) of Cost to Repair.</u>	40
Section 12.3.	<u>Additional Contributions From Owner.</u>	40
Section 12.4.	<u>Association to Contract for Rebuilding.</u>	41
Section 12.5.	<u>Insufficient Vote to Rebuild.</u>	41
Section 12.6.	<u>Revival of Right to Partition.</u>	41
Section 12.7.	<u>Arbitration.</u>	41
ARTICLE 13	<u>MORTGAGEE PROTECTION</u>	41
Section 13.1.	<u>Mortgagee Protection.</u>	41
ARTICLE 14	<u>AMENDMENTS</u>	44
Section 14.1.	<u>Amendments.</u>	44
Section 14.2.	<u>Effectiveness of Amendment.</u>	45
Section 14.3.	<u>Petition the Superior Court.</u>	45
ARTICLE 15	<u>ANNEXATION</u>	45
Section 15.1.	<u>Annexation of Additional Property by Declarant.</u>	45
Section 15.2.	<u>Annexation of Additional Property by Association.</u>	45
Section 15.3.	<u>Annexation Procedure.</u>	45
Section 15.4.	<u>Obligations of Annexed Property.</u>	46
Section 15.5.	<u>De-Annexation.</u>	46
ARTICLE 16	<u>PARTY WALLS</u>	46
Section 16.1.	<u>Rights and Duties.</u>	46
ARTICLE 17	<u>COVENANTS IN FAVOR OF LOCAL JURISDICTION</u>	47
Section 17.1.	<u>Local Jurisdiction.</u>	47
Section 17.2.	<u>Special Covenants.</u>	47
ARTICLE 18	<u>GENERAL PROVISIONS</u>	47
Section 18.1.	<u>Extension of Declaration.</u>	47
Section 18.2.	<u>Encroachment Easement.</u>	48
Section 18.3.	<u>Ownership Interest.</u>	48
Section 18.4.	<u>Severability.</u>	48
Section 18.5.	<u>Liberal Construction.</u>	48
Section 18.6.	<u>Termination of Declarant's Obligations.</u>	48
Section 18.7.	<u>Number, Gender.</u>	48
Section 18.8.	<u>Non-Liability of Declarant.</u>	48
Section 18.9.	<u>Grantees Subject to this Declaration.</u>	48
Section 18.10.	<u>Bonded Obligations.</u>	49
Section 18.11.	<u>Declarant's Rights After Sale of all Lots in the Community.</u>	49

ARTICLE 19	DISPUTE MECHANISM	50
Section 19.1.	Notice to Members Prior to Filing Civil Action.....	50
Section 19.2.	Dispute Resolution.....	50
Section 19.3.	Construction Defect Disputes.....	53
Section 19.4.	Other Disputes.....	53
Section 19.5.	Alternate Dispute Resolution Procedures.....	55
Section 19.6.	Use of Damage Award Amounts.....	55
Section 19.7.	Civil Codes Sections 1368.4, 1375, 1375.05 and 1375.1.....	56
Section 19.8.	Disputes Relating To Enforcement Of Governing Documents.....	56
Section 19.9.	Miscellaneous.....	56
EXHIBIT "A" PROPERTIES		57
EXHIBIT "B" ANNEXABLE PROPERTY		58
EXHIBIT "C" PRIVATE YARD EASEMENTS		59

**DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS
AND RESERVATION OF EASEMENTS
FOR
COMMONS**

THIS DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS AND RESERVATION OF EASEMENTS FOR COMMONS ("*Declaration*") is made by LENNAR RENAISSANCE, INC., a California corporation ("*Declarant*"), being the owner of that certain real property subject to this Declaration, and hereinafter more particularly described.

WITNESSETH:

WHEREAS, Declarant is the owner of that certain real property located in the City of Sacramento, County of Sacramento, State of California ("*Properties*"), more particularly described in Exhibit "A" attached hereto and incorporated herein by this reference.

The development of the Properties is the first phase of a proposed multi-phase planned development. The first phase is planned to be constructed on Lots 1 through 83, inclusive as shown on the Official Map of "Natomas Park Commons". Phase I will consist of eighty-three (83) residences. Phase II is proposed to consist of approximately seventy-four (74) residences. There is no guarantee that all proposed phases will be completed, or that the number of Lots or the Common Area will be developed as described above.

WHEREAS, it is the desire and intention of Declarant to sell and convey residential Lots within the Properties to various individuals subject to certain basic protective restrictions, limitations, easements, covenants, reservations and charges between it and the purchasers or users of said Properties, as hereinafter set forth.

NOW, THEREFORE, Declarant hereby declares that all of the real property described in Exhibit "A", is, and shall be held, sold and conveyed subject to the following easements, restrictions, covenants, and conditions, which are for the purpose of protecting the value and desirability of, and which shall run with, the real property and be binding on all parties having any right, title or interest in the Properties or any part thereof, their heirs, successors and assigns, and shall inure to the benefit of each Owner thereof. The provisions of this Declaration shall be enforceable by any of the Owners of an interest in the real property above described, against any other Owner or Owners thereof, and shall also be enforceable by the Board of Directors of the Association, which shall be created for the purpose of governing this Community.

**ARTICLE 1
DEFINITIONS**

Section 1.1. Terms. Whenever used in this Declaration, the following terms shall have the following meanings:

1.1.1 Annexation shall mean the addition of real property and all improvements thereto into the scheme created by this Declaration. Upon such annexation, the annexed property shall

be governed by, and subject to each and every provision of this Declaration and any amendments thereto. The procedures for annexation of property are set forth in Article 15.

1.1.2 Annexable Property shall mean and refer to the real property which may be annexed to the Community by Declarant without the consent of the Association, in accordance with the provisions of Section 15.1 hereof. The Annexable Property is that certain real property described in Exhibit "B" attached hereto and incorporated herein by this reference.

1.1.3 Articles shall mean and refer to the Articles of Incorporation of the Association as the same may be amended from time to time.

1.1.4 Association shall mean and refer to COMMONS HOMEOWNERS' ASSOCIATION, a California nonprofit mutual benefit corporation, its successors and assigns.

1.1.5 Association Maintenance Areas shall mean all real property, including any improvements thereon, and structures for which the Association has maintenance obligations, including but not limited to obligations to maintain, repair, replace and/or inspect. Association Maintenance Areas include, without limitation, Common Area, Front Yard Areas, and the exterior surface, structure and cap of the Community perimeter walls.

1.1.6 Board or Board of Directors shall mean and refer to the governing body of said Association.

1.1.7 Budget shall mean and refer to the annual pro forma operating statement for the Association described in Section 6.2 hereof, and shall consist of a Base Budget and a separate Cost Center Budget. The Base Budget shall be applicable to all Lots within the Community and shall contain the financial information required by Section 6.2, except financial information related to the Cost Center. The Cost Center Budget shall be applicable only to Lots 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.

1.1.8 Bylaws shall mean the duly adopted Bylaws of the Association as the same may be amended from time to time.

1.1.9 Common Area shall mean the private drives Mount Judah Lane, Deer Path Lane, Kings Beach Lane, Mount Pluto Lane, Coyote Fork Lane and Serene Lake Lane, and the walkway and related landscaping and irrigation improvements extending from the end of Serene Lake Lane, across Lots 20 and 21 and to the rear boundary of said Lots, as shown on the Final Map of Natomas Park Cottages, Subdivision No. P03-063, for which the Association has rights and/or obligations by easement, for management, operation, and/or maintenance for the common use and enjoyment of the Owners. "Private drives" include private drives and the improvements thereon, including curbs, gutters, streetlights and sidewalks, if any.

1.1.10 Community shall mean the Properties and all improvements thereon.

1.1.11 Cost Center shall mean and refer to one (1) or more improvements or maintenance areas located on a portion of the Community, which directly confer a special benefit

on some but not all of the Owners 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 regular assessments on the benefited Lots, based upon a Cost Center Budget. Cost Centers may be established for any future Phase or Phases by Declarant, in the Notice of Annexation recorded for such Phase prior to the first sale of a Lot in such Phase, or may be established by resolution of the Board. Such Notice of Annexation shall clearly identify the Cost Center improvements or maintenance area being established.

1.1.12 Declarant shall mean and refer to Lennar Renaissance, Inc., a California corporation, its successors and assigns, if such successors or assigns should acquire more than one (1) undeveloped Lot from Declarant for the purpose of development and are designated by Declarant as the Declarant for the purpose hereof by a duly recorded written instrument, or successors of Declarant by operation of law or by exercise of the remedies under a mortgage, deed of trust or deed in lieu of foreclosure, and who expressly elects to assume the rights and duties of Declarant with respect to the acquired real property.

1.1.13 Declarant Party shall mean and refer to any director, officer, partner, member, employer, contractor, design professional, consultant, subcontractor or agent of Declarant.

1.1.14 Declaration shall mean and refer to this enabling Declaration of Covenants, Conditions and Restrictions and Reservation of Easements, as the same may be amended, changed or modified, from time to time.

1.1.15 Front Yard Areas shall mean and refer to that portion of each Lot within the Community that is visible from any street and would commonly be referred to as a front or side yard.

1.1.16 Institutional Lender shall mean a Mortgagee that 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.

1.1.17 Lot shall mean and refer to any plot of land within the Properties, shown upon any recorded subdivision map of the Properties.

1.1.18 Member shall mean an Owner with a membership in the Association.

1.1.19 Mortgage shall mean and refer to a deed of trust as well as a Mortgage.

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

1.1.21 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.

1.1.22 Owner shall mean and refer to the record Owners, whether one (1) or more persons or entities, of fee simple title to any Lot which is part of the Properties, including

contract sellers, but excluding those having such interests merely as security for the performance of an obligation.

1.1.23 Phase shall mean one of the proposed several phases of development of this residential planned development. Declarant intends to construct certain residential dwelling units and Common Area improvements according to a general plan of development.

1.1.23.1. Phase I shall refer to the Lots described in Exhibit "A" hereto attached.

1.1.24 Properties shall mean and refer to that certain real property located in Sacramento County, California, described in Exhibit "A" and such additions thereto as may hereafter be brought within the jurisdiction of the Association through the annexation procedures set forth in Article 15.

Section 1.2. Applicability of Terms. The aforesaid definitions shall be applicable to this Declaration and to any supplements or amendments thereto (unless the context shall prohibit) recorded pursuant to the provisions of this Declaration.

ARTICLE 2 PROPERTY RIGHTS IN COMMON AREA

Section 2.1. Owner's Easements of Enjoyment. Every Owner of a Lot shall have a right and easement of ingress, egress and of enjoyment in and to the Common Area, subject to the limitations set forth in this Declaration, which shall be appurtenant to and shall pass with the title to every such Lot, subject to the following provisions:

(a) The right of the Association to suspend the voting rights of an Owner for any period during which any assessment against such Owner's Lot remains unpaid; and for a period not to exceed thirty (30) days for any infraction of its Rules and Regulations (as defined below) 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 of Section 7341 of the California Corporations Code;

(b) The right of the Association to dedicate or transfer all or substantially all of its assets, including all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. Notwithstanding any contrary provision in the Articles or Bylaws, so long as there is any Lot for which the 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 sixty-six and two-thirds percent (66-2/3%) of both classes of Members of the Association, or following the conversion of Class B to Class A members, by the vote or written assent of sixty-six and two-thirds (66-2/3%) of the members of the Association, other than Declarant, and an instrument executed by both the President and Secretary of the Association affecting such dedication or transfer, has been recorded;

(c) The right of the Association, in accordance with its Articles of Incorporation and Bylaws, to borrow money for the purpose of improving the Common Area and in aid thereof, and with the assent of two-thirds (2/3) of each class of Members, to hypothecate any or all real or personal property owned by the Association. After conversion of the Class B membership to Class A membership, the action herein requiring membership approval shall require the vote or written consent of (i) two-thirds (2/3) of the voting power of members of the Association and (ii) for so long only as the Declarant holds or directly controls twenty-five percent (25%) or more of the voting power of Members of the Association, two-thirds (2/3) or more of the voting power of the Members of the Association other than Declarant;

(d) Subject to a concomitant obligation to restore, Declarant and its agents shall have:

(i) A nonexclusive easement over the Common Area for the purpose of making repairs to the Common Area or to the residences provided access thereto is otherwise not reasonably available;

(ii) The right to the nonexclusive use of the Common Area for the purpose of maintaining model homes, sales offices and signs reasonably necessary to market the Lots, for a period of not more than three (3) years after the easements over the Common Area are granted to the Association, or the sale of all residential Lots within the Properties, whichever is first to occur. The use of the Common Area by Declarant and its agents shall not unreasonably interfere with the use thereof by the Class A Members of the Association.

Section 2.2. Delegation of Use. Any Owner may delegate, in accordance with the Bylaws of the Association, such Owner's rights of enjoyment to the Common Area to the members of such Owner's family, tenants or contract purchasers who reside on such Owner's Lot.

Section 2.3. Reciprocal Easements. Upon the annexation of additional land and improvements into the Community, as provided in Article 15, the Owners of Lots in the annexed areas shall have nonexclusive easements for ingress, egress, and recreational use over the Common Areas within the Community. Similarly, the Owners of Lots within the original scheme of this Declaration, including previously annexed areas, shall have nonexclusive easements for ingress, egress, and recreational use over the Common Areas of the newly annexed areas.

Section 2.4. Utility Easements. Declarant hereby grants, reserves, and establishes nonexclusive easements over, under, and through each and every Lot and the Common Area within the Community ("*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 Lots.

2.4.1 Each Lot which obtains electrical power or other utilities through an underground utility conduit located within a Special Easement Area of another Lot or Lots, is hereby granted and shall have the benefit of a nonexclusive easement through and under such Lot or Lots for the installation, operation and maintenance of such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.4.2 Each Lot 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 nonexclusive easement by reservation for the benefit of the Lot or Lots serviced by such conduit, and the utility lines therein, subject to the restrictions hereinafter set forth.

2.4.3 Said easements granted and reserved shall include incidental rights of installation, operation and maintenance subject to the following limitations:

(a) Repair and replacement of the utility lines within any such conduit shall be performed only at either end of the conduit;

(b) Excavation of any such conduit for any purpose is expressly prohibited except at either end thereof.

2.4.4 The easements hereinabove described shall bind and inure to the benefit of Declarant's heirs, personal representatives, successors and assigns.

2.4.5 Subject easements shall be construed as covenants running with the land, or equitable servitudes as necessary to achieve Declarant's intent. Declarant hereby acknowledges that it is its express intent to subject each Lot within the Project which contains an underground utility conduit, as described hereinabove, to such restrictions, covenants, easements, and servitudes as are necessary to provide for the continued operation and existence of such utility conduit and utility lines.

Section 2.5. Maintenance of Front Yard Areas.

The Association shall have an easement on, over, under, across and through every Front Yard Area of each and every Lot within the Community for the purpose of planting, replanting, watering, cutting, removing and otherwise caring for the landscaping and maintaining the irrigation system in the Front Yard Area of each Lot. The precise area of each Lot that constitutes Front Yard Areas shall be determined by the actual location of the residence and the side yard fence improvements constructed on the Lot.

So long as the Association applies uniform maintenance standards for Front Yard Areas that result in those Areas having a neat and attractive appearance, the level of maintenance and the selection of plant materials shall be in the sole discretion of the Association and its management and maintenance personnel. Generally, in pursuing its duties hereunder, the Association shall retain the landscape appearance and plant selection originally implemented by the Declarant.

Unless there has been prior written approval by the Design Review Committee, no Owner shall make or permit any alteration of the Front Yard Area of his or her Lot and shall, specifically, refrain from creating any excavation or fill or any change in the drainage of the Front Yard Area. Notwithstanding the foregoing, the Design Guidelines can permit Owners to install annual flowers in existing plant areas to provide additional color to the Front Yard Area, so long as maintenance of the additional flowers and/or shrubbery does not require any alteration

in the water time and frequency program implemented by the Association and its landscape contractors.

Section 2.6. Reservation and Grant of Private Yard Easements. Declarant has designed the Community in such a manner that some or all Lots in the Community will have a larger yard area than would be provided by the existing boundary lines of such Lots, and has provided herein that the Owner of each such Lot will have an exclusive easement of use and enjoyment, maintenance and repair, for use as additional private yard area, over the portion of the private yard area on the adjacent Lot that is reasonably usable only by the residents of the Lot to which such additional yard area is made appurtenant herein. Accordingly, it is the intention of Declarant by this provision to establish permanent exclusive easements to permit the use of such private yard areas by the residents of the Lots having a side yard adjacent to such private yard areas.

2.6.1 Declarant hereby reserves, grants and establishes perpetual, exclusive easements of access, ingress, egress, maintenance, repair, replacement, use and enjoyment, on, over, under, across and through the "Private Yard Easement Areas". The Lots to which such exclusive Private Yard Easements shall be appurtenant are referred to in Exhibit "C", attached hereto, as "Dominant Lots", and the Lots within which the Private Yard Easement Areas are located are referred to herein as "Servient Lots". The Lots in future Phases of the Community having Private Yard Easement Areas and the Lots subject thereto may be described in the Notice of Annexation for such Phases. The boundaries and locations of the Private Yard Easement Areas, and the Servient Lots within which they are located, and the Dominant Lots to which they are appurtenant, shall be shown and described in the respective grant deeds for such Lots.

2.6.2 Notwithstanding the stated "exclusive" nature of the Private Yard Easements, Declarant hereby reserves from such Private Yard Easements, for the benefit of the Owners of the Servient Lots within which such Private Yard Easement Areas are located, the right of access, ingress and egress on, over and across the Private Yard Easement Areas on their respective Lots for painting, maintenance, repair, and replacement of the residential structure and improvements within such Servient Lot that form a portion of the boundary of the Private Yard Easement Area.

2.6.3 Declarant hereby reserves, grants and establishes perpetual, non-exclusive easements of access, ingress, egress, on, over and across such portions of the Dominant Lot as reasonably necessary for the Owner of the Servient Lot to access the Private Yard Easement Area for the maintenance purposes stated in the foregoing paragraph, and such access shall be made from either the front walkway of the Servient Lot to the Private Yard Easement Area, but not through the residence on the Dominant Lot.

2.6.4 The Owner of the Servient Lot may perform such maintenance and repair work during reasonable daylight hours. Except in the case of a bona fide emergency, the Owner of the Servient Lot shall give the Owner of the Dominant Lot at least twenty-four (24) hours prior notice of such work. In the event of any emergency, such entry may be made at any time and without notice. Under all circumstances, the Owner of the Servient Lot shall use best efforts to minimize the duration of the work and the inconvenience to the Owner of the Dominant Lot. The Owner of the Servient Lot shall not be liable for any damage to any improvement or other

landscaping located within the Private Yard Easement Area of the Servient Lot, which damage is reasonably and necessarily occasioned by such work.

2.6.5 The Owner of the Servient Lot shall paint, maintain and repair the portion of said residential structure and improvements that border the Private Yard Easement Area and face the Dominant Lot, and the appurtenant roof overhang, in a neat, clean, safe and attractive condition at all times, and shall bear all costs thereof. In the event that the Owner of the Servient Lot fails to maintain the portion of the residential structure therein facing the Private Yard Easement Area, the Association, after notice and hearing, shall have the right, but not the obligation, to enter on the Private Yard Easement Area for the purpose of remedying the condition, and such Owner of the Servient Lot shall promptly reimburse the Association for the cost thereof in the manner set forth in this Declaration. Such cost may be levied by the Board as a special assessment.

2.6.6 The Owner of the Dominant Lot shall not, under any circumstances, erect, build, plant or otherwise install any improvements of any kind within the Private Yard Easement Area adjacent to the building structure within the Servient Lot which would unreasonably impede or interfere with the necessary maintenance and structural integrity thereof. The foregoing shall not be interpreted to prevent the construction and maintenance of a boundary wall or fence (and/or gate) separating the Private Yard Easement Area from the other areas of the Servient Lot and any such wall or fence shall be deemed to be a party wall to be jointly maintained, repaired and replaced by the Owners of both the Dominant Lot and the Servient Lot even though such wall or fence may be located entirely within the Servient Lot.

2.6.7 Notwithstanding the foregoing, in the event that any improvements within the Servient Lot adjacent to the Private Yard Easement Area are damaged due to the fault of the Owner of the Dominant Lot, or any member of such Owner's family, guests or invitees, such that any painting, maintenance or repairs are required, said responsible Owner shall promptly cause said work to be performed to the reasonable satisfaction of the Owner of the Servient Lot, and shall bear all costs thereof. In no event may the Owner of the Dominant Lot cause or permit anyone to improperly paint or drive nails, screws, bolts or other objects into residential structure in the Servient Lot, or permit or suffer anything else to be done to such structure which would tend to damage, alter or impair the structural integrity thereof.

Section 2.7. Right of Declarant to Modify Plan of Development. Declarant hereby reserves the right to modify, amend, change, or eliminate altogether, the multi-phase plan of development hereinbefore described. Such right shall include, without limitation, the right to delete any and all subsequent Phases of development, and to divide the subsequent Phases into additional Phases. There is no guarantee by, or obligation of, Declarant to complete all proposed Phases of development or to annex same into the Properties.

ARTICLE 3 MEMBERSHIP AND VOTING RIGHTS IN HOMEOWNERS' ASSOCIATION

Section 3.1. Formation. Declarant has, at its sole expense, formed an incorporated homeowners' association known as the Commons Homeowners' Association, a California

nonprofit mutual benefit corporation ("*Association*"). The Association shall be primarily responsible for the management and maintenance of the Association Maintenance Areas as set forth in this Declaration.

Section 3.2. Membership. Every Owner of a Lot which is subject to assessment shall be a Member of the Association. Membership shall be appurtenant to and may not be separated from ownership of any Lot which is subject to assessment.

Section 3.3. Voting Rights. The Association shall have two (2) classes of voting membership:

Class A. Class A Members shall be all Owners, with the exception of Declarant, and shall be entitled to one (1) vote for each Lot owned. When more than one (1) person holds an interest in any Lot, all such persons shall be Members. The vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. Class B Member shall be Declarant and shall be entitled to three (3) votes for each Lot owned. The Class B membership shall cease and be converted to Class A membership on the happening of the earliest of the following to occur:

(a) Two (2) years from the date of the first conveyance of a subdivision interest in the most recent Phase of the overall development; or

(b) Four (4) years from the date of the first conveyance of a subdivision interest in the first Phase of the overall development.

Any provision in the Articles, Bylaws, or this Declaration calling for membership approval of action to be taken by the Association, except provisions with respect to the action to enforce the obligations of the Declarant under any completion bond, shall expressly require the vote or written assent of the prescribed percentage of each class of membership during the time that there are two outstanding classes of membership. Any requirement elsewhere in the Articles of Incorporation, Bylaws, and Declaration, except provisions with respect to the action to enforce the obligations of Declarant under any completion bond, that the vote of Declarant shall be excluded in any such determination, shall be applicable only if there has been a conversion of Class B Members to Class A Members, and the same shall be read as requiring the vote of the prescribed percentage of the Class A members and the vote of the prescribed percentage of the Class A Members other than Declarant. The voting rights attributed to any given Lot in the Community as provided for herein, shall not vest until the assessments provided for hereinbelow have been levied by the Association as against said Lot.

ARTICLE 4 POWERS OF THE ASSOCIATION AND MEMBERSHIP MEETINGS

Section 4.1. Powers of the Association. The management and control of the Association's affairs and the Community itself will be the responsibility of the Board of Directors, which is to consist of Members of the Association who will be elected by the total Membership. The

Association, in its sole and absolute discretion, and as more fully set forth in its Bylaws, shall have the power to perform the following acts:

4.1.1 The Association shall have the sole and exclusive right and duty to manage, operate, control, repair, replace, or restore the Association Maintenance Areas, including, without limitation, all the improvements, trees, shrubbery, plants and grass, historical ornamental street lighting in the Community, perimeter walls, fences, private drives and sidewalks within the Association Maintenance Areas.

4.1.2 The Association shall have the right and power to levy and collect assessments.

4.1.3 The Association shall pay the taxes and assessments, if any, which may be levied by any governmental authority on the Common Area of the Community or any part thereof.

4.1.4 The Association shall maintain a bank account or accounts for funds coming under the control of the Association.

4.1.5 The Association shall have the right and power to adopt and enforce design guidelines ("*Design Guidelines*") for the Community.

4.1.6 The Association shall adopt rules and regulations ("*Rules and Regulations*") that are not inconsistent with the provisions of this Declaration and that are subject to Civil Code Sections 1357.100 *et seq.* regarding "operating rules." The Rules and Regulations shall include but is not be limited to the use of the Common Area and of the Community. The Association shall have the right to regulate, and to limit, on a reasonable basis, the hours of use, and the number of guests and tenants of the Owners using the Common Area. Any such limitation or restrictions shall be set forth in the Rules and Regulations.

4.1.7 The Association shall have the right and power to enforce the provisions of this Declaration, and the Bylaws, Articles of Incorporation and Rules and Regulations of the Association; provided, however, nothing contained in this Section shall be construed to prohibit enforcement of same by any Owner.

4.1.8 The Association has the right and power to contract for and maintain fire, casualty, liability, worker's compensation, medical, hospital, and other insurance insuring Owners, members of the Board, and other persons.

4.1.9 The 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 Association; and (iii) legal and accounting services.

4.1.10 Notwithstanding any of the foregoing, the 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 a majority of the voting power of the Members of the Association other than the Declarant, except as specifically authorized herein or in the Articles or Bylaws.

4.1.11 The 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 facilities and improvements of the Community.

4.1.12 The Association has the right and power to contract for and pay for reconstruction of any portion or portions of the Community damaged or destroyed.

4.1.13 The Association has the right and power to delegate its powers to others where such delegation is proper.

4.1.14 The 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 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.

4.1.15 Subject to the vote or written consent therefor from sixty-six and two-thirds percent (66-2/3%) of the voting power of the membership, excluding the vote of the Declarant, the 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.

4.1.16 The Association may do any and all things that a nonprofit mutual benefit corporation organized under the laws of the State of California may lawfully do, and generally may do and perform any and all other acts which may be either necessary for, or incidental to, the exercise of any of the foregoing powers, and any other such powers as are granted to a corporation by the provisions of the laws of the State of California.

4.1.17 The 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 Association; provided, however, that the 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 Association for that fiscal year by purchase or lease without first obtaining the vote or written consent therefor from a majority of the voting power of the membership, excluding the vote of the Declarant, except as is provided pursuant to the annexation of subsequent phases to this Community.

4.1.18 The Association shall have the right and power to suspend a Member's voting rights for any period during which any assessment against such Member's Lot remains unpaid and delinquent; and for a period not to exceed thirty (30) days for any single infraction of the Rules and Regulations of the Association, provided that any suspension of such voting rights, except for failure to pay assessments, shall be made only by the Association or a duly appointed committee thereof, after notice and hearing given and held in accordance with the Bylaws of the Association.

4.1.18.1. The Association may not cause a forfeiture of an Owner's right to use and enjoy such Owner's Lot for failure of such Owner to comply with the provisions of this

Declaration, or the Bylaws of the Association or the Rules and Regulations of the Association, except by judgment of a court or decision arising out of arbitration..

4.1.19 The Association may take any and all lawful action which may be advisable, proper, authorized or permitted by the Association under and by virtue of any condition, covenant, restriction, reservation, charge or assessment affecting the Community, or any portion thereof, and to do and perform any and all acts which may be either necessary for or incidental to the exercise of any of the foregoing powers, or for the peace, health, comfort, safety or general welfare of its Members.

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

Section 4.2. Fidelity Bond. The Association shall maintain a fidelity bond or insurance in an amount at least equal to the sum of three months' assessments on all Lots in the Community, which names the Association as obligee and insures against loss by reason of acts of members of the Board of Directors, officers and employees of the Association and any management agent and its employees, whether or not such persons are compensated for their services.

Section 4.3. Membership Meetings.

4.3.1 Meetings of the membership of the Association shall be conducted in accordance with a recognized system of parliamentary procedure or such parliamentary procedures as the Association may adopt. Notwithstanding any other provision of law, notice of meetings of the Members shall specify those matters the Board intends to present for action by the Members but, except as otherwise provided by Law, any proper matter may be presented at the meeting for action. Members of the Association shall have access to Association records in accordance with Article 3 (commencing with Section 8330) of Chapter 13 of Part 3 of Division 2 of Title 1 of the Corporations Code. Any Member of the Association may attend meetings of the Board of Directors of the Association, except when the Board adjourns to executive session to consider litigation, matters that relate to the formation of contracts with third parties, Member discipline or personnel matters. Any matter discussed in executive session shall be generally noted in the minutes of the Board of Directors. In any matter relating to the discipline of a Member, the Board of Directors shall meet in executive session if requested by that Member, and the Member shall be entitled to attend the executive session. For a period of ten (10) years after the close of escrow for the sale of the last Lot in the Community, in addition to Declarant's rights as an Owner and a Member, Declarant shall be entitled to access to the Association books and records, including maintenance records, and to attend and speak at meetings of the Board of Directors and meetings of the Members. Any comments made by Declarant at any meeting shall be accurately noted in the minutes prepared for such meetings.

4.3.2 The minutes, minutes proposed for adoption that are marked to indicate draft status or a summary of the minutes, of any meeting of the Board of Directors of the Association,

other than an executive session, shall be available to Members within thirty (30) days of the meeting. The minutes, proposed minutes, or summary minutes shall be distributed to any Member of the Association upon request and upon reimbursement of the Association's costs in making that distribution. For a period of ten (10) years after the close of escrow for the sale of the last Lot in the Community, Declarant shall have the right to receive all distributions of minutes, proposed minutes or summary minutes upon request and reimbursement of the Association's actual copying and mailing costs for making the distribution to Declarant.

4.3.3 Members of the Association shall be notified in writing at the time that the Budget required in Section 6.2 below is distributed or at the time of any general mailing to the entire membership of the Association of their right to have copies of the minutes of meetings of the Board of Directors and how and where those minutes may be obtained, and the cost of obtaining such copies. For a period of ten (10) years after the close of escrow for the sale of the last Lot in the Community, Declarant shall also receive notice of its right to have copies of the minutes of meetings and how to obtain such minutes.

ARTICLE 5 ASSESSMENTS

Section 5.1. Personal Obligations of Assessments. Declarant, for each Lot owned within the Properties, hereby covenants, and each Owner of a Lot by acceptance of a grant deed therefor, whether or not it shall be so expressed in such deed, is deemed to covenant and agrees to pay to the Association: (a) annual assessments or charges, which shall include an adequate reserve fund for the periodic maintenance, repair and replacement of the Association Maintenance Areas and (b) special assessments as provided in Section 5.4 below, such assessments to be established and collected as hereinafter provided. The Owner has no right or power to commit or omit any act in an attempt to eliminate or reduce the assessments levied against the Owner's Lot. Each such, together with interest, costs and reasonable attorneys' fees, shall also be the personal obligation and debt of the person who was the Owner of such Lot at the time when the assessment fell due. The personal obligation and debt for the delinquent assessments shall not pass to an Owner's successors in title, unless expressly assumed by them.

Section 5.2. Purpose of Assessments. The assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, and welfare of the residents in the Properties, for the improvement and maintenance of the Association Maintenance Areas and the homes situated upon the Lots, and such other purposes as set forth in this Declaration and the Bylaws. The portion of assessments levied to pay the costs related to the Cost Center shall be used exclusively for the purposes for which they were levied.

Section 5.3. Maximum Annual Assessment. Until the first day of the fiscal year immediately following the conveyance of the first Lot to an Owner, or until the first day of the month following an earlier sale of the first Lot in a new Phase of the Community, the maximum annual assessment for each Lot in the Community shall be as provided for in the Budget, for the particular Phase of the Community in which such sale occurred, and any amendments thereto. Thus, notwithstanding the limitation on increases in the maximum annual assessments and related time periods contained in this Article, whenever a new Phase is annexed to the Properties,

upon the first closing of a sale in such new Phase the amount of the maximum annual assessment for all Lots in the Properties will increase or decrease to the amount stated in the Budget for such new Phase. The Association shall maintain an adequate reserve fund for maintenance, repairs and replacement of those elements of the Association Maintenance Areas that must be replaced on a periodic basis, and such reserve shall be funded by annual assessments.

5.3.1 From and after the first day of the fiscal year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased effective the first day of each fiscal year by the Board without a vote of the membership, provided that (i) any such increase shall not be more than twenty percent (20%) of the previous year's most recent assessment level (including any increase in such assessment resulting from new Phases being annexed to the Properties during such year), and (ii) the Board of Directors has complied with Section 6.2 below 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 Association as provided in Section 6.2 below, or has obtained the approval of Owners, constituting a quorum, casting a majority of the votes at a meeting or election of the Association conducted in accordance with Chapter 5 (commencing with Section 7510) of Part 3 of Division 2 of Title 1 of the Corporations Code and Section 7613 of the Corporations Code. Such annual assessment shall continue in effect for the following twelve (12) calendar months, which period shall be deemed to be the assessment period.

5.3.2 In addition, the 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 Lots having special benefit from the respective Cost Centers within the Community, in accordance with the amounts therefor contained in the approved Cost Center Budgets.

From and after the first day of the fiscal year immediately following the conveyance of the first Lot to an Owner, the maximum annual assessment may be increased above the amount provided in subparagraph 5.3.1 by the vote or written assent of at least a majority of Owners in the Association constituting a quorum (as defined below), provided that the Board of Directors has prepared and distributed a pro forma operating budget to all members of the Association as provided in Section 6.2 below. For purposes of this Article 5, "*quorum*" means more than fifty percent (50%) of the Owners of the Association. The Association shall provide notice by first-class mail to each Owner of any increase in the regular assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

The restrictions on increases in assessments contained in this Section 5.3 shall be applied separately to the annual assessments applicable to all Lots, and to each of the separate Cost Centers applicable only to a particular group of Lots subject to Cost Center assessments. Increases in the Cost Center assessments, for each separate Cost Center, above the stated limits shall require the approving vote or written consent of a majority of a quorum of the Members subject to Cost Center assessments for the particular Cost Center for which an increase is proposed, in accordance with the procedures of this Article as applied to such Members.

5.3.3 The Board of Directors may fix the annual assessment at an amount not in excess of the maximum.

Section 5.4. Special Assessments. In addition to the annual assessments authorized above, the Association may levy, in any assessment year, a special assessment applicable to that year only for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of a capital improvement upon the Common Area, including fixtures and personal property related thereto, or otherwise, provided that any such assessment for capital improvements to the Common Area which total more than five percent (5%) of the budgeted gross expenses of the Association for that fiscal year shall have the vote or written assent of a majority of the Owners constituting a quorum; and, further provided, that any such assessment for capital improvements to a Cost Center, which total more than five percent (5%) of the budgeted gross expenses of the Association with respect to such Cost Center for that fiscal year, shall have the vote or written assent of a majority of the Owners subject to assessments for such Cost Center constituting a quorum. The Association may also levy a special assessment against any Member to reimburse the Association for costs incurred in bringing the Member and such Member's Lot into compliance with the provisions of the Declaration, any amendments thereto, the Articles, the Bylaws, and the Rules and Regulations, which special assessment may be levied upon the vote of the Board after notice and an opportunity for a hearing which satisfy the requirements of Section 7341 of the California Corporations Code, as set forth in the Bylaws. The above provisions requiring the requisite vote of the membership with respect to special assessments do not apply in the case where a monetary penalty is imposed against an Owner as a disciplinary measure by the Association for the following reasons: (1) for failure of an Owner to comply with the Declaration, Bylaws or Rules and Regulations, or (2) as a means of reimbursing the Association for costs incurred by the Association in the mitigation, remediation and/or repair of damages to Common Area for which the Owner is allegedly responsible, or (3) to bring an Owner or its Lot into compliance with provisions of this Declaration, Articles of Incorporation, Bylaws, Rules and Regulations and any amendments thereto. The Association shall provide notice by first-class mail to each Owner of any increase in the special assessments of the Association, not less than thirty (30) nor more than sixty (60) days prior to the increased assessment becoming due.

Section 5.5. Notice and Quorum for Any Action Authorized Under Sections 5.3 and 5.4. Any action authorized under Sections 5.3 and 5.4 shall be taken at a meeting called for that purpose, written notice of which shall be sent to all Members not less than ten (10) nor more than ninety (90) days in advance of the meeting. A quorum for such meeting shall be fifty-one percent (51%) of each class of Members entitled to vote on such action. If the required quorum is not present, another meeting may be called subject to the same notice requirement and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum for the preceding meeting. If the proposed action is favored by a majority of the votes cast at such meeting but such vote is less than the requisite fifty-one percent (51%) of each class of Members, Members who were not present in person or by proxy may give their assent in writing, provided the same is obtained by the appropriate officer of the Association not later than thirty (30) days from the date of such meeting.

Section 5.6. Uniform Rate of Assessment. Both annual and special assessments, except as may be otherwise provided in Sections 5.4 and 12.3, shall be fixed at a uniform rate for all Lots

and shall be collected on a monthly basis. Notwithstanding the foregoing, those Lots which 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 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.

Section 5.7. Date of Commencement of Annual Assessments; Due Dates. The annual assessments provided for herein shall commence as to all Lots in a Phase on the first day of the month following the conveyance of the first Lot in such Phase to an Owner. The first annual assessment shall be adjusted according to the number of months remaining in the calendar year. The Board shall fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period, and such amount is subject to change upon closing of the sale of the first Lot within any newly annexed Phase in accordance with the approved budget for such Phase. Written notice of the annual assessment shall be sent to the Owner of each Lot within the Community. All Lots within the real property annexed into the Community under the procedure hereinafter set forth in Article 15 shall be obligated to pay annual assessments to the Association as hereinbefore provided. The annual assessments shall automatically commence as to all Lots within the annexed areas on the first day of the first month following the conveyance of the first Lot within such annexed area to an Owner. 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 Association regular annual assessments until the amount due therefor is satisfied, then to pay the Cost Center assessments (if any) due from such Owner until the amount due therefor is satisfied.

Section 5.8. Model Homes. Notwithstanding any other provision of this Declaration, conveyance of a Lot which is being used by Declarant for model home, sales office, design center, construction office or similar purposes (any of which uses are referred to herein as "*Model Home*") shall not commence the annual assessments against such Lot or the other Lots within the same Phase of development until discontinuance of such use of such Lot as a Model Home, or conveyance of any other Lot in such Phase not being used as a Model Home to a member of the general public, whichever occurs first. During the period of time commencing on the first day of the calendar month following the sale of a Lot being used by Declarant as a Model Home, and ending on the date annual assessments commence against such Lot, Declarant shall be responsible for the maintenance of all portions of such Phase of development in which such Model Home Lot is located.

Section 5.9. No Lien Rights. Notwithstanding anything contained in this Declaration to the contrary, the Association shall have no lien or foreclosure rights with respect to the collection of regular annual assessments, special assessments, or any other assessments, fines or fees that it may levy, and the Association's sole remedy in the event of the failure of any Owner to pay any such amounts levied when due shall be to seek judgment in a court of competent jurisdiction, assign such debt for collection, or pursue arbitration or such other alternative dispute resolution mechanism as provided herein or under applicable law. This section shall not operate or be construed to prevent the Association from seeking prejudgment, court issued writs of attachment against any delinquent Owner, or from obtaining and recording a post judgment abstract which,

upon recording, may become a lien on all real property of such delinquent Owner, including such Owner's residential Lot.

Section 5.10. Effect of Non-Payment of Assessments: Remedies of the Association. Any assessment made in accordance with this Declaration shall be a debt and personal obligation of the Owner of a Lot from the time the assessment is levied. With respect to each assessment not received by the Association within fifteen (15) days after its due date, the Board may, at its election, require the Owner to pay a late charge in a sum to be determined by the Board, but not to exceed ten percent (10%) or Ten Dollars (\$10.00), whichever is greater. A late charge may not be imposed more than once on any delinquent assessment, but it shall not eliminate or supersede any charges imposed on prior delinquent assessments. If any such assessment is not paid within thirty (30) days after the date said assessment is due, the assessment shall bear interest from the due date at the rate of twelve percent (12%) per annum. Once an assessment becomes delinquent, the Association may bring an action at law 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, in addition to late charges, interest, costs and reasonable attorneys' fees.

5.10.1 Any assessment not received by the Association within fifteen (15) days after the due date shall be delinquent.

5.10.2 A monetary penalty imposed by the Association as a disciplinary measure for (a) failure of an Owner to comply with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association, or (b) as a means of reimbursing the Association for costs incurred by the Association in the mitigation, remediation and/or repair of damages to the Association Maintenance Areas for which the Owner or the Owner's guests or tenants is allegedly responsible, or (c) to bring an Owner or its Lot into compliance with this Declaration, and the Articles, Bylaws or Rules and Regulations of the Association shall not be treated as an assessment. This Section shall not apply to charges imposed against an Owner which are reasonable late payment penalties for delinquent assessments nor charges to reimburse the Association for the loss of interest and for costs reasonably incurred (including attorneys' fees) in its efforts to collect delinquent assessments.

5.10.3 Each Owner vests in the 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 addition to accompanying late charges, interest, costs and reasonable attorneys' fees. In lieu of bringing an action at law to collect delinquent assessments, the 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 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 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.

Section 5.10.3.1. No later than thirty (30) days prior to the filing of any civil action by the Association against the Owner for delinquent assessments, the Board shall provide written notice to the Owner specifying (a) a general description of the collection procedures

utilized by the Association and the method of calculating the amount of the delinquency, (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) the right of the notified Owner to request a meeting with the Board as set forth in Section 4.3.1.

Section 5.10.4. Equitable Remedies. The covenants, restrictions, rights and duties contained in this Declaration constitute covenants running with the land and equitable servitudes that benefit and bind each Lot in the Community, each Owner, and each successive Owner thereto, and may be enforced by the Association or any Owner in any legal or equitable action pursuant to the procedures described herein.

Each Owner acknowledges and agrees that if any Owner breaches any of the restrictions contained herein, money damages may not be adequate compensation. As a result, each Owner agrees that in the event of a breach, the non-breaching party, in addition to any other remedy available at law or equity, shall be entitled to equitable relief, including, without limitation, an order compelling the breaching party to perform an act which the party is required to perform under this Declaration or which is necessary to bring the breaching party or the breaching party's Lot into compliance with restrictions contained herein or prohibiting the breaching party from performing any act that violates the restrictions.

Section 5.11. Policies for Assessment Collection. The Board of Directors shall annually distribute within sixty (60) days prior to the beginning of the fiscal year a statement of the Association's policies and practices for enforcing its remedies against Members for defaults in the payment of annual and special assessments.

Section 5.12. Estoppel Certificate. The Association shall furnish or cause an appropriate officer to furnish, upon demand by any person, a certificate signed by an officer of the Association setting forth whether the assessments on a specified Lot have been paid. A properly executed certificate of the Association as to the status of assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 5.13. Personal Liability of Owner. No Member may be exempted from personal liability for assessments, nor any part thereof, levied by the Association, nor release the Lot owned by such Member from the charges hereof by waiver of the use and enjoyment of the Common Area, or by abandonment of such Member's Lot.

Section 5.14. Exempt Property. All Properties dedicated to and accepted by a local public authority, and all Properties owned by a charitable nonprofit organization exempt from taxation by the laws of the State of California, shall be exempt from the assessments created herein. However, no real property or improvements devoted to dwelling use shall be exempt from said assessments.

Section 5.15. Assessment Limitation Not Applicable. The limitation on percentage increases of annual assessments shall not limit assessment increases by the Board for the following emergency situations:

- (a) An extraordinary expense required by an order of court;
- (b) An extraordinary expense necessary to repair or maintain the Community or any part of it for which the Association is responsible where a threat to personal safety on the property is discovered; or
- (c) An extraordinary expense necessary to repair or maintain the Community or any part of it for which the Association is responsible that could not have been reasonably foreseen by the Board in preparing and distributing the pro forma operating budget pursuant to Article 6 hereof. However, prior to the imposition or collection of an assessment under this subparagraph (c), 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, and the resolutions shall be distributed to the members with the notice of assessment.

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

ARTICLE 6 ACCOUNTINGS

Section 6.1. Books, Records and Minutes. The Association shall maintain books of account of all its receipts and expenditures and minutes of its proceedings. The Association shall make the accounting books and records and the minutes of proceedings of the Association available for inspection and copying by a Member, or the Member's designated representative, at the Association's business office or a place agreed upon by the Association and the Member. If the Association and the Member cannot agree upon a place for inspection, or if the Member so requests in writing, the Association may provide copies of the books, records, and minutes by first-class mail within ten (10) days of receiving the Member's request. The Association may bill the Member for the actual cost of copying and mailing, provided the Association notifies the Member of the costs before sending the copies. For a period of ten (10) years after the close of escrow for the sale of the last Lot in the Community, Declarant shall have the same rights as Owners under this Section 6.1 to inspect, examine and audit the books of the Association. The Association may withhold or redact information from the books, records, and minutes for any of the following reasons:

- (a) The release of the information is likely to lead to the unauthorized use of another person's personal identifying information to obtain credit, goods, services, money, or property; or

(b) The release of the information is likely to lead to fraud in connection with the Association; or

(c) The information is privileged under law.

Except as provided by attorney-client privilege, the Association may not withhold or redact information concerning the compensation paid to employees, vendors, or contractors. Compensation information for individual employees shall be set forth by job classification or title, not by any personal information of the employee. The accounting books, records, and minutes, and any information from them may not be sold, used for commercial purposes, or used for any other purpose not reasonably related to a Member's interest as a Member.

6.1.1 Commencing not later than ninety (90) days after the close of escrow for the sale of the first Lot, copies of the documents listed below, as soon as readily obtainable, shall be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the listed documents shall apply to any documents obtained by Declarant no matter when obtained, provided, however, that such obligation shall terminate upon the conveyance of the last Lot:

(1) The recorded subdivision map or maps for the Community.

(2) The Easement Deeds and easements executed by Declarant conveying easements on, over, under, across, and through the Common Area or other interest to the Association, to the extent applicable.

(3) The recorded Declaration, including all amendments and annexations thereto.

(4) The Association's Bylaws and all amendments thereto.

(5) The Association's filed Articles of Incorporation, if any, and all amendments thereto.

(6) All Design Guidelines and all other rules regulating the use of an Owner's interest in the Community or use of the Common Area which have been promulgated by the Association.

(7) The plans approved by the local agency or county where the Community is located for the construction or improvement of facilities that the Association is obligated to maintain or repair; provided, however, that the plans need not be as-built plans and that the plans may bear appropriate restrictions on their commercial exploitation or use and may contain appropriate disclaimers regarding their accuracy.

(8) All notice of completion certificates issued for Common Area improvements (other than residential structures).

(9) Any bond or other security device in which the Association is the beneficiary.

(10) Any written warranty being transferred to the Association for Common Area equipment, fixtures or improvements.

(11) Any insurance policy procured for the benefit of the Association, the Board or the Common Area.

(12) Any lease or contract to which the Association is a party.

(13) The membership register, including mailing addresses and telephone numbers, books of account and minutes of meetings of the Members, of the Board, and of committees of the Board.

(14) Any instrument referred to in Business and Professions Code Section 11018.6(d) but not described above which establishes or defines common, mutual or reciprocal rights or responsibilities of Members.

6.1.2 Commencing not later than ninety (90) days after the annexation of additional Phases to the Community, copies of those documents listed above, which are applicable to that Phase, shall, as soon as readily obtainable, be delivered by Declarant to the Board at the office of the Association, or at such other place as the Board shall prescribe. The obligation to deliver the listed documents shall apply to any documents obtained by Declarant no matter when obtained, provided, however, that such obligation shall terminate upon the conveyance of the last Lot.

Section 6.2. Budget.

6.2.1 Except as provided in Section 6.2.2, a pro forma operating statement ("**Budget**") for each fiscal year shall be prepared and distributed to each Owner not less than thirty (30) days nor more than ninety (90) days prior to the beginning of the fiscal year. The Budget shall consist of both a Base Budget and a separate Cost Center Budget, and shall contain the following information:

(a) The estimated revenue and expenses of the Association for the upcoming fiscal year on an accrual basis;

(b) A summary of the Association's reserves based upon the most recent review or study conducted pursuant to Section 6.2.4 below, based only on assets held in cash or cash equivalents, which shall be printed in bold type and include disclosures in the form required by Civil Code Section 1365.2.5, and all of the following:

(i) The current estimated replacement cost, estimated remaining life, and estimated useful life of each major component within the Association Maintenance Areas and within each identified Cost Center;

(ii) As of the end of the fiscal year for which the study is prepared:

A. The current estimate of the amount of cash reserves necessary to repair, replace, restore, or maintain the major components within the Association Maintenance Areas, and, separately accounted for, the components within each identified Cost Center;

B. The current amount of accumulated cash reserves actually set aside to repair, replace, restore or maintain major components within the Association Maintenance Areas and each identified Cost Center;

(iii) The percentage that the amount determined for purposes of clause B. of subparagraph (ii) above is of the amount determined for purposes of clause A. of subparagraph (ii) above;

(c) A statement as to both of the following:

(i) Whether the Board of Directors of the Association has determined or anticipates that the levy of one or more special assessments will be required to repair, replace, or restore any major component within the Association Maintenance Areas, or any Cost Center, or to provide adequate reserves therefor. If so, the statement shall also set out the estimated amount, commencement date, and duration of the assessment;

(ii) The mechanism or mechanisms by which the Board will fund reserves to repair or replace major components, including assessments, borrowing, use of other assets, deferral of selected replacement or repairs, or alternative mechanisms.

(d) A general statement setting forth the procedures used by the governing body in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Association Maintenance Areas, or any Cost Center(s), and facilities for which the Association is responsible. The report shall include, but need not be limited to, reserve calculations made using the formula described in Civil Code Section 1365.2.5(b)(4), and may not assume a rate of return on cash reserves in excess of two percent (2%) above the rediscount rate published by the Federal Reserve Bank of San Francisco at the time the calculation is made.

6.2.2 In its sole discretion, and in lieu of the procedure set forth in Section 6.2, the Board of Directors may elect to distribute a written summary of the Budget ("**Summary**") to all Owners not less than thirty (30) days nor more than ninety (90) days before the beginning of the fiscal year. In addition to the Summary, the Board of Directors shall include a written Notice, in at least 10 point bold type on the front page of the Summary stating that: a) the Budget is available for review at a location within the Community or at the office of the management company for the Association; and b) upon the written request of an Owner, the Association shall mail one copy of the Budget to an Owner. Such Budget shall be mailed at the Association's expense by pre-paid first class mail and shall be delivered within five (5) days from the date of the receipt of such Owner's written request.

6.2.3 The summary of the Association's reserves disclosed pursuant to paragraph 6.2.1 shall not be admissible in evidence to show improper financial management of the Association, provided that other relevant and competent evidence of the financial condition of the Association is not made inadmissible by this provision.

6.2.4 At least once every three (3) years the Board of Directors shall cause to be conducted a reasonably competent and diligent visual inspection of the accessible areas of the major components which the Association is obligated to repair, replace, restore, or maintain as

part of a study of the reserve account requirements of the Community if the current replacement value of the major components within the Association Maintenance Areas, including the Cost Center(s), which the Association is obligated to repair, replace, restore or maintain is equal to or greater than one-half (½) of the gross Budget of the Association which excludes the Association's reserve account for that period. The Board shall review, or cause to be reviewed, this study annually and shall consider and implement necessary adjustments to the Board's analysis of the reserve account requirements as a result of that review. The study required hereunder shall at a minimum include:

(a) Identification of the major components within the Association Maintenance Areas and the Cost Center, which the Association is obligated to repair, replace, restore, or maintain which, as of the date of the study, have a remaining useful life of less than thirty (30) years;

(b) Identification of the probable remaining useful life of the components identified in Section 6.2.4(a) as of the date of the study;

(c) An estimate of the cost of repair, replacement, restoration, or maintenance of each major component identified in Section 6.2.4(a);

(d) An estimate of the total annual contribution necessary to defray the cost to repair, replace, restore, or maintain each major component during and at the end of its useful life, after subtracting total reserve funds as of the date of the study.

6.2.5 As used in this Article, "*reserve accounts*" means moneys that the Association's Board of Directors has identified for use to defray the future repair or replacement of, or additions to, those major components which the Association is obligated to maintain.

6.2.6 As used in this Article, "*reserve account requirements*" means the estimated funds which the Association's Board of Directors has determined are required to be available at a specified point in time to repair, replace, or restore those major components which the Association is obligated to maintain.

6.2.7 The Budget and financial reporting required by this Article shall include appropriate information regarding the Cost Center which the Association is obligated to maintain. All Cost Center assessment funds received by the Association shall be maintained in Cost Center operating and reserve accounts separate from the Association's general operating funds and general reserve funds, shall not be commingled with such funds, and shall not be expended for any general purpose of the Association other than for the respective costs of the respective Cost Center(s) for which they are intended, and for the costs of administrative, accounting and financial reporting requirements and functions directly related to the Cost Center(s).

Section 6.3. Initial Financial Report. A balance sheet, as of the accounting date which is the last day of the month closest in time to six (6) months from the date of the closing of the first sale of a Lot in the Community, and an operating statement for the period from the date of the first closing to said accounting date, shall be distributed within not less than thirty (30) nor more

than (90) days after the accounting date. The operating statement shall include a summary of assessments received and receivable.

Section 6.4. Annual Report. An annual report consisting of the following, separately stated for the general funds of the Association and for each separate Cost Center account, shall be distributed to each Owner within one hundred twenty (120) days after the close of the fiscal year:

- (a) A balance sheet as of the end of the fiscal year;
- (b) An operating (income) statement for the fiscal year;
- (c) A statement of changes in financial position for the fiscal year;
- (d) Any information required to be reported under Section 8322 of the Corporations Code; and
- (e) A review of the annual report for the Association prepared in accordance with generally accepted accounting principles by a licensee of the California State Board of Accountancy, ("*Independent Accountant*"), for any fiscal year in which the gross income to the Association exceeds Seventy-Five Thousand Dollars (\$75,000).
- (f) A statement of policies and procedures employed by the Board of Directors to enforce the collection of delinquent assessments.

Section 6.5. Independent Preparation. Ordinarily the annual report referred to in Section 6.4 above shall be prepared by an Independent Accountant for each fiscal year.

Section 6.6. Copy of Financial Statement To Prospective Buyers. Within ten (10) days of receipt of any written request therefor, the Board of Directors shall furnish any Owner or prospective Owner with a copy of this Declaration, the Articles of Incorporation, Bylaws and Rules and Regulations of the Association, as amended to date, together with a copy of the Association's most recent annual financial report as described in Section 6.4 hereof, and a true statement of any delinquent assessments, penalties, late charges, attorneys' fees or other charges under this Declaration on such Owner's Lot as of the date the statement is issued. The items required to be made available pursuant to this Section may be maintained in electronic form and requesting parties shall have the option of receiving them by electronic transmission or machine readable storage media if the Association maintains these items in electronic form. The Board of Directors may charge a reasonable fee for providing such documents and reports based upon the Association's actual cost to procure, prepare and reproduce same.

Section 6.7. Association Officer Statement. If the report referred to in Section 6.4 above is not prepared by an Independent Accountant, it shall be accompanied by the certificate of an authorized officer of the Association stating that the report was prepared without audit from the books and records of the Association.

Section 6.8. Association's Policies and Practices Statement. A statement describing the Association's policies and practices in enforcing legal remedies for default in payment of its assessments against its Members shall be annually delivered to the Members not more than thirty

(30) nor more than ninety (90) days immediately preceding the beginning of the Association's fiscal year.

Section 6.9. Reconciliation of Accounts. The Board of Directors shall do the following not less frequently than quarterly:

- (a) Cause a current reconciliation of the Association's operating accounts to be made and review the same;
- (b) Cause a current reconciliation of the Association's reserve accounts to be made and review the same;
- (c) Review the current year's actual reserve revenues and expenses compared to the current year's budget;
- (d) Review the most current account statements prepared by the financial institution where the Association has its operating and reserve accounts; and
- (e) Review an income and expense statement for the Association's operating and reserve accounts.

Section 6.10. Reserve Account.

6.10.1 Withdrawal of funds from the Association's reserve account or the Cost Center reserve accounts shall require the signatures of either: (1) two members of the Board of Directors, or (2) one member of the Board of Directors and an officer of the Association who is not also a member of the Board of Directors.

6.10.2 The Board of Directors shall not expend funds designated as reserve funds for any purpose other than:

- (a) the repair, restoration, replacement, or maintenance of major components which the Association is obligated to repair, restore, replace or maintain and for which the reserve fund was established, or
- (b) litigation involving the purposes set forth in (a) above.

6.10.3 Notwithstanding Section 6.10.2 above, the Board:

- (a) may authorize the temporary transfer of money from the reserve account, but not the Cost Center reserve accounts, to the Association's operating account 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 as specified in Civil Code Section 1363.05. The notice shall include the reasons 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 Board 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 money will be repaid to the reserve account.

(b) shall cause the transferred funds to be restored to the reserve account within one (1) year of the date of initial transfer; however, the governing body may, after giving the same notice required for considering a transfer, upon making a documented finding that a temporary delay of restoration of the funds to the reserve account would be in the best interests of the development, temporarily delay the restoration until such time it reasonably determines to be necessary.

(c) shall exercise prudent fiscal management in maintaining the integrity of the reserve account, and shall, if necessary, levy a special assessment to recover the full amount of the expended funds within the time limits specified in (b) above. Any such special assessments shall be subject to the five percent (5%) limitation specified in Section 5.4 above. 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 account to pay for litigation, the Board shall notify the Members of that decision in the next available mailing to all Members pursuant to Section 5016 of the Corporations Code, and of the availability of an accounting of the expenses related to litigation on at least a quarterly basis. The accounting shall be made available for inspection by Members at the Association's office.

Section 6.11. Transfer of Title. The Board of Directors shall not impose or collect any assessment, penalty or fee in connection with the transfer of title or any other interest except the Board of Directors' actual costs to change its records and the fee for providing documents pursuant to Section 6.6.

ARTICLE 7 DESIGN REVIEW COMMITTEE

Section 7.1. Submissions and Approvals Required. No building, fence, wall, stable or other structure, landscaping or improvement (collectively, "*Improvement*") shall be commenced, erected, placed or altered upon any Lot until the location and full, complete and legible plans and specifications, in form acceptable to the Board or the design review committee, showing the nature, kind, shape, height and materials, including the color scheme, have been submitted by personal delivery or certified mail, return receipt requested, to and approved in writing as to harmony of external design and location of surrounding structures and topography by the Board of Directors of the Association, or by an design review committee ("*Design Review Committee*"). The Design Review Committee may designate an agent (i.e., an architect) for the purpose of assisting in the review of such location, plans and specifications or other requests and may charge the Owner making a submission its reasonable costs of such agent's review. Approval shall be by majority vote of the Board or its designated committee. Until receipt by the Design Review Committee of the required plans and specifications and other information as required in the Design Guidelines, the Design Review Committee may postpone review of any plans submitted for approval. Upon receipt of the submittal from the Owner, the Design Review Committee shall within a reasonable period not to exceed sixty (60) days notify the Owner either that the submittal was incomplete (and list the items required for a complete submittal), or notify

the Owner of the date, time and place for the meeting of the Design Review Committee on the Owner's submittal. Failure of the Design Review Committee to act within sixty (60) days will be deemed an approval of the submittal; provided that any structure or Improvement so erected or altered, conforms to all of the conditions and restrictions herein contained, and is in harmony with similar structures erected within the Properties. Grade, level or drainage characteristics of the Lot or any portion thereof, shall not be altered without the prior written consent of the Board or its designated committee.

7.1.1 If the Design Review Committee disapproves any proposed Improvement or the plans and specifications submitted by an Owner pursuant to this Article, it shall give written notice of such disapproval to applicant, including both an explanation of why the proposed Improvement was disapproved, and a description of the procedure for reconsideration by appeal to the Board. The applicant may appeal the disapproval to the Board of Directors unless the decision to disapprove was originally made by the Board, or a body with the same membership as the Board, at an open meeting held in accordance with the provisions of Civil Code Section 1363.05. The appeal shall be made by filing a written request for reconsideration by the Board with the Secretary or the management company for the Association, as applicable. The Board must receive the written request for reconsideration not more than thirty (30) days following the final decision of the Design Review Committee. The Board shall include the request for reconsideration on the agenda for its next regularly scheduled Board meeting, to be held not less than ten (10) days and not more than ninety (90) days after its receipt of such request. If no regular Board meeting is scheduled within such period, the Board shall schedule a special meeting of the Board within such period to consider the appeal. The decision of the Board after reconsideration of the disapproval at such open meeting shall be binding and final.

7.1.2 This approval requirement shall not apply to the original construction of Declarant. Each Owner shall be responsible for obtaining all necessary approvals or permits from applicable governmental entities or agencies and shall comply with all laws, codes and regulations concerning the construction of any such Improvement.

7.1.3 The approval by the Design Review Committee of any plans, drawings or specifications for any work done or proposed, or for any other matter requiring the approval of the Design Review Committee under this Declaration, shall not be deemed to constitute a waiver of any right to withhold approval of any similar plan, drawing, specification or matter subsequently submitted for approval.

7.1.4 A copy of the Design Guidelines, if any have been adopted, or, if none, a written notice of the requirements for Association approval of physical changes to a Lot that are subject to this Article, shall be annually delivered to the Members during the sixty (60) day period immediately preceding the beginning of the Association's fiscal year. Such written notice shall include a copy of the procedures used for architectural review of an application for a proposed change under this Article.

Section 7.2. Conflicts between the City and the Design Review Committee. In the event of any conflict in the conditions of approval of any proposed Improvements imposed by the City and the Design Review Committee, the more restrictive of such conditions shall control. Nothing herein shall limit the Design Review Committee from imposing conditions of approval

of any proposed Improvements that are more restrictive than conditions as may be imposed by the City.

Section 7.3. Compensation of Members. The members of the Design Review Committee shall receive no compensation for services rendered, other than reimbursement by the Association for expenses incurred in the performance of such members' duties hereunder. This Section shall not be interpreted or construed to prohibit the Association from compensating any duly licensed architect who has been delegated rights and duties as provided in this Article.

Section 7.4. Variances. Where circumstances such as topography, location of buildings, location of landscaping or other matters require, the Design Review Committee, by the vote or written assent of a majority of the members thereof, may allow reasonable variances as to any of the conditions, covenants, restrictions, and easements contained in this Declaration or provisions on such terms and conditions as it shall require. The granting of such a variance shall not operate to waive any of the covenants, conditions, restrictions, and easements of this Declaration for any purpose, except as to the particular Lot and particular provision hereof covered by the variance, nor shall it affect in any way the Owner's obligation to comply with all ordinances and other requirements of the City and any other applicable public agency.

Section 7.5. Meetings of the Design Review Committee and Delegation of Rights and Responsibilities. The Design Review Committee shall meet, from time to time, as necessary to perform its duties hereunder. The Design Review Committee may, by a majority vote of the members thereof, delegate its rights and responsibilities relating to the approval of plans in conformance with approved Design Guidelines to one (1) or more duly licensed architects, who shall have full authority to act on behalf of the Design Review Committee on all matters so delegated. The Design Review Committee may not delegate its rights and responsibilities relating to the approval or disapproval of variances. All variances will need to be approved by all members of the Design Review Committee.

Section 7.6. Appointment of Design Review Committee. The Design Review Committee is hereby authorized with the rights and powers set forth in this Article. The Design Review Committee shall consist of not less than three (3) members, nor more than five (5) members, as fixed from time to time by a resolution of the Board. The Declarant shall appoint all of the original members of the Design Review Committee (and any replacements thereto). The original members of the Committee shall serve until the first meeting of the Board. Declarant reserves the power to appoint a majority of the members of the Design Review Committee until either (i) the fifteenth (15th) anniversary of the first close of escrow for the sale of a Lot in the first Phase of the Community, or (ii) ninety percent (90%) of the Lots in the overall Community have been sold, whichever occurs first ("**Turnover Date**"). After one (1) year from the date of such first close of escrow, the member(s) of the Board who were elected by the Members, other than the Declarant, shall have the power to appoint one (1) member to the Design Review Committee until the Turnover Date. From and after the Turnover Date, the Board shall have the power to appoint all of the members of the Design Review Committee; provided however, if on the Turnover Date, the Declarant owns any Lot in the Community or any portion of the Annexable Property, Declarant hereby reserves the right to appoint one (1) member to the Design Review Committee ("**Declarant's Representative**"). The Declarant's Representative shall serve on the

Design Review Committee until Declarant no longer owns any portion of the Annexable Property, as described in Exhibit "B". All persons appointed to the Design Review Committee by the Board shall be a Member of the Association. Any person appointed to the Design Review Committee by the Declarant need not be a Member of the Association. No member of the Design Review Committee shall be liable to any person for his or her decisions or failure to act in making decisions as a member of the Design Review Committee. Declarant may, in its discretion and at any time prior to the Turnover Date, assign to the Association by written assignment its powers of removal and appointment with respect to the Design Review Committee, subject to such terms and conditions regarding the exercise thereof as Declarant may impose.

Section 7.7. Stopping Sight Distance Requirements. The design and placement of walls, fences, signs, and landscaping near intersections and driveways shall allow stopping sight distance per Caltrans standards and comply with City Code Section 12.28.010 (twenty-five feet (25') sight triangle). Walls shall be set back three feet (3') behind the sight line needed for stopping sight distance to allow sufficient room for pilasters. Landscaping in the area required for adequate stopping sight distance shall be limited to three and one-half feet (3 ½') in height. The area of exclusion shall be determined by the City of Sacramento Development Services Department.

Section 7.8. Views. In granting or denying the architectural approvals required hereunder, the Design Review Committee shall consider the effect of any Improvement on the views of adjacent Lots. No vegetation or other obstruction shall be approved in any location of such height as to unreasonably obstruct the view from any other Lot in the vicinity thereof; nor will any vegetation be allowed to grow to such a height or density as to unreasonably obstruct such views. In the event of a dispute between Owners as to the obstruction of a view from a Lot, such dispute shall be submitted to the Design Review Committee whose decision in such matters shall be binding. Any such obstruction shall, upon request of the Design Review Committee, be removed or otherwise altered to the satisfaction of the Design Review Committee, by the Owner upon whose Lot said obstruction is located. If said Owner fails to take such action as required, the Association, Design Review Committee, or their authorized agents or employees, may, but is not obligated to, enter upon such Lot, rectify the condition, and charge such Owner the cost thereof. Declarant makes no assurance whatsoever concerning the impact on views of any construction of Improvements by anyone after completion of Declarant's original construction, whether such construction is approved by the Design Review Committee or constructed on property contiguous to the Properties.

Section 7.9. Fences and Walls. Each Owner shall maintain the surface of the fences and the Community perimeter wall facing the Owner's Lot, regardless of whether such fence or wall is located on the common property line separating the Common Area or public property immediately adjacent to such common property line. Such portions of the fences and walls must be maintained along the side and rear perimeters of such Owner's Lot in conformance with the requirements shown on the Fence Specifications, if any, to be adopted by the Design Review Committee. Such fences and walls, except those bordering the Private Yard Easement Areas, shall be built so as to straddle the boundary lines of a Lot, and only one fence or wall shall be constructed on the boundary lines of adjoining Lots. The Association shall be responsible for graffiti removal and maintenance of the exterior surface, structure and cap of the Community

perimeter walls. Each Owner shall obtain all necessary permits for such construction and shall comply with all local laws and ordinances in connection with such construction. The cost of construction and maintenance of the fences and walls shall be borne by the Owner thereof, except that the cost of construction and maintenance for fences and walls which straddle boundary lines of adjoining Lots or Private Yard Easement Areas shall be borne equally by such adjoining Lots 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 Association or the Design Review Committee may, after due notice to the Owner involved and opportunity to be heard, shall have the right of access to such Owner's Lot 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 7.10. Non-Liability of Design Review Committee Members. Neither Declarant, the Association, the Board or the Design Review Committee, or the members or designated representatives thereof, shall be liable for damages to any Owner submitting plans or specifications to them for approval, or to any Owner in the Community affected by this Declaration by reason of mistake in judgment, negligence or nonfeasance, unless due to willful misconduct or bad faith of the Design Review Committee. The Design Review Committee's approval or disapproval of a submission shall be based solely on the consideration set forth in this Article, and in such rules and regulations as may be promulgated by the Design Review Committee, and the Design Review Committee shall not be responsible for reviewing, nor shall its approval of any plan or design be deemed approval of, any plans or design from the standpoint of structural safety and conformance with building or other codes.

ARTICLE 8 USE RESTRICTIONS AND OBLIGATIONS OF OWNERS

Section 8.1. Leasing of Lots. If permitted under the terms of the Owner's purchase agreement, any Owner may lease such Owner's Lot subject to the following:

8.1.1 No Owner shall be permitted to lease such Owner's Lot for transient or hotel purposes.

8.1.2 No Owner may lease less than the entire Lot.

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

8.1.4 All leases are required to be in writing and copies shall be submitted to the Association.

Section 8.2. Use Restrictions. In addition to all other covenants contained herein, the use and enjoyment of the Properties and each Lot therein shall be subject to the following:

8.2.1 Restriction on Non-Residential Uses. No Lot 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, except that Declarant, its successors or assigns, may use any Lot or Lots in the Community owned by Declarant for a model home site or sites and display and sales office until the last Lot is sold by Declarant or twenty-five (25) years following the date of the sale of the first Lot in the Community, whichever shall first occur. 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.

8.2.2 Limited Non-Residential Uses Permitted. No part of the Community shall ever be used or caused to be used directly, or indirectly, for any business, commercial, manufacturing, mercantile, storing, vending or other such non-residential purposes. However, the provisions of this Section shall not preclude professional and administrative occupations within the Community, or other reasonable business activity, which have no signs or other external evidence thereof, for so long as such occupations are in conformance with all applicable governmental ordinances, are merely incidental to the use of the Lot as a residential home, and do not in any manner disturb other occupants or generate pedestrian traffic, deliveries or other nuisance.

8.2.3 Signs. No sign or billboard of any kind shall be displayed by any Owner on any portion of the Community or Lot, except one sign of reasonable size, advertising that the particular Lot is for sale or rent, or except by Declarant in connection with initial sales of the Lots, during the sales period set forth in Section 8.2.1, hereinabove. No provision herein shall be read or construed to prohibit the posting or displaying of noncommercial signs, posters, flags, or banners on or in an Owner's separate Lot (not Common Area) in accordance with California Civil Code Sections 1353.5 and 1353.6. The Association shall have the right and power to impose reasonable restrictions on the duration of the posting or displaying of such signs, posters, flags or banners. Owners are advised to refer to the Rules and Regulations promulgated by the Board.

8.2.4 Nuisances. No noxious or offensive activity shall be carried on in any Lot 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 such Owner's respective Lot or which shall in any way increase the rate of insurance.

8.2.5 Vehicles and Equipment. 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 Lot and obscured from the view of the adjoining Lots and streets, such as within a garage. No garage shall be used at any time for residential purposes or any purpose that 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. The foregoing restriction shall not be deemed to prevent 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.

8.2.6 Parking Vehicles. Parking of motor vehicles on any part of the Common Area, or otherwise obstructing traffic on the Common Area, at any time of day or night for any length of time, is prohibited. Except as otherwise permitted by the Board, Owners shall park

their motor vehicles only within their respective garages, up to the number of vehicles for which the garage was assigned. No parking of vehicles, as defined by California Vehicle Code, shall be permitted on any streets within the Community except within areas designated for public parking by the Board. Temporary loading and unloading and guest parking within private driveways which are adequate for such purposes are permitted. However, parking of any vehicle in any driveway in such a manner as to encroach into or obstruct traffic along the sidewalk shall be prohibited. Indefinite parking of any vehicle in any street or parking area, or on any driveway, shall be prohibited. Indefinite parking means the parking of a vehicle for a period in excess of seventy-two (72) hours.

8.2.7 Pets and Animals. An Owner may keep and maintain in such Owner's Lot 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 Common Area 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 Lot 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 such Owner's pets that disturb any neighbors such Owner shall be required to remove such pet from the Community. Each Owner of a pet shall forthwith clean up and remove any animal waste such pet may deposit on the Common Area or the property of another Owner. No dog will be allowed on the Common Area without being supervised and on a leash. 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 Declaration and the Rules and Regulations or otherwise, shall indemnify, defend and hold the 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 Association as a result of any alleged damage or injury caused by such living creature to the Association, to the Association Maintenance Areas, or to the Members, their family, guests or invitees, or their property.

8.2.8 Oil and Mining Operations Prohibited. 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.

8.2.9 Clotheslines, Woodpiles, Storage, Etc. All rubbish, trash and garbage shall be regularly removed from the Community, and shall not be allowed to accumulate thereon. All clotheslines, refuse containers, wood-piles, storage areas, machinery and equipment shall be prohibited within the Community unless obscured from the view of adjoining Lots and streets.

8.2.10 Antennas. 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 Design Review Committee prior to its installation in order to ensure that the visibility of the Authorized Antenna is minimized with respect to other Owners. The Design Review 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 Design Review 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 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 Declaration, or may allow an Owner to install an antenna other than an Authorized Antenna subject to the Design Guidelines and review and approval by the Design Review 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 multichannel 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 Lots or the Common Area, and provided that such system does not interfere with radio and television reception of other Owners within the Community.

8.2.11 Sports Equipment. No exterior roof mounted mechanical equipment, poles or masts shall be constructed on or attached to any residential dwelling or erected or maintained on any residence or yard area. No temporary or permanent basketball standard or backboard, or other sports apparatus shall be constructed, erected, installed or maintained on any residence, yard area, or on Common Area in the Community.

8.2.12 Window Coverings. The use of aluminum foil, newspaper, paint, reflective tint as window covering, or any other material deemed unattractive by the Association in its Design Guidelines or Rules and Regulations, is prohibited. The Association has the power to permit temporary window coverings, such as white or pastel color sheets, for a limited period of time after the close of escrow and pending the installation of drapes, curtains, shutters or other appropriate interior window coverings. All window coverings shall be of a uniform neutral color harmonious with and not in conflict with the color scheme of the exterior wall surface of the residence and the Community. Window tinting shall not be permitted. Window coverings shall be subject to the approval of the Design Review Committee.

8.2.13 Holiday Decorations. Outdoor holiday decorations, or indoor holiday decorations that are visible from outside, shall be limited to a reasonable period of time prior to the date of the holiday, as determined by the Association, and shall be removed within no more than seven (7) days after such holiday.

8.2.14 Fences, Walls and Other Similar Improvements. No fences, awnings, ornamental screens, screen doors, sunshades or walls of any kind shall be erected or maintained on or around any portion of any structure or elsewhere within the Community except those that are installed in accordance with the original construction by Declarant, or as are authorized and approved in

accordance with Article 7. No gates or other means of access to Common Area adjacent to a Lot are permitted to be installed in any wall or fence of a Lot. In addition, all fences or walls installed on a Lot after the original construction of the Community by Declarant shall be constructed in accordance with the Design Guidelines.

8.2.15 Security. Owners and occupants of a Lot, and their respective guests and invitees, are responsible for their own personal safety and the security of their property within the Community. Neither the Association nor Declarant shall in any way be considered an insurer or guarantor of safety or security within the Community, nor shall such parties be held liable for any loss or damage by reason of failure to provide adequate security or ineffectiveness of security measures undertaken. No representation or warranty is made that any systems or measures, including any mechanism, gate, or other system for limiting access to the Community, cannot be compromised or circumvented, nor that any such systems or security measures undertaken will in all cases prevent loss or provide the detection or protection for which the system is designed or intended. Each Owner acknowledges, understands, and shall be responsible for informing its tenants and all occupants of its Lot that the Association, its Board and committees, Declarant is not an insurer or guarantor of safety and security and that each person within the Community assumes all risks of personal injury and loss or damage to property, including Lot and the contents of residences, resulting from acts of third parties.

8.2.16 Utility and Drainage 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 all pipelines and other facilities located and to be located in said easements, are reserved for the benefit of the Declarant, the Association, and the other Lots within the Community, where such facilities are installed and as may be shown on the recorded Maps of the Project. 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 Lot and all improvements therein shall be maintained continuously by the Owner of the Lot, 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 Lots are reserved.

8.2.17 Preservation of Improvements. Each Owner of a Lot has the responsibility and duty to maintain the appearance and integrity of such Owner's Lot and of all slope areas and drainage devices located within such Owner's Lot, other than the Association Maintenance Areas which the Association is required to maintain. If an Owner should fail to maintain or make the necessary repairs or replacements which are the responsibility of such Owner, the Association shall have the right, but not the obligation, upon a vote of a majority of the Board of Directors, after not less than thirty (30) days' notice to the Owner and an opportunity to be heard, to enter the Lot and provide such maintenance or make such repairs or replacements as are necessary, the cost thereof to be added to the assessments chargeable to that Lot.

8.2.18 Access for Slope Maintenance. Each grantee of a Lot within the Community covenants for such Owner, such Owner's heirs, successors and assigns, that such Owner will permit free access by Owners of adjacent or adjoining Lots and by the Association, its agents and

employees, to the Association Maintenance Areas and all slope areas or drainage ways located on such Owner's Lot, which affect said adjacent or adjoining Lots, which access is essential for the maintenance or permanent stabilization of said slopes, or maintenance of the drainage facilities for Lots other than the Lot on which the slope or drainage way is located.

8.2.19 Alteration of Slope Improvements Prohibited. Each grantee of a Lot within the Community covenants for such Owner, such Owner's heirs, successors and assigns, that such Owner will not in any way interfere with the established drainage patterns or create erosion or sliding problems over such Owner Lot from adjoining or other Lots within the Community, and that such Owner will make adequate provisions for proper drainage in the event it is necessary to change the established drainage over such Owner's Lot. For the purposes hereof, "*established drainage*" is defined as the drainage that occurred at the time the overall grading of the Community was completed by Declarant.

8.2.20 Obligation for Slope Maintenance. Each grantee of a Lot within the Community shall maintain the slopes within such Owner's Lot 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 Lot and all improvements thereto shall be maintained continuously by the Owner of the Lot, except for those improvements for which a public authority or utility company is responsible. Declarant shall, for a period of one (1) year following sale and deed of any particular Lot have the right but not the obligation to enter upon the said Lot and alter or maintain the slope areas. An easement of reasonable access for said purpose is reserved to Declarant, and the purchaser, by the acceptance of a deed from Declarant, shall take title subject to such easement for said period of one (1) year.

8.2.21 Rights of Declarant. Conveyance of a substantial number of the Lots is essential to the establishment and welfare of said Community as a residential community. In order that all work necessary to complete the Community and establish a substantially occupied residential community be completed as rapidly as possible, no Owner shall and nothing in this Declaration shall be understood or construed to:

8.2.21.1. Prevent Declarant, its contractor or subcontractors, from doing work on said Community or any part thereof whenever it determines such work to be reasonably necessary or advisable in connection with the completion of the Community; or

8.2.21.2. Prevent Declarant, or its representatives from erecting, constructing and maintaining on any part or parts of said property owned or controlled by Declarant, its contractors, or subcontractors, such structures as may be reasonably necessary for the conduct of its business of completing said work and establishing the Community as a residential community and disposing of the same by sale, lease, or otherwise.

8.2.21.3. Declarant, in exercising its rights hereunder, shall not unreasonably interfere with the Members' use of the Common Area.

8.2.22 Standard of Maintenance. All structures and improvements within the Community shall at all times be maintained by their respective Owners in a clean, first-class and properly painted condition.

8.2.22.1. Solar Access. No Owner or the 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 Lot, including the Lot on which the vegetation is also located.

ARTICLE 9 SCOPE OF ENFORCEMENT

Section 9.1. Enforcement. The Declarant, the Association and any Owner shall have the right, but not the obligation, to enforce by any proceeding at law or in equity, all restrictions, conditions, covenants and reservations now or hereafter imposed by the provisions of this Declaration. Failure by Declarant, the Association or any Owner to enforce any covenants or restrictions herein contained shall, in no event, be deemed a waiver of the right to do so thereafter. The limitations, restrictions, conditions and covenants set forth in this Declaration constitute a general scheme for (i) the maintenance, protection and enhancement of the value of the Community and (ii) the benefit of all Owners. Said limitations, restrictions, conditions and covenants are and shall be covenants running with the land or equitable servitudes, as the case may be. Each remedy provided for in this Declaration shall be cumulative and not exclusive. The result of or condition caused by any violation of any of the provisions of this Declaration is and shall be a nuisance, and every remedy in law or equity now or hereafter available against public or private nuisance may be exercised by any person affected thereby. Any of the foregoing to the contrary notwithstanding, no action to enforce this Declaration shall be instituted unless and until a written notice of such breach setting forth the facts of such breach has been delivered by certified mail to the Owner of such Lot. In the event the Association or any Owner(s), should commence litigation to enforce any of the provisions of this Declaration, that party, if such Owner should prevail, shall be entitled to have judgment against and recover from any defendant in such litigation, such attorneys' fees (other than nominal) as the court may adjudge reasonable and proper. Each Owner shall have a right of action against the Association for any failure of the Association to comply with the provisions of the Declaration, Articles of Incorporation, Bylaws, or Rules and Regulations of the Association.

ARTICLE 10 DAMAGE TO LOTS AND COMMON AREAS

Section 10.1. Repairs. In the event that an Owner fails to maintain or repair such Owner's Lot or the improvements thereon or otherwise comply with the provisions of this Declaration, the Bylaws or the Rules and Regulations, the Association, or their agents or employees shall have the right, but not the obligation, to bring the Lot into compliance with the provisions of this Declaration and the cost incurred therefor shall be assessed to that Owner as a special assessment as set forth in this Declaration.

Section 10.2. Damage to Association Maintenance Areas. In the event the need for repair of the Association Maintenance Areas is caused through the willful or negligent acts of a Member or such Member's guests or invitees, the 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 Declaration.

Section 10.3. Association Maintenance Obligations. Except as otherwise provided in this Declaration, from and after the date of conveyance of appropriate easements thereto to the Association, the Association will be responsible for the adequate maintenance, repair, replacement, irrigation, brush clearance, landscaping and preservation of the appearance of the Association Maintenance Areas.

Section 10.4. Association Inspections. The Board shall have the duty and obligation to cause an inspection and report to be made in accordance with the provisions hereof. The Board's annual inspections shall (i) determine whether the Association Maintenance Areas are being maintained adequately, (ii) identify the condition of the Association Maintenance Areas, including the existence of any hazards or defects, and the need for performing additional maintenance, repair, refurbishing or replacement, and (iii) recommend preventative actions, which may be taken to reduce potential maintenance costs to be incurred in the future. The Association may employ such experts and consultants as necessary to perform such inspections. Within thirty (30) after the Board's annual inspection, the Board shall have a report of the results of the inspection prepared, and such report shall include the following: (i) a description of the condition of the Association Maintenance Areas, including a list of items inspected and the status of maintenance, repair and need for replacement of all such items; (ii) a description of all maintenance, repair and replacement planned for the ensuing fiscal year and; (iii) if any maintenance, repair or replacement is to be deferred, an explanation must be given for such deferral; (iv) a summary of all reports of inspections performed by any expert or consultant employed by the Association to perform inspections; (v) a report of the status of compliance with the maintenance, replacement and repair needs set forth in all inspection reports from Declarant's consultant(s) and of its own inspection, for preceding years; and (vi) such other matters as the Board deems appropriate. The Board shall promptly cause a copy of each inspection report prepared in accordance with this Section to be delivered to Declarant. The Association's obligations under this Section shall continue until the expiration of the ten (10) year period following the close of escrow for the sale of the last Lot in the Community. The requirements of this Section are in addition to the Board's obligations to perform ongoing reserve studies as required by Section 6.2.4. The provisions of this Section shall not be amended without the prior written consent of Declarant.

Section 10.5. Maintenance of Drainage Improvements; Best Management Practices. The Association shall maintain all drainage devices located within the Common Area, in good and functional condition to safeguard the Owners and the adjoining properties from damage and pollution. The Association shall conduct inspections to insure that Best Management Practices ("BMP's") for control of stormwater runoff are maintained in accordance with applicable requirements of the City. No Owner whose Lot contains any stormwater management facilities or improvements shall permit interference with or damage to same, and no Owner shall do any act which shall contribute to the introduction of pollutants into said storm drainage facilities, including, but are not limited to, soil, sand, sediment, oil, gasoline or other hydrocarbons, paint,

fertilizers, pool chemicals, and other household chemicals. For example, Owners must place sandbags around soil and sod when installing landscaping, and take measures to prevent over-watering the landscaping, in order to prevent soil, fertilizer and lawn chemicals from running into the storm drains.

ARTICLE 11 INSURANCE

Section 11.1. Liability Insurance. A general public liability and property damage insurance policy covering the Common Area shall be purchased by the Board of Directors as promptly as possible following its election 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 at least One Million Dollars (\$1,000,000.00). The policy shall name the Association and all Owners as insureds, including Declarant, during such time as Declarant shall remain the Owner of one or more Lots. The manager, if any, shall also be a named insured on such policy, during such time as such manager's 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 Association shall prepare and distribute to all Members a summary of the Association's property, general liability, and earthquake and flood insurance policies, which shall be distributed within not less than thirty (30) nor more than ninety (90) days preceding the beginning of the 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 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 Association receives any notice of nonrenewal of a policy described in this paragraph, the 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 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(e)(4). For a period of ten (10) years after the close of escrow for the sale of the last Lot in the Community, the Association's obligations under this Section 11.1 to provide summaries of insurance, notices of significant changes in coverage and notice if a policy is not renewed to its Members shall also extend to Declarant.

Section 11.2. Hazard Insurance. The Board of Directors shall purchase a "Special Form Causes of Loss" property insurance policy (commonly referred to as all-risk or special perils coverage) issued by a Qualified Insurer, as defined herein, providing coverage equal to one hundred percent (100%) of the current replacement cost of all Common Area improvements to the Community then subject to assessments under Article 5 of the Declaration (including all service and mechanical equipment in the Community). "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 may contain an earthquake damage endorsement if such coverage is available at a cost deemed by the Board 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 strictly in accordance with the provisions contained in the FHLMC Seller/Service Guide. 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. The policy shall name as insureds all Owners and Declarant, so long as Declarant is the Owner of any Lot within the Community, and all Mortgagees of record, as their respective interests may appear. The proportionate interest of each Owner in any insurance proceeds in relation to the other Owners, shall be based upon a ratio of each Lot's "fair market value" to the "fair market value" of the entire Community. The "fair market value" in both instances, shall be determined by an independent appraiser. 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 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.

11.2.1 Personal property of a Lot Owner and additional fixtures added by a Lot Owner should be insured separately by the Lot Owner.

Section 11.3. Individual Coverage. If available, underlying coverage for individual Lots shall be written as part of or in conjunction with, said master policy where necessary to protect individual lenders. If such coverage is not available, each Owner shall purchase, at such Owner's own expense, and maintain fire and hazard insurance coverage as may be required by such Owner's individual lender. Any such underlying coverage shall contain a replacement cost endorsement, and to the extent available, such other endorsements as may be a part of the master policy. Such insurance shall also contain a loss-payable endorsement to the Mortgagees of individual Lots, as their interests shall appear.

Section 11.4. Board as Trustee. All insurance proceeds payable pursuant to Section 11.2 of this Article and subject to the rights of Mortgagees under Section 11.7 hereof shall be paid to the lending institutions holding first Mortgages on Lots 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 12. In the event repair or reconstruction is authorized, the Board shall have the duty to contract for such work, as provided in Article 12 hereof.

Section 11.5. 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 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 11.6. Owners' Other Insurance. An Owner may carry such additional personal liability and property damage insurance respecting individual Lots as such Owner may desire.

Section 11.7. Right of Mortgagees. With respect to insurance coverage under Sections 11.2 and 11.3 hereof, any Mortgagee of record shall have the option to apply insurance proceeds payable to it to reduce the obligation secured by the Mortgage.

Section 11.8. Annual Review. The Board shall review the insurance carried by the Association at least annually for the purpose of determining the amount of the casualty and property insurance referred to in Section 11.1 above. The Board shall obtain current appraisal of the full replacement value of the improvements in the Common Area and of the Lots, except for foundations and footings, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such annual review.

ARTICLE 12 DESTRUCTION OF IMPROVEMENTS

Section 12.1. Proceeds Greater Than Eighty-Five Percent (85%) of Cost to Repair. In the event of total or partial destruction of the improvements in the Common Area and if the available proceeds of the insurance carried pursuant to Article 11 are sufficient to cover not less than eighty-five (85%) percent of the 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, seventy-five (75%) percent of each class of membership present and entitled to vote in person or by proxy, at a duly constituted meeting, 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 Association to rebuild.

Section 12.2. 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 cost of reconstruction, such reconstruction may, nevertheless, take place, if within ninety (90) days from the date of said destruction, at least sixty-six and two-thirds percent (66-2/3%) of each class of membership elect to rebuild.

Section 12.3. Additional Contributions From Owner. If the Association determines to rebuild, pursuant to either Sections 12.1 or 12.2, each Owner shall be obligated to contribute such funds as shall be necessary to pay such Owner's proportionate share of the cost of reconstruction over and above the insurance proceeds, and the proportionate share of each Owner shall be based upon the ratio of the fair market value of such Owner's Lot to the fair market value of all the

Lots. In the event of failure or refusal by any Owner to pay such Owner's proportionate share, after notice to such Owner, 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..

Section 12.4. Association to Contract for Rebuilding. If the Owners determine to rebuild, the Board of Directors shall obtain bids from at least two (2) reputable contractors and shall award construction work to the lowest 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 12.5. Insufficient Vote to Rebuild. If the vote of the Owners shall be insufficient to authorize rebuilding, either pursuant to Sections 12.1 or 12.2 above, the following shall apply:

12.5.1 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 each Lot's "fair market value," just prior to destruction. "Fair market value" shall be determined by an independent appraiser.

12.5.2 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 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 Common Area to the status of unimproved land.

Section 12.6. Revival of Right to Partition. Upon recordation of such certificate, referred to in Section 12.5.2, above, the right of any Owner to partition such Owner's Lot through legal action, shall forthwith revive.

Section 12.7. 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 the decision an award for costs and/or attorneys' fees against any one or more of the parties to the arbitration.

ARTICLE 13 MORTGAGEE PROTECTION

Section 13.1. Mortgagee Protection. Notwithstanding any other provisions in this Declaration to the contrary, in order to induce lenders and investors to participate in the financing of the sale of Lots in the Community, the following provisions are added hereto (and to the extent these

added provisions conflict with any other provisions in this Declaration, these added provisions shall control):

13.1.1 No breach of any of the covenants, conditions and restrictions herein contained shall defeat or render invalid the lien of any first Mortgage (meaning a Mortgage with first priority over any other Mortgage) on any Lot 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.

13.1.2 Each holder of a first Mortgage encumbering any Lot is entitled upon request to timely written notification from the Association of any default by the Mortgagor of such Lot in the performance of such Mortgagor's obligations under this Declaration, the Bylaws or Rules and Regulations of the Association which is not cured within sixty (60) days. Any Institutional Lender holding a first Mortgage on any Lot within the Community shall be entitled to prior written notice of certain proposed actions of the Association as hereinafter set forth in Sections 13.1.5.1 through 13.1.5.8, inclusive, provided that such Institutional Lender furnishes the Association with a written request for notice which request sets forth the particular Institutional Lender's mailing address and identifies the Lot on which it holds an encumbrance.

13.1.3 Each holder of a first Mortgage encumbering any Lot which obtains title to such Lot 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 Declaration or the Bylaws of the 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 Lot so acquired by the Mortgagee.

13.1.4 Each holder of a first Mortgage or third party foreclosure purchaser which obtains title to a Lot pursuant to foreclosure of the first Mortgage, shall take the Lot free of any claim for unpaid dues, assessments or charges against the Lot which accrue prior to the time such holder obtains title to such Lot (except for claims for a share of such assessments or charges resulting from a reallocation of such dues, assessments or charges among all Lots, including the mortgaged Lot). Such sale or transfer shall not release such Lot from liability for any assessments thereafter becoming due.

13.1.5 Unless at least two-thirds (2/3) of the Institutional Lenders holding a first Mortgage on a Lot within the Community (based upon one vote for each first Mortgage owned), and at least two-thirds (2/3) of the Owners (other than the Declarant) have given their prior written approval, the Association and its Members shall not be entitled to:

13.1.5.1. By act or omission, waive or abandon any scheme of regulations or enforcement thereof, pertaining to the architectural design or the exterior appearance of Lots, the exterior maintenance of Lots, the maintenance of the Common Area, party walks or common fences and driveways, or the upkeep of lawns and plantings in the Community;

13.1.5.2. Change the pro rata interest or obligations of any Lot for purposes of levying assessments or charges or allocating distributions of hazard insurance proceeds or condemnation awards;

13.1.5.3. Partition or subdivide any Lot;

13.1.5.4. By act or omission, seek to abandon, subdivide, encumber, sell or transfer the Common Area or partition the 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 Common Area and the Community shall not be deemed a transfer within the meaning of this clause;

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

13.1.5.6. 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);

13.1.5.7. Effectuate any decision of the Association to terminate professional management and assume self management of the Community; and

13.1.5.8. Amend any part of this Article 13.

13.1.6 First Mortgagees shall have the right to examine the books and records of the Association during normal business hours.

13.1.7 The annual assessments shall include an adequate reserve fund for maintenance, repair and replacement of the improvements to the Association Maintenance Areas and those portions thereof that must be replaced on a periodic basis, and shall be payable in annual assessments rather than by special assessments.

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

13.1.9 In the event of substantial damage to or destruction of any Lot or any element of the Common Area or possible condemnation or eminent domain procedure, the Institutional Lender under any first Mortgage on a Lot is entitled to timely written notice of any such damage, destruction or proposed acquisition and no provision in the Bylaws, nor in this 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 and/or Common Area.

13.1.10 Any agreement for professional management of the Community, or any other contract providing for services by the Declarant shall provide for termination by either party without cause or payment of a termination fee upon thirty (30) days' written notice, and that the term of any such contract shall not exceed one (1) year, renewable by agreement of the parties for successive one (1) year periods.

13.1.11 The Association shall, upon the request of any Institutional Lender under a first Mortgage on a Lot: (i) give written notice of all meetings of the 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.

13.1.12 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 Declarant, its successors and assigns, or the 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 Lot 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.

13.1.13 First Mortgagees of Lots may, jointly or singly, pay taxes or other charges which are in default and which may or have become a charge against any 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 Common Area and first Mortgagees making such payments shall be owed immediate reimbursement therefor from the Association. This provision shall constitute an agreement by the Association for the express benefit of all first Mortgagees and upon request of any first Mortgagee the Association shall execute and deliver to such first Mortgagee a separate written Agreement embodying this provision.

ARTICLE 14 AMENDMENTS

Section 14.1. Amendments. During the period of time prior to conversion of the Class B membership to Class A membership, this Declaration may be amended only by an affirmative vote of at least seventy-five percent (75%) of the voting power of each class of Members of the Association. After the conversion of Class B membership in the Association to Class A membership, the Declaration may be amended only by an affirmative vote of (i) at least seventy-five percent (75%) of the total voting power of the Association, and (ii) at least seventy-five percent (75%) of the voting power of the Association other than Declarant. In no event shall the percentage of the voting power necessary to amend a specific provision of this Declaration be less than the percentage of affirmative votes prescribed for action to be taken under said provision. An Amendment hereto shall be effective after (a) the approval of the percentage of Owners required in this Section has been given, (b) that fact has been certified in a writing executed and acknowledged by the officer designated by the Association for that purpose, or if no one is designated, by the president of the Association and (c) that writing has been recorded in the county in which the Community is located.

Notwithstanding any other provision of this Section, for so long as Declarant owns any portion of the Properties or the Annexable Property, Declarant may unilaterally amend this Declaration by recording an instrument in writing, signed by Declarant, without the consent of the Association or any other Owner, provided that such amendment is made in order to conform

this Declaration to the requirements of the United States Department of Veterans Affairs, FHA, FNMA, GNMA, FHLMC, or any other governmental entity.

Section 14.2. Effectiveness of Amendment. From and after its effective date, each amendment made pursuant to the preceding paragraph shall be as effective as to all Lots within the Community, the Owners thereof and their successors in interest.

Section 14.3. Petition the Superior Court. Nothing in this 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 Declaration as provided under California Civil Code Section 1356.

ARTICLE 15 ANNEXATION

Section 15.1. Annexation of Additional Property by Declarant. All or portions of the Annexable Property described in Exhibit "B" hereto may be annexed into the Community by the Declarant without the consent of the Members of the Association, provided:

(a) That the proposed annexation will not result in an overburdening of the Common Area;

(b) That the proposed annexation will not result in a substantial increase in the assessments of the existing Lots which was not disclosed to the Owners at the time of purchase of their respective Lots;

(c) That the real property and the total number of residential units proposed to be annexed were adequately identified; and

(d) That Declarant executes a written commitment concurrently with the closing of escrow for the first sale of a Lot in the annexed property to pay to the Association appropriate amounts for reserves for replacement or deferred maintenance of Common Area improvements in the annexed property necessitated by, or arising out of the use and occupancy of Lots under a rental program conducted by Declarant which has been in effect for a period of at least one (1) year as of the date of closing of the escrows for the first sale of a Lot in the annexed property.

Section 15.2. Annexation of Additional Property by Association. Upon approval in writing by the Association, pursuant to the vote of at least two-thirds (2/3) of the voting power of its Members or the written assent of such Members, excluding the voting power or written assent of Declarant, the Owner of any real property who desires to add such property to the scheme of this Declaration and to subject same to the jurisdiction of the Association, may file of record a Notice of Annexation which shall extend the scheme of this Declaration to such property.

Section 15.3. Annexation Procedure. The annexation of additional real property authorized under Sections 15.1 and 15.2 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 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 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 Declaration. 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 Declaration.

Section 15.4. Obligations of Annexed Property. The obligation of Owners in the annexed property to pay assessments levied by the Association and the right of such Owners to exercise voting rights in the Association in such annexed property shall not commence until the first day of the month following close of the first sale of a Lot by Declarant in that particular Phase of development.

Section 15.5. De-Annexation. Declarant hereby reserves the right to de-annex any Lot or Lots within the Community and to delete said Lot or Lots from the scheme of this Declaration and from the jurisdiction of the Association, provided and on condition that the de-annexation shall be made prior to the closing date of the sale of the first Lot in the annexed property within the Community.

ARTICLE 16 PARTY WALLS

Section 16.1. Rights and Duties. The rights and duties of the Owners of Lots with respect to party walls shall be governed by the following:

16.1.1 Each fence or wall that is constructed as a part of the original construction and located between separate Lots, shall constitute a party wall, and with respect to such fence or 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 Lot 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 fence or wall.

16.1.2 If any such party wall is damaged or destroyed through the act of one of the adjoining Owners, any member of such Owner's 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 fence or 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.

16.1.3 If any such party wall is damaged or destroyed by some cause other than the act of one of the adjoining Owners, such Owner's 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.

16.1.4 Any Owner proposing to modify, make additions to, or rebuild such Owner's Lot 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. Such Owner must also comply with all dictates of this Declaration that may be relevant.

16.1.5 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.

16.1.6 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 17 COVENANTS IN FAVOR OF LOCAL JURISDICTION

Section 17.1. 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 Association shall, at all times, abide by all City ordinances, statutes and resolutions as well as the laws of the State of California.

Section 17.2. Special Covenants. The following covenants shall be binding upon the Association and all Members in favor of the City:

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

17.2.2 Recreational vehicles, including, but not limited to, boats, motor homes, trailers, dune buggies and jeeps, shall not be stored, parked, or maintained within the Properties unless they are the principal source of transportation for their respective owners and stored entirely within a garage. The Association shall have the right to enforce this provision through any means available either at law, or in equity, including, but not limited to, the power to tow violators away, and to assess towing charges to the Owner/violator as special assessments.

17.2.3 Written notice of any proposed amendment to this Declaration shall be given to the City Attorney of the City prior to the enactment thereof. The City shall have the right to veto any proposed amendment within a reasonable time after receiving such notice.

ARTICLE 18 GENERAL PROVISIONS

Section 18.1. Extension of Declaration. The provisions of this Declaration shall run with the land and bind the Community, and shall inure to the benefit of and shall be enforceable by the Association or the Owner of any Lot subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of forty (40) years from the date this Declaration is recorded, after which time the provisions of this Declaration shall be automatically extended for successive periods of ten (10) years, unless an instrument, signed by at least

seventy-five percent (75%) of the then Owners of Lots, has been recorded within six (6) months of the anticipated termination date. The contents of such instrument shall contain the agreement to terminate this Declaration as it may be supplemented in whole or in part.

Section 18.2. Encroachment Easement. In the event any improvement to a Lot encroaches upon the 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 Properties is hereby granted an easement over all adjoining Lots for the purpose of accommodating any minor encroachment, due to engineering errors, errors in original construction, settlement or shifting of the building, roof overhang, architectural or other appendants for so long as any such encroachment continues to exist.

Section 18.3. Ownership Interest. An ownership interest in a Lot 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 Association derived from such ownership.

Section 18.4. Severability. In the event any limitation, restriction, condition, covenant or provision contained in this Declaration is to be held invalid, void or unenforceable by any court of competent jurisdiction, the remaining portions of this Declaration shall, nevertheless, be and remain in full force and effect.

Section 18.5. Liberal Construction. The provisions of this Declaration shall be liberally construed to effectuate its purpose of creating a uniform plan for the development of a residential community.

Section 18.6. Termination of Declarant's Obligations. In the event Declarant shall convey all of its right, title and interest in and to the Community to any partnership, individual or individuals, corporation or corporations, then and in such event, Declarant shall be relieved of the performance of any further duty or obligation hereunder, and such partnership, individual or individuals, corporation or corporations, shall be obligated to perform all such duties and obligations of the Declarant.

Section 18.7. 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.

Section 18.8. Non-Liability of Declarant. Each Owner, by acceptance of a deed, shall be deemed to have agreed that Declarant shall have no liability whatsoever resulting from any term or provision thereof having been held to be unenforceable in whole or in part.

Section 18.9. Grantees Subject to this Declaration. Each grantee of a conveyance or purchaser under a contract or agreement of sale, by accepting the deed or contract of sale or agreement of purchase, accepts the same subject to all of the limitations, restrictions, conditions and covenants, and agreements set forth in this Declaration, and agrees to be bound by the same.

Section 18.10. Bonded Obligations. In the event that improvements to the Community have not been completed prior to the close of escrow for the sale of the first Lot in the first Phase of the Community, and the Association is obligee under a bond or other security ("**Bond**") to secure performance of the commitment of the Declarant to complete such improvements, the following provisions shall apply:

18.10.1 The Board of Directors shall consider and vote on the question of action by the Association to enforce the obligations under the Bond with respect to any improvements for which a Notice of Completion has not been filed within sixty (60) days after the completion date specified for such improvements in the Planned Construction Statement appended to the Bond. If the Association has given an extension in writing for the completion of any improvement, the Board shall consider and vote on the aforesaid question if a Notice of Completion has not been filed within thirty (30) days after the expiration of such extension.

18.10.2 In the event that the Board of Directors determines not to initiate action to enforce the obligations under the Bond or in the event the Board fails to consider and vote on such question as provided above, the Board shall call a special meeting of the Members for the purpose of voting to override such decision or such failure to act by the Board. Such meeting shall be called according to the provisions of the Bylaws dealing with meetings of the Members, but in any event such meeting shall be held not less than thirty-five (35) days nor more than forty-five (45) days after receipt by the Board of a petition for such meeting signed by Members representing five percent (5%) of the total voting power of the Association.

18.10.3 The only Members entitled to a vote at such meeting of Members shall be the Owners other than Declarant. A vote at such meeting of a majority of the voting power of such Members other than Declarant to take action to enforce the obligations under the Bond shall be deemed to be the decision of the Association and the Board shall thereafter implement this decision by initiating and pursuing appropriate action in the name of the Association.

18.10.4 The Association shall act in a reasonably prompt manner to exonerate Declarant and its surety under any Bond in favor of the Association upon completion of the improvements.

Section 18.11. Declarant's Rights After Sale of all Lots in the Community. For a period of ten (10) years after the close of escrow for the sale of the last Lot in the Community, in addition to Declarant's rights as an Owner and a Member, Declarant shall have the following rights: (1) access to and the right to inspect the Association books and financial records, (2) access to and the right to inspect the Association's maintenance records; (3) access to and the right to inspect the Association Maintenance Areas of the Community; (4) right to receive notice of, attend and speak at all regular and special meetings of the Board of Directors and meetings of the Members; and (5) right to receive copies of the minutes of the meetings of the Board of Directors and meetings of the Members, upon request and payment of the actual costs to copy and distribute such records.

ARTICLE 19 DISPUTE MECHANISM

Section 19.1. Notice to Members Prior to Filing Civil Action. Not later than thirty (30) days prior to the filing of any civil action by the Association against the Declarant or other developer of the Community for alleged damage to the Common Area, alleged damage to the Lots that the Association is obligated to maintain or repair, or alleged damage to the Lots that arises out of, or is integrally related, to damage to the Common Area or Lots that the Association is obligated to maintain or repair, the Board shall provide written notice to each Member who appears on the records of the Association at the time notice is given, specifying (a) that a meeting of Members will be held to discuss problems that may lead to the filing of a civil action, (b) the options, including civil actions, that are available to address the problems, and (c) the time and place of the meeting. If the Association has reason to believe that the applicable statute of limitations will expire before the association files the civil action, the Association may give the foregoing notice not later than thirty (30) days after the filing of the action.

Section 19.2. Dispute Resolution. Any disputes between all or any of the Association, Owner(s), the Declarant, or any director, officer, partner, employer, contractor, design professional, consultant, subcontractor or agent of the Declarant (collectively "*Declarant Parties*"), arising under this Declaration or relating to the Properties, shall be subject to the following provisions of this Section 19.2 and the following Sections 19.3, 19.4 and 19.5.

Section 19.3. Construction Defect Disputes.

19.3.1 Notice of Construction Claims Statute. California Civil Code Section 895 et seq., as hereafter amended ("*Construction Claims Statute*"), delineates standards for how various components of residential dwelling units should be constructed and function, limits the time frames for bringing various claims against the builder to anywhere from one year to ten years (as listed in the Construction Claims Statute) from the close of escrow for the residential dwelling unit, imposes an obligation on all Owner's and the Association to follow Declarant's maintenance recommendations and schedules, or other applicable maintenance guidelines, and establishes a non-adversarial claims resolution procedure that must be followed by an Owner and the Association before the Owner or the Association can initiate an adversarial claim and proceed to judicial reference or binding arbitration, as described in Section 19.5 below. THE CONSTRUCTION CLAIMS STATUTE AFFECTS EACH OWNER'S AND THE ASSOCIATION'S LEGAL RIGHTS. OWNERS, ON BEHALF OF THEMSELVES, AND AS MEMBERS OF THE ASSOCIATION, ARE ADVISED TO READ THE STATUTE CAREFULLY AND SEEK LEGAL ADVICE IF OWNER HAS ANY QUESTIONS REGARDING ITS AFFECT ON OWNER'S OR THE ASSOCIATION'S LEGAL RIGHTS. PURSUANT TO CALIFORNIA CIVIL CODE SECTION 914, DECLARANT IS PERMITTED TO ELECT TO USE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES INSTEAD OF USING THE STATUTORY PRE-LITIGATION PROCEDURES PROVIDED IN THE CONSTRUCTION CLAIMS STATUTE, AND DECLARANT HAS ELECTED TO USE ITS OWN CONTRACTUAL NON-ADVERSARIAL PROCEDURES AS PROVIDED BELOW.

19.3.1.1. Obligation to Follow Maintenance Recommendations and Schedules. All Owners and the Association are obligated by Section 907 of the Construction Claims Statute to follow Declarant's maintenance recommendations and schedules, including the maintenance recommendations and schedules for manufactured products and appliances provided with such Owner's Lot or the Common Area, or any improvements thereon, as well as all commonly accepted maintenance practices (collectively, "*Maintenance Recommendations*"). Per Section 945.5 of the Construction Claims Statute, failure to follow the Maintenance Recommendations may reduce or preclude Owner's and the Association's right to recover damages relating to such Lot or Common Area, which could have been prevented or mitigated had the Maintenance Recommendations been followed.

19.3.1.2. Obligation to Retain Documents and Provide Copies to Successors. All Owners, who originally purchased a Lot from Declarant were provided copies of certain documents in conjunction with the purchase of their Lot, including copies of this Declaration, Maintenance Recommendations from Declarant, Maintenance Recommendations for manufactured products or appliances included with the Lot, a limited warranty, claim forms, and other documentation relating to the Construction Claims Statute. All Owners are required by the Construction Claims Statute to retain these documents and provide copies of such documents to their successors in interest upon the sale or transfer of such Owner's Lot.

19.3.2 Owners' Construction Defect Claims. Prior to the commencement of any legal proceeding by any Owner against Declarant or any Declarant Party based upon a claim for defects in the design or construction of any Lot, residence, Common Area, or any improvements thereon, the Owner must first comply with the provisions of this paragraph. If at any time during the ten (10) year period following the close of escrow for the original Owner's purchase of such Owner's Lot from Declarant, as such period may be extended by any applicable tolling statute or provision, or any shorter period as provided by applicable law, such Owner believes Declarant has violated any of the standards set forth in the Construction Claims Statute ("*Claimed Defect*"), which such Owner feels may be the responsibility of Declarant, such Owner shall promptly notify Declarant's agent for notice of construction defect claims on file with the Secretary of State, whose name and address are: Lennar Renaissance, Inc., Mike Branson, 1075 Creekside Ridge Drive, Suite 100, Roseville, CA 95678, with a copy to Declarant at Declarant's address as an Owner listed in the records of the Association. Such notice shall be deemed a notice of intention to commence a legal proceeding and shall include: (a) a detailed description of the Claimed Defect, (b) the date upon which the Claimed Defect was first discovered, and (c) dates and times when Owner or Owner's agent will be available during ordinary business hours, so that service calls or inspections by Declarant can be scheduled. Declarant shall, in its sole discretion, be entitled to inspect the applicable property regarding the reported Claimed Defect and, within its sole discretion, shall be entitled to cure such Claimed Defect. Nothing contained in this Article shall obligate Declarant to perform any such inspection or repair, nor shall this Section be deemed to increase Declarant's legal obligations to Owner. Owner's written notice delivered to Declarant shall be a condition precedent to Owner's right to institute any legal proceeding and to proceed to judicial reference or binding arbitration as set forth Section 19.5 below, and Owner shall not pursue any other remedies available to it, at law or otherwise, including without limitation the filing of any legal proceeding or action, until Declarant has had the reasonable opportunity to inspect and cure the Claimed Defect. During the term of any written Limited Warranty provided to the original Owner of the Lot by Declarant, any conflict

between the provisions of this Section and the Limited Warranty shall be resolved in favor of the Limited Warranty. Declarant shall not be liable for any general, special or consequential damage, cost, diminution in value or other loss which Owner may suffer as a result of any Claimed Defect in the Unit, which reasonably might have been avoided had Owner given Declarant the notice and opportunity to cure as described above within a reasonable time of discovering the Claimed Defect. Except as otherwise provided in the written Limited Warranty, if any, provided to Owner, nothing contained herein shall establish any contractual duty or obligation on the part of Declarant to repair, replace or cure any Claimed Defect. If an Owner sells or otherwise transfers ownership of such Owner's Unit to any other person during such ten (10) year period, as such period may be extended by any applicable tolling statute or provision, Owner covenants and agrees to give such other person written notice of these procedures by personal delivery. Owner's continuing obligation under this covenant shall be binding upon Owner and Owner's successors and assigns.

19.3.3 Association's Construction Defect Claims. DECLARANT ELECTS TO USE THE ALTERNATE CONTRACTUAL NON-ADVERSARIAL PROCEDURES CONTAINED IN CIVIL CODE SECTION 1375, EXCEPT AS OTHERWISE PROVIDED HEREIN, RATHER THAN THE STATUTORY PRE-LITIGATION PROCEDURES OF THE CONSTRUCTION CLAIMS STATUTE, WITH RESPECT TO CLAIMS BY THE ASSOCIATION. Prior to the commencement of any legal proceeding by the Association against Declarant or any Declarant Party based upon a claim for defects in the design or construction of the Common Area, or any improvements thereon, or any other area within the Community which the Association has standing to make a claim for defects in the design or construction thereof, the Association must first comply with all of the applicable requirements of Civil Code Section 1375, as the same may be amended from time to time, or any successor statute thereto. For purposes of claims under this Section, notice to "builder" under California Civil Code Section 1375 shall mean notice to Declarant's agent for notice of construction defect claims on file with the Secretary of State, with a copy to Declarant, as provided above. In addition to the requirements of said Section 1375, Declarant shall have an absolute right, but not an obligation, to repair any alleged defect or condition claimed by the Association to be in violation of the standards set forth in the Construction Claims Statute, within a reasonable period of time after completion of the inspection and testing provided for in such Section and prior to submission of builder's settlement offer under such Section. If the parties to such dispute are unable to resolve their dispute in accordance with the procedures established under Civil Code Section 1375, as the same may be amended from time to time, or any successor statute, the dispute shall be resolved in accordance with the judicial reference or binding arbitration provisions of Section 19.5 below and the parties to the dispute shall each be responsible for their own attorneys' fees. The Association shall have the power to initiate claims against a Declarant Party for violations of Construction Claims Statute, as soon as the Association has one (1) Class A Member other than Declarant. Upon the written request of any Class A member to the Board of Directors, the Board shall establish a committee consisting exclusively of Class A Member(s) other than Declarant to investigate claimed violations of the standards of the Construction Claims Statute. Upon the committee's determination that cause exists to initiate a claim, the decision of whether to initiate a claim shall be made by a vote of the Class A members other than Declarant. A majority of the votes cast shall be deemed to be the decision of the Association, which the board shall carry out by submitting the necessary claim to Declarant or the appropriate Declarant Party; provided, however, that the vote is either conducted at a properly convened meeting with the requisite

quorum in accordance with the provisions of the Bylaws relating to meetings and voting, or the vote was conducted without a meeting in accordance with California Corporations Code Section 7513, as authorized by the Bylaws.

Section 19.4. Other Disputes. Any other disputes arising under this Declaration, or otherwise, between the Association or any Owner and Declarant or any Declarant Party (except for any action taken by the Association against Declarant for delinquent assessments, and any action involving enforcement of any completion bonds) shall be resolved in accordance with the alternate dispute resolution provisions of Section 19.5 below; provided, however, that with regard to disputes between the Association and an Owner where the alternative dispute resolution procedure is invoked by the Association, the Owner may elect not to participate in the procedure. The dispute resolution procedure in Section 19.5, as it applies solely to disputes under this Section 19.4, shall be deemed to satisfy the alternative dispute requirements of Civil Code Sections 1363.810, 1369.510, and following, or any successor statute, as applicable.

Section 19.5. Alternate Dispute Resolution Procedures. The following procedures provide for resolution of disputes through general judicial reference or, in the alternative, binding arbitration. In either event, Declarant, the Association and each Owner of a Lot within the Community, expressly acknowledge and accept that, by invoking or electing to participate in the procedure, they are waiving their respective rights to a jury trial.

19.5.1 Judicial Reference. Subject to compliance with the provisions of Sections 19.2 through 19.4, to the extent applicable, it is the intention of Declarant that, except as otherwise expressly provided herein, any and all disputes, based upon which litigation is filed, shall be resolved by judicial reference under California law. Accordingly, except as otherwise expressly provided in this Declaration (such as the collection of delinquent assessments), any dispute, between the Association or any Owner(s) and the Declarant, or other developer of the Community, or between the Association and any Owner with respect to the interpretation of any of the provisions of this Declaration, or with respect to any alleged breach hereof, or with respect to any other claim related to a Lot or the Common Area, including, without limitation, any alleged latent or patent construction or design defect in the Community, any Lot or any part thereof, any alleged violation of the standards set forth in the Construction Claims Statute, any judicial determination to be made under California Civil Code Section 1375(h), or for alleged damage to the Common Area, alleged damage to the Lots that the Association is obligated to maintain or repair, or any alleged damage to Lots that arises out of, or is integrally related to the Common Area or Lots that the Association is obligated to maintain or repair, shall be heard by a referee pursuant to the provisions of California Code of Civil Procedure Sections 638 through 645.1. Notwithstanding any other provision of this Declaration, this Article shall not be amended without the written consent of Declarant. In the event litigation is filed based upon any such dispute, the following shall apply:

19.5.1.1. The proceeding shall be brought and held in the County in which the Community is located, unless the parties agree to an alternative venue.

19.5.1.2. The parties shall use the procedures adopted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") for judicial reference and selection of a

referee (or any other entity offering judicial reference dispute resolution procedures as may be mutually acceptable to the parties).

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

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

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

19.5.1.6. The referee may require one or more pre-hearing conferences.

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

19.5.1.8. A stenographic record of the trial shall be made.

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

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

19.5.1.11. The parties shall promptly and diligently cooperate with each other and the referee and perform such acts, as may be necessary for an expeditions resolution of the dispute.

19.5.1.12. Except as otherwise agreed by the parties or as required by applicable law, neither the Association nor any Owner shall be required to pay any fee of the judicial reference proceeding except to the extent of the cost that would be imposed upon the Association or Owner if the dispute had been resolved as a dispute in court. The referee may not award against the Association or any Owner any expenses in excess of those that would be recoverable as costs if the dispute had been litigated to final judgment in court. Each party to the judicial reference proceeding shall bear its own attorney fees and costs in connection with such proceeding.

19.5.1.13. The statement of decision of the referee upon all of the issues considered by the referee shall be binding upon the parties, and upon filing of the statement of decision with the clerk of the court, or with the judge where there is no clerk, judgment may be entered thereon. The decision of the referee shall be appealable as if rendered by the court. This

provision shall in no way be construed to limit any valid cause of action that may be brought by any of the parties.

19.5.2 Binding Arbitration. If for any reason the judicial reference procedures in Section 19.5.1 are legally unavailable or unenforceable at the time a dispute would otherwise be referred to judicial reference, then such dispute shall be submitted to binding arbitration under the rules and procedures in this Section 19.5.2. Any dispute submitted to binding arbitration shall be administered by the American Arbitration Association ("AAA") in accordance with the AAA's Construction Industry Arbitration Rules and AAA's Supplementary Procedures for Residential Construction Disputes in effect on the date of the submission. If such entity is not then in existence, then the dispute shall be submitted to JAMS, and administered in accordance with either the Streamlined Arbitration Rules and Procedures, or (if applicable) the Comprehensive Arbitration Rules of JAMS. Any judgment upon the award rendered by the arbitrator may be entered in and enforced by any court having jurisdiction over such dispute. If the claimed amount exceeds \$250,000.00 or includes a demand for punitive damages, the dispute shall be heard and determined by three arbitrators. Otherwise, unless mutually agreed to by the parties, there shall be one arbitrator. Arbitrators shall have expertise in the area(s) of dispute, which may include legal expertise if legal issues are involved. All decisions concerning the arbitrability of any dispute shall be decided by the arbitrator(s). At the request of any party, the award of the arbitrator(s) shall be accompanied by detailed written findings of fact and conclusions of law. Except as may be required by law or for confirmation of an award, neither party nor the arbitrator(s) may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of both parties.

19.5.3 Applicability of Federal Arbitration Act. The binding arbitration procedures contained in Sections 19.5.2 are implemented for the Community in accordance with the philosophy and intent of the Federal Arbitration Act (9 U.S.C. Section 1 et seq.) ("FAA"), which is designed to encourage the use of alternative methods of dispute resolution and avoid costly and potentially lengthy traditional court proceedings. The binding arbitration procedures in said Section are to be interpreted and enforced as authorized by the FAA. Parties interpreting this Section shall follow the federal court rulings, which provide among other things that: (1) the FAA is a congressional declaration of liberal federal policy favoring alternate dispute resolution notwithstanding substantive or procedural state policies or laws to the contrary, (2) alternate dispute resolution agreements are to be rigorously enforced by state courts; and (3) the scope of issues subject to alternate dispute resolution are to be interpreted in favor of alternate dispute resolution.

Section 19.6. Use of Damage Award Amounts. Any and all amounts awarded to a claimant on account of a claimed construction or design defect in the Community, or damage suffered as a result thereof, shall be expended by such claimant for the attorney fees and costs of the proceeding and the repair, rehabilitation, or remediation of the claimed defect or damage.

Section 19.7. Civil Codes Sections 1368.4, 1375, 1375.05 and 1375.1. Nothing contained herein shall be deemed a waiver or limitation of the provisions of California Civil Code Sections 1368.4, 1375, 1375.05, or 1375.1.

Section 19.8. Disputes Relating To Enforcement Of Governing Documents. In the event of a dispute between the Association and an Owner, or between an Owner and another Owner, relating to the enforcement of the governing documents of the Association, the parties shall comply with the provisions of California Civil Code Sections 1363.810, 1369.510, and following, prior to filing of any civil action.

Section 19.9. Miscellaneous. Nothing in the Article shall constitute a waiver of any of the benefits of statute of limitations or equitable defense of any party. Furthermore, notwithstanding any other provision of this Declaration, this Article may not be amended without the prior written consent of the Declarant.

IN WITNESS WHEREOF, the undersigned hereunto executed this Declaration this _____ day of _____, 200__.

"DECLARANT"

LENNAR RENNAISSANCE, INC.
a California corporation

By: 

Name: TODD SPEERE

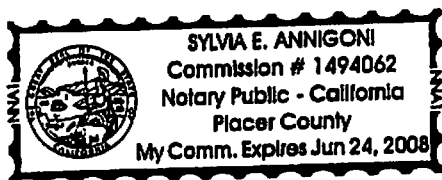
Its: DIVISION MANAGER

ACKNOWLEDGEMENT

STATE OF CALIFORNIA)
) ss.
COUNTY OF PLACER)

On June 22 2005, before me, Sylvia E. Annigoni, personally appeared Todd Speere, personally known to me (~~or proved to me on the basis of satisfactory evidence~~) to be the person whose name is subscribed to the within instrument, and acknowledged to me that he or she executed the same in his or her authorized capacity, and that by his or her signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

WITNESS my hand and official seal.



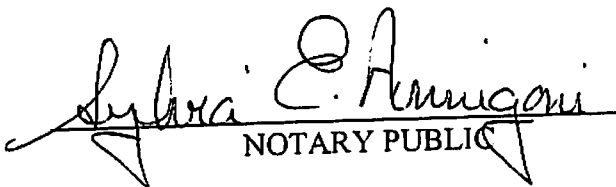

NOTARY PUBLIC

EXHIBIT "A"
PROPERTIES

Lots 1 through 83, inclusive, as shown on the Official Map of "Natomas Park Commons", filed in the Office of the Recorder of Sacramento County, California, on May 5, 2005, in Book 340 of Maps, at Page 10.

EXHIBIT "B"
ANNEXABLE PROPERTY

All of Parcel 10 as shown on a Parcel Map recorded in Book 152 of Parcel Maps, at Page 15, Sacramento County Records, in the City of Sacramento, County of Sacramento, State of California.

EXHIBIT "C"
PRIVATE YARD EASEMENTS

(Dominant Tenements and Servient Tenements)

Lots on Official Map of "Natomas Park Commons"	
<u>Dominant Tenement</u>	<u>Servient Tenement</u>
2	1
3	2
4	3
5	4
6	5
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